

# ***Islamic Finance***

## Creating value



**pwc**



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## Foreword

*The competitive environment for financial services in SAAAME (South America, Africa, Asia and Middle East) has dramatically changed as these regions are experiencing accelerated growth and increased intra-regional trade. We believe that Islamic Finance is ideally placed to take advantage of these trends, especially in light of the fact that our analysis indicates that by 2030, more than 95% of the world's Muslim population will be located in Asia and Africa. Speculation around the future of Islamic Finance is over. Larger global forces are ensuring that Islamic Finance is here to stay and grow particularly in view of the need to satisfy the rapidly increasing Islamic Financial services needs of the SAAAME region. The key question is how rapidly institutions adapt.*

*The global Islamic Finance market has grown at 23% CAGR to over USD 1.2 trillion and is expected to reach USD 2.6 trillion by 2017, with the MENA region and Asia accounting for a large part of the growth. Whilst several Islamic banks have enjoyed success during the last 5 years, the GCC Islamic*

*banking industry in general has underperformed with average ROE's for major banks at roughly 7% versus 14% for conventional banks during that same period. Making money in today's highly regulated and competitive markets is a lot harder and Islamic banks should be more customer centric in their propositions, delivery and service. Doing so will be challenging, especially since Islamic banks will need to focus on innovation and on improving their cost efficiency relative to their conventional counterparts.*

*We look forward to the opportunity of serving you and would be delighted to address any of your ongoing questions or concerns about the Islamic Finance industry in general or any other specific business related issues.*



**Ashruff Jamall**  
Global Islamic Finance Leader



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### ***Delivering value through Islamic Finance services***

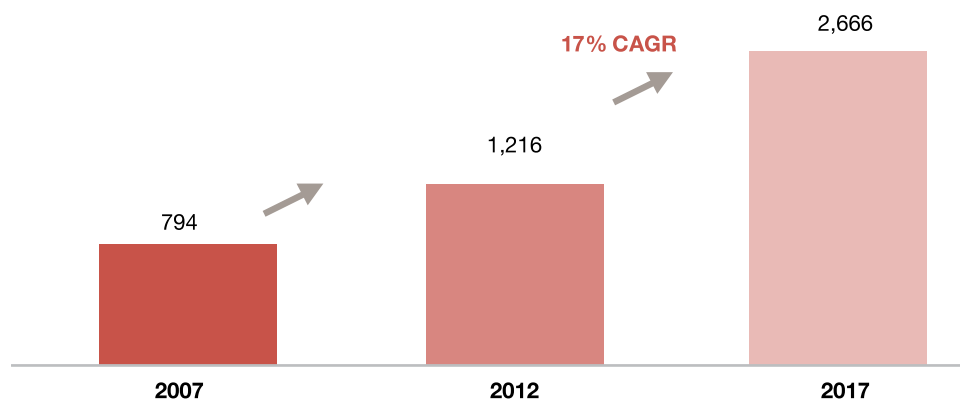
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# Overview

## Global Islamic Finance assets are at ~ \$1.2 trillion

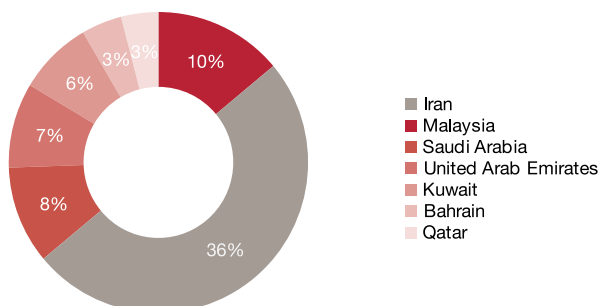
Growth of the Islamic Finance market (\$)



Source: PwC analysis, UKIFS, Deutsche Bank, Maybank and The Banker.

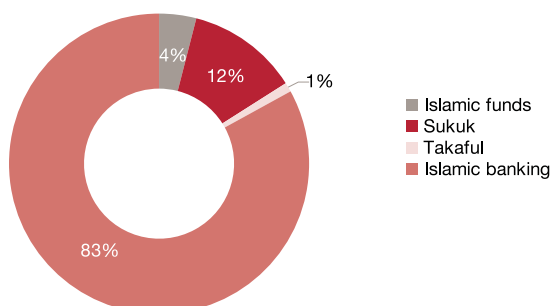
## The Middle East has traditionally been the largest Islamic Finance market

Country-level decomposition of Shariah compliant assets - 2012



Source: PwC analysis, UKIFS, Deutsche Bank, Maybank, The Banker, GIFF report 2010, and The Banker Top 500 Islamic Financial Institutions Survey.

Product-Level decomposition of Shariah compliant assets - 2012



Source: PwC analysis, UKIFS, Deutsche Bank, Maybank, The Banker, GIFF report 2010, and The Banker Top 500 Islamic Financial Institutions Survey.

## ***However, the Islamic Finance industry continues to enlarge its global footprint***



### ***North America***

#### **Canada**

- Toronto Stock Exchange (TSX) Shariah index launched in 2009.
- UM Financial Group - Canada's premier Islamic financial institution; member of The Islamic Financial Services Board (IFSB) and The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI.)

#### **USA**

- The Dow Jones Islamic Market Indexes launched - 1999.
- Office of the Comptroller of the Currency (OCC) issues an interpretive letter/guidance regarding United Bank of Kuwait's Murabaha mortgage products as permissible Islamic products to offer by banks - 1999.
- The entry of mortgage finance companies, Freddie Mac and Fannie Mae, into the Islamic home finance market provided a huge source of liquidity into the market for Islamic home finance products - 2001.



### ***Europe***

#### **France**

- Central bank to issue Islamic banking licenses - 2009.
- Government made fiscal and legal adjustments for Islamic Finance transactions: i.e. taxation guidelines on Sukuk and Murabaha, Ijarah and Istisna - 2009.
- Government introduces guidelines for sukuk offerings - 2010.

#### **United Kingdom**

- Abolished double stamp duty for Islamic mortgages - 2003.
- UK Islamic Finance Secretariat sets objectives to entrench London as a global gateway for Islamic Finance to lead to the issuance of the first UK sovereign Sukuk - 2010.
- 5 FSA – approved Islamic banks.

#### **Germany**

- Saxony-Anhalt state issued government sukuk.
- First Islamic banking operation - 2010.

# Asia & Australia

## South Korea

- Parliament expected to pass the law related to offering of tax waiver on foreign investors interest income from sukuk issued - 2011.

## Japan

- Law passed allowing banks to conduct Islamic Finance - 2009.
- Financial Service Agency of Japan (JFSA) has proposed tax reforms on various Islamic Finance related issues in its proposal on tax reform for 2011.

## Hong Kong

- Hong Kong government releases consultation conclusions on sukuk taxation with a view to provide a taxation framework for Islamic bonds on par with that for conventional bonds - 2012.
- Launch of Hang Seng Islamic China Index fund - 2007.

## Singapore

- First Islamic bank established, Islamic Bank of Asia - 2007.
- Singapore waives double stamp duties on Islamic transactions - 2005.
- Launched Islamic Exchange Traded Fund (ETF) - 2008.

## Australia

- Launch of first Islamic Finance firm, the Muslim Community Cooperative Australia Limited - 1989.
- Australia Board of Taxation to review tax laws on Islamic Finance – 2010.

## Malaysia

- Malaysia is set to introduce a comprehensive legal framework for the Islamic Finance industry- “Islamic Finance Services Act 2012” which is expected to be gazetted in 2013.
- Host to International Islamic Liquidity Management Corporation which was established in October 2010 to enhance cross-border liquidity of Shariah-compliant financial instruments.
- Adopted a two-tier quantitative approach in screening methodology determining Shariah-compliant status of listed companies in June 2012.







## Africa

### Senegal

- Plans to tap the growing Islamic Finance market by issuing its first sovereign Islamic Bond in 2011.

### South Africa

- Finance Minister introduces legislation permitting a government savings instrument that satisfies Islamic principles, known as a sukuk - 2011.

### Ethiopia

- ZamZam Bank (under formation) - the first Islamic bank - 2011.

### Uganda

- Governor of the Bank of Uganda announces proposed amendments to the Financial Institutions Act, 2004, to permit the licensing of, and transacting by financial institutions in Islamic banking in Uganda - 2012.

### North Africa

- Full-fledged Islamic Banks are already established in Egypt, Algeria and Tunisia and Islamic windows in Egypt, Morocco and Algeria.

## Middle East

### Qatar

- Qatar Central Bank orders separation of conventional and Shariah-compliant operations to ensure more Shariah compliance - 2011.

### Oman

- Oman reverses its prohibition on Islamic Finance to develop the Islamic Finance industry - 2011.

### United Arab Emirates

- Establishment of state-owned regional banks, such as Dubai Islamic Bank (1975), Abu Dhabi Islamic Bank (1997), Al Hilal Bank (2008).
- Dubai Bank merges with Emirates Islamic Bank - 2012.
- Initiative launched to establish Dubai as the global capital of Islamic Economy - 2013.



# Key drivers impacting growth

## **Several drivers impact whether the growth of the Islamic Finance industry will be commensurate with demand**

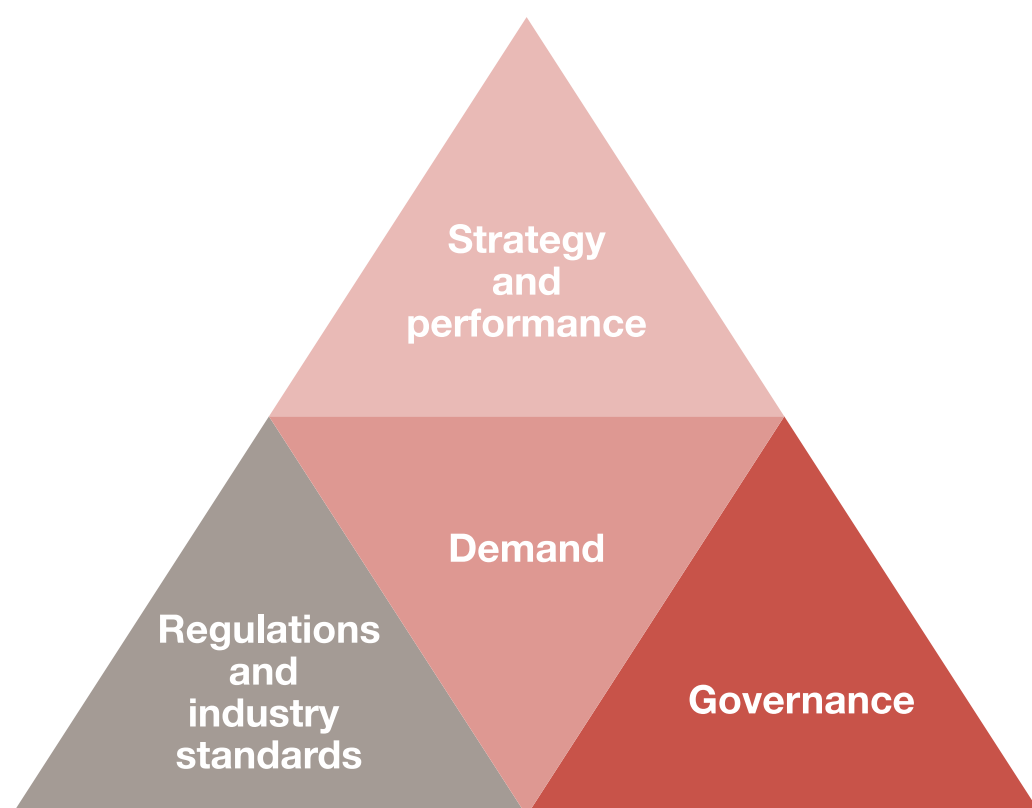
A key dynamic of the Islamic Finance industry is the tension between demand and structural constraints that may limit growth. While demographics and customer preferences favor continued demand growth, enhancements to governance, performance and regulations necessary prerequisites for the industry to realize its potential.

Demand for Islamic finance services is increasing due to growing Muslim populations in SAAAME\* countries especially in Asia and Africa, which currently account for over 95% of the world's Islamic population and which are projected to grow 35% by 2030. SAAAME countries also contain large unbanked populations, which can be harnessed by Islamic banking models.

In order to improve its competitive edge, Islamic finance must focus on improving its strategy and performance. Currently, Islamic bank ROEs are significantly lower than conventional banks mainly due to considerably higher costs.

Industry growth will also benefit from stronger governance, which is key to maintaining confidence in the Islamic finance industry. Shariah boards and Shariah scholars should grow their numbers in order to minimize the potential conflict of interest arising from a small number of scholars sitting on a large number of Shariah boards.

Enhancing the effectiveness of regulations and industry standards will undoubtedly increase consumer confidence, growth and innovation. The increased flexibility demonstrated by regulators such as the FSA regarding the treatment of Islamic deposits, plays an important role in encouraging the use of Islamic banking products.



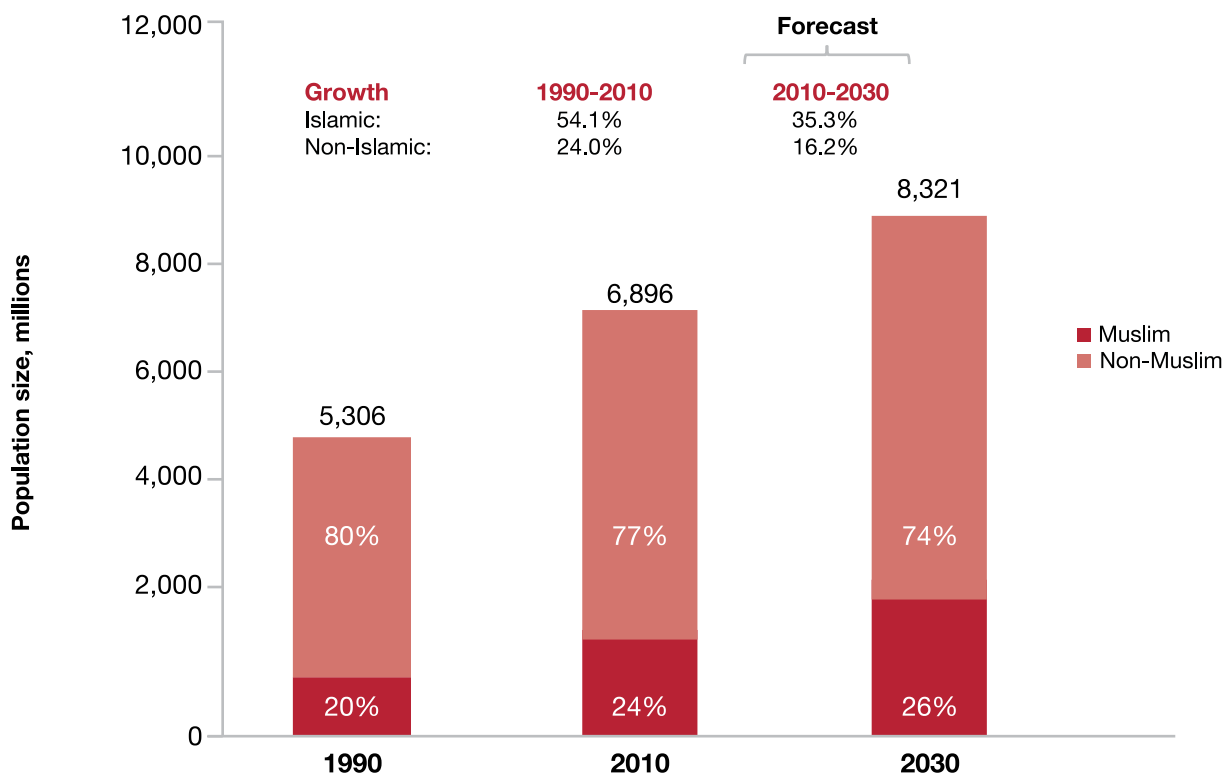
\* Note: SAAAME refers to South America, Africa, Asia and Middle East.

## Demand

**The demand for Islamic finance is expected to grow rapidly as a consequence of the growth of Islamic populations in SAAAME Countries\***

- The world's Islamic population is projected to grow by 35% by 2030, thus significantly boosting the demand for Islamic Finance.
- The demand for Islamic Finance is expected to particularly grow in Africa and Asia, which currently hold over 95% of the world's Islamic population.
- There exists an attractive market around the emerging 'middle classes' for Islamic deposits, lending, protection and payment products.
- Growth in the retirement market is creating demand for Islamic pension and asset management products.
- There remains a large unbanked market in many SAAAME countries, which can be harnessed through Islamic banking models.

**World Islamic population 1990, 2010 and 2030**



Source: PwC analysis, United Nations Population Division; Pew Research Center, Bankscope.

\* **Note:** SAAAME refers to South America, Africa, Asia, and Middle East

# Strategy and performance

Islamic banks must focus on improving their strategy and performance in order to effectively compete with their conventional counterparts

GCC Banks: 2006-2011 Avg. Assets vs. Equity

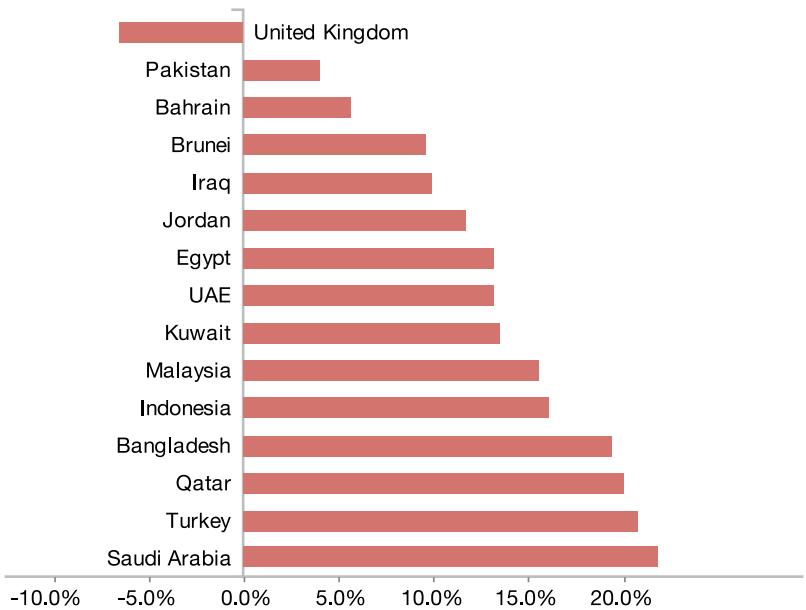


Source: PwC analysis.

## Concentration

- Of major institutions, top 10% possess nearly 40% of assets.
- Only 20% above average in size and performance.

Islamic Banks, Key Markets: 2006-2011 Avg. ROE



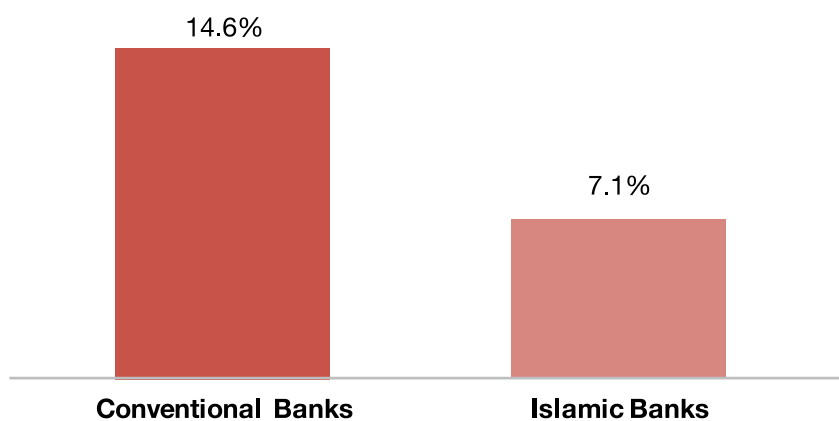
## Profitability

- **2006:** Average size GCC = \$6.4B gross assets; industry ROE = 23%
- **2011:** Average size GCC = \$10.5B gross assets; industry ROE = 10.4%

## Strategy and performance

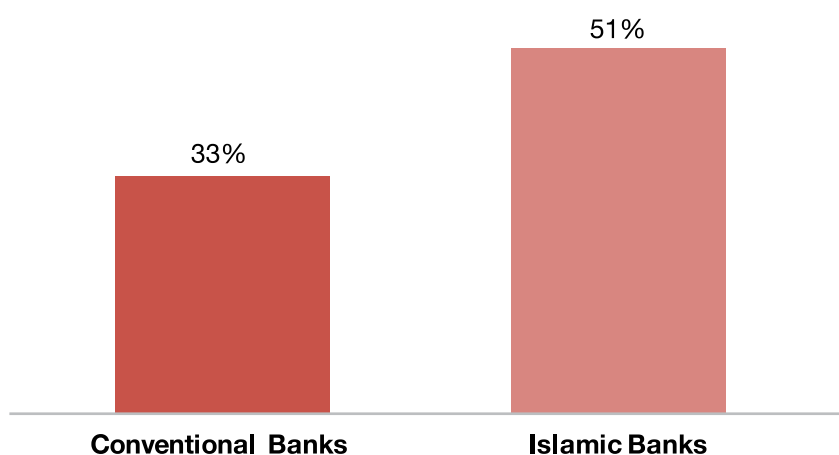
Islamic banks must focus on improving their strategy and performance in order to effectively compete with their conventional counterparts

GCC Banks Average ROE: 2006-2011



Source: PwC analysis.

GCC Banks Average 5-year Cost to Income: 2006-2011



Source: PwC analysis.

**Greater customer centricity, operational efficiency and innovation is needed to improve financial performance of Islamic banks**

### Governance structures are key to maintaining integrity of Islamic Finance

#### *Integrity of Shariah governance*

- Shariah Supervisory Boards need to be independent to ensure sound Shariah decision-making.
- Representation of Shariah scholars is highly concentrated. A survey by Funds@Work (2011) reveals that only the top 20 Shariah scholars hold 619 Board positions representing more than half of the 1,141 positions available, thus raising independence and succession issues.
- Concentration also creates succession issues. Creation of central Shariah supervisory councils and development of “next generation” Islamic scholars are key to addressing this issue.

#### *Legal integrity*

- The existence of precedents on the application of commercial law (which also governs contractual agreements with Islamic financial institutions) has a positive impact on dispute resolution. On the other hand, lack of precedents on the application of Shariah law (which continues to govern the operational aspects of Islamic Financial institutions) risks undermining the dispute resolution mechanism.
- The interaction of commercial law with Shariah law will continue to challenge the legal integrity of Islamic financial transactions in relation to dispute resolution.
- UK court cases in point: (1) Shamil Bank of Bahrain E.C. (Islamic Bankers) vs. Beximco Pharmaceuticals Ltd and Others (2004); (2) The Investment Dar vs. Blom Developments Bank (2009).

## ***Regulations and industry standards***

**Enhancing the effectiveness of regulations and industry standards are also enabling growth in key SAAAME countries**

### ***Africa***

#### **Nigeria**

- New law governing the operation of Islamic Banks introduced by the Central Bank of Nigeria - 2011.

#### **Kenya**

- Extensive revisions to Islamic banking law in Kenya - 2007.
- Gulf African Bank commences Islamic Finance business; key shareholder is BankMuscat - 2009.

#### **Tunisia**

- Tunisian government sets up working group to develop the legal and regulatory infrastructure for Islamic Finance in the country, with a target to initially issue sukuk - 2012.

#### **Libya**

- Libyan Central Bank approves new Islamic banking law in response to strong demand from the public for Shariah compliant financial services - 2012.

### ***Asia***

#### **Malaysia**

- Islamic Financial Services Board (IFSB) formed in 2002 to support the Islamic financial services industry through the issuance of global prudential standards and guiding principles.
- Malaysia is introducing a legal framework for Islamic Finance industry - “Islamic Finance Services Act 2012” which is expected to be gazetted in 2013.
- Host to International Islamic Liquidity Management Corporation which was established to enhance cross-border liquidity of Shariah-compliant financial instruments - 2010.

#### **Hong Kong**

- Regulatory infrastructure permits Dow Jones Islamic Market Index to track China-related equities listed in the Hong Kong stock exchange, further enriching the Islamic index infrastructure in Hong Kong - 2008.

### ***Middle East***

#### **Qatar**

- Qatar Central Bank orders separation of conventional and Shariah-compliant operations to ensure more Shariah compliance - 2011.

#### **Oman**

- Oman reverses its prohibition on Islamic Finance in 2011 to develop the Islamic Finance industry, leading to establishment of first Islamic bank in Oman, Bank Nizwa - 2012 and Bank Al Izz - 2013.

#### **Bahrain**

- The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) promulgates accounting, auditing, governance, and Shariah standards - 1991.

#### **United Arab Emirates**

- Dubai Financial Market (DFM) publishes draft of its “Standard for Issuing, Acquiring, Trading Sukuk” - 2013.
- UAE Central Bank to consider separation of conventional and Shariah-compliant operations - 2012.

## ***Regulations and industry standards***

**Regulations and industry standards are important for consumer confidence, growth and innovation**

### ***Regulations***

- Financial Services Authority (FSA).
- Dubai Financial Services Authority (DFSA).
- Securities & Commodities Authority (SCA), UAE.
- Saudi Arabian Monetary Agency (SAMA).
- Central Bank of Bahrain.
- Qatar Central Bank.
- Central Bank of Kuwait.
- Securities Commission, Malaysia.

### ***Industry Standards***

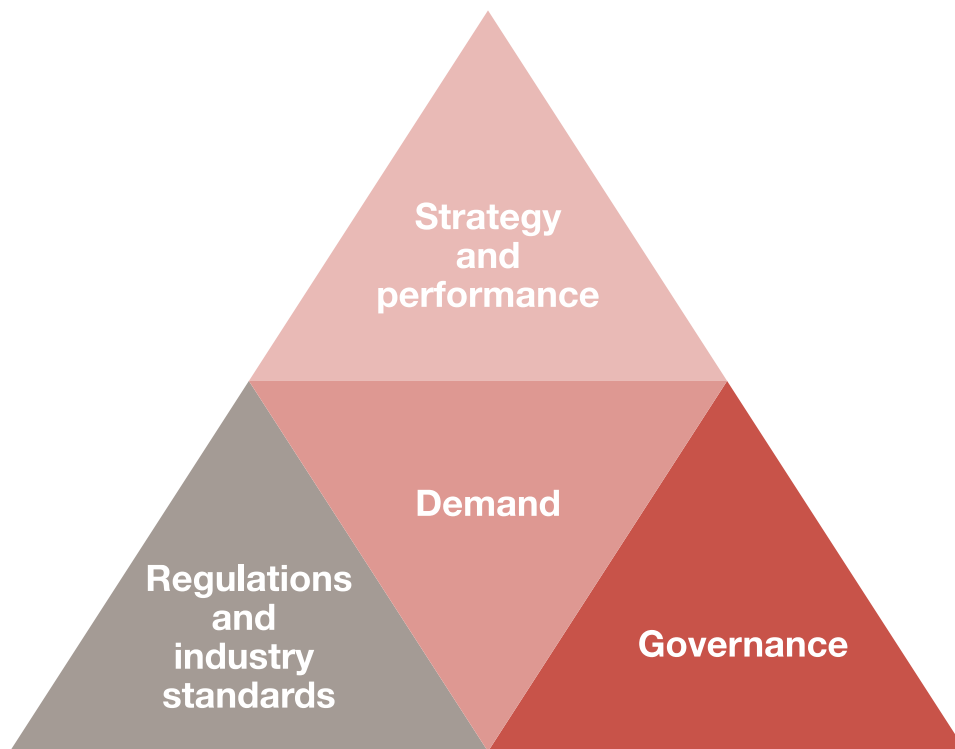
- Islamic Financial Services Board (IFSB).
- International Financial Reporting Standards (IFRS).
- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- Malaysian Accounting Standards Board (MASB).
- General Council for Islamic Banks and Financial Institutions.
- International Islamic Financial Market.

***Corporate governance   Accounting   Capital adequacy   Risk management   Transparency   Market discipline***

- Flexibility provided by the FSA in respect to the regulatory treatment of Islamic deposits and stamp duty on Islamic mortgages, has given impetus to the growth of the Islamic Finance industry in the UK.
- AAOIFI's accounting, auditing, governance and Shariah standards have played an important role in enhancing credibility and demand for Islamic banking products.
- IFRS and MASB standards accommodate Islamic transactions.
- Thomson Reuters, IDB, Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) and AAOIFI, together with a consortium of the world's largest Islamic banks launch the world's first Islamic Inter Bank Rate, International Islamic Benchmark Rate (IIBR).
- Abu Dhabi Islamic Bank (ADIB) attracts a spectacular order book of over \$15 billion in November 2012 through issuance of a \$1 billion perpetual Sukuk, which has no maturity date.
- Dubai Financial Market (DFM) publishes draft of its "Standard for Issuing, Acquiring, Trading Sukuk" – 2013.



## *Key strategic themes*



- Business model change to capture intra-SAAAME growth.
- Increased customer centricity.
- Improved service, operational efficiency and delivery.
- Standardisation of contracts, accounting and documentation.
- Enhanced financial returns and performance.
- Improved governance and regulation.
- IT systems need to be compatible with Shariah requirements.
- Favorable demographics and corporate lending challenges are driving retail growth.

## *How PwC can assist*



PwC can assist with the key strategic themes of growth and demand, governance, regulations and standards as well as strategy.

Market feasibility assessments and strategy development assist in conducting feasibility studies and building strategy models for Islamic Financial Institutions. We assess risks around market entry and also assist with business plan development and licensing approval.

We provide assistance on deal support with financial, transactional and accounting services, risk valuation as well as tax and legal support.

We assist with the establishment of Islamic Financial Institutions, providing strategy and business

plan development and assist with market entry plans, operating model design, IT strategy and architecture development.

We design operating models, including assisting with capability, process and product mapping. We create product programs, policies and procedures and develop blueprints for the organisation.

PwC works with people and change in organisations to develop organisational structures and build competency. We assist with training, rewards planning and also deal with issues of succession. We also work on internal audits, assessments and job descriptions.

We also assist with the design, implementation and facilitation of IT assurance, strategy and system selection.

# How PwC can assist

## **Market Feasibility Assessments & Strategy Development**

- Feasibility studies
- Strategy and business model development
- Market entry
- Business plan development
- Licensing approval

## **Deal Support**

- Valuation
- Due diligence
- Financial, transactional and accounting Restructuring
- Corporate finance advisory
- Tax support
- Legal

## **Establishment of Islamic Financial Institutions**

- Strategy and business plan development
- Market entry
- Operating model design
- IT Strategy and architecture development

## **Operating Model Design**

- Capability mapping
- Process mapping
- Product programs
- Policies and procedures
- PMO
- Develop blueprint for organization

## **People & Change**

- Develop organisational structure
- Competency
- Assessment and job descriptions
- Training
- Rewards planning
- Succession

## **IT Design & Implementation Assistance**

- IT Assurance
- IT Strategy
- IT System selection

## **Risk**

- |                         |                       |                 |
|-------------------------|-----------------------|-----------------|
| • Regulatory compliance | • Regulatory Strategy | • Training      |
| • Internal Audit        | • Assurance           | • Shariah Audit |

# Our Islamic Finance capability and credentials

## *PwC is the world's largest professional services firm*

PwC is a truly global organisation with member firm offices in 771 cities in 158 countries. With a combined head count of more than 169,000 people, PwC firms rank amongst the world's leading employers of highly skilled, professional people. Aggregated revenues in fiscal year 2011 were US\$29.2 billion.

We provide industry-focused assurance, tax and advisory services for 425 of the companies in the FT Global 500. We also serve smaller companies, private entities, not-for-profit organisations and the public sector.

### *Working together*

At PricewaterhouseCoopers, we work with you to provide advice and assistance in the implementation of your strategy. We recognise the importance of having experienced, dedicated staff who can build strong sustainable relationships, understand your business and work together to develop innovative solutions to your business needs. We use our financial, analytical and business operation skills to develop and tailor solutions, whatever issues you are facing:

- Creating/acquiring/financing businesses and integrating them into current operations.
- Enhancing performance.
- Improving management and control.
- Dealing with crises.
- Restructuring and realising value.



## ***We have deep experience in the Islamic Financial Services industry***

**Illustrative high value projects that we have undertaken for Islamic Financial Institutions include:**

- Development of strategy and business plans
- Feasibility studies
- Strategic business reviews
- Debt restructuring
- Private placement memoranda
- Setting up Islamic banks
- Islamic private equity transactions
- Design of operating models
- Organisation design and comprehensive HR support
- Core banking systems selection



***We provide our expert assistance to 425 of the top 500 companies in the FT Global 500. A selection of our high profile clients is highlighted below.***

***We have an award winning Islamic advisory practice*** PwC has recently won the 'Best Islamic Consultancy' award in the Islamic Finance News Awards Poll

#### ***Our global Islamic Finance network***

- We have a dedicated Islamic Finance practice concentrated in the Middle East, Malaysia, and the United Kingdom. Our dedicated Global Islamic Finance Team (GIFT) brings extensive experience in dealing with the most relevant and pressing issues in this increasingly important facet of modern global banking.
- Our globally connected multidisciplinary team can help you find the right answers whether you are a standalone Islamic entity or a conventional institution. We can offer advisory, structuring, due diligence, audit and accounting services.
- GIFT has been extensively involved in the Islamic Finance sector since the 1980s and have deep knowledge of the industry. Their experience covers the full spectrum of Islamic Finance challenges, from helping Takaful companies, to addressing Sharia compliance, to restructuring Sukuk issues, to addressing the unique specificities of Islamic institution audits.
- Globally, PwC Partners contribute to leading Islamic Finance publications, and thought leadership initiatives. They are regularly invited to share their specialised knowledge in conferences, workshops, and discussion forums.

#### ***Our Islamic Finance client base***

- Our clients in the Islamic Financial services sector include local, regional and international banks, Takaful (Islamic insurance) operators, real estate investment trusts, mutual funds and major regulators and regulatory bodies.
- Our clients include governments, central banks, Islamic banks, Takaful and asset managers in the Middle East region, Malaysia, Singapore and Hong Kong, the Channel Islands, Luxembourg, Denmark, Switzerland, United Kingdom, United States of America, Albania, Pakistan, India, Turkey, Malaysia, Morocco and Indonesia.
- We are the leading advisors to the international Islamic banking institutions, Takaful companies and asset managers.
- Our clients include the likes of Islamic Development Bank which played a pioneering role in the development of Islamic Finance throughout the Arab world, the central banks of the GCC and other territories.

***PwC is associated with more than three-quarters of the Top 50 Islamic financial institutions***

## ***We have supported key standards setters in the Islamic Finance industry***

Partners and staff have helped standards setters in the Islamic Finance field since inception:

### ***AAOIFI***

- PwC has assisted AAOIFI in the early stages of its formation and development.
- PwC Partners are members of the Board of Investors and Accounting and Audit/ Governance Standard Board.
- PwC Partners hold positions on various AAOIFI committees.
- A PwC Partner has been appointed an expert in developing AAOIFI 's new Conceptual Framework to replace the existing statements on Objectives and Concepts.
- A PwC Partner was appointed as expert to develop the Governance Framework that establishes the basis for all governance standards published by AAOIFI.
- A PwC Partner has been AAOIFI's accounting standards trainer since 2000.

### ***IFSB***

- PwC Partners have assisted IFSB on a number of initiatives since its infancy.
- PwC Partners are regular speakers at the IFSB's regulator's conferences.
- PwC Partners have served on the technical committees of IFSB for the development of supervisory principles and standards.

### ***IASB***

- PwC Partner on IASB consultative group on Shariah-compliant transactions.
- PwC Partner chairs the AOSSG working group on Islamic Finance accounting.
- PwC Partners involved in drafting MASB research papers issued by the MASB.

***PwC Partners are active participants on boards, committees and technical discussion groups to foster the development of high quality standards in the area of governance, accounting and auditing and supervisory standards.***

## ***PwC contributes to the growth and evolution of Islamic Finance through its published thought leadership papers***



### ***International Islamic Banking***

- In this report, PwC details the scope of business activities for Islamic Financial Institutions, application processes and criteria, modes of entry, government incentives, regulatory requirements and more.



### ***Shariah-compliant funds: A whole new world on investment***

- Many asset management firms are currently sizing up the opportunities. This paper aims to help them deepen their knowledge of the sector, understand current developments and navigate through the main challenges of creating a Shariah-compliant fund range.



### ***Growing pains: Managing Islamic banking risks\****

- Shariah law precludes Islamic institutions from getting involved in the kind of complex credit trading that has paralysed their conventional competitors - but that's no reason for complacency. Islamic banks have their own blind spots and frailties.
- In this report, PwC discusses extensively on how to manage various aspects of Islamic banking risks.



### ***Open to comparison: Islamic Finance and IFRS***

- As the Islamic Finance sector continues to grow, the question of how best to account for Islamic Finance on an international basis is coming to the fore. This challenge is especially pressing for global groups with diverse international stakeholders and extensive financial reporting obligations, which need to align accounting for Islamic Finance with the treatment of their conventional business.



### ***Takaful: Growth opportunities in a dynamic market***

- The world's youngest and most dynamic insurance market in reality traces its origins back more than 1,400 years. Takaful, the name for Islamic-compliant insurance, can be translated as 'shared responsibility' and refers to the co-operative risk-sharing beginnings of takaful - not unlike the birth of insurance within different communities in Europe and the US.



## ***Our global experience – Market feasibility and strategy development***

### ***Business plan development for entry in the low income segment – UAE***

- PwC was mandated by a large Islamic bank in the UAE to assess the potential business model for a new offering of banking products targeted to the low income segment within the country.
- The engagement assesses the offering as a stand alone product within the larger Islamic bank.
- The business plan included:
  - Opportunity sizing: Analysis of UAE macro trends, analysis of key industrial sectors, sizing of the low income segment market and understand the demographic profile and segment analysis.
  - Competitive analysis: Competitive environment analysis and assessment, analysis of alternative business models in other emerging markets, partnership and alliance offering.
  - Business plan formation: Synthesise findings, evaluate business models for products, channels and service offering, identify the right business model, develop and articulate the same.

### ***Development of business plan – UAE***

- Prepared a business plan for a leading financial institution seeking to establish an Islamic Investment Bank in the DIFC targeting the GCC, South and East Asia. The business plan covered the following key elements:
  - Market assessment covering Private Equity, Global Markets, Corporate Advisory services and Shariah Advisory services.
  - Impact of governmental policies (including subsidies).
  - Strategic focus; short and long term with associated key milestones.
  - Product and service offering; market size, trends, growth potential, investors appetite by region, competition and current performance.
  - Risk management, controls and processes.
  - Organisation design; organisation structure, reporting lines, roles and responsibilities.
  - Forecasted financials over the next three years.

### ***Strategy development – UAE***

- We were appointed to undertake a strategy development and a restructuring exercise for a large Shariah compliant consumer financing company.
- Our scope involved analysis of the external markets, market sizing, internal analysis and the development of a new organisation structure and job descriptions for key management personnel, development a new product range, introducing sound governance practices and financial projections.

### ***Feasibility study – UAE***

- We were appointed to undertake a feasibility study for a bank with ambitions to enter the Shariah compliant leasing business targeting medium to big ticket transactions within the GCC. This project involved primary and secondary market survey, market sizing, assessing the level of awareness of Shariah compliant alternatives for financing capital purchases, understanding the product range in the market and financial projections.

### ***Islamic Finance feasibility study – Bermuda***

- We were engaged by a Bermudan institution to identify the key developmental drivers and review the impediments to introducing the following Islamic financial product offerings in Bermuda:
  - Takaful and retakaful.
  - Shariah-compliant investment funds; and
  - Sukuk.
- Our report included a gap analysis on the following:
  - Licensing and supervision.
  - Regulatory regime.
  - Nature of insurance contract.
  - Investment rules.
  - Stock Exchange listing rules.
  - Suggestions for changes to existing legislation.
- We also analyzed:
  - Potential opportunities for Bermuda to tap into the global Islamic financial products market with focus on the GCC.
  - Nature of barriers to development of Islamic Finance in Bermuda.
  - Examples of initiatives taken by other jurisdictions to facilitate the development and expansion of the Islamic financial products market.

### ***Development of business plan – UAE***

- Prepared a corporate business plan for a leading Islamic financial institution in the UAE.
- The business plan was formulated with intensive interaction with the management of the firm along with primary and secondary research. The business plan included:
  - Current market trends including competitive analysis and SWOT.
  - Corporate strategies for markets, customers, products, employees and finance.
  - Corporate business initiatives.
  - Key corporate financial highlights.
  - Consolidated corporate budget and forecasted financials.

## ***Our global experience – Deals support***

### ***Strategic review and business blueprint – Malaysia***

- Assisted a leading foreign bank to conduct a strategic review to assess the feasibility of incorporating an Islamic Banking unit in Malaysia.
- The project was conducted in two phases. In Phase 1, we assisted in the development of its business blueprint, analysed its regulatory, accounting and taxation requirements. In Phase 2, we assisted the bank in developing detailed processes and policies and procedures for the Islamic Banking unit.

### ***Restructuring – Malaysia***

- Assisted a Malaysian bank on turn around strategy in a manner that was sensitive to the Shariah values of the bank.
- Developed turnaround strategy which aligned directly with their five-year strategic business plan.

### ***Restructuring – UAE***

- Advised the lenders to a major Shariah complaint financial services provider whose capital base was insufficient to write new business and whose trading license was suspended.
- We advised the lenders in considering the options available to them, which included whether to continue to support the business based on a viable business plan or whether to withdraw their support and wind the business down.
- We reviewed the current financial position of the company, its business plan and restructuring options. We also identified alternative restructuring options for Depositors and Financiers. We worked with all stakeholders to effect a rapid financial restructuring and are assisting in implementing the most desirable option.

### ***Debt restructuring – UAE***

- Advised the lenders in an Islamic Finance restructuring of a Real Estate Company which needed to reschedule its debt repayments.
- We reviewed the company's cash flow forecasts (both short and long term) and restructuring proposals and provided ongoing advice and support to the coordinating committee of lenders.

### ***Structuring and transaction advice – Germany***

- We were engaged to advise on a Shariah compliant and tax efficient fund structure for a real estate fund investing into German warehouse properties. In addition, we advised on finding an appropriate holding jurisdiction and implementing an intermediary Luxembourg holding company. Furthermore, we were retained for advising on the purchase of individual assets, financial planning and funding flows. Total investment volume € 300m.

### ***Private placement memorandum – Europe***

- We assisted a Shariah compliant insurance firm with the preparation of a private placement memorandum. This involved ensuring the key aspects of the business model, key performance ratios and data are appropriately analysed and included within the document.

### ***Structuring and transaction advice – Europe***

- We were engaged to advise on a Shariah compliant and tax efficient fund structure for two Pan European Real Estate Funds.
- In addition, we advised on finding an appropriate holding jurisdiction and implementing intermediary Luxembourg holding companies. Furthermore, we were retained for advising on the purchase of individual assets, financial planning and funding flows. Total investment volumes € 200m and € 400m.

### ***Structuring advice – Poland and Turkey***

- We were engaged to advise on a Shariah compliant and tax efficient fund structure for two Real Estate Funds investing into Polish and Turkish residential properties. In addition, we advised on finding an appropriate holding jurisdiction and implementing intermediary Luxembourg holding companies. Envisaged total investment volume € 50m (Turkey) and € 500m (Poland).

## ***Our global experience – Establishment of Islamic Financial institutions***

### ***Setting up an Islamic Bank in Oman***

- PwC helped establish the first Islamic Bank in Oman focusing on Retail, Wholesale and Investment Banking. The project entailed:
  - Feasibility study; macroeconomic assessment, banking sector analysis, regulations, competition profiling, market opportunities, resource availability, etc.
  - Strategy and business plan development, customer segmentation and financial forecast.
  - Recommendations on suitable Islamic structures for the banks products based on market trends and Shariah suitability.

### ***Setting up an Islamic Bank – Oman (on-going)***

- We have been assisting an Omani bank to operationalise the entity from the ground up by developing market assessment, strategy, target operating model, governance framework, risk management framework, risk appetite, bank wide policies, system selection assistance, PMO assistance, etc. Policies have been developed for the bank aligned to regulatory requirements and leading practices for key areas such as: finance, credit risk, operational risk, market risk, liquidity risk, compliance, internal audit, branch operations, treasury operations, retail operations, corporate operations, etc.

### ***Setting up an Islamic Bank – Kuwait***

- Developed the Program Plan for the launch of a new Islamic Bank in Kuwait, which involved identifying over 140 projects across eleven of the Bank's work-streams. The plan incorporated projects that would be required to set up the infrastructural requirements for the successful launch of the Bank, across the Retail Banking, Corporate Banking, Treasury & Investments, Risk Management & Compliance, Information Technology, Legal, Internal Audit, and Operations functions. The program plan was developed after taking into account the recently-developed Bank strategy. After the development of the program plan, the team developed the Program Management Office (PMO) Charter, which detailed the roles and responsibilities of the PMO, the reporting structure between the PMO and the key stakeholders, and the reporting structure for projects.

### ***Islamic Private Equity – MENA***

- Engaged by founding shareholders to develop strategy for Islamic PE in select MENA markets. Developed: Capital Structure; Market Size; Product Offering; Organisation Design; Market Entry Strategy; Regulatory Analysis.

### ***Setting up an Islamic Bank – Dubai***

- Development of the Strategy, Target Operating Model, and Implementation of the Target Operating Model.
- Key components of the engagement included the identification of the target customers, products, unique sales proposition, and post-launch strategy. In addition, our team established and implemented the IT strategy and architecture to operate the bank.

### ***Islamic Investment Bank launch – MENA***

- A start-up Islamic investment bank, required PwC to assist in developing a strategy on how to and where to best deploy their equity in their investments. We analysed the market, looked at trends and conducted competitive benchmarking while developing a business plan, operating model and organisation structure, resulting in a 5 year business plan including, product strategy, market entry, financial plan, organisation, investment philosophy, and implementation plan.

### ***Setting up a new Islamic Bank – Europe***

- We were requested by a new start-up Islamic bank in the region to assist them developing and articulating their strategy. Strategic plan used to develop target operating model and ultimately to launch the bank.

### ***Regional Takaful company – MENA***

- Hired by a bank to conduct a feasibility for entering the Takaful business in MENA, Asia, Europe. Assessed viability of Takaful business and developed strategy and business plan, stand-alone and consolidated financial model, organisational structure, and implementation plan. PwC helped the client obtain license and clearance from the regulators before launch.

## ***Our global experience – Operating model design***

### ***Design of operating model – UK***

- PwC was approached by a Middle Eastern organisation that wished to set up a fund management operation within the European Union with Shariah compliant UCITS funds that could be sold to retail investors around the EU. PwC designed an operating structure for their Middle Eastern and UK legal entities, with a joint team combining our legal, tax and regulatory specialists.

### ***Strategy operationalization and operating model – Saudi Arabia***

- We were engaged to assist a Saudi Arabian bank to operationalise its recently developed strategy. This included, amongst other things, analysis of each strategic objective by department and further defining detailed objectives by function as according to the strategy.
- After the development of detailed objectives by department, our team developed Key Performance Indicators across the Financial Performance, Service Effectiveness, and Customer Centricity dimensions through which management would be able to track achievement of the strategy.
- Furthermore, our team prepared a consolidated reporting package for the CEO of the Bank, that would aggregate the various dashboards from the different departments to provide the CEO with a top-down analysis of performance.

### ***Business plan development and high-level operating model – UAE***

- A strategic planning process including performing market analysis; strategy and project rationale, management and organisation structure and formulation of a high level operating model.
- We developed financial models; assumptions on market share, key ratio analysis and identification of funding requirements.
- We incorporated the results from our market analysis and financial models to build a business plan, providing support to our clients throughout these stages and the application process to achieve success.
- We have provided this service to global & regional Islamic banks, private equity firms, private/wealth management companies and Takaful start-ups.

## ***Our global experience – People and Change***

### ***Design of new organisations and comprehensive HR support – UAE***

- PwC benchmarked a number of leading investment companies to draw out the best features of each, as this new organisation could be designed from first principles. At the same time, PwC designed their reward structure, including the equity incentive system, and benchmarked senior executive compensation against other world class organisations.

### ***Establishment and running of PMO for Islamic Banking conversion – Kuwait***

As part of a major Kuwaiti bank's conversion to Islamic Banking, members of our team had assisted to:

- Set up the Project Management Office (PMO) to oversee all activities related to the Islamic Conversion across the bank.
- Compile and maintain the overall Project Plan taking into account all underlying project plans across departments and units.
- Monitor progress of individual projects and coordinate activities and resources across projects as required.
- Report on the progress of the Islamic Conversion at a Program level by consolidating progress reports across projects.
- Present progress reports to Steering Committee as required.
- Compile and maintain project library containing all required documentation.

### ***Takaful start-up – UK***

- We acted as a strategic advisor to a Takaful start-up. Advised the Company's Board and Directors on optimising their ReTakaful purchase and strategy. We assisted the client in setting up their finance function and helping them in their commercial negotiations with their outsourcers who are handling all of their claims, reserving and underwriting processes. We also conducted a workshop with the board and directors of the company to help them assess their risk appetite and what this would commercially mean for their business.

## ***Our global experience – IT Design Implementation Assistance***

### ***Core banking selection – Kuwait***

- Conducted a process mapping exercise of a major Kuwaiti Islamic Bank's banking Operations Department covering every process within the Department, including Cash and Teller Operations, Trade Operations, SWIFT Function, Investment Operations, and Treasury Operations. The resulting deliverable to the client was a complete process mapping exercise of all operations processes within client including the identification of control gaps within the process maps, and recommendations of controls in order to improve the control environment around Operations processes.
- Conducted a Process Documentation and Re-design exercise for Client's Commercial Sector Department covering all Core and Support business functions/operations including Sales, Procurement, Inventory, Asset Management, Finance, Follow-up, Marketing and Customer Services.
- Current Process Documentation: Reviewed the current actual processes and documented related to the key areas.
- Highlight Improvement Opportunities: conducted an overview to highlight improvement opportunities with an aim to enhance process efficiency and effectiveness.
- Future Process Documentation: Developed and documented process maps for Client's Commercial Sector functional areas and aligned with the leading practices, as the outcomes from this stage were used as the baseline for the Gap Analysis and Solution Design Phase for Client's Commercial.



## ***Our global experience – IT Design Implementation Assistance***

### ***Core banking selection – Kuwait***

As part of a bank's conversion to Islamic Banking, members of our team had assisted to:

- Define of requirements for the Islamic Financing and Profit Calculation Modules.
- Develop RFI evaluation and vendor short listing process.
- Develop of demonstration scripts, assistance in execution of demonstrations and evaluation.
- Develop of detailed RFP for supplying the selected applications and providing implementation services.
- Evaluate of RFP responses and provision of guidelines for negotiations.

Team members also assisted to oversee the implementation of the selected solution by provision of Project Management services. Key areas members of our team assisted in:

- Development of the Project Charter and set up of related project management processes.
- Review of Project Charter and related project documentation from implementation vendor.
- Coordination of set up of implementation environment.
- Review of key implementation vendor deliverables.
- Coordination of User Acceptance Testing (UAT) activities.

### ***Implementation of national payment switch – Saudi Arabia***

- Assisted the Saudi Arabian central bank and the financial services regulator on a technology implementation.
- PwC assisted to upgrade the Kingdom's payment infrastructure by implementing a successor to SPAN that would incorporate technology advances.
- PwC led the first stage of this project, covering requirements capture and definition, project design and supplier selection.
- The design of SPAN2 involved the issue of new generation EMV payment cards, the use of IP links to facilitate web-enabled ATMs and PoS devices, and other automated payment services such as customer initiated bill settlement.
- PwC supported the bank by leading stakeholder management and communications, presenting the proposed SPAN2 design.





