

ABG looks ahead after IPO

In May ABG launched an IPO for US\$582 million, and earlier arranged a private placement, raising \$425 million. Are you satisfied with these two fund-raising exercises and how do you explain their success against weak regional stock markets?

Adnan Ahmed Yousif. I am glad to be elaborating on these fund-raising events for the readers of *Arab Banker*. The IPO was not a response to market conditions. In fact, we decided some five years ago that an IPO fitted well with our strategic planning but we first had to secure control and consolidation — two important preliminary steps. ABG was incorporated in 2002 as the parent company of 10 diversified Islamic banks from different parts of the world and was not prompted by a booming market. The intention to go public had always been there from ABG's inception. When the IPO did occur, the regional markets were sluggish, a phase otherwise defined by professionals as a correction. Nevertheless, the IPO with the increased shares was fully subscribed with investors from the Gulf, other Arab and foreign countries taking part. As a result the number of shareholders in the Group has risen to more than 1700, drawn from all parts of the world.

Will these increased resources enable you to expand and if so in what areas?

Adnan Ahmed Yousif. ABG plans to utilise the IPO funds firstly to effect capital increases in its subsidiaries and secondly to fund expansion into other countries. We plan to pursue wholesale banking at the ABG level and to participating in the interbank market and other wholesale related investments. We will be participating in large syndications of funded and unfunded transactions, which the Group was unable to do earlier, and will be taking a leading role in project financing, asset leasing and Islamic capital markets products/investments. All preparatory steps have been taken to launch ABG investment *sukuks* to the tune of US\$ 200 million. We expect to build up our wholesale asset book over the next year or so.



Albaraka Banking Group's recent success with raising more than US1 billion through an IPO and private investments has given it added flexibility with plans to implement ambitious expansion plans, CEO Adnan A Yousif explains to Arab Banker

How will you realise your vision of Islamic banking contributing towards the economic betterment of the community?

Adnan Ahmed Yousif. Islamic banking is all about improving the livelihood of the societies in which it operates. Thinkers and founding philosophers defined Islamic banking as an asset-based financial system where all transactions are backed by tangible capital resources such as real properties or inventories. In such a system, for an institution to be eligible to practice Islamic banking, it is required to abide by certain philosophical principles built around the idea of serving the society while adhering to the moral principles of investment. This can be explained by the principle of 'constructing the earth' — adding tangible value to assets — which enables an institution to contribute actively to the local economy and its social fabric. With the ever widening scope of financial services, Islamic banking and finance now entails both retail and wholesale business and accessibility to large amounts of capital allows a greater role in infrastructural development.

You have previously stated that ABG plans to expand in the region and beyond, including China. Would you outline these plans and how you intend to sustain efficiencies and good governance across an increasing number of subsidiaries?

Adnan Ahmed Yousif. Following the IPO, we have ambitious plans to make use of a range of business opportunities in

new markets, to consolidate our operations and improve our competitive advantage, and in the process become more international. We want to expand into countries and regions — including Africa and East Asia — where we currently have no presence but see a good potential for our operations.

Preparations are afoot to open Al Baraka Bank Syria. The regulatory formalities have been completed and work is apace on finalising other related matters, so that the bank may open during this year. The plan includes having a presence in the markets of India, Malaysia and Indonesia, which are very promising markets with stable economies and high growth rates.

A group like ours would be able to continue its success only by following the dictates and practices of multinational financial institutions. At the top is the issue of corporate governance and effective control. A comprehensive package of measures has been in place since an early stage and plans are afoot now to implement standards for quality control, product development and performance, areas that are beginning to attract greater attention at the industry level.

As regards control over subsidiaries, the group's activities are well supervised by its Board of Directors which includes talented and experienced professionals. Each subsidiary is supervised by its own board of directors. Through the coordination and close controls between the units, regular reports are received and addressed for different purposes at the head office.