



MESSAGES

MESSAGE FROM THE GROUP CEO OF DUBAI ISLAMIC BANK



DR. ADNAN CHILWAN
Group CEO, Dubai Islamic Bank

When the comprehensive model of Islamic banking and finance was first introduced over four decades ago in 1975 with the introduction of Dubai Islamic Bank, no one could have imagined that it would grow into what is today, clearly considered a global phenomenon. A thriving industry which now boasts over USD 2 trillion assets worldwide sees no signs of plateauing as it continues to outpace the growth of its so called conventional counterpart, particularly in key markets. The last decade has witnessed an array of challenges across the globe starting with the financial and economic crisis which nearly crippled the biggest global economies, the real estate crash to oil prices sliding to their lowest point in years and the ensuing liquidity and other challenges that stunted GDP growth. Throughout these nerve-wrecking times for the financial sector, Islamic banking has continued to fare significantly better than its older and more established cousin.

The key reason for this is that the focus has always been on the “real economy” within the markets that Islamic banks operate in. Islamic financing typically is structured around an identified purpose, asset or business of the customers and the terms and contracts spell out clearly what the funds are being used for. The stricter adherence in a way, automatically dictates stronger underwriting as it requires greater understanding of the customer’s business and usage of funds. The reason for a more thorough understanding of the purpose of funding and the nature of business is to ensure that sectors which do not comply with Shari’a codes and regulations such as alcohol, tobacco amongst others are avoided. Today, you see a growing trend in the world with movements that are enforcing tightening of funding to such sectors, so effectively the Islamic finance model was a step ahead all along.

With massive liquidity generated in many Muslim markets when the oil prices were at their peak, Islamic finance took off as the investors from these countries forced a need for new structures to evolve which could be used to park the funds. Instruments like Islamic bonds or sukuk saw a surge in capital markets across the globe and the name soon became synonymous with a conventional bond. Today, the sukuk structure is favored more than even the conventional bond, both, due to the relatively higher security it offers to investors and the tighter price for the issuer because of a wider investor base. Across both wholesale and retail, asset management and insurance, there are Shari’a-compliant products available, which incidentally, are now also being taken up by a growing population of non-Muslim customers. International financial centers like Hong Kong and United Kingdom are now aggressively setting up infrastructure to support Islamic finance as are some other countries both in Asia and in Europe. Clearly Islamic banking and finance isn’t just the domain of Muslim countries and has broken that barrier as it makes inroads into what are considered non-traditional markets.

Given the staggering pace of growth in Islamic finance over the years, the expectations are high that the industry will continue to outpace the conventional side in the foreseeable future. There are many reasons for the confidence that both practitioners and the market place in this. For example, the gap between products and offerings is virtually eliminated and Islamic finance players can now compete on an equal footing with those on the other side of the fence. Also, there is a major focus in key economies, like Dubai, Malaysia and even the UK to establish themselves as the hubs for global Islamic finance and with the growth rate of the Muslim population worldwide, there is a growing need to not just push for Shari'a-compliant financing but for other sectors to join the Islamic economy such as healthcare, fashion, food, and entertainment to name a few. The development of these other segments will automatically spur the growth of Islamic banking and finance as funding requirements under the acceptable Shari'a sectors grow.

Finally, despite the tremendous surge seen over the years, globally the industry still remains largely underpenetrated even in massive markets like Indonesia or India. This clearly dictates that a much bigger potential still exists within global markets for further progression of Islamic finance. Pundits today are seeing it grow to around USD4 trillion globally in the medium term but, from our perspective, the possibilities seem endless. Given this scenario, we see no reason why the sector cannot become a norm rather than an alternative form of banking and finance in the foreseeable future.



KHALED AL ABOODI
CEO of ICD

MESSAGE FROM THE CEO OF ICD

Four decades ago, Islamic finance was a strange thought, but now it has emerged as a wonderful reality. It has become a vital and growing reality. It is indeed very beneficial as it is about applying a viable alternative to the conventional banking and finance industry, which lost trust due to successive crises.

Islamic finance remains concentrated primarily in some oil-exporting countries plus Malaysia and Iran, accounting for more than 80% of the industry assets, which reached more than \$2 trillion in 2016. The drop in oil price, the reduction of economic growth, and the policy responses being implemented in the form of spending cuts, have reduced the growth opportunities for the industry in 2017. We therefore expect banks in core markets to grow more slowly than in the recent past. The sukuk market has played a role as an alternative source for governments to close their funding gaps and maintain spending; ICD has helped their issuance in Senegal, Cote d'Ivoire, Togo and Jordan in a very innovative way putting apart the length and complexity of the sukuk issuance process which still deter some issuers from tapping the market.

We are optimistic that some opportunities could put the industry back on track for strong growth and continued globalisation. If we standardise the industry more, we could help Islamic finance not only to return to its strong growth trajectory, but also push for more innovation to arise. We also need to keep in mind that there is a natural connection between the principles of Islamic finance and some of the Sustainable Development Goals. Both want to achieve more responsible, equitable, and real economy-oriented financing.

ICD, as any player, could use several success stories in Islamic finance to leverage the experience of financial institutions and SMEs in their strategy to develop Islamic finance locally.

Islamic Corporation for the Development of the Private Sector (ICD) is a Member of the Islamic Development Bank Group

MESSAGE FROM THE CEO OF BANK OF KHARTOUM



FADI AL FAQIH
CEO, Bank of Khartoum

It's with great pleasure and honour for me to be part of the sponsoring and launching of this edition of Global Islamic Finance Report, which sheds light and focuses on leadership in Islamic banking and finance.

Established in 1913, Bank of Khartoum (BOK) is the oldest bank in Sudan. Having celebrated its 100 years in 2013, it has witnessed an array of changes and has evolved to what is now one of the reputable top performing Islamic banks in the African region, not to mention its lead in the Islamic finance industry in Sudan. The BOK, since 2008 to date, has experienced continually positive rapid pace of progress. The Bank's equity as of December 2016 stands at SDG2.7 billion. Moving forward, based on current growth momentum, BOK's strategic focus has expanded to the Africa and Gulf region, capitalising on its significant business presence in the market and reputability.

The expansion of the industry has been displayed by a widening geographical outreach. Started initially in Sudan, being the home base of BOK, the Bank's market outreach covers the vast country with over 100 branches and cash offices and over 230 ATM's in addition to all electronic banking services and products. This is to assure that our clients' diverse needs are being met. Our endeavors shall continue to expand serving the needs of both sovereign and corporate clients. Our appetite to provide and serve our clients remains strong, thus leading us to where they are and where they would want to be. With that vision in mind comes our aptitude and willingness to innovate products and service offerings, and widening our footprint and presence, thus increasing its relevance across many economic sectors with different financing needs and potentials to mobilise the BOK model as an engine of growth.

Our investment in the finance sector comes in a showcase of the models adopted by our subsidiary companies from Islamic Microfinance (Irada Company), to Cash In Transit (CIT) and custody of valuable assets services (Al Fahad Company), to financial securities services (Sanabel Company), Export Import business (National Trade and Services Company), foreign currency exchange (Sudakash) & real estate business (Al Waha Mall and offices) and the recent acquisition of (Canar Telecommunication Company) a company acquired from Etisalat .

Despite the challenges that besets Sudan's economy that have created some undeniable hinders, we believe progress is possible and obstacles can be overcome and must be overcome as it is a promising country with a wealth of recourses and great potential.

The key lies in financing these potential investments and hence, creating employment and business opportunities through innovation and knowledge enhancement. All this against a backdrop of continuously challenging the impact stemming from unjustified sanctions and their ramifications through the appropriate means while utilizing current available business strategies and maintaining a compliant transparent reputable banking model. Achieving economic sustainability through financial inclusion is a must, but requires a sound healthy banking environment and an equivocal set of stable businesses and projects. With combined efforts from all relevant stakeholders, the Sudanese economy has the potential to reach new heights, and ultimately achieve the truly deserved development, inclusion and sustainability. We spearhead our role as a leader in the banking sector in Sudan through our work, innovations, initiatives, compliance and leadership to assert our clients, correspondents, and partners of our standards, ethics and ingenuity through our operations and activities.