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“Cape Verde is the cornerstone of our regional operations”

After six years operating in Cape Verde, the iibCV closed 2023 with a record profit of 6 million euros. Forbes África Lusófona talked to Sohail Sultan, Chairman of iibGroup, on the good performance of the bank and the future of the operation in the Cape Verdean archipelago.

It was in 2018 that iibGroup, Bahrain's financial group, would acquire 90% of the International Bank of Cape Verde (BICV), former BES Cabo Verde, the financial institution that was part of the assets of Novo Banco. At the end of 2023, iibGroup acquired the remaining 10%, becoming a sole shareholder of the International Investment Bank of Cape Verde (iibCV).

These financial movements, of a group that owns banks in the Middle East, West and Eastern Africa and the Caribbean, are part of what Sohail Sultan, chairman of iibGroup, calls a "strategy to turn iibCV into a leading international bank in Cape Verde".

A strategy that has gone well for the group. In fact, iibCV is currently the third largest bank, in assets, in Cape Verde and in the last three years it has shown increasing profits. It closed 2023 with a historical result of 6 million euros in profit, 55% more than 2022. The bank's assets also grew significantly with an increase of 12% in the last year.

"Cape Verde's economy grew 5.1% in 2023, after a historic growth of 17.4% in 2022. Although we are talking about a relatively small market, compared to other African countries, the solid and consistent growth of the Cape Verdean economy was certainly decisive for the success of the iibCV in 2023," justifies Sohail Sultan.

Still, Sohail recognizes that the results of the last 3 years have exceeded expectations and the plan outlined. "It has made us the ability to quickly adapt to changing market conditions and take advantage of emerging opportunities, but we also enriched

the customer experience, leading to higher rates of customer acquisition and retention," he says.

The group envisages a stabilization of the Cape Verde economy by 2025 and a growth never below 5%, data that give confidence and predictability to the bank to invest in the archipelago.

Despite the small market size, Sohail Sultan recognizes Cape Verde as a strategic platform for business with West Africa, Brazil and Europe.

Cape Verde is strategic

The geographical location, political and financial stability and exchange rate parity to the euro are the arguments that place the small Cape Verdean archipelago as the leading country of the iibGroup's growth strategy.

"Cape Verde is the cornerstone of our regional operations and serves as a strategic center of our expansion in West Africa," recognizes the chairman, who does not want, however, to advance the countries where the group intends to enter soon, but admits interest in Portuguese-speaking markets. Moreover, the iib-Group has already expressed the desire to buy a bank in Portugal.

But Sohail Sultan justifies in detail the reasons for his group to place so many expectations in Cape Verde. "Progressive economic policies and the focus on digital transformation in the country align with our vision. Cape Verde has a highly qualified workforce, which has been instrumental in boosting our operations. Our local team has a deep knowledge of regional dynamics and customer needs. Also Cape Verde's commitment to sustainable development and ESG (environmental, social and governance) principles are in tune with our values. Cape Verde is not only an operational place, but a vibrant and dynamic partner in our journey of sustainable growth and innovation," he says.

Last year, iibCV was the first Cape Verdean bank to issue blue bonds, in partnership with the United Nations Development Program, the Cape Verde Stock Exchange and the SDG Joint Fund. A pioneering operation in the country, aimed at attracting investment for the sectors associated with the blue economy, namely fisheries, marine research, businesses associated with the sea and sustainability. The initial amount

of the public offer of blue bonds was 2.27 million euros, but the operation amounted to 3.17 million euros taking into account the high demand.

Also in the same year, the bank issued green bonds, allocating part of the funds to the implementation of renewable energy and energy efficiency projects at the Agostinho Neto University Hospital, in Praia, and social obligations to support the SOS Children's Villages in Cape Verde.

Operations that confirm the commitment to Cape Verde, not only financially but also socially. Facts that, in the words of Sohail Sultan, are only possible thanks to the good relationship with the Government and central bank.

"The support of Cape Verdean institutions in the process of implementation and consolidation of the iibCV has been decisive for this position of the bank in the country," according to its chairman. The government has consistently demonstrated prudent fiscal management, maintaining a balanced approach to economic growth and fiscal responsibility. This has resulted in controlled inflation, sustainable levels of public debt and a solid fiscal position, demonstrating economic health. The central bank of Cape Verde, on the other hand, plays a crucial role in maintaining monetary stability, with sound monetary policies and a stable currency, creating a reliable financial environment that promotes investor confidence and economic growth.

This robust structure ensures the stability and integrity of the financial sector, making it a reliable partner for all."

Business not realized

Last year, iibGroup was one of the candidates for the purchase of the 59.81% of the shares of Caixa Geral de Depósitos (CGD) in BCA, Banco Comercial do Atlântico, the largest national bank. An operation for which iibGroup emerged as a "favorite" among competitors, taking into account that, of the three candidate groups, only the group led by Sohail already had a presence in Cape Verde.

However, CGD would announce its decision in March of this year, and the choice fell on Coris Holding, a group of Burquina Fasso. A deal that will yield 70 million euros to Caixa Geral de Depósitos.

Sohail Sultan received the result with some surprise but also with "Humility". The chairman explains to Forbes África Lusófona that CGD's decision was motivated by essentially financial factors and maximization of the price of the offer.

"The strategy we proposed for the purchase of the BCA, of joining the valences of the iibCV with those of the BCA, would have created a regional bank of considerable size, capable of managing regional financial flows for the benefit of the country. The offer of iibGroup was, in our opinion, a prudent price, since it constituted a premium on the accounting value of the BCA. Apparently, the winner made a superior offer than ours," explains Sohail Sultan.

The transaction has not yet been completed, however, the endorsement of the central banks of Portugal and Cape Verde is missing, so the chairman is attentive and states: "If the purchase is not approved, we are ready to complete a transaction to acquire the BCA."

Still, Sohail sees this process as a moment of learning and not a defeat. "We have gained deeper insights into the dynamics of the market, the competitive landscape and our own organizational capabilities. This knowledge allowed us to improve strategies and position ourselves better for future opportunities. Otherwise, we remain open to the acquisition of another bank in the country."

Reach \$5 billion in assets

The non-realization of the BCA purchase business was just a small "per-calço" that does not shake the group's growth prospects in Cape Verde.

The strategy is clear: to make the country an important regional business platform between countries and markets in West Africa, America and Europe. "The active participation of Cape Verde in regional economic communities, such as CEDEAO, offers a platform for regional integration and market access. This facilitates our strategy of expanding to other markets in West Africa," he says.

To this end, iibGroup bets on innovation and investments aligned with the future growth strategy. The bank has its eyes on the opportunities of fintechs and technology companies, but also on sectors with a high growth rate such as renewable energy, agribusiness, the marine economy and IT. "We also want to invest in critical

infrastructure, such as transport, logistics and telecommunications, essential to support economic growth. We are particularly interested in public-private partnerships that develop these projects, improving connectivity and accessibility between islands."

In fact, iibGroup's strategy has gone through a lot of investments in public companies. The bank has already financed the national carrier Cabo Verde Airlines, but also the public service inter-island maritime transportation company, CV Interilhas, among other examples. Operations that Sohail justifies, on the one hand, by the commitment made to Cape Verde and, on the other, by the security that these investments give to the bank. "Maintaining a good relationship with key stakeholders and regulatory bodies is a central principle of our business. The strategy of financing guarantees and acquisition of securities has proven to be a robust mechanism to support essential public companies and contribute to the broader economic development goals of the regions where we are inserted, in addition to having a relatively lower risk profile compared to other investment options." Still, iibCV does not neglect the private sector and the importance of attracting more and more customers and investors from different business areas. The financial group wants to significantly increase savings and credit products for private and retail customers, whose indicators are shown to continue to be very positive. "We had a solvency index of 49.2% in 2023 and an excess asset index of 1.62%," says Sohail Sultan.

Cape Verde will therefore continue to be a strong bet of the Bahrain group. About acquisitions in other countries of the lusophony, the chairman does not confirm or deny it, but guarantees that the group is "attentive" to opportunities, especially in emerging economies and having Cape Verde as a gateway to other markets and countries.

"Our goal is to reach \$5 billion in assets through the continuous and careful expansion of our banking operations in emerging markets. We want to make iibCV a regional bank that can intermediate and facilitate regional trade and financial flows in Portuguese-speaking African countries, for the benefit of the Cape Verdean economy and our growing customer base," he revealed.