

Bank of Khartoum

Interviewee(s): Mr. Fadi Salim Al Faqih (General Manager)
Mr. Kashif Naeem (Head of Retail Banking)

Mr. Fadi Salim Al Faqih: Bank of Khartoum (BOK) is the oldest bank in Sudan, it was established in 1913. It used to be Barclays Bank up to the 1970s when nationalization took place. It became BOK in 1975. In 2002, BOK was registered as a public limited company on the Khartoum stock exchange. In 2005 October, Dubai Islamic Bank (DIB) took majority shareholding of 60% and also management of BOK. In July 2006, an IPO happened - public offering of 25% of shareholding of the bank - shareholding came to 52%-DIB, 22%-government and the rest was the public offering. During that period, management had gone through a transformation, this was when most of the people came in early 2006. During that period, there was a lot of restructuring required internally, changing processes, migration from an old system to a new system, from decentralization operations to centralized operations. We started structuring the business segments to the internationally well-known segments – corporate, retail, treasury, investment. Retail as a business was the new talk of the town. We started with certain liability products in the beginning, then we moved on in 2007 to launch the first retail products: first time, medium-term finance of auto finance – that happened in July 2007. That was a breakthrough, and then we moved into mortgage finance. That was long-term finance—which was also first in the country—up to 15 years. We were the pioneers of the market.



Mr. Fadi Salim Al Faqih,
General Manager, Bank
of Khartoum, Sudan

In 2008, a merger took place between BOK and Emirates & Sudan Bank, maintaining the name of BOK. We became the largest equity bank with a private shareholding close to 250 million dollars of capital, with a network of more than 50 branches. We moved into the same lines of business, there was another change of management and I became CEO of the bank. DIB shareholding diluted down to 28%, the other shareholders are Islamic financial institutions - Abu Dhabi Islamic Bank, Islamic Development Bank, Sharjah Islamic Bank, Etisalat. The government became very minor shareholder, with a share of nearly less than

5%. BOK became the bank with regional management and local reputation, strong and sound operations outreaching to various parts of Sudan. We were also in the South - we were requested to do conventional banking but we had to exit because we our articles of association prevented us to do other than Islamic banking. We hope to go back there, hopefully after the referendum.

For the corporate side, we expanded more into structuring the products and adding better services, technology, and services that would help the corporates do their business. For example we introduced products like cash pickup, various kinds of structure project finance, medium term finance. As far as correspondent banking, we became reputable in the international market for being very confident, trustworthy with regards to handling payments on time without delays, managing our liquidity and balance sheet well. Because of our DIB relationship, we became the bank of choice for international investors because we have the capital and management capabilities to understand the requirements of foreign investment coming into Sudan. This has translated into various sectors of Sudan. On corporate side, we are mostly in the agriculture and industry sector. We are the most scalable bank as far as financing the development of the economy and businesses in Sudan. We have very strong partners in our business, in various industries, trading and agricultural businesses.

Mr. Kashif Naeem: Banking in Sudan was predominantly corporate banking so BOK was the first to do retail banking - to put it as a full-fledged focus. We are the only bank that is offering auto finance up to 6 years, offering home finance up to 15 years. Other banks only do 8 years max, they don't want to take that risk. We are committed and that sets us apart from the competition. A lot of the things we have done for the last 3-4 years, we were the first to do them in the market.

Mr. Fadi Salim Al Faqih: With the international financial crisis, Sudan was majorly affected by the drop of oil prices, BOK had its own resources of financing – which is a challenge for all banks to manage for their

foreign currency because they are dependent on the central bank. With BOK, there was a dependency on the central bank but on the other hand, we have our own capabilities through our international relationship and dealings with institutions like UN, NGOs where we have strong relationships because we are servicing them in their compounds. We have very good ties from our knowledge in the region, especially coming from an international background like Citibank, we managed to do a lot of deals with Citibank which is a huge achievement for Sudanese banks - because of compliance issues. It is very restrictive towards Sudanese institutions, but BOK went beyond that challenge and managed to build a relationship with Citibank for servicing international NGOs. The network of BOK also has a lot of expatriate remittances to go through the bank. That greatly helped foreign currency influence coming into BOK and having a wide ability to be dependent on its own resources where foreign currency is concerned.

In Focus: *The banking sector is relatively underdeveloped which has attracted a lot of interest from abroad and a lot of foreign banks have entered the market to capitalize on growth potential that Sudan offers. What are the main competitive advantages that BOK possesses?*

Mr. Fadi Salim Al Faqih: Other than the name and history of being BOK, it would be our network. That is the major competitive advantage. Flexibility in product development and service development is also another. International banks are going to enter the market as institutions and that requires a lot of investment to be in a big country like Sudan. To have 50 branches all over the country is not a small challenge, you need resources to do that. If they are going to come in, they are going to come in with the branch mentality: it will be the branch for an international or regional bank. That is also a challenge. They will come with the background of being a corporate or investment bank, utilizing its branch network abroad to do trade services. That is also limited because it cannot meet the full fledged banking retail requirement. Corporates do not just come for Khartoum, they are coming for all areas of infrastructure projects all across Sudan. Take the Chinese investment for example, they come in for infrastructure projects in electricity, roads, bridges. We need to service all these clients and we are in these places that we are required to be.

In Focus: *Are you positioning your bank in any way to capture Chinese market and how are you targeting that market?*

We have done a visit to Beijing and met many corporate clients. The Chinese market is not an easy market to penetrate. It needs a lot of continuous communication for that to happen. As far as being in touch with the embassy in China and Sudan, we are doing that. We have a good relationship with a lot of Chinese companies coming into Sudan and we have managed to issue guarantees for them, managed to do a lot of services for their employees, contractors. We have issued a lot of guarantees for local companies like National Electricity Corporation to Chinese banks outside. There is also Chinese banks competition coming in. We are aware of that but we try as much as we can to take a big share of that market.

In Focus: *You mentioned a wide network of corresponding banks as one of your strengths, one of them being Bank of China. Can you describe the relationship you have formed with them and how important it is for BOK?*

The relationship is all dependent on the mutual corporate interests between China and Sudan – that is how it came into place. Bank of China is very conservative because they have an American shareholding. We have managed to do more and more business with them but they are very conservative about the business being done in Sudan because of their compliance issues. We have worked with Bank of China and the Construction Bank of China. The interest comes from the actual corporates and the reputation of the bank.

In Focus: *Are you actively seeking to extend your network of correspondence and strengthen those ties?*

Yes of course. But the challenge is to create that business - it is driven by the corporates. Bank to bank relationship is not that easy. It is created from the corporate relationship or the government relationship with the Chinese and the choice of Bank of Khartoum.

In Focus: *How would you describe your vision of the future China-Sudanese relationship in the next 5-10 years?*

It is going to increase; I think there is huge mutual interest. China sees a lot of potential in Sudan and Sudan requires a lot of assistance and help to develop the country. It cannot be done without a country like China, one of the major players in the international economy to make that happen. The ties are getting stronger. There is a recipe for mutual interest for both to happen.