ICD – THOMSON REUTERS
ISLAMIC FINANCE DEVELOPMENT REPORT 2016

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P.O. Box 54069, Jeddah 21514 KSA
Tel.: (966-12) 636 1400, 644 1644 Fax: (966-12) 644 4427
E-mail: icd@isdb.org, Website: www.icd-ps.org
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Executive Summary

The recent remarkable growth of Islamic finance assets, which hit a milestone of US$ 2 trillion in 2015, may prove that the industry is able to weather the economic slowdown caused by multiple factors such as the significant drop in oil prices. However, asset growth alone does not provide a full and comprehensive picture. Other key aspects must be explored and examined, including sector profitability and the industry's ecosystem.

The **ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI)** looks at 5 key dimensions that are deemed important for the development of the global Islamic finance industry. These are: Quantitative Development (QD), Knowledge, Governance, Corporate Social Responsibility (CSR), and Awareness. The indicator's annual report, the **ICD-Thomson Reuters Islamic Finance Development Report 2016**, brings you the latest trends from the industry, also highlighting key figures and top performers.

IFDI GLOBAL INDICATOR: Islamic finance development weakens despite expanding IFDI universe

Momentum has been building within the industry since 2015. A surge of 16 new countries joined the IFDI universe in 2016, primarily via the News sub-indicator which forms part of the Awareness indicator. However, many nations scored poorly on indicators that are based on actual Islamic finance market practices such as QD and CSR. This led to a decline in the global average IFDI value (an average of the 5 key indicators) to 8.8 in 2016 from 9.9 in 2015.

When mapping IFDI development, the GCC, other MENA, Southeast and South Asian countries gained positions in the top 15 IFDI rankings for 2016, led by Malaysia for the 4th consecutive year. However, Malaysia posted a slight decline in its overall IFDI value to 123 in 2016 from 126 in 2015, as a result of weaker performance in QD. GCC nations also posted weaker QD values, but compared to other nations remain stronger overall, particularly Saudi Arabia which moved up the IFDI rankings to 5th position. Outside of the top 15, noteworthy emerging countries in Africa including South Africa, Morocco and Tanzania along with Japan and Russia are taking serious steps towards developing their Islamic finance industries. This is indicated by the jump in their IFDI rankings.

Despite lower development, the IFDI maintains a positive outlook and projects that total Islamic finance assets will reach US$ 3.5 trillion by 2021 as a result of continued growth in all Islamic finance sectors globally.

QUANTITATIVE DEVELOPMENT INDICATOR: Unprecedented oil price storm hindered Islamic finance performance, but not asset growth

QD was the weakest performing indicator in 2016 as many countries' financial systems did not generate Islamic financial products and services. In addition, the impact of global events like the sharp drop in oil prices lowered QD values for countries that do have an Islamic finance presence, like the GCC. Although the drop in oil prices did not impede the growth of global or GCC Islamic finance assets (except for Kuwait which reported a 3% decline in assets), it did lead to a decline in profitability measures such as ROA. It also resulted in negative equity performances for a variety of listed Islamic financial institutions, particularly in takaful and Shariah-compliant equities that are included in Islamic fund portfolios. Sukuk was the least vulnerable of the asset classes, but the sector witnessed lower issuance volumes in 2015.

In 2015, Saudi Arabia held the largest amount of Islamic finance assets worldwide, while Malaysia dropped in ranking to hold the 3rd largest asset base due to slow asset growth that was not sufficient to offset the devaluation of the ringgit in 2015. Iran remains the world's 2nd largest Islamic finance jurisdiction and with the lifting of sanctions imposed on it its entrance into the global financial system could reveal its weaknesses. Elsewhere, South Asian countries posted the greatest amount of growth in Islamic finance assets after the introduction of Islamic banking, takaful and OIFI windows.

KNOWLEDGE INDICATOR: East and West gear up for renewed Islamic finance presence through research and education

There were 622 Islamic finance education providers in 2015, while 2,224 research papers were produced worldwide between 2013 and 2015. Among the key enablers for the development of Islamic finance education is the presence of Islamic education institutions, which can be seen in Malaysia, Indonesia and Pakistan. Additionally Pakistan has built centres dedicated to Islamic finance. Looking ahead, 2016 and the coming years could see India embark on further research on the prospect of Islamic banking within its borders following the Reserve Bank of India's (RBI) latest stance on Islamic finance.

Turning to the West, countries with developed higher education systems such as European nations Luxembourg and Belgium are joining the ranks of Islamic finance education. Meanwhile, the UK, which generates GBP 11 billion from international students each year and the second most popular host for international students globally[1], could benefit from the demand for Islamic finance education from dollar-pegged economies such as the GCC following the post-Brexit sterling devaluation.

GOVERNANCE INDICATOR: A need for better corporate governance through regulation of Islamic financial institutions

Governance saw steady growth, as measured by the Regulation, Shariah and Corporate Governance sub-indicators. There are 35 countries practicing at least one type of Islamic finance regulation. Countries that scored high on the Financial Reporting Disclosure Index (FRDI), a Corporate Governance indicator measure, are also well-governed markets with comprehensive Islamic finance regulations. Regulators of several countries with low corporate governance values need to strengthen their financial reporting framework for Islamic financial institutions. This is evidenced by the low average global disclosure index of 28.84 out of 70 items and the low number of institutions reporting mandatory items like financing and deposit breakdown.

However, Malaysia and Pakistan made great strides in Shariah governance framework during 2015, while African nations Nigeria and Morocco are moving towards a centralized Shariah board approach. There were 1,068 Shariah scholars representing different Islamic financial institutions.

1. UK Higher Education International Unit

CORPORATE SOCIAL RESPONSIBILITY INDICATOR: Lack of transparency in Islamic financial institutions remains the key issue

CSR is another indicator that was weaker in terms of development and was partly dragged by a lack of Islamic practices at financial institutions in some countries, as well as a lack of any comprehensive CSR mandate in countries with an Islamic finance presence. There are two measures when it comes to a CSR mandate: one is the disclosure of CSR activities that have an average of 2.82 items disclosed out of 11. The low average is derived from 58% of Islamic financial institutions scoring 2 or below. The other is the total amount of CSR funds disbursed, which can only be measured by inspecting institutions' annual or CSR reports. Although the total amount of CSR funds disbursed globally rose to US$ 672 million in 2015, there is still a need for better transparency of one of its components - qardh al hasan - as few institutions disclosed their amounts.

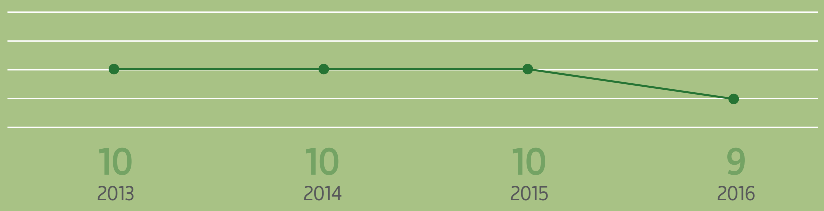
AWARENESS INDICATOR: Buzz for Islamic finance diminishes slightly compared to previous years

Although Awareness scores are amongst the highest of the five indicators, the popularity of Islamic finance declined due to a slight fall in the number of conferences and exclusive news items to 112 and 17,795 respectively in 2015. The majority of countries continue to host general-themed Islamic finance conferences, while only Malaysia, Bahrain and the UAE hosted a variety of specialized Islamic finance conferences. Meanwhile, the most extensive Islamic finance news was generated from the GCC as oil shocks in 2015 raised the region's number of regional and exclusive news events.

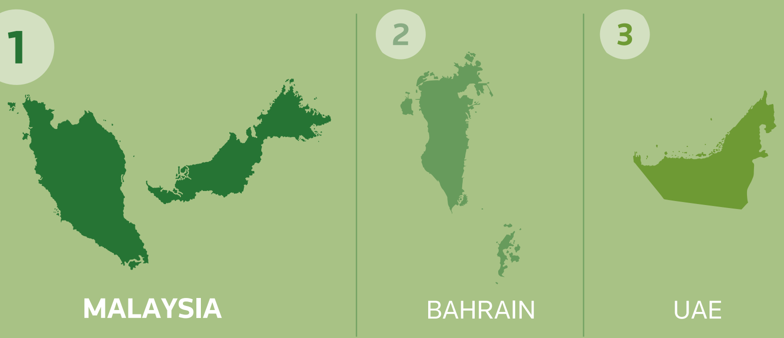
Moreover, 2015 has been witness to notable efforts to spread awareness of Islamic finance through seminars across newly-joined IFDI countries in Sub-Saharan Africa, South Asia and Europe. These seminars included workshops on sectors with substantial growth potential, including Islamic banking, takaful, SME and micro-financing. In total there were 213 seminars held in 2015.

ISLAMIC FINANCE DEVELOPMENT INDICATOR (IFDI)

Global Indicator Value



TOP COUNTRIES IN 2016

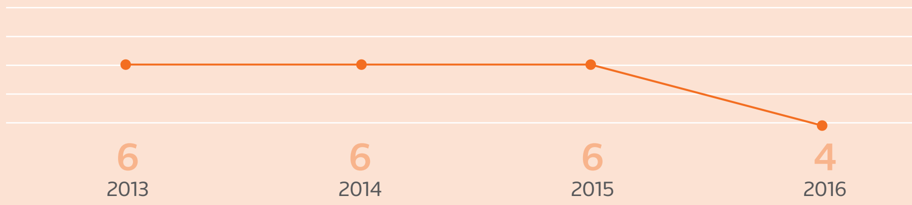


124 countries contributed to IFDI

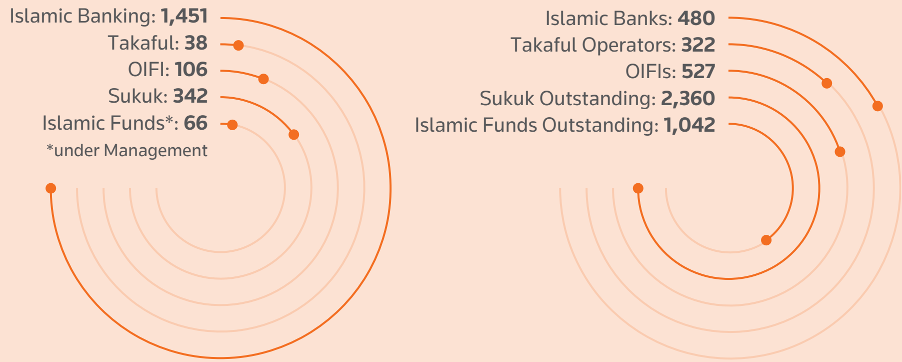
16 new countries joined IFDI

Quantitative Development

Global Indicator Value



Top Countries: **Malaysia**, Iran, Saudi Arabia



US$ 2,004 Bn
Total Islamic Finance Assets in 2015

US$ 3,540 Bn
Projected Total Islamic Finance Assets by 2021

1,329
Total Islamic Finance Institutions in 2015

Knowledge

Global Indicator Value

2013	2014	2015	2016
7	8	8	8

Top Countries

Malaysia Jordan Tunisia

EDUCATION

622 Total Institutions Providing Islamic **Finance Courses**

201 Total Institutions Providing Islamic **Finance Degrees**

RESEARCH (2013-2015)

1,567 Total Peer Reviewed Journal Articles

2,224 Total Research Papers

100 Articles

100 Papers

Governance

Global Indicator Value

2013	2014	2015	2016
12	12	11	11

Top Countries

Bahrain Malaysia Pakistan

REGULATION

35 Countries with at Least 1 Islamic Finance Related Regulation

SHARIAH GOVERNANCE

1,068 Total Shariah Scholars

CORPORATE GOVERNANCE

28.84 / 70 Items Average Financial Reporting Disclosure Index

Average Independent Chairman of the Board	0.56
Average Non-Executive Chair of the Audit Committee	0.93
Average Non-Executive Chair of the Risk Management Committee	0.9
Average Number of Independent Directors	4.06

CSR

Global Indicator Value

2013	2014	2015	2016
11	9	8	7

Top Countries

Saudi Arabia South Africa Bahrain

CSR FUNDS

Total CSR Funds Disbursed	US$ 672 Mn
Total Islamic Finance Zakat and Charity Funds Disbursed	US$ 635 Mn
Total Islamic Finance Qardh Al Hasan Funds Disbursed	US$ 37 Mn

CSR ACTIVITIES

2.82 / 11 Items Average CSR Disclosure

Awareness

Global Indicator Value

2013	2014	2015	2016
17	15	15	14

Top Countries

Malaysia Bahrain UAE

CONFERENCES

112 Total Conferences

SEMINARS

213 Total Seminars

10 Conferences

10 Seminars

NEWS

17,795 Total Exclusive News

53,642 Total Exclusive + Regional News

Global Islamic Finance Development Indicator

Fireworks in Kuala Lumpur, Malaysia. SZEFEI/SHUTTERSTOCK.COM

The ICD Thomson Reuters Islamic Finance Development Indicator (IFDI) is designed to represent the overall health and development of the Islamic finance industry worldwide using one composite and weighted numerical measure.

ISLAMIC FINANCE DEVELOPMENT INDICATOR 2016 RANKINGS

Rank	Country	IFDI Value	Move from 2015 Rank
1	Malaysia	123	=
2	Bahrain	87	=
3	United Arab Emirates	66	=
4	Oman	53	=
5	Saudi Arabia	47	↑
6	Pakistan	46	↓
7	Kuwait	45	↑
8	Jordan	42	↑
9	Qatar	39	↓
10	Indonesia	28	=
11	Sudan	26	=
12	Maldives	25	↑
13	Sri Lanka	24	↑
14	Brunei	23	↑
15	Palestine	23	↑
16	Bangladesh	21	↓
17	Tunisia	20	↑
18	South Africa	20	↑
19	Iran	19	↓
20	Singapore	18	=
21	Syria	18	↑
22	United Kingdom	15	↑
23	Egypt	14	↓
24	Yemen	14	↑
25	Turkey	13	↓
26	Nigeria	12	↑
27	Kenya	10	↑
28	Afghanistan	10	↑
29	Lebanon	10	↓
30	Morocco	10	↑
31	Kazakhstan	10	↓
32	Gambia	9	↓
33	Djibouti	8	↓
34	Mauritius	8	↓
35	Azerbaijan	7	↑
36	Philippines	6	↑
37	Mauritania	6	↑
38	Tanzania	6	↑
39	Libya	6	↑
40	Bosnia and Herzegovina	5	↓
41	Australia	5	=
42	Somalia	5	↑
43	Kyrgyzstan	4	↓
44	Senegal	4	↓
45	India	4	↓
46	Mozambique	4	↑
47	Algeria	3	↑
48	Tajikistan	3	↑
49	Iraq	3	↑
50	Comoros	3	↓
51	Malta	3	↓
52	Benin	3	↑
53	Luxembourg	3	↓
54	Seychelles	2	New
55	Macedonia	2	New
56	Thailand	2	↓
57	Botswana	2	↓
58	Ghana	2	↓
59	Ivory Coast	2	↑
60	Guinea-Bissau	2	↓
61	Togo	2	↑
62	Hong Kong	2	↓
63	Uganda	2	↑
64	Gabon	2	↓
65	Guinea	2	↓
66	Niger	2	↑

Region

- Europe
- GCC
- North America
- Other Asia
- Other MENA
- South America and Carribbean
- South Asia
- Southeast Asia
- Sub-Saharan Africa

Rank	Country	IFDI Value	Move from 2015 Rank
67	Sierra Leone	1	↓
68	Rwanda	1	↓
69	Chad	1	=
70	Mali	1	↑
71	Cameroon	1	↓
72	Burkina Faso	1	=
73	Zambia	1	↓
74	Malawi	1	New
75	Japan	1	↑
76	Nepal	1	New
77	Bulgaria	1	New
78	United States	1	↓
79	Ireland	1	↓
80	Switzerland	1	↓
81	New Zealand	1	↑
82	Canada	1	↓
83	Georgia	1	New
84	Angola	1	New
85	Russia	1	↑
86	Romania	1	↓
87	Guernsey	1	New
88	Suriname	0.49	↑
89	Cambodia	0.48	New
90	Albania	0.42	↓
91	Cyprus	0.41	↓
92	Turkmenistan	0.41	↓
93	Italy	0.38	↓
94	Serbia	0.36	↓
95	Belgium	0.35	↓
96	Poland	0.34	↓
97	Myanmar	0.33	New
98	France	0.30	↓
99	Ethiopia	0.27	↓
100	Bahamas	0.26	↓
101	Netherlands	0.25	↓
102	Uzbekistan	0.25	↓
103	Spain	0.22	↓
104	Jersey	0.20	New
105	Germany	0.20	↓
106	Slovenia	0.16	New
107	Liechtenstein	0.16	↓
108	Norway	0.16	↓
109	Trinidad and Tobago	0.15	↓
110	Vietnam	0.13	New
111	Finland	0.11	↓
112	Guyana	0.10	↓
113	Denmark	0.09	↓
114	Sweden	0.08	↓
115	Greece	0.07	New
116	Czech Republic	0.06	↓
117	South Korea	0.05	↓
118	Austria	0.03	↓
119	China	0.03	↓
120	Brazil	0.03	↓
121	Bolivia	0.02	New
122	Cayman Islands	0.01	New
123	Chile	0.01	↓
124	Mexico	0	↓

* The countries' IFDI values range from 0 to 123, the highest value is achieved by the top performing country. When averaging the IFDI values for all 124 countries in the IFDI universe, we get the Global Average Indicator Value.

What is the Islamic Finance Development Indicator?

The ICD Thomson Reuters Islamic Finance Development Indicator (IFDI) represents the overall health and development of the Islamic finance industry worldwide, using one composite and weighted numerical measure. This year's IFDI tracks the performance of 124 nations assessed against 5 indicators: Quantitative Development (QD), Knowledge, Governance, Corporate Social Responsibility (CSR) and Awareness. These indicators are broken down into a total of 15 sub-indicators, which take into account 55 different metrics-related and 3 rationalizing coefficients (total banking assets, GDP and population) that adjust indicator values to each country's size. Hence, more than 6,300 country-level metrics and data are entered to calculate IFDI average global indicator values. The methodology chapter of this report explains the IFDI methodology in full.

IFDI Global Value in 2016: Decline seen across all indicators as low value nations join IFDI universe

The global IFDI value in 2016 declined to 8.8 from 9.9 in 2015. The addition of 16 nations with low indicator values (near zero or 1) had a negative impact on the IFDI global average. The newly-joined countries are: Angola, Bolivia, Bulgaria, Cambodia, Cayman Islands, Georgia, Greece, Guernsey, Jersey, Macedonia, Malawi, Myanmar, Nepal, Seychelles, Slovenia and Vietnam.

Excluding the newly-joined nations, the global IFDI indicator value increased to 10.12. This shows the positive progress existing players continue to make in the Islamic finance industry. The decline in the global IFDI value reflects the downward trend across the 5 IFDI indicators and their sub-indicators. A robust performance in one of the indicators does not presume strength in any of the others. Many of the newly-joined countries scored high on the Awareness indicator, but without a comprehensive Islamic finance presence in their financial institutions scored poorly on Quantitative Development (QD). QD was the weakest of the 5 indicators with an indicator value of 4 dropping from 6 in 2015. Moving down, average global values for the CSR and Awareness indicators fell to 7 and 14 respectively. The Knowledge and Governance values stayed put at 8 and 11.

ISLAMIC FINANCE DEVELOPMENT INDICATOR TOP PERFORMERS

Move from 2015 Rank	IFDI 2016 Rank	Country	Increase in IFDI Value	2016 Indicator Value: IFDI	Quantitative Development	Knowledge	Governance	CSR	Awareness
=	1	Malaysia	↓	123	78	200	88	43	208
=	2	Bahrain	↑	87	26	54	103	56	195
=	3	UAE	↓	66	21	39	63	47	162
=	4	Oman	↓	53	8	25	61	54	116
↑	5	Saudi Arabia	↓	47	36	26	34	102	36
↓	6	Pakistan	↓	46	19	41	67	22	82
↑	7	Kuwait	↑	45	34	18	65	41	65
↑	8	Jordan	↑	42	13	69	36	49	45
↓	9	Qatar	↓	39	21	15	47	47	64
=	10	Indonesia	↓	28	14	29	62	23	13
=	11	Sudan	↓	26	17	11	65	16	20
↑	12	Maldives	↑	25	10	12	53	24	25
↑	13	Sri Lanka	↑	24	7	19	24	36	34
↑	14	Brunei	↑	23	6	22	44	31	10
↑	15	Palestine	↑	23	16	11	16	52	17

Kuala Lumpur, Malaysia.
AZLEEN RAMLI/ SHUTTERSTOCK.COM

Islamic Finance Development Indicator Top Performers

IFDI Top 15: Islamic finance industry top players represented by 4 regions globally

The top 15 countries on the IFDI indicator are based in 4 regions: the GCC, Southeast Asia, South Asia and Other MENA. All 6 GCC countries made it into the top 10, making it the regional hub for Islamic finance. While values for the 4 leading nations remained stable, there was volatility amongst other top players. However, Indonesia and Sudan remained in 10th and 11th position. Some lower ranked countries moved up the scale, but were still outperformed by Islamic finance market stalwarts Malaysia, the UAE and Oman, despite these major players' IFDI values slipping in 2016. Meanwhile, Brunei and Palestine entered the IFDI top 15, and as a result, Iran and Bangladesh were ousted falling to 19th and 16th place respectively.

Southeast Asia: Weak QD due to economic slowdown drags Malaysia and Indonesia lower

Malaysia and Indonesia's IFDI values declined in 2016 on the back of weaker QD scores. Malaysia's total assets in reported currency for its financial institutions increased by 9% in 2015, but that growth was not enough to offset the negative effects of the ringgit's devaluation in 2015, resulting in an 11% decline of its assets in Islamic financial institutions. The Malaysian government's current economic policies, such as removing subsidies and the introduction of the Goods and Services Tax (GST) on the back of lower commodities prices, drove 2015's currency devaluation. The volume and amount of sukuk issued also fell. Despite this, Malaysia's performance in other QD metrics was sufficient for it to remain the top performer on the QD indicator.

Indonesia's lower QD value stems from a 4% decline in its IFI assets due to its currency devaluation against the USD, as well as lower commodity prices and China's economic slowdown. Brunei, Southeast Asia's smallest nation, performed better in QD due to increased profitability at its Islamic bank.

GCC: Dominant Saudi Arabia remains strong but posts weaker QD

Saudi Arabia, the world's biggest jurisdiction in terms of Islamic finance assets, moved up the international rankings to take 5th place. However, the overall IFDI value decreased slightly on lower values for some of its indicators. Its financial institutions posted lower average ROA, ROE and stock market performance. This is alongside the negative cumulative performance of its Islamic funds dragging its QD score down. Yet, Saudi Arabia performed better compared to its peers and is ranked 3rd on the QD indicator. Saudi Arabia's GCC peers also posted weak QD numbers despite growth in Islamic financial assets, although Kuwaiti assets fell 3%. Overall, the decline in oil prices in 2015 triggered GCC institutions' stock prices to fall, while GCC equity funds' — the region's second largest asset class in terms of assets under management (AuM) — performance weakened. Qatar was the only GCC country to record a drop in its overall IFDI ranking because of weak QD.

Bahrain and Kuwait's indicator values improved on higher Awareness scores compared to previous years. Bahrain, which is the GCC's top IFDI performer, hosted a greater number of conferences and seminars, Kuwait had more news coverage of its local Islamic finance industry and held numerous conferences in 2015. The UAE, ranked 3rd on the IFDI, also scored higher on the Awareness indicator after hosting more seminars. And Qatar, ranked 9th, held extra conferences in 2015.

South Asia: Top performing nations' IFDI rankings fall on poor Awareness scores

Pakistan, South Asia's top performer, dropped to 6th position overall after it could not maintain the same level of news and seminar output as the previous year, which negatively affected its Awareness indicator. Likewise, Bangladesh, which is the region's biggest jurisdiction in terms of Islamic finance assets holding US$ 26 billion in 2015, is now ranked 16th, ousted from the top 15 on a low Awareness score of 5. In contrast, Maldives and Sri Lanka moved up to 12th and 13th overall, due to higher Awareness indicator values after hosting an abundance of seminars last year.

Other MENA: Major player Iran drops out of top 15 on poor CSR disclosure

Iran, the world's second largest Islamic finance market, dropped out of the top 15 performers to 19th place, after the absence of CSR activities disclosures from its recent annual reports. Conversely, Palestine entered the top 15 moving to 15th place from 19th in 2015, mainly due to a higher CSR indicator value. The results showed a need for financial institutions to improve and maintain their CSR reporting so that ultimately IFDI rankings can be maintained.

Islamic Finance Development Indicator Noteworthy Emerging Performers

Africa: Taking serious steps towards Islamic finance through improved governance

Whether from the North, West or other parts of this continent, Africa has been widely referred to as an Islamic finance region with the biggest growth potential. Indicators show several nations are already making significant strides. South Africa shone as one of the leading nations on the CSR indicator after its Islamic bank improved its CSR activities disclosure, lifting its overall ranking to 18th place. Its Governance indicator result improved, as well as QD. Moroccan and Tanzanian Knowledge indicator values improved on an increased number of research papers produced between 2013 and 2015. Also, Morocco's introduction of takaful and sukuk regulation in May 2015 boosted its Regulation sub-indicator, while Tanzania's improved disclosure index lifted its corporate governance score.

Other Middle East: Some resilience in torn nations Syria and Yemen

Syria and Yemen's IFDI performances improved. Yemen's reporting of CSR activities in 2015 lifted it to 24th position from 34th, while Syria's improved Islamic banking performance and average disclosure scores raised it to 21st from 24th. Both countries' Awareness indicators improved.

Other Asia: Japan and Russia lead as Islamic finance pioneers in region

Of the other Asian nations, Japan and Russia's IFDI rankings jumped the most. Different factors were involved, but all lead to one conclusion, that these nations are serious about developing this industry. Japan's launch of a new Islamic fund improved its QD performance more than any other nation. Its Knowledge indicator values rose on an increased number of research papers in 2015. Russia's position rose on more publications and Islamic finance related events during 2015. They were popular in the news, with Japan's bank Mitsubishi MUFG launching its Islamic window in Dubai and Russian banks such as Sberbank announcing it will launch an Islamic banking window.

Europe: Turkey and Luxembourg's IFDI performance declined

Turkey's IFDI value declined on its QD performance. Turkish Islamic banking assets fell as Bank Asya posted losses after the Turkish banking regulator seized control of the bank. This is despite Bank Ziraat entering into the Islamic banking market and adding to the nation's total Islamic banking assets.

Luxembourg's IFDI performance was lacklustre, as positive sentiment about its Islamic finance potential waned alongside poor QD numbers. Its issuance of sukuk back in 2014 improved its number of news items in 2014 and raised its Sukuk sub-indicator value, but a lack of sukuk issuance since then pulled that sub-indicator lower and hence Luxembourg's QD value. Meanwhile, its neighbour UK was able to move up the IFDI ranking on improved CSR and Governance indicator values despite witnessing a similar a decline on the Sukuk and News sub-indicators due to a lack of sukuk issuance in 2015.

ISLAMIC FINANCE DEVELOPMENT INDICATOR NOTEWORTHY EMERGING PERFORMERS

Move from 2015 Rank	IFDI 2016 Rank	Country	2016 Indicator Value: IFDI	Quantitative Development	Knowledge	Governance	CSR	Awareness
▼	16	Bangladesh	21	14	15	44	27	5
▲	18	South Africa	20	6	3	19	65	6
▼	19	Iran	19	44	15	28	0	8
▲	21	Syria	18	18	7	45	12	10
▲	22	United Kingdom	15	3	12	33	18	7
▲	24	Yemen	14	3	8	19	27	11
▼	25	Turkey	13	5	7	15	18	20
▲	27	Kenya	10	7	11	17	0	18
▲	30	Morocco	10	1	13	17	0	19
▲	38	Tanzania	6	1	8	3	9	8
▼	53	Luxembourg	3	8	2	1	0	3
▲	75	Japan	1	5	1	0	0	0
▲	85	Russia	1	0	1	0	0	2

Islamic Finance and Outlook

Global Events that Shaped Financial Markets and Economies

1 IRAN
UN sanctions on Iran were lifted in January 2016 allowing its Islamic finance and oil sectors to enter the global economy, yet domestic sanctions on U.S. banks dealing with Iran remain in force, while European banks remain reluctant to deal with Iran.

2 UNITED KINGDOM
The UK's European Union referendum held on 23 June 2016 resulted in the UK voting to leave the EU by 52% against 48% and invoke Article 50 of the Lisbon Treaty, which gives the UK and EU 2 years to agree on the terms of its split. It also resulted in the GBP tumbling to a 30-year low of US$ 1.30.

3 CHINA
China has had its currency devalued since August 2015 in order to boost its exports in global markets, after its economy expanded at its slowest rate in 25 years. It also succeeded in adding the yuan to the IMF's Special Drawing Rights (SDR) basket as of October 2016. It also launched the Asia Infrastructure Investment Bank in January 2016 which is expected to lend US$ 10 billion-US$ 15 billion a year for the first few years and is closely linked to the "One Belt, One Road" initiative.

4 UNITED STATES
The U.S. Federal Reserve hiked interest rates in late 2015 for the first time since 2006 placing the world's largest economy in a tightening phase, which will have implications on global capital markets. However, the odds of a further rate hike in 2016 are declining.

5 GCC
As a result of the decline in global oil prices, hitting US$ 40 in August 2016 on lower supply and demand, oil exporting economies and especially GCC government revenue has reduced significantly. These economies are also under pressure to minimize their expenditure and to find sources of funding beyond short-term borrowing.

6 SAUDI ARABIA
Saudi Arabia's Vision 2030, launched in April 2016, is the most noteworthy plan to end the Kingdom's dependence on oil, through several economic reforms including prioritizing Saudi women's economic role and raising non-oil revenue to US$ 1 trillion riyals by 2030. In addition, it is expected to raise at least US$ 2 trillion from the 5% IPO of state oil giant Saudi Aramco, which is currently mapping out its planned IPO based on external and internal factors. Finally, the Kingdom opened its US$ 530 billion stock exchange to foreign investors in June 2015 to attract massive inflow and shake the country from its economic slumber.

7 EUROPE
While the European economy is recovering from the 2008 global financial crisis, an influx of refugees is putting tremendous and disproportionate social and economic pressure on the region. It also faces grueling terrorism threats marked by several attacks in 2015 and 2016.

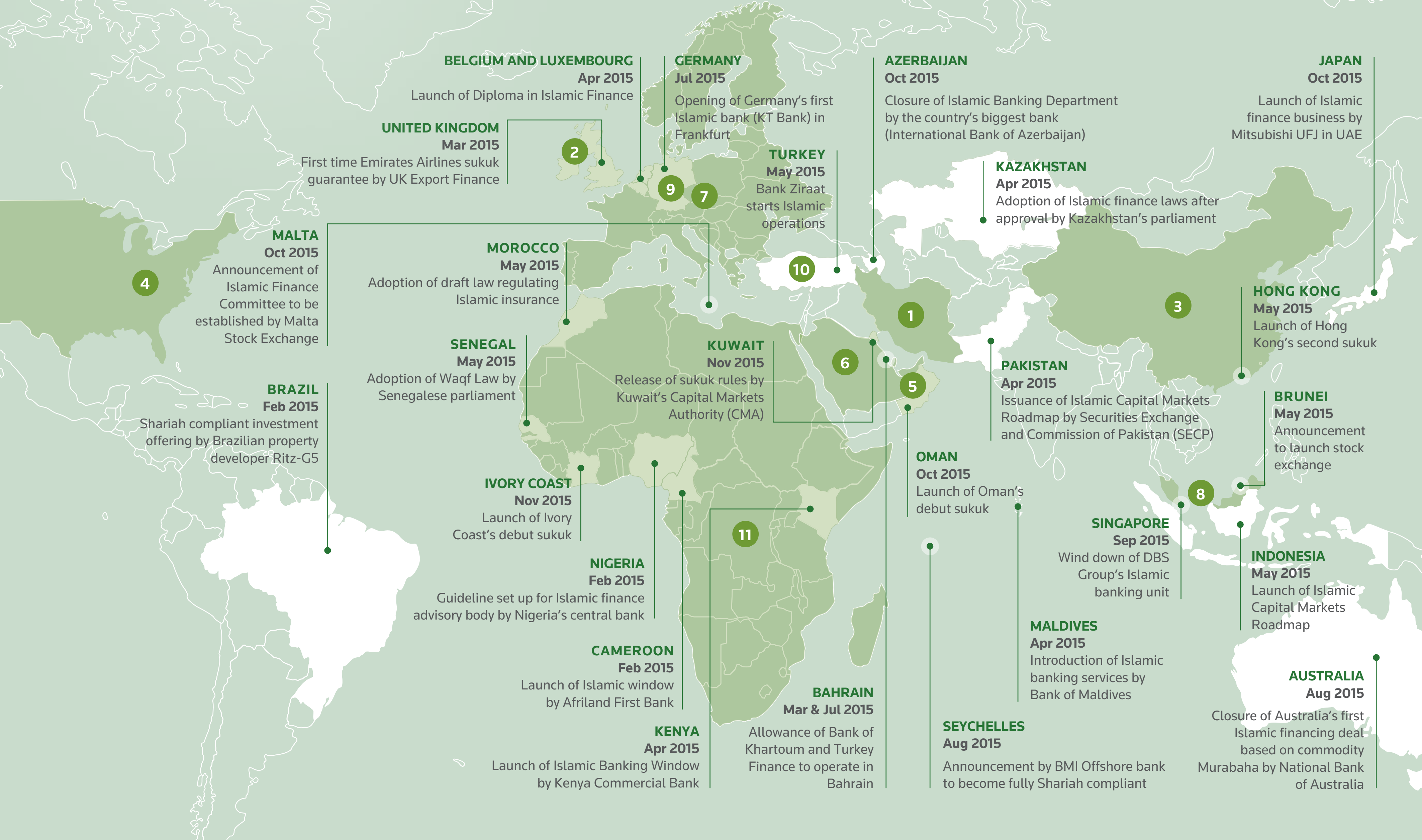
8 MALAYSIA
A frenzy of technology start-ups has re-emerged in recent years, particularly financial technology (FinTech) platforms that have been called the key innovative factor in adopting financial products and widening their availability in "unbanked" markets. It is expected that these start-ups will transform how traditional banks will operate including service quality and charges. This also means that governments need to step in when regulating non-bank FinTech companies. So in order to create an environment for financial innovation, Malaysia has hinted that a regulatory framework for FinTech could be out in Q4 2016.

9 GERMANY
Volkswagen AG, the German carmaker, became engulfed in a large scandal when it revealed it manipulated emissions test data on its diesel vehicles after discovery by the Environmental Protection Agency (EPA). This undermines public trust in sustainability reporting by car makers or other companies.

10 TURKEY
The failed military coup in July 2016 led Turkey's banking watchdog (BDDK) to cancel Bank Asya's operating rights. The bank is one of Turkey's largest Islamic lenders and was founded by the supporters of Fethullah Gulen – the Muslim cleric accused of orchestrating the failed military coup. The coup also led to increased downside risk on economic growth, while Standard & Poors cut its credit rating to BB from BB+.

11 AFRICA
In June 2015, 26 African nations signed the Tripartite Free Trade Area Agreement (TFTA) in Cairo, Egypt to promote intra-regional trade between them and reduce differences between trade regimes. It brings together three of Africa's regional and economical communities: the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the East African Community (EAC).

RECENT ISLAMIC FINANCE EVENTS



Impact of Recent Global Events on the Development of Islamic Finance Industry

Sukuk prospects to save Islamic finance from economic headwinds

Regional and global events that have taken place over the past year have clearly impacted the financial sector, including Islamic finance. Events such as the lifting of sanctions on Iran and the launch of Saudi's Vision 2030 promise new opportunities for Islamic finance over the coming decade. On the other hand, persistently low oil prices and political instability in the Middle East have slowed down economic and industry growth, yet inadvertently present reasonably high growth opportunities for sukuk — infrastructure sukuk in particular. In this section, we look at some key recent events and assess their impact on the industry, and the potential opportunities they present.

Iran's return to global markets: A boost for sukuk market and new diversification opportunities

Iran is one of the world's largest (second largest) Islamic finance markets, with assets totalling US$ 434 billion in 2015. Earlier this year, the majority of sanctions imposed on Iran by the UN, the EU and the US were lifted, potentially restoring its access to global financial markets. Although Iranian companies remain restricted from raising capital from Western markets, Iran has attracted interest from Middle Eastern investors looking to diversify through exposure to its growing economy that has become less reliant on oil.

It is anticipated that the country's infrastructure development program for the next decade will require foreign funding worth US$1 trillion, with projects for the oil sector worth US$ 100 billion. As Iran's banking system is fully Shariah-compliant these projects will provide a significant boost to the global Islamic finance market, specifically in terms of sukuk — the preferred source of funding for infrastructure projects. Tehran-based analysts estimate that there are already around 180 Iranian companies from key sectors, including manufacturing, hospitality and transport that have been considering issuing sukuk in 2016. Also, with further changes in the mix, Iran has recently embarked on a number of regulatory reforms that would aid investment, including clarifying the framework for Ijarah and the introduction of regulatory requirements for sukuk.

Brexit — Potential for UK to enhance its position as Islamic finance centre in the West

The British economy appears to have overcome the initial shock of the Brexit vote, as the stock market quickly recovered to pre-vote levels. But conversely the British pound recently hit a 30-year low, and lost its top triple-A credit rating. In the short term, UK economic growth is expected to slow to 1.7% in 2016 and further diminish to 1.3% in 2017. The long term, however, could be more promising if the UK manages to negotiate favourable terms to its EU exit and maintain economic openness, allowing it to tap into non-EU and emerging markets.

The UK is currently one of the largest Islamic finance markets in the West — with Islamic banking assets amounting to US$ 4 billion in 2015 — and departing from the EU could potentially present opportunities to maintain, and perhaps enhance, its leading position. The UK has already begun to shift its focus towards Islamic finance, particularly sukuk, as an alternative to fund infrastructure development and regeneration projects. With the loss of EU funding for infrastructure projects it is likely to continue to do so, thus contributing to the growth of the Islamic finance sector. Increasing demand from investors in the Middle East and Asia for Shariah-compliant instruments in a maturing market, with higher ratings, would be another contributor to industry growth.

Muted impact of China's slowdown on Islamic finance assets

In 2015, China's economic growth slowed to 6.9%, the lowest in 25 years. This triggered fears across Southeast Asian countries that have close trade and investment links with China, while the super power remains the biggest importer of raw materials and natural resources in the region. These fears were further substantiated by the devaluation of the yuan in August last year; a hit to Asian commodity markets and exports resulting in a sluggish economic outlook for the region. Two of the most vulnerable economies to China's economic slowdown and currency devaluation are Indonesia and Malaysia; their economic growth declined to 4.67% and 4.9% respectively, due to the negative impact on their commodity exports to China.

This economic slowdown does not appear to have negatively impacted the growth of the Islamic finance industry in either country. The impact of slower economic growth is likely to have been offset by government policies and initiatives aiming to support and develop the Islamic finance industry, especially Indonesia. Malaysia, the world's third largest Islamic finance market, posted growth in its IFI assets (in the local currency) increasing 11% from 2014 to 2015. Indonesia also reported 7% growth in its IFI assets over the past year. This is possibly due to the transfer of some of its Islamic finance operations from Malaysia, as well as recent plans to establish a mega Islamic bank and develop the industry's regulatory environment.

Slump in oil prices will continue to dampen Islamic banking growth in the GCC

The global Islamic finance industry is concentrated primarily in oil-exporting countries, mainly the GCC which accounted for 46% of the industry's assets in 2015. Given the dependence of this core market on oil and the resulting decline in economic growth, it is expected that the Islamic finance industry will face slower growth through 2016 and 2017.

Standard & Poor's forecast that oil prices will remain low over the next 2 years, averaging US$ 45 in 2017 and US$ 50 in 2018. Policy responses to low oil prices have led to spending cuts across the GCC, resulting in lower GDP expectations of 2.2% in 2016, down from 3.1% in 2015 and 3.9% in 2014 from the World Bank. Additionally, a fall in government deposits has led to reduced liquidity for both conventional and Islamic banks. The slowdown in Islamic banking growth started in 2015, with asset growth slowing to 6% in 2015 from 13% in 2014. Standard & Poor's expects the slowdown will continue in 2016 and into 2017, with growth stabilizing at 5%. With the tightening of liquidity in banking systems, GCC governments are no longer able to cover their financing needs through bank lending alone. This has led them in recent years to turn to debt markets, and increasingly to sukuk markets to fund their ambitious infrastructure development programmes.

Saudi's Vision 2030: new opportunities for Islamic banking and sukuk

Saudi Arabia's reform plan, Vision 2030, came as a policy response to the significant decline in oil prices since last year. The plan was designed to free the Saudi economy from its dependence on oil revenue; increasing non-oil government revenue to SR1 trillion (US$ 267 billion) and increasing private sector contributions to GDP to 65% by 2030.

HSBC estimates the financial requirement for all proposed projects in the plan will cost US$ 75 billion annually, which is likely beyond the capacity of the Saudi banking sector. Vision 2030 includes initiatives to develop the

Saudi bond market as a source of long-term funding for these projects, with volumes expected to grow to SR94 billion by 2030 from SR21 billion in Q2 2015. Saudi Arabia may turn to Islamic financial products, particularly sukuk, to fund its infrastructure projects; they are more secure as they have underlying assets which work well with infrastructure projects. They also have more predictable rates of return because both sukuk and bonds use similar benchmarks such as Libor or US Treasurys. Vision 2030 could potentially contribute to increasing the growth of Saudi's sukuk market over the next decade in an effort to fund its large-scale infrastructure and construction projects.

Anticipation of Fed rate hike reduces issuer appetite for sukuk and dampens Islamic lending activity

After much anticipation throughout last year, the Federal Reserve finally hiked the US interest rate for the first time since 2006 to 0.5% after maintaining the benchmark rate at near zero levels (0%-0.25%) for 7 years. Signalling the beginning of the "normalization" process, the Fed then forecast that it would further hike rates by 25 basis points 4 times during 2016, however this was later revised down to 2 rate increases. Soon after, Saudi Arabia, Kuwait and Bahrain all raised their benchmark rates in order to maintain their currency pegs with USD (excluding Kuwait; its currency is pegged to a basket).

The sukuk market remained resilient to this increase in interest rates, and entered into a reversal in January 2016. Concerns in the market throughout 2015 over a steep rise in interest rates had driven away sukuk issuers, which contributed to the dampening of sukuk issues and increased sensitivity of sukuk to these concerns compared to conventional bonds. As evident from the performance of MENA and Global Sukuk indices, the performance of the sukuk market began to deteriorate in Q4 2015, as investors began to sell off their fixed income investments. This sell-off incorporated highly anticipated

> United States Federal Reserve Bank, in Washington, DC.
ROB CRANDALL/ SHUTTERSTOCK.COM

rate hikes in the last window of 2015. When the rate hike was announced the market began to correct, resulting in a flattening yield curve at year-end — the rate hike was already priced into the sukuk market before it happened (containing the sudden reaction to the interest rate hike). As expectations of multiple interest rate hikes in 2016 have begun to subside, analysts expect sukuk issuance to recover, especially as governments are likely to tap the sukuk market to meet their infrastructure requirements and bridge their budget deficits in a low commodity price environment.

The increase in the Fed rate and resulting benchmark rate increases are expected to exacerbate the impact of low oil prices on the banking sector, especially in the GCC, as the expected substantial growth of Islamic banking is poised for a slowdown in the coming years. Increasing borrowing costs will hold back credit growth, directly impacting net interest margins across GCC banks, which will be forced to charge more for loans and become more selective on lending to customers.

Sukuk markets remain resilient amidst political instability in MENA region

The MENA region has been experiencing heightened political instability since 2011, currently concentrated in Syria, Iraq, Libya and Yemen. Egypt, Tunisia, Morocco and Jordan, among other countries, are undergoing political transitions and face security concerns over growth-promoting policies. Financial markets, especially in the Middle East are sensitive to geopolitical instability, which has dampened the region's short-term growth prospects; however MENA growth remains resilient despite tensions. The World Bank estimates that MENA economic growth will be 2.9% in 2016, increasing to 3.5% in 2017 and 3.6% in 2018. If the recent truce in Syria and peace talks in Yemen and Libya are successful, it is expected that growth over the next 2 years will increase.

This instability had a major impact in the countries that have been affected the most by the turmoil, with government securities yields spiking and short-term investors withdrawing from the market. The triple-A-rated Islamic Development Bank (IDB) is planning to issue sukuk, possibly jointly with the World Bank, to finance refugee programmes and the reconstruction of these countries, with Yemen as their top priority. The economic slowdown experienced by countries on the periphery of troubled areas, and those in political transition, has seen their budget deficits widen increasing their financing needs. However, local and multilateral lending institutions have not been able to cover their increasing need for finance, which has led their governments to consider sukuk as an alternative to raise foreign funding for their infrastructure development and reform plans and deficits. Tunisia has announced plans to tap the sukuk market for US$ 500 million and Egypt is planning its first sukuk issuance to fund substantial development projects. To facilitate this move, legislative bodies in both Tunisia and Egypt have recently approved laws governing sukuk issuance. The unrest could potentially impact regional expansion plans of GCC Islamic banks, thereby adding stress to their profit margins and increasing the competition they face from countries like Malaysia.

Islamic Finance Assets Growth Outlook

The IFDI expects that total global Islamic finance assets will reach US$ 3.5 trillion by 2021 as a result of continued growth in all sectors globally. Of these sectors, Islamic banking will likely be the main driver of growth reaching US$ 2.8 trillion in assets by 2021, with its share increasing to 80% by 2021 from 73% in 2015. Total projected growth will be supported by Islamic banking and other sectors in the GCC region and other top performing countries in Islamic finance, along with the rumoured or planned development of Islamic finance in other countries.

While many are pessimistic on the growth prospects of the Islamic finance industry, especially given recent economic conditions in core Islamic financial markets such as the GCC and Southeast Asia or potential regional hubs like the UK, Islamic finance tools such as sukuk, Islamic funds or Islamic loans could be the solution to economic woes given their growing popularity.

When observing **GCC** recent news, sukuk is emerging as another tool of choice to plug some countries' budget deficits after the drop in oil prices. Although the process of issuing sukuk is not as swift as issuing conventional bonds in these countries when compared to Malaysia, there are signs of its high demand and potential supply. Kuwait's Capital Markets Authority introduced sukuk rules in November 2015 in a move to prepare for sovereign issuance and to facilitate sales of corporate sukuk. Oman sold sukuk in July 2016 with 6-year maturity based on Ijarah, while Qatar issued QR1.6 billion of sovereign sukuk in August 2016 along with QR3 billion worth of conventional bonds. Qatar's sukuk received high demand — an additional QR2.4 billion in bids by banks as opposed to QR50 million in bids for its conventional bonds. This paved the way for another QR2.6 billion sukuk by Qatar the following month, which suggests that liquidity is easing in a Qatari market that is pressured by low gas prices. Expected sovereign sukuk issuances in the GCC will present an investment opportunity not only for its Islamic banks, but for its takaful sector, as takaful operators in the GCC need to shift away from riskier equity and real estate investment assets.

Additionally, the Islamic banking sector could play a larger role within the next few years for some GCC economies despite its contracting liquidity. The low liquidity in the GCC is reflected by its deposits base which is 20%-40% sourced from the government and heavily depends on its oil sector. Some governments are already trying to ease liquidity conditions on their banks, including SAMA which raised its loan-to-deposit ratio from 85% to 90% in February 2016 to give greater access to funds for financing. Another policy that could support Islamic banking growth is Saudi Arabia's Vision 2030 which aims to support its non-oil sector and increase non-oil revenue by US$ 1 trillion by 2030. Dubai Expo 2020 also presents an opportunity for the industry, as it will meet financing needs through bank financing or sukuk issuance. Other Islamic financial institutions such as Islamic financing companies in Saudi Arabia may also overcome the decline in liquidity in Islamic banking as they are financed by private investors and not through deposits. They may end up playing a growing role in the real estate market or financial leasing.

As for **Other MENA** countries, Iran has proved its resilience with its Islamic finance assets growing 15% in 2015. After the lifting of UN sanctions in 2016, its Islamic finance and oil industries will re-enter the global economy, albeit slowly as resistence from European and US banks remains. Another reason for its slow entrance is that its local sector needs regulatory reform in terms of supervision and liquidity. It also needs to be up to speed with the global banking system, for example meeting the Basel capital adequacy requirements for banks. North Africa could also be a driver of this region. GCC banks are on the cusp of establishing Islamic banking subsidies in Morocco, while French banks are set to launch Islamic window operations there.

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Southeast Asia is also realizing the industry's potential. Indonesia introduced its 5-year roadmap for the Islamic banking industry, along with a new foreign ownership policy for Islamic banks and a law requiring conventional insurers to spin off their takaful windows to become full-fledged players. The introduction of such policies increased the attractiveness of its local takaful and Islamic banking markets as foreign institutions such as AIG, Sun Life Financial and Al Baraka Banking Group announced their interest to expand into this market. Its stock exchange also announced it will collaborate with Bursa Malaysia to develop Islamic capital markets to create the World Shariah Stock Markets Centre. Indonesia and Malaysia also granted greater access to each others' Islamic banking markets. Subsequently, 3 banking groups from each nation will operate under the same regulation as local banks.

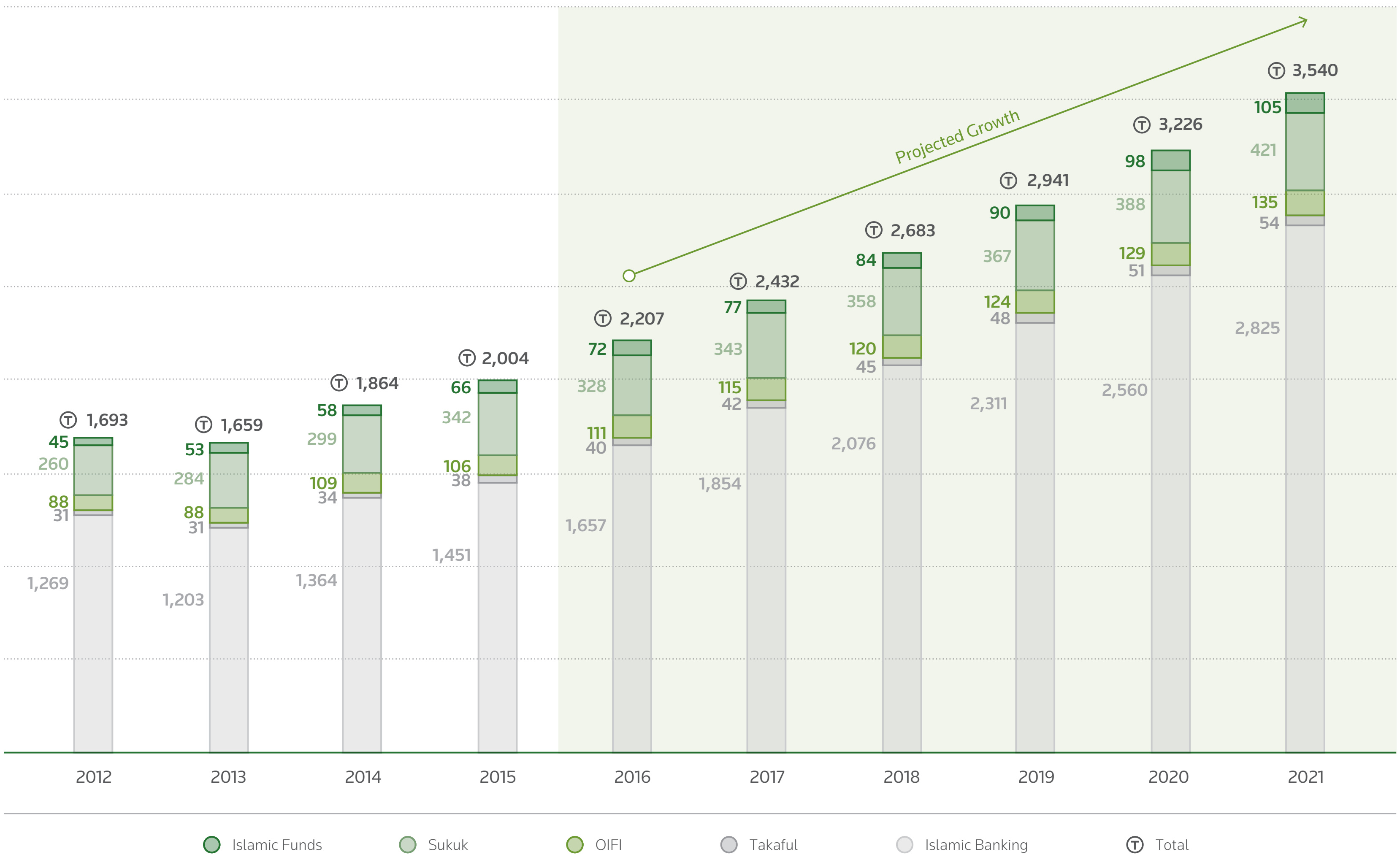
As for the industry's growth potential in **other Asian** nations, Pakistan takes the lead, allowing insurers to operate takaful windows as part of its Securities Exchange and Commision (SECP), as well as efforts to strengthen its non-Islamic banking industry, new sukuk rules and its own Islamic Finance Department and Shariah board. Meanwhile, its neighbour India is exploring the introduction of interest-free banking to increase financial inclusion. The Islamic Development Bank (IDB) announced its first Indian branch will be in Ahmedabad, Gujarat as part of an MoU signed between it and India's EXIM Bank in April 2016.

Another region with a promising future for growth is **Sub-Saharan Africa**, particularly in terms of infrastructure sukuk. Togo became the latest African sovereign issuer in 2016 and Kenya, Niger and Nigeria are planning similar moves to fund infrastructure needs. In East Africa, Uganda amended its laws in January 2016 to allow Islamic banking products and subsequently allow the establishment of full-fleged banks or Islamic banking windows.

In **Western nations** in Europe and North America, Islamic funds could further blossom as Brexit now presents UK real estate as a lucrative Islamic investment opportunity due to the lower pound/dollar rate. In addition, SRI funds have a similar exclusionary nature as Islamic funds which prove attractive in Canada and the US. Globally focused Islamic funds domiciled in this region could also benefit from Saudi Arabia opening its stock market to foreign investors in September 2016 and easing ownership limits and minimum qualifications for foreign institutions by 2017.

In addition, the international sukuk market could benefit from Europe's monetary policy. According to S&P Global Ratings, the European Central Bank's quantitative easing programme, where yields have been low or negative, means that many European investors will be looking for higher returns and diversified portfolios in emerging markets such as the GCC. These investors could benefit from sukuk investments' better returns in these markets. They could also be attracted by JP Morgan's decision to add sukuk to its emerging market indices from October 31, 2016 as it requires minimum criteria such as a credit rating. This eases the due dilligence job for non-traditional investors. It also increases the secondary market liquidity as it helps sukuk shift away from a traditonal buy-and-hold investor base.

GLOBAL ISLAMIC FINANCE ASSETS BY SECTOR GROWTH (2012 – 2021, US$ BN)



Islamic Finance Factsheet

Country	2016 IFDI Ranking	Islamic Finance Assets (US$ Mn)	Number of Islamic Financial Institutions	Islamic Banking Assets (US$ Mn)	Number of Islamic Banks / Windows	Takaful / Retakaful Assets (US$ Mn)	Number of Takaful / Retakaful Operators	Other Islamic Financial Institutions Assets (US$ Mn)	Number of Other Islamic Financial Institutions
Global	**Not Applicable**	**2,003,542**	**1,329**	**1,451,087**	**480**	**37,745**	**322**	**106,351**	**527**
Saudi Arabia	6	446,664	127	350,128	16	14,206	40	7,991	71
Iran	19	434,420	131	379,664	42	10,502	27	27,574	62
Malaysia	1	414,343	77	159,986	39	7,324	20	39,494	18
United Arab Emirates	3	187,051	87	148,187	24	2,072	17	5,593	46
Qatar	9	100,538	37	84,062	8	535	19	734	10
Kuwait	7	100,361	99	86,153	8	186	15	11,712	76
Bahrain	2	81,069	64	75,083	36	372	9	795	19
Turkey	25	51,710	6	41,693	5				1
Indonesia	10	47,645	138	20,081	33	1,269	57	747	48
Bangladesh	16	26,192	45	25,438	26	669	18	85	1
Pakistan	5	22,164	69	15,120	23	174	13	2,607	33
Egypt	23	14,280	31	13,793	13		9	291	9
Sudan	11	11,110	54	11,010	32	43	14	58	8
Jordan	8	9,447	13	9,025	4	125	2	168	7
Switzerland	81	6,937	3		1			6,879	2

	Value of Sukuk Outstanding (US$ Mn)	Islamic Funds Assets Under Management (US$ Mn)	Number of Educational Institutions Providing Islamic Finance Education	Number of Published Research Papers on Islamic Finance (2013 – 2015)	Centralized Shariah Commitee	Number of Shariah Scholars with at Least 1 Membership	Disclosure Index Score (Average)	Disclosed CSR Funds Distributed (US$ Mn)	Number of Islamic Finance Related Events	Number of Exclusive and Regional News Articles
Global	**341,923**	**66,436**	**622**	**2,224**	**Not Applicable**	**1,432**	**29**	**672**	**325**	**106,883**
Saudi Arabia	52,064	22,274	25	99		83	29	376	7	1,880
Iran	4,097	12,584	12	38					3	213
Malaysia	188,700	18,839	60	833	Yes	225	35	31	74	4,653
UAE	30,678	521	48	40	Yes	71	35	94	42	5,125
Qatar	14,973	234	9	17		39	31	33	2	1,616
Kuwait	880	1,429	9	13		89	27	33	3	1,105
Bahrain	4,803	16	17	32	Yes	86	42	19	20	2,092
Turkey	10,004	14	11	33		3	34	3	12	684
Indonesia	24,741	808	60	145	Yes	134	30	5	9	819
Bangladesh			15	44	Yes	186	31	9		286
Pakistan	2,921	1,342	33	139	Yes	53	36	3	41	2,912
Egypt		196	16	13		30	27	5	3	641
Sudan			7	4	Yes	66	22	13	2	241
Jordan	120	8	22	25		37	26	29	4	351
Switzerland		58	4	4		3			3	14

KHALED MOHAMMED AL-ABOODI

Chief Executive Officer, Islamic Corporation for the Development of the Private Sector (ICD)

MR. KHALED AL-ABOODI joined the Islamic Development Bank (IDB) Group in November 2001 as Deputy Director General of the Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of IDB and since 2007 has been Chief Executive Officer of ICD.

He has over 35 years of experience working in the developing finance industry in the Middle East and USA. Khaled started his tenure at the Ministry of Finance & National Economy of Saudi Arabia in 1982 as an Economic Researcher.

He holds a Bachelors Degree in Economics from King Saud University, Riyadh (1982), and a Masters degree in Economics from the North-eastern University, Boston, USA (1987).

Given ICD's experience in supporting private sector development in its member states, which other countries would benefit from growing their Islamic finance industry? And in which sectors would they most benefit (Islamic banking, sukuk, takaful, Islamic funds, other)?

In general, all countries within ICD's operations have huge potential to benefit from growing their Islamic finance industries. Demand-driven factors, such as demographic developments and capital investments will support this growth in the form of increased demand for banking products and services, especially on the retail front. Additionally, in regions such as Africa where the challenge of providing affordable and accessible financial services to low-income or "unbankable" members of the population is an increasingly urgent one, policymakers in countries with large Muslim populations may consider the meaningful role that Islamic finance can play as part of national financial inclusion. Similarly, in countries where the population is predominantly non-Muslim, Islamic finance provides an alternative financial system, which helps to diversify risk and is likely to appeal to those who have concerns with ethical finance.

ICD was involved in arranging sukuk issuance in Senegal, Ivory Coast and Togo. Do you think this will pave the way for Islamic financial services to prosper in West Africa? Do you envisage other African nations issuing sukuk in the near future?

The market for sukuk is growing and there is increasing momentum in the level of interest from issuers and investors in Africa. Sukuk, as an Islamic financial instrument, has confirmed its viability as an alternative means to mobilise medium to long-term savings and investments from a huge investor base. The recent sovereign issues in Africa will not only serve as an impetus for other African governments to follow suit and diversify their financing instruments via sukuk, but they will help the Islamic finance industry to mature and pave the way for private sector growth and the development of capital markets in countries where they are still nascent. Encouraging news is that there are countries that are in the midst of preparing legislation for sukuk issuance such as Tunisia, Egypt and Morocco to name a few. Currently, West Africa, and Africa in general, is at a stage where there is a need to broaden the source of funds required to support its large infrastructure deficit and plug its revenue shortfall caused by the global commodity slump, and Islamic finance can be the solution. ICD was instrumental in a number of countries' debut sukuk issues and today we stand ready to collaborate with more frontiers in assisting nations with issuing sukuk.

Following the fall in oil prices and cuts in government spending and subsidies, how can Islamic finance support the GCC's budget needs?

A commodity price rout, particularly the decline in global energy prices since mid-2014 has left many countries with a huge fiscal gap. This has caused many commodity-dependent economies, including the GCC countries, to consider narrowing budget deficits and look for new sources of budget revenue. Some GCC countries have already started to tap into the Islamic finance support system adjusting to a "new-normal" environment of fiscal policy. For example, in 2015, Oman made its sukuk debut with its five-year OMR200 million (US$ 517.93 million) benchmark offering. As one of the smaller GCC countries, Oman is viewed as more vulnerable to low oil prices and as such is likely to have a wider than average budget deficit. The sukuk was expected to help bridge that gap. Moreover, Saudi Arabia has issued its first-ever sukuk in a record-breaking deal within Islamic finance and debt markets of emerging and developing economies.

Meanwhile, other GCC nations like Qatar are in talks to issue sukuk to shore up their finances which are under pressure from low energy prices, while Kuwait is preparing legislation to facilitate sovereign sukuk issues for the same reason.

What impact will Brexit have on the UK and the global Islamic finance industry?

One of the biggest issues to come out of Brexit is that London-based financial institutions are set to lose "passporting" privileges which they enjoyed as members of the European Union. However, the fact remains: London is still one of the world's leading financial capitals and this alone will somewhat insulate the UK's aspirations in becoming the leading Western hub for Islamic finance. This is because it is a given that policymakers and stakeholders will try to negotiate and maintain the status quo as much as they can and build on existing strengths, which include allowing Islamic finance to thrive and operate on a level playing field. Therefore, the consensus is that progress will be in tandem with the conventional banking industry.

What are the main impediments to growth of the Islamic finance industry? How can the ICD help overcome these challenges?

Although Islamic finance remains one of the fastest-growing segments in the global financial system, it is still considered to operate far below its true potential both in terms of asset base and geographical diffusion. Although there are many pre-requisites

> "SUKUK, AS AN ISLAMIC FINANCIAL INSTRUMENT, HAS CONFIRMED ITS VIABILITY AS AN ALTERNATIVE MEANS TO MOBILISE MEDIUM TO LONG-TERM SAVINGS AND INVESTMENTS FROM A HUGE INVESTOR BASE.

for sustaining growth in Islamic finance, the main issues that the industry faces are the following:

First, the lack of technical and contractual standardization continues to hinder the growth of the industry.

Secondly, challenges on the regulatory front, such as regulatory inconsistencies, as well as the shortage of qualified human capital also remain key issues.

Last, but not the least, the low penetration levels of Islamic finance outside of its traditional markets can be attributed to the lack of public awareness and narrow recognition of Islamic finance products and services.

Industry stakeholders, including Islamic financial institutions and regulators are well aware of the ongoing challenges and the need to address them. At ICD, we continuously strive to do what we can to change the status quo.

For example, ICD has launched the Islamic Financial Institutions (IFI) Program, offering a wide range of advisory services including: (i) converting conventional banks into Islamic banks; (ii) setting up Islamic windows or Islamic branches within conventional banks; (iii) assisting Islamic banks in raising funds; (v) assisting governments in establishing or enhancing existing Islamic financial systems, in addition to providing various capacity building advisory services and programs. Since its launch, the IFI program has successfully rendered a large number of advisory services to renowned financial institutions in ICD member countries and has succeeded in expanding Islamic finance's role as a facilitator of inclusive growth.

As we all know, there is an urgent need for Islamic finance tailored programs that are able to produce highly competent and motivated professionals with required knowledge of conventional banking and finance, as well as knowledge of Islamic Shariah. As a means of addressing this shortfall, the ICD established the Islamic Finance Talent Development Program (IFTDP) in 2011 to develop and nurture superior talent and best practice for the industry. Other programs include the Corporate MBA Program in collaboration with IE Business School, Harvard University and UC Berkeley, as well as the ICD-IE Masters in Islamic Finance and Leadership (MIFL). We also often conduct skills workshops and training programs on a regular basis.

More recently, the ICD recognizes that the Islamic finance industry requires effective holistic measures to focus on efforts to facilitate and ensure inclusive financial sector development. In collaboration with Thomson Reuters, the annual ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI) Report, now in its fourth consecutive year, assesses the current state of the overall health of the Islamic finance industry and measures growth potential across 124 countries. The indicator is the leading global reference for Islamic finance development for all users including policymakers and regulators, investors and finance institutions, Shariah scholars and research and training departments interested in Islamic finance.

In September 2015, the United Nations General Assembly adopted 17 sustainable development goals (SDGs) centred on five pillars: people, planet, prosperity, peace, and partnership. What role will Islamic finance play in supporting SDGs? How can the ICD support this?

With a target to be achieved by 2030, the SDGs will require unprecedented and ambitious mobilization of resources to support their implementation, with financing requirements reaching an estimated US$ 5 trillion-US$ 7 trillion a year globally according to research. Meanwhile, developing countries are forecast to face an annual investment gap of US$ 2.5 trillion in areas such as infrastructure, clean energy, water and sanitation and agriculture.

In most developing countries, traditional development finance has remained the main tool for financing development. With resources allocated for development by donor countries now insufficient coupled with headwinds from financial and economic crises affecting many countries worldwide, it is important to explore alternative and complementary innovative financing mechanisms such as Islamic finance.

As a system, Islamic finance helps to stimulate economic activity and entrepreneurship towards addressing poverty and inequality. Islamic finance also ensures financial and social stability and promotes comprehensive human development and fairness. These are all relevant to the SDGs. The new global sustainability agenda has put Islamic finance under the spotlight in terms of its critical role in supporting development. This is because the principles of Islamic finance offer a just and fair socioeconomic system where there is a strong commitment towards the well-being of society. The strong emphasis on socially-inclusive and development promoting activities makes Islamic finance the perfect solution for achieving SDGs.

Especially now that there is increased global awareness that private firms should consider environmental, social and governance (ESG) issues in their decision-making processes and aim to balance returns and social change, the move towards responsible investing/impact investing will cause people to gravitate towards Islamic finance.

ICD has helped promote Islamic finance in our member countries, as well as set up thematic funds to help address development challenges. This includes the ICD Food & Agribusiness Fund, which was developed to make a catalytic contribution towards the promotion of food security and the development of the food and agriculture sector. There is also the ICD Central Asia Renewable Energy Fund which was created to develop and promote the renewable energy sector in various Central Asian member countries, as well as the ICD Healthcare Fund, which focuses on the core, traditional healthcare sub-sectors. Other ESG funds in solar energy, education sector, are also in the planning stages.

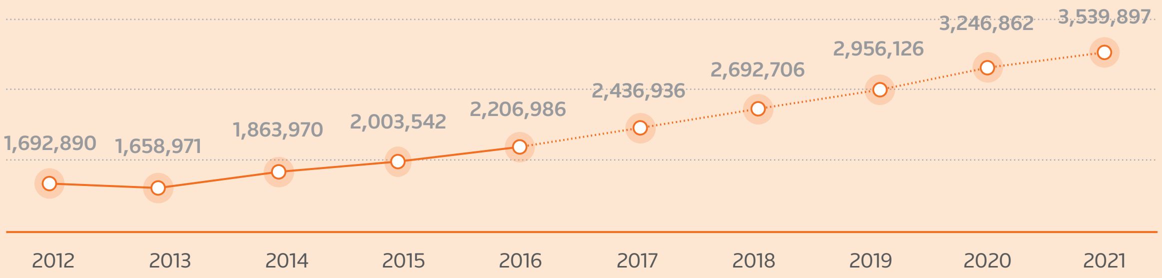
Quantitative Development Indicator

Investors monitor stock market prices.
BIANDA AHMAD HISHAM/
SHUTTERSTOCK.COM

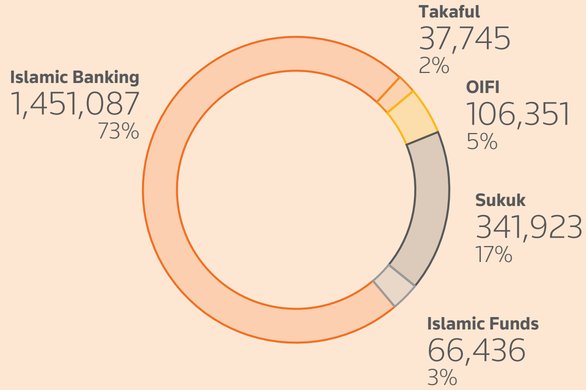
The Quantitative Development Indicator is a weighted index of Islamic Financial Institutions (IFIs), per country, that generate Islamic financial products and services.

Indicator Overview

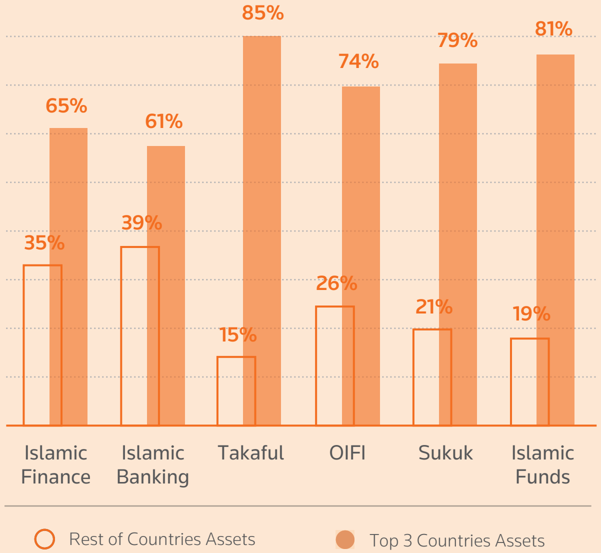
ISLAMIC FINANCE ASSET GROWTH FROM 2012 AND PROJECTION TILL 2021 (US$ Mn)



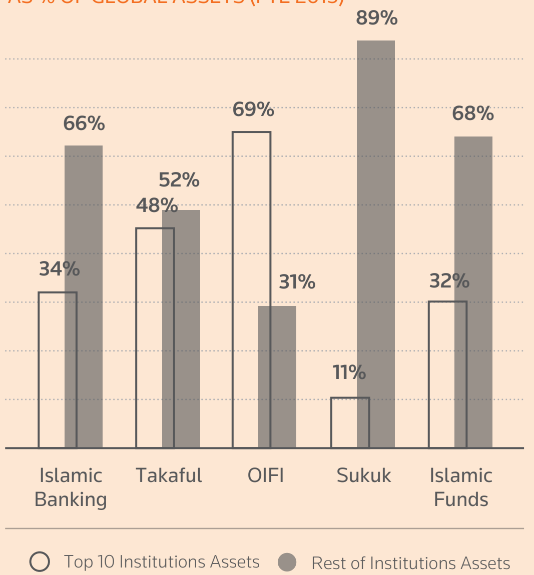
ISLAMIC FINANCE ASSETS DISTRIBUTION (US$ Mn, FYE 2015)



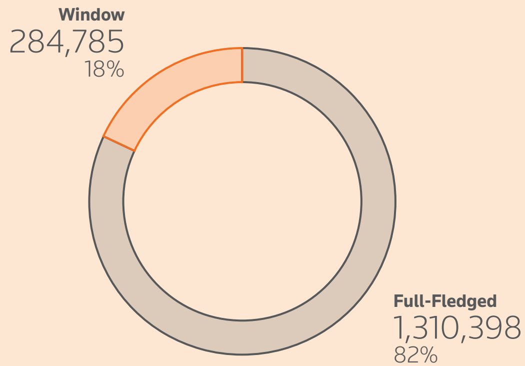
TOP 3 COUNTRIES ASSETS AS % OF GLOBAL ASSETS (FYE 2015)



TOP 10 INSTITUTIONS / SUKUK/ ISLAMIC FUNDS ASSETS AS % OF GLOBAL ASSETS (FYE 2015)



ISLAMIC FINANCE INSTITUTIONS ASSETS BY FULL-FLEDGED / WINDOW (US$ Mn, FYE 2015)



Total Islamic Finance Assets in 2015 (US$ Bn): 2,003 **Projected Total Islamic Finance Assets by 2021 (US$ Bn):** 3,540 **Total Islamic Finance Institutions in 2015:** 1,329

*The Global Average indicator or sub-indicator values average the indicator values for all 124 countries in the IFDI universe. The Quantitative Development indicator values ranges from 0 to 78, Islamic Banking sub-indicator ranges from 0 to 73, Takaful sub-indicator ranges from 0 to 43, Other Islamic Financial Institutions sub-indicator ranges from 0 to 87, Sukuk sub-indicator ranges from 0 to 170 and Islamic Funds sub-indicator ranges from 0 to 105.

QUANTITATIVE DEVELOPMENT

4 Indicator Global Average

Top Countries	Value*
1 MALAYSIA	78
2 Iran	44
3 Saudi Arabia	36
4 Kuwait	34
5 Bahrain	26
6 Qatar	21
7 UAE	21
8 Pakistan	19
9 Syria	18
10 Sudan	17

Top 3 Countries (Total Assets)

US$ Mn **446,664** Saudi Arabia

US$ Mn **434,420** Iran

US$ Mn **414,343** Malaysia

Islamic Banking

8 Sub-indicator Global Average

Top Countries	Value
1 BAHRAIN	73
2 Sudan	68
3 Syria	59
4 Iran	58
5 Saudi Arabia	39
6 UAE	38
7 Malaysia	38
8 Australia	37
9 Qatar	37
10 Palestine	36

Top 3 Countries (Total Assets)

US$ Mn **379,664** Iran

US$ Mn **350,128** Saudi Arabia

US$ Mn **159,986** Malaysia

Takaful

4 Sub-indicator Global Average

Top Countries	Value
1 PALESTINE	43
2 Iran	43
3 Qatar	40
4 Malaysia	39
5 Saudi Arabia	39
6 Bangladesh	36
7 Syria	31
8 Maldives	25
9 Jordan	20
10 Bahrain	18

Top 3 Countries (Total Assets)

US$ Mn **14,206** Saudi Arabia

US$ Mn **10,502** Iran

US$ Mn **7,324** Malaysia

OIFI

3 Sub-indicator Global Average

Top Countries	Value
1 KUWAIT	87
2 Iran	64
3 Malaysia	44
4 Pakistan	36
5 Azerbaijan	29
6 Saudi Arabia	20
7 UAE	19
8 Bahrain	19
9 Jordan	16
10 Sri Lanka	14

Top 3 Countries (Total Assets)

US$ Mn **39,494** Malaysia

US$ Mn **27,574** Iran

US$ Mn **11,712** Kuwait

Sukuk

3 Sub-indicator Global Average

Top Countries	Value
1 MALAYSIA	170
2 Gambia	49
3 Hong Kong	26
4 Kazakhstan	23
5 UAE	22
6 Bahrain	19
7 Saudi Arabia	19
8 Qatar	16
9 Indonesia	14
10 United Kingdom	9

Top 3 Countries (Total Assets)

US$ Mn **188,700** Malaysia

US$ Mn **52,064** Saudi Arabia

US$ Mn **30,678** UAE

Islamic Funds

4 Sub-indicator Global Average

Top Countries	Value
1 MALAYSIA	100
2 Saudi Arabia	65
3 Iran	56
4 Luxembourg	38
5 Japan	27
6 Pakistan	26
7 Kuwait	24
8 Mauritius	14
9 Indonesia	13
10 South Africa	11

Top 3 Countries (Total Assets)

US$ Mn **22,274** Saudi Arabia

US$ Mn **18,839** Malaysia

US$ Mn **12,584** Iran

Quantitative Development Indicator Performance in 2016

QD hit hardest by expansion of IFDI universe

The global average value for the Quantitative Development Indicator fell to 4 in 2016 from 6 in 2015. While other IFDI indicators saw some decrease in global average values, including the Awareness indicator, the QD indicator was hit the hardest by the addition of an extra 16 countries to the IFDI universe in 2016, to 124 countries. The newly-joined countries lack a strong Islamic finance presence. Moreover, 44 out of the 124 countries do not have an Islamic finance presence; hence their QD indicator value is zero, lowering the global average for QD.

But the addition of new countries on the indicator is not the only reason for the fall in QD sub-indicators' average global value. The QD indicator reflects the performance of its sub-indicators, which also declined in value including: Islamic banking, Takaful, Other Islamic financial institutions (OIFIs), Sukuk and Islamic Funds. There are several metrics used for each of the sub indicators, including the size of a sector or asset class, its growth, accessibility to the public and performance.

Average Global Value	2015 (108 countries)	2016 (124 countries)	2016 (108 countries)
Quantitative Development	**6**	**4**	**5**
Islamic Banking	10	8	9
Takaful	6	4	4
Other Islamic Financial Institutions	5	3	4
Sukuk	4	3	4
Islamic Funds	7	4	4

Actual low performance in sub-indicators played a significant role in dragging 2016 QD values steeply downward

To illustrate the low sub-indicator performance in real terms, if we take 2016's QD average indicator value using the 108 countries assessed in 2015 we see a moderate decline in the QD global average value to 5 from 6 in 2015, but the decline in 2016's QD global average value when using the 124 countries in the updated IFDI universe is more severe. Even when only taking into account the 108 countries measured in 2015, none of the sub-indicator values grew in 2016. Even sukuk showed a marginal decline to 3.84 in 2016 from 4.09 in 2015, making it the least declined of the sub-indicators. The global economic slowdown and revised government policies following events such as the sharp drop in commodities prices took a toll on the Islamic finance industry. This is reflected in lower performance of ROA, ROE and stocks of different Islamic financial institutions in core markets including the GCC. In terms of asset classes, the impact of the global slowdown is seen through lower sukuk issuance and a weaker cumulative performance of Islamic funds in 2015.

Takaful and Islamic funds showed the least development in 2016

Both the Takaful and Islamic Funds sub-indicators maintain the same value of 4 each in 2016 including and excluding the newly-joined countries. The negative average cumulative performance of Islamic funds in several countries pulled the average value down, with only 5 out of 29 countries with Islamic funds performing positively. Looking at takaful, its lower performance in several countries, as measured by its average ROA and ROE, led to the decline of its sub-indicator value. A further analysis on the lower performance of each sub-indicator will be provided in the respective sections of this chapter.

Despite lower QD, Islamic finance industry passes US$ 2 trillion milestone in 2015

The aggregate value of Islamic finance assets grew 18% hitting US$ 2 trillion in 2015 from 2012. This total is made up of the assets of different sectors in 60 countries. The top three countries assets as a percentage of global assets make up more than 50% of total assets in each sector. Total Islamic finance assets are projected to grow to US$ 3.5 trillion by 2021, led by the top-performing countries and Islamic banking, which is the biggest contributor with assets reaching US$ 1.451 trillion in 2015. Globally, there are 1,329 different Islamic financial institutions (IFIs) and in terms of the Shariah level of these institutions' assets, most of the assets come from full-fledged institutions (82%). In Islamic capital markets, there are 2,360 sukuk and 1,042 Islamic outstanding global funds in 2015.

Top 3 countries in Islamic finance assets are also the most developed on QD indicator

The top 3 countries in terms of Islamic finance assets, Saudi Arabia, Iran and Malaysia, took the highest rankings on the QD indicator in 2016. However, the QD indicator and its sub-indicators take into account metrics other than total assets, so an abundance of Islamic finance assets in a country does not necessarily guarantee a top spot on it.

In turn, Malaysia is the leader on the QD indicator, but is ranked 3rd in Islamic finance assets, while Saudi Arabia is pegged as only the 3rd most developed nation, but leads in terms of assets. Iran remained in 2nd place in both assets and development. The reason for the switch in Saudi and Malaysian positions is primarily because Malaysia scores high on the OIFI, Islamic Funds and Sukuk sub-indicators. Malaysia has an 800% higher value on the Sukuk sub-indicator than Saudi Arabia. The number and volume of sukuk outstanding and issued by Malaysia far outweighs that of Saudi Arabia. The total assets for OIFIs, along with the number of Islamic funds outstanding and launched by Malaysia is more than Saudi Arabia, despite the latter having a larger amount of funds outstanding. Iran, like Malaysia and Saudi Arabia, is ranked among the top 10 on all the QD sub-indicators, but it was let down by its sukuk value, resulting in 2nd place on the QD indicator.

Notable moves on QD sub-indicators top 10 are down to solid performances

Syria is ranked 3rd and 7th on the Islamic banking and Takaful sub-indicators. Its high ranking on the Takaful sub-indicator is not new to Syria as it was ranked 9th in 2016, hence showing improved and consistent growth and a solid performance in 2015. The average Islamic banking performance also improved in Syria, which led to an increase in its Islamic banking sub-indicator value.

Amongst other notable countries shifting on the sub-indicators is Japan, which jumped to 5th position on the Islamic Funds sub-indicator, after it launched a new fund that positively affected its total number and value of funds outstanding. Alongside this, Japan posted the highest average cumulative performance achieved by its 2 outstanding Islamic funds in 2015. Meanwhile, Kazakhstan's and Hong Kong's sukuk had tight bid-ask spreads, which pulled their sub-indicator values higher.

Islamic Finance Industry Performance

Malaysia retreats in global ranking as sukuk and Islamic financial institutions assets decline

Saudi Arabia's and Iran's IFIs maintained strong growth placing them in 1st and 2nd position. Malaysia fell back to 3rd position in terms of Islamic finance assets in 2015, after a drop in sukuk issuance that year and as a result of a decline in its IFIs total assets. Despite Malaysia's total Islamic financial assets increasing by 9% in 2015 in its local currency, because of the Malaysian ringgit's devaluation that year, when converted to USD the nation's Islamic finance assets actually fell 11% in 2015. Previously, Malaysia had maintained its lead position in Islamic finance assets in both 2013 and 2014.

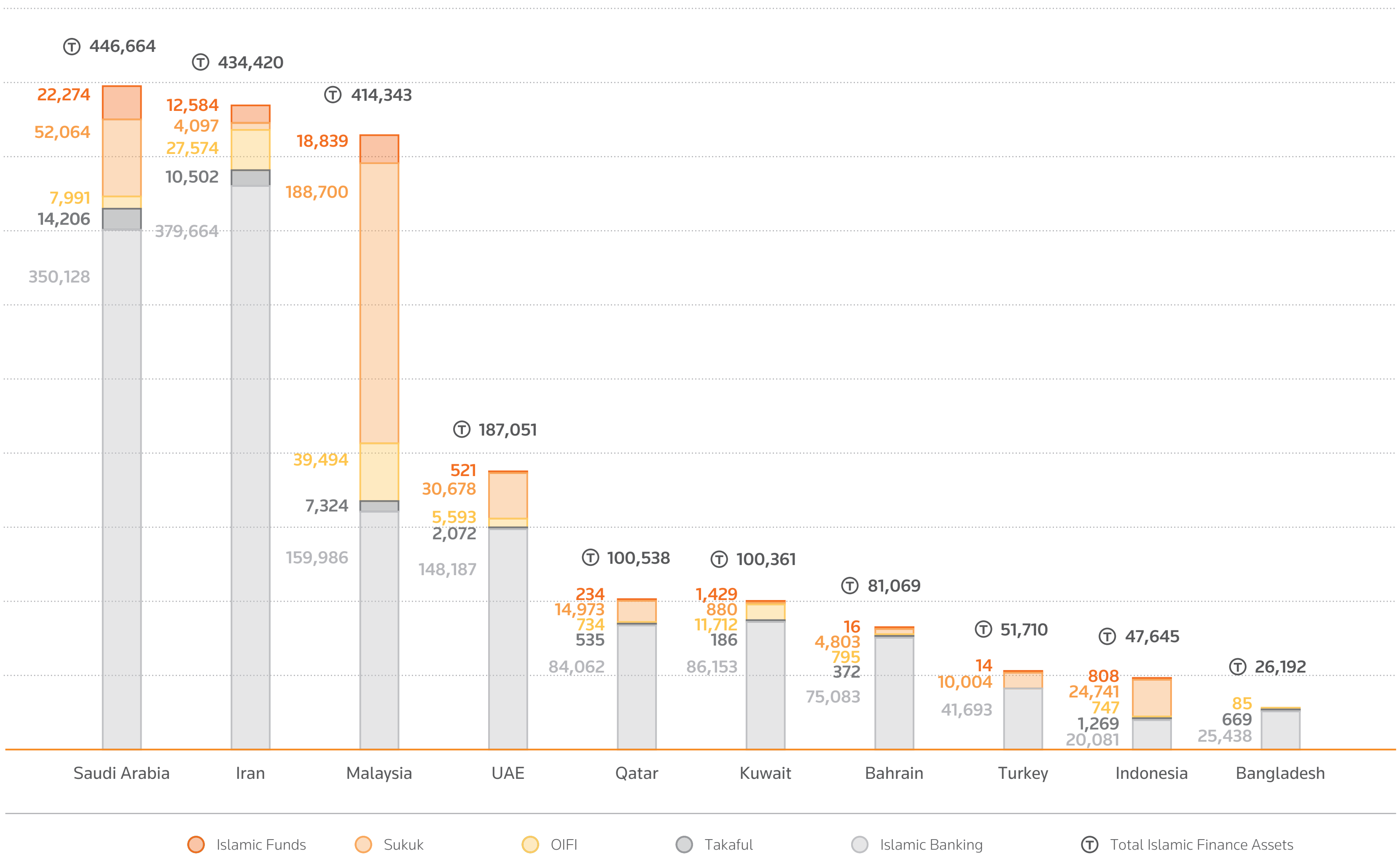
Lower commodity prices and China's economic downturn affected markets in Asia, including Malaysia and neighbouring Indonesia. Indonesia's IFI assets also declined 4% on local currency devaluation. However, it showed growth in sukuk volume, which led to growth in its total Islamic finance assets, reaching US$ 48 billion in 2015, and placed it the 9th largest market globally.

Qatar maintains strong growth while Kuwait total assets decline

Kuwait also posted a decline in its total assets. This was due to a fall in some of its other IFIs' assets, most notably Al Madina for Finance and Investment Company — which suffered a 49% decline in its assets in 2015 as a result of its resettlement after filing for bankruptcy protection in July 2014. Total assets also fell on a decline in listed share values, which affected the company's investments and provisions, on which losses had to be taken. Record low trading activity affected GCC stock markets stemming from the decline in oil prices, particularly after September 2015 when OPEC was expected to continue oil production. The Kuwaiti real estate market experienced slow trading activity as well, which explains the decline in some its OIFIs assets and the muted performance in Kuwait overall.

Meanwhile, Qatari Islamic banks maintained strong growth, subsequently taking 5th place in terms of total Islamic finance assets globally.

TOP 10 COUNTRIES IN ISLAMIC FINANCE ASSETS (US$ MN, FYE 2015)

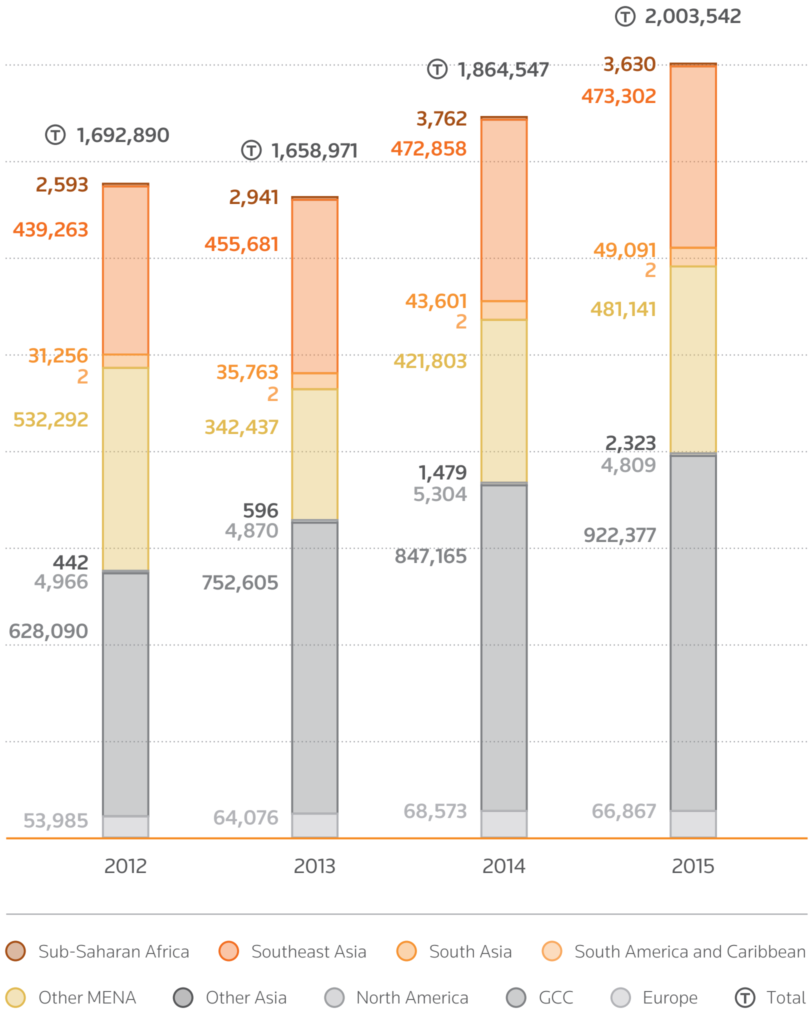


Other MENA countries overtake Southeast Asia in total Islamic finance assets

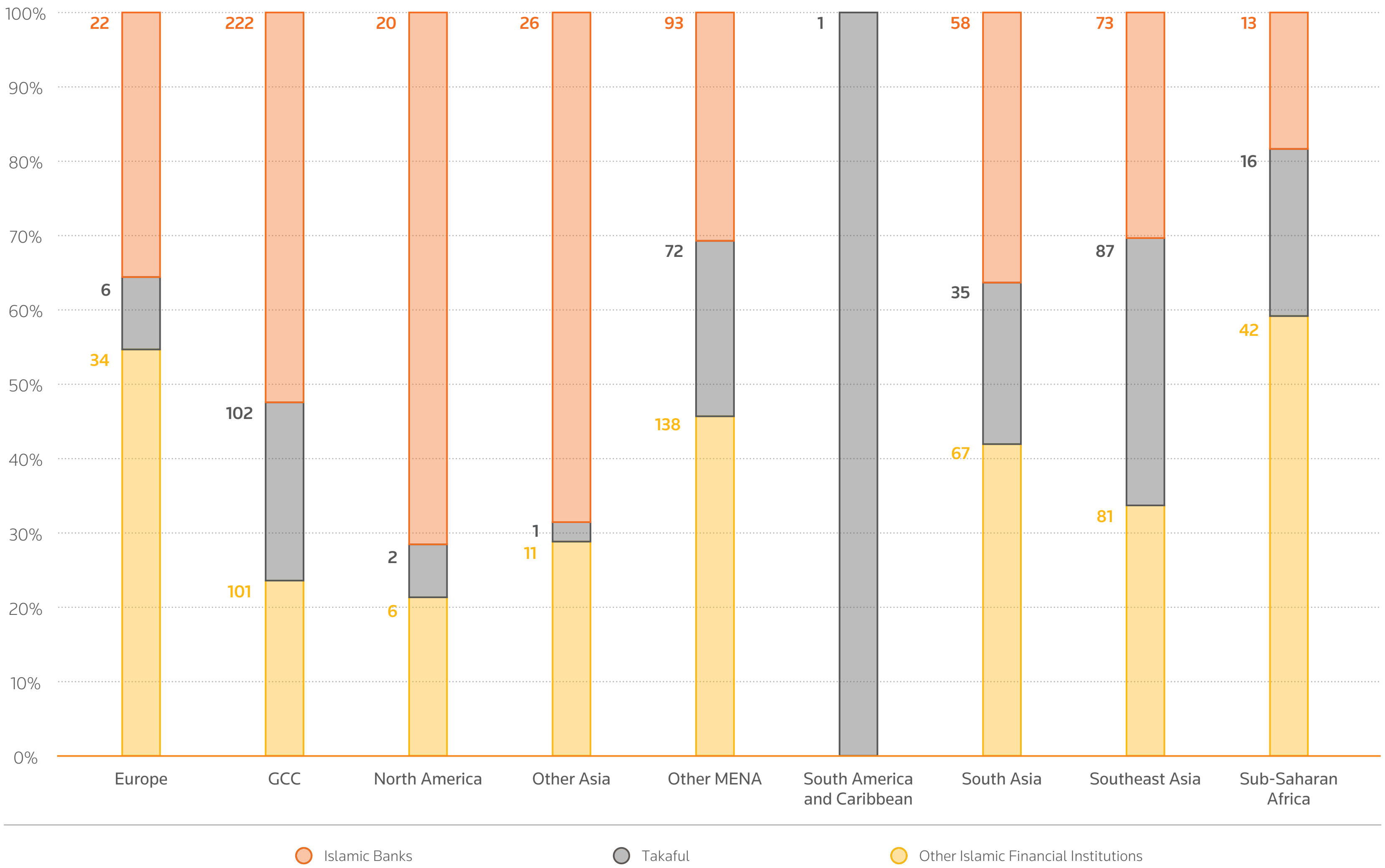
Malaysia is Southeast Asia's stronghold when it comes to Islamic finance. But as a consequence of the decline in its Islamic finance assets, alongside other countries including Brunei, Thailand, Singapore and Philippines, the region's total was not able to maintain 2nd position as the Other MENA region's total Islamic finance assets overshadowed Southeast Asia by US$ 8 billion.

Other MENA is the second largest region in terms of number of institutions and is the largest in terms of number of Islamic banks. The resilient growth of its Islamic banks, especially in Iran, which has the highest amount of Islamic banking assets, drove the region to become the 2nd largest in terms of Islamic finance assets globally. Egypt, Iraq, Jordan, Syria and Lebanon also supported the region's growth of Islamic assets in 2015.

ASSETS BY REGION GROWTH (US$ MN)



NUMBER OF INSTITUTIONS BY SECTOR AND REGION (FYE 2015)

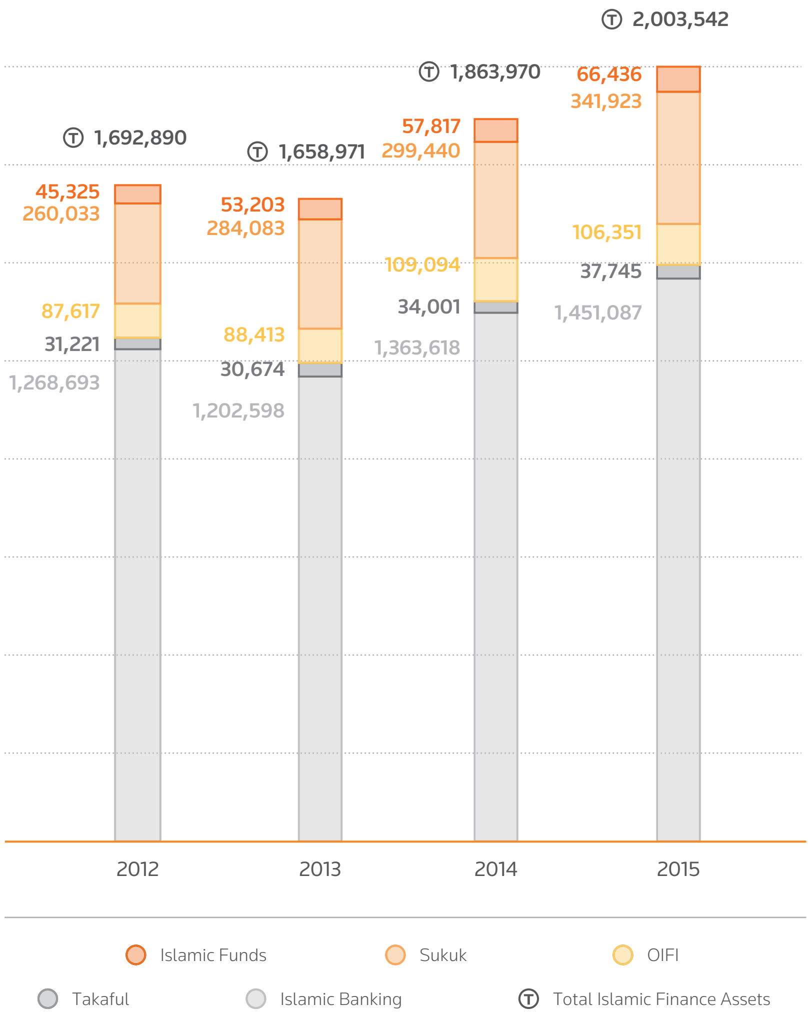


OIFI the only sector to decline in assets in 2015

By sector, Islamic capital markets' asset classes such as sukuk and Islamic funds remain showing the most robust growth of all the Islamic finance assets. The sukuk market grew 14% from 2014 to 2015, while Islamic funds grew 15% during the same period. The Islamic banking and takaful sectors showed a healthy 6% and 11% asset growth since 2015 respectively.

Only OIFIs showed a decline in total assets by 3%, dragged down by Malaysia's decline in OIFIs' total assets, after its currency devaluation against the USD. Also, Kuwait's decline in OIFI total assets applied significant downward pressure, as Kuwait has the largest number of OIFIs globally (76) which are mostly investment based and were negatively affected by 2015's economic slowdown.

ASSETS BY SECTOR GROWTH (US$ MN)



Top asset growth in non-core Islamic finance markets

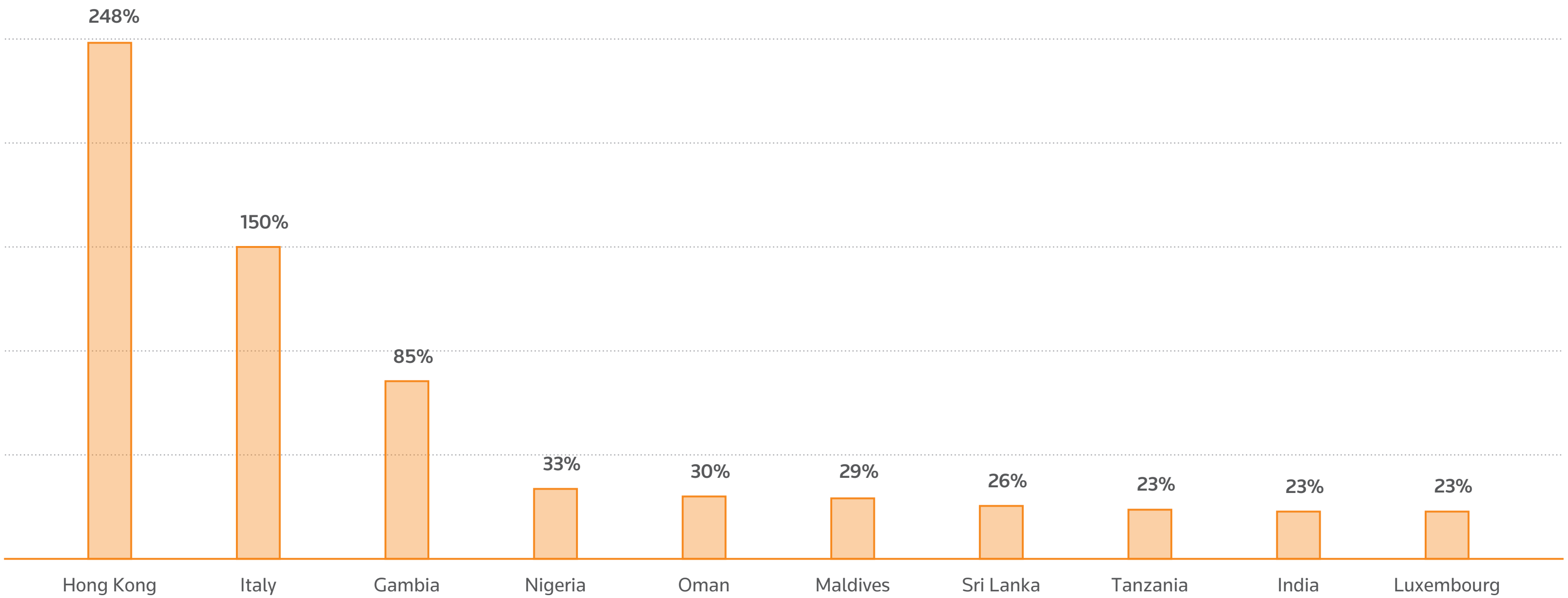
When inspecting the top countries in terms of growth, different sectors (Islamic banking, takaful or OIFI) or asset classes (sukuk or Islamic funds) led to these countries being placed in top positions on the Islamic finance assets leader board.

Sukuk sovereign issues by Hong Kong and Luxembourg in 2014, along with continuous sukuk issuance by Gambia since 2008, led to them being the 1st, 3rd and 10th countries showing the highest global growth in Islamic finance assets respectively. Hong Kong issued a further sukuk in 2015 worth US$ 1 billion, which boosted its total to grow faster than any other economy.

Meanwhile, Italy and India were supported by significant growth in their Islamic funds' AuM. Growth in South Asia along with Sub–Saharan nations such as Sri Lanka, Maldives, Nigeria and Tanzania was boosted by Islamic banking.

Finally, growth in Oman, which officially acknowledged Islamic finance in 2012, was driven by a combination of Islamic banking, takaful and sukuk issuance.

TOP GROWING COUNTRIES IN ISLAMIC FINANCE ASSETS (CAGR 2012-2015)



Islamic Banking Sub-Indicator

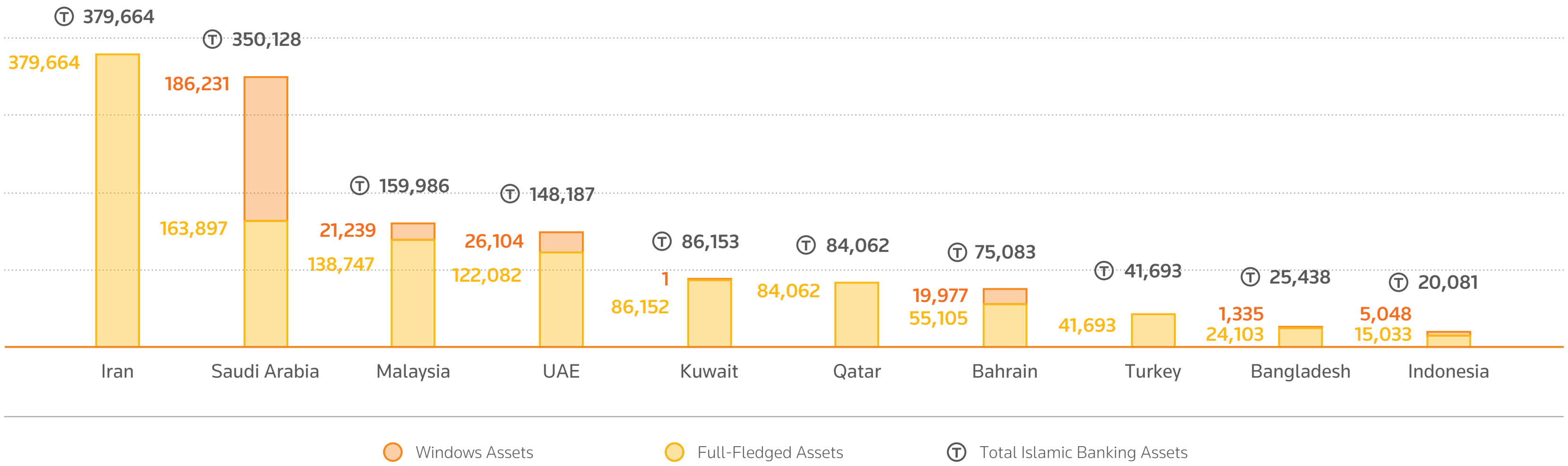
Iran's Islamic banks enter the global market with caution

Iran and Saudi Arabia remain the leading Islamic banking markets globally, given that each holds Islamic banking assets totaling over US$ 300 billion. Iran is supported by the fact that it has a fully Shariah-compliant financial system, which is showing strong growth in its claims sector (including facilities, loans, credit, direct investment and legal partnership) provided by its commercial, specialized and private banks for the public sector (37% growth in 2014/2015) and the non-public sector (17% growth in 2014/2015).[1]

Despite this and the addition of major banking technological changes in Iran, there are calls to change the country's banking laws after Iranian MPs signed a bill in June 2016 to strengthen weaker aspects of the country's financial system including supervision, liquidity and meeting Basel requirements. If these issues are not addressed, Iranian Islamic banking's entrance into the global market could reveal Iran's weaknesses. Despite reports of European and U.S. banks being averse to the idea of operating with Iranian banks, Iran's Sina Bank and Middle East Bank are set to open branches in Germany.

1. Annual Review 1393 (2014/15)- Central Bank of Iran

TOP 10 COUNTRIES IN ISLAMIC BANKING ASSETS (US$ MN, FYE 2015)

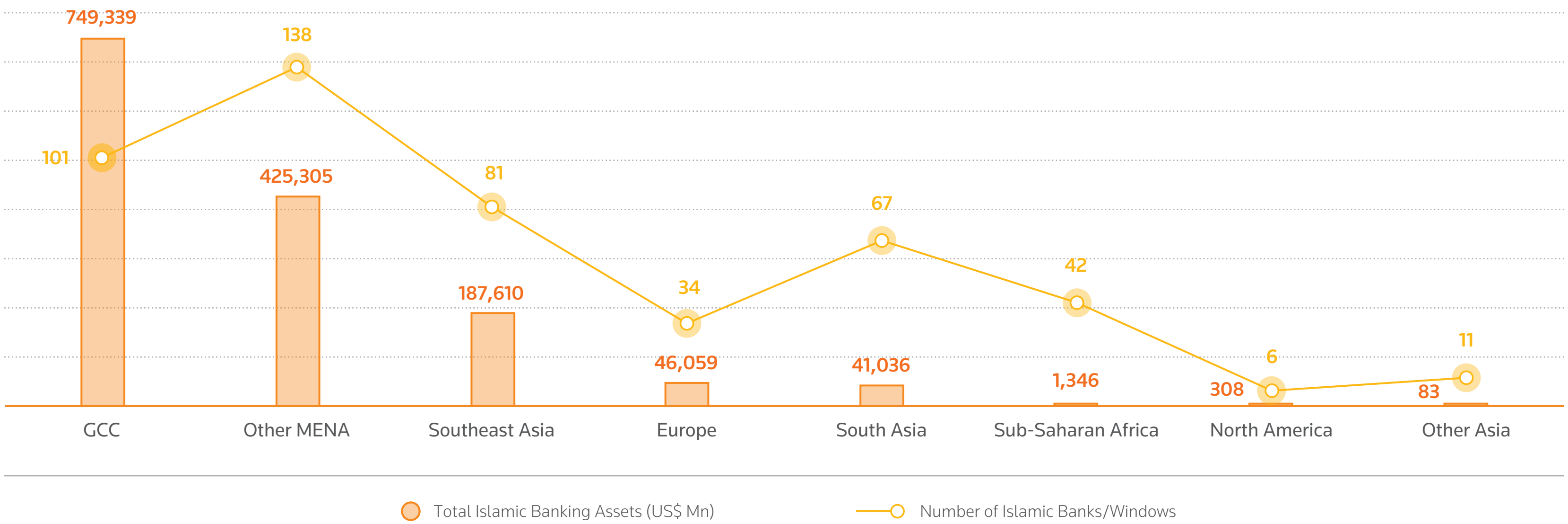


Need for reform in GCC Islamic banking markets

2015 has been a real test for the Saudi Arabian banking system, as its growth in assets proved that its Islamic banks and commercial banks with Islamic windows can absorb a shock drop in oil prices. The ample liquidity and strong balance sheets that Saudi Islamic banks enjoy allow them to weather the economic risk they face in the short and medium terms. However, suitable action must be taken as systematic risk could mount up. The government's spending cuts are affecting consumers' disposable incomes which could drag the economy downward, including the banking system. The introduction of the Saudi Economic Vision 2030 initiative, which aims to end Saudi Arabia's dependence on oil by reducing non-oil revenue through private sector support, could increase lending activity by Islamic banks to non-oil sectors.

Most of the remaining GCC countries take up places on the top 10 leader board. They were able to stand firm against the violent drop in oil prices in 2015, and increase Islamic finance assets, hitting US$ 749 billion in the GCC in 2015. However, there are still warnings of mounting risk. A working paper from the IMF shows there could be an increase in the Non-Performing Loans (NPLs) of banks in the region. Tightening liquidity positions are growing as a result of a decline in deposit growth, as government and government-related entities have begun to withdraw their deposits from the banking system. Saudi Arabia's Monetary Agency (SAMA) has already realized this and has raised the country's loan to deposit ratio to 90% from 85% to ease lending by making more money available for financing.

ISLAMIC BANKING ASSETS AND NUMBER OF INSTITUTIONS BY REGION (FYE 2015)



Robust Islamic banking growth in Oman and Qatar despite recession

While GCC countries experienced an economic slowdown in 2015 due to the drop in oil prices, Omani and Qatari Islamic banking assets showed robust growth defying the recession. Oman is aided by the fact that its Islamic finance industry is still in the developmental phase and Islamic windows of established Omani banks are still able to capture the market. Meanwhile, growth in Qatari Islamic banks has been supported by high state spending levels, but this could change after the government introduced austerity measures in its 2016 budget. But Islamic banks in Qatar did post a solid average performance as indicated by ROA and ROE.

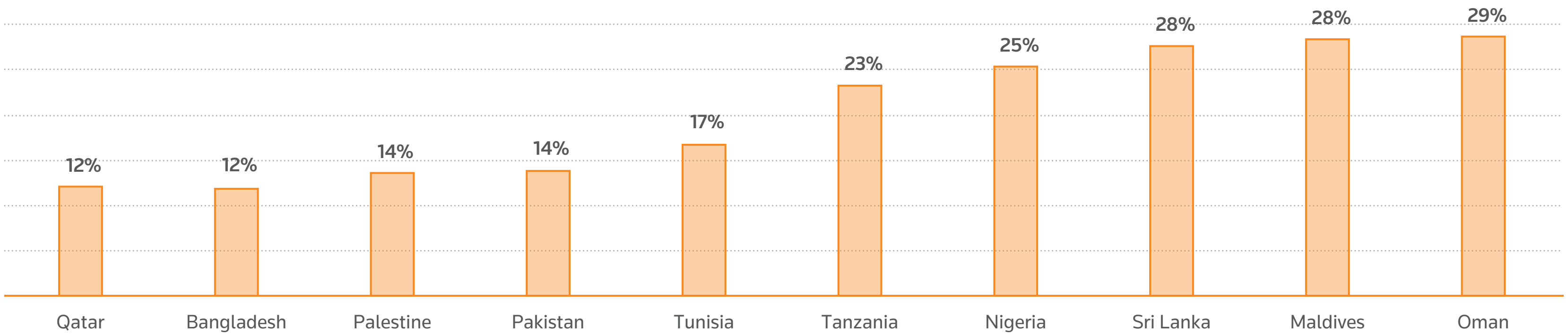
Newly-established Islamic banking units drove growth in South Asia

South Asian nations Maldives, Pakistan, Sri Lanka and Bangladesh are considered to have amongst the top Islamic banking growth markets, and similarly to Oman the addition of new Islamic banking windows drove that growth higher. Between 2012 and 2015, 4 windows were established from Bangladesh and again in Pakistan. Meanwhile, the Bank of Maldives began offering Islamic banking products, which increased the country's total assets. In Sri Lanka, the National Development Bank did the same driving growth there.

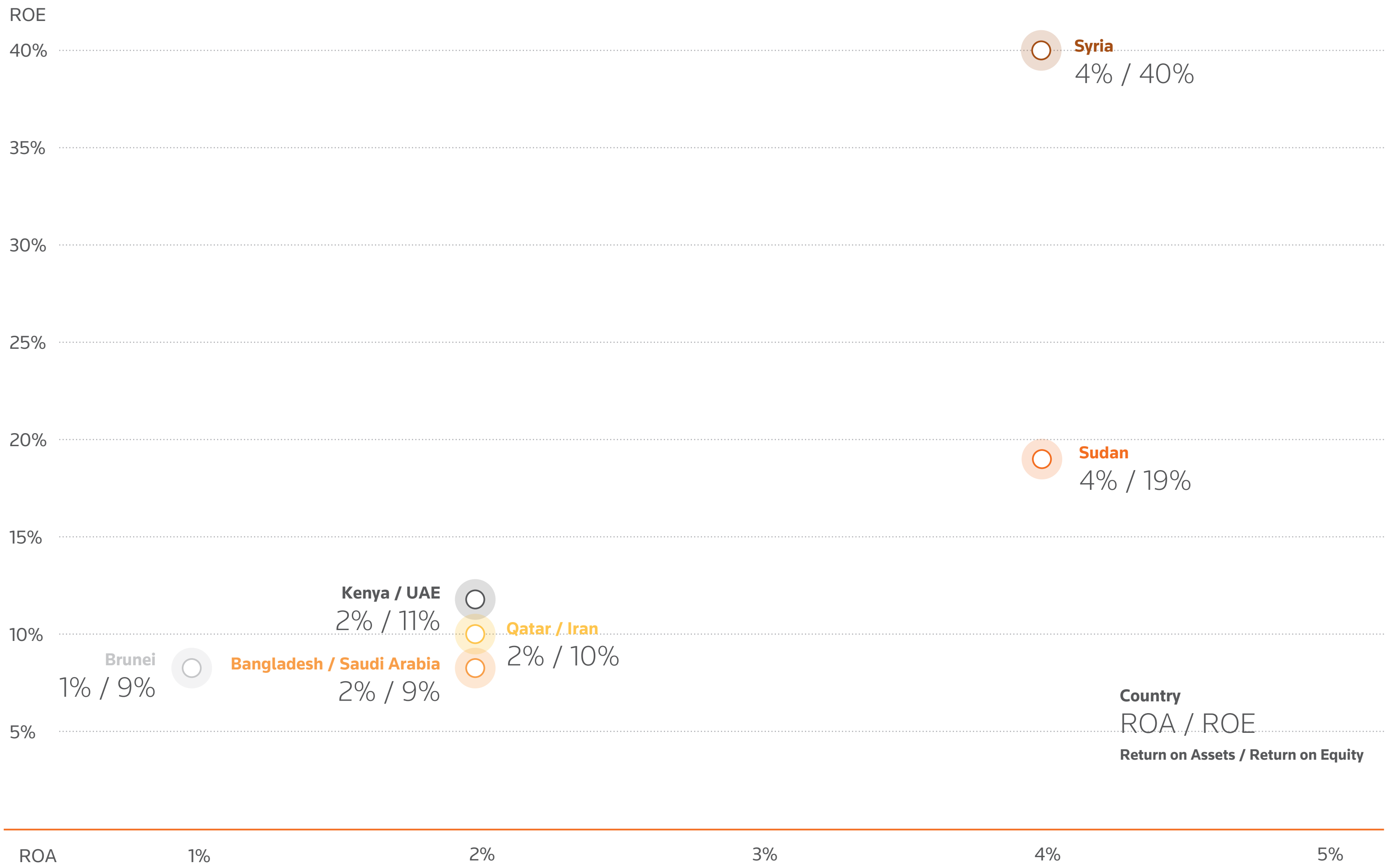
Tunisia, Palestine and Syria take top positions in Islamic banking

Islamic banks in the Other MENA region (excluding Iran) are also showing signs of solid growth. Palestinian and Tunisian Islamic banks are among the top growth nations in terms of Islamic banking assets. Meanwhile, Syria has reported the highest average ROA and ROE by its Islamic banks globally. The profitability measure indicates that Syria is recovering from its civil issues, as some of its Islamic banks reported an increase in sales receivables and other income, while there was a decline in the provision for doubtful debts.

TOP GROWING COUNTRIES IN ISLAMIC BANKING ASSETS (CAGR TILL 2015)



ISLAMIC BANKING PROFITABILITY (FYE 2015)



Islamic Banking Leaderboard

TOP ISLAMIC BANKS / ISLAMIC BANKING WINDOWS GLOBALLY BY TOTAL ASSETS

Name of Bank	Country	Total Assets (US$ Mn, FYE 2015)
Al Rajhi Bank	Saudi Arabia	$84,120
National Commercial Bank	Saudi Arabia	$62,518
Kuwait Finance House	Kuwait	$54,490
Bank Mellat	Iran	$51,800
Bank Melli Iran	Iran	$51,711
Dubai Islamic Bank	UAE	$40,826
Bank Saderat Iran	Iran	$39,242
Maybank Islamic Berhad	Malaysia	$36,446
Qatar Islamic Bank	Qatar	$34,881
Bank Tejarat	Iran	$33,792

TOP BANKS / ISLAMIC BANKING WINDOWS REGIONALLY BY TOTAL ASSETS

Name of Bank	Country	Region	Total Assets (US$ Mn, FYE 2015)
Al Rajhi Bank	Saudi Arabia	GCC	$84,120
Bank Mellat	Iran	Middle East (Excluding GCC)	$51,800
Maybank Islamic Berhad	Malaysia	Southeast Asia	$36,446
Kuwait Turkish Participation Bank	Turkey	Europe	$14,352
Islami Bank Bangladesh Limited (IBBL)	Bangladesh	South Asia	$9,295
Faisal Islamic Bank of Egypt	Egypt	North Africa	$7,090
Al Baraka Bank South Africa	South Africa	Sub-Saharan Africa	$327
Devon Bank	USA	Americas	$249
Al Hilal Islamic Bank JSC	Kazakhstan	Other Asia / CIS	$79

TOP ISLAMIC BANKS / ISLAMIC BANKING WINDOWS IN THE GCC BY TOTAL ASSETS

Name of Bank	Country	Total Assets (US$ Mn, FYE 2015)
Al Rajhi Bank	Saudi Arabia	$84,120
Kuwait Finance House	Kuwait	$54,490
Dubai Islamic Bank	UAE	$40,826
Qatar Islamic Bank	Qatar	$34,881
Al Baraka Banking Group	Bahrain	$24,618
Bank Muscat, Meethaq	Oman	$1,994

TOP ISLAMIC BANKS / ISLAMIC BANKING WINDOWS GLOBALLY BY RETURN ON ASSETS (ROA)

Name of Bank	Country	Return on Assets (FYE 2015)
Iran Venezuela Bi-National Bank	Iran	20%
Blue Nile Mashreg Bank Limited	Sudan	11%
Bank Of Khyber	Pakistan	10%
HSBC Bangladesh	Bangladesh	8%
Citi Islamic Investment Bank	Bahrain	6%

Takaful Sub-Indicator

GCC takaful operators' growth may be jeopardized by oil price volatility

Global takaful assets reached US$ 38 billion in 2015 and were mainly driven by the top 3 countries: Saudi Arabia, Iran and Malaysia, holding 85% of total global assets. Saudi Arabia remains the biggest takaful market, as its insurance market is based fully on a cooperative insurance model, after the conversion of its insurance sector and the introduction of the law on the 'Supervision of Cooperative Insurance Companies' in 2002. Other GCC countries are also in the takaful top 10 including the UAE, Qatar, Bahrain and Kuwait, while Oman is ranked 11th.

As with Islamic banking, oil price volatility in the region affected demand for certain insurance and takaful products, such as group health insurance. Additionally, the change in oil prices also affected the non-technical or investment performance of the operators, as many of the insurers in the GCC have assets linked to equity and real estate investments. However, many of the operators in the region, particularly in Saudi Arabia, have healthy balance sheets and performed well in 2015.

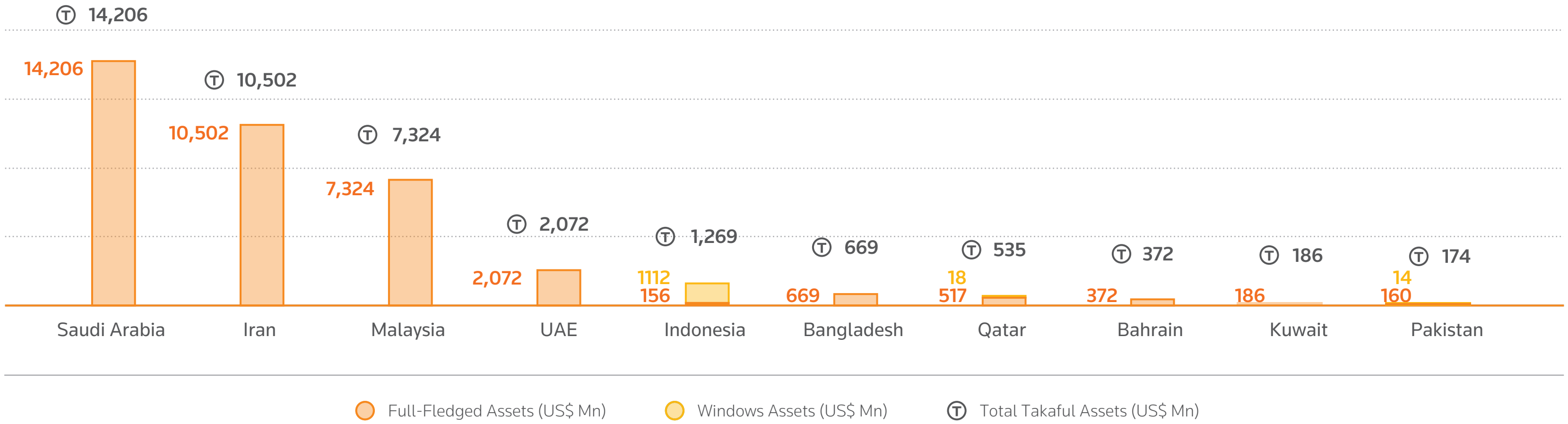
On top of that, takaful operators in GCC countries, excluding Saudi Arabia, are facing increasing competition from insurance operators and are dragged down by their short track records and less diverse business lines that focus on retail consumers compared to their conventional peers. Some countries are also introducing stricter regulation, such as the UAE which brought in new laws for its insurance operators in January 2015. These included improved governance controls and the re-alignment of investment portfolios. The introduction of such laws will increase costs for takaful operators and will put them at a disadvantage compared to conventional insurance operators in the UAE.

Takaful proves highly popular in Southeast Asia

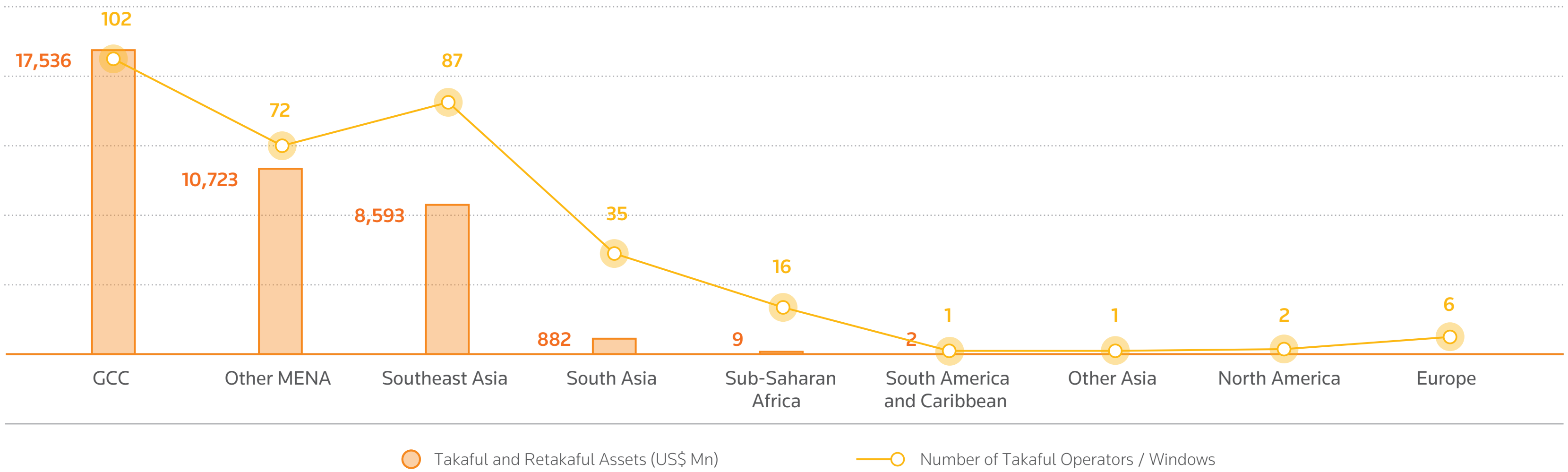
The Malaysian takaful sector stands at US$ 7 billion, amounting to 85% of Southeast Asia's assets. Takaful in Malaysia proved its popularity when MAA Takaful Berhad was acquired by a subsidiary of Zurich Insurance Group in April 2016 and subsequently became Zurich Takaful Malaysia Berhad in July 2016. The move was aimed to grant Zurich access to new consumer segments and different products, while at the same time lending its expertise and name to the acquired company. Malaysian Islamic insurers are also utilizing their full potential by selling micro-takaful products in rural areas, which will lead to a rise in the number of takaful policies, as many of those living in rural areas are Muslim.

Indonesia's takaful market is relatively small compared to Malaysia, but has seen rapid growth (average growth of Indonesian assets is 39%, compared to 10% in Malaysia.) This shows that government efforts to increase awareness about Islamic finance, including takaful, are working. Also, with the introduction of a takaful spin-off rule by Indonesia's Financial Services Authority, the market will become more competitive and may result in further mergers and acquisitions or full Shariah conversions, as in the case of PT Reasuransi Internasional Indonesia. According to reports, AIG and Sun Life Financial are seeking to gain a foothold in the Indonesian Islamic reinsurance market to complement their local insurance business.

TOP 10 COUNTRIES IN TAKAFUL ASSETS (US$ MN, FYE 2015)



TAKAFUL ASSETS AND NUMBER OF INSTITUTIONS BY REGION (FYE 2015)

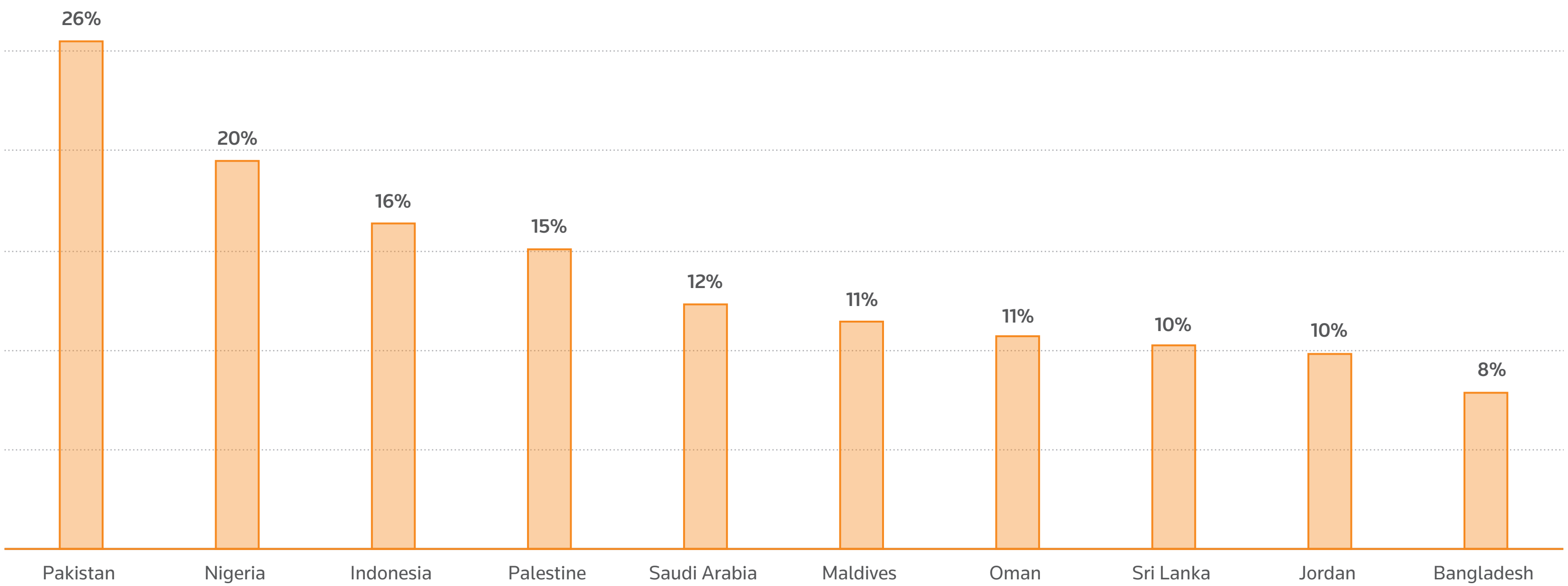


Takaful sector in South Asia is the one to watch

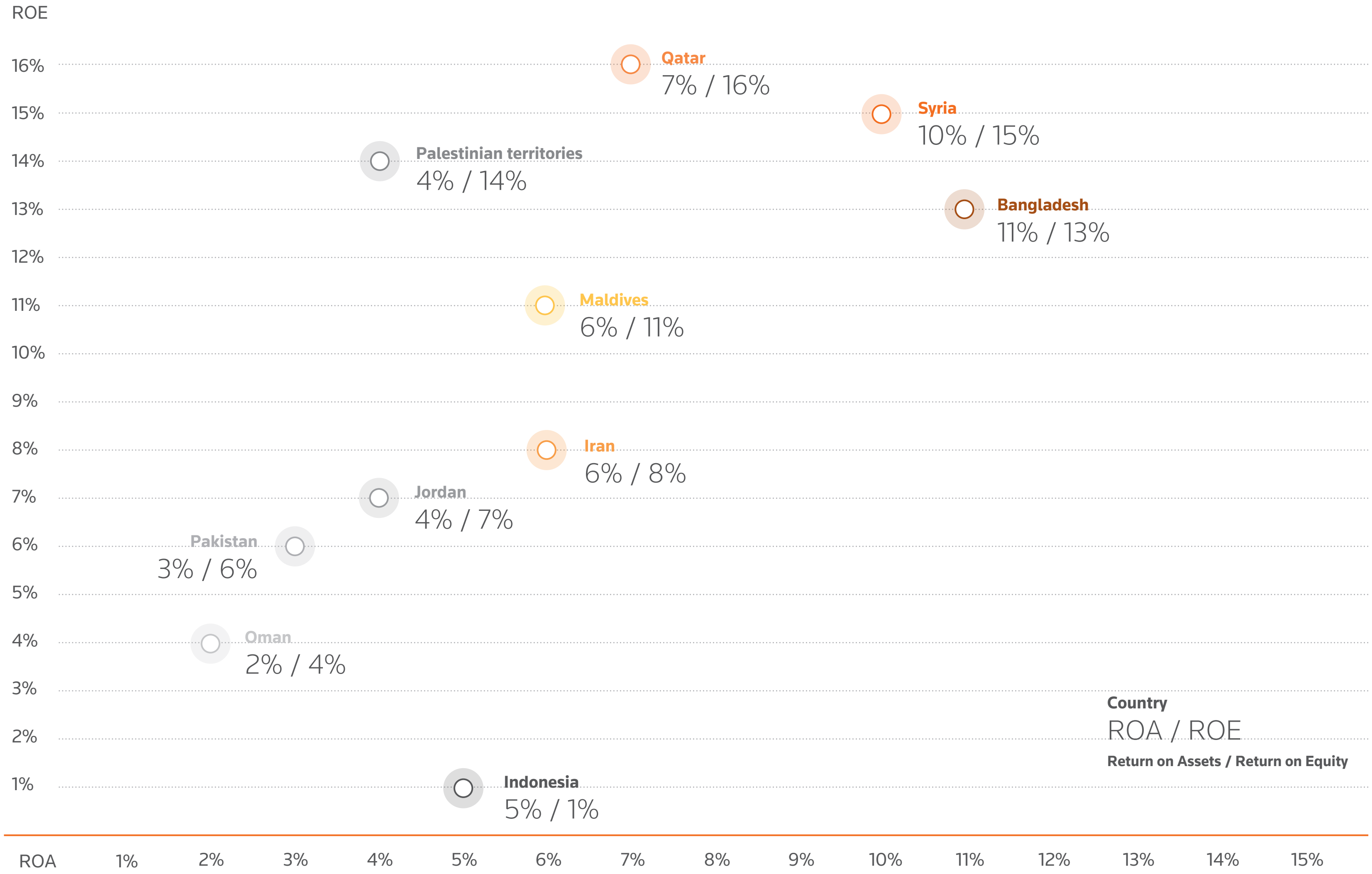
The SECP's 2012 takaful law allowing the establishment of takaful windows in existing insurance operators in Pakistan has proved its worth. There were 8 new takaful windows launched in 2015, which enhanced Pakistan's total takaful assets when insurance operators began reporting their windows' operations for that year. Subsequently, existing full-fledged takaful operators also showed strong growth, as the introduction of takaful windows led to an increased understanding and knowledge of how takaful operates. Pakistani takaful operators also reported positive ROA and ROE.

Other South Asian markets such as the Maldives, Sri Lanka and Bangladesh are also among the top growth nations in terms of takaful assets. Bangladesh witnessed both high average ROE and ROA, putting it amongst the top profitable takaful markets globally. Sri Lanka, despite solid growth of takaful assets, posted a loss in 2015 as a result of significant loss ratios by operator Amana Takaful PLC. The company has also segregated its business into family and general takaful units, as mandated by the Regulation of Insurance Industry Act on January 1st 2015 and has a new subsidiary Amana Takaful Life Ltd.

TOP GROWING COUNTRIES IN TAKAFUL ASSETS (CAGR TILL 2015)



TAKAFUL PROFITABILITY (FYE 2015)



Takaful Leaderboard

TOP TAKAFUL OPERATORS / TAKAFUL WINDOWS GLOBALLY BY TOTAL ASSETS

Name of Takaful Operator	Country	Total Assets (US$ Mn, FYE 2015)
Bimeh Iran	Iran	$3,988
The Company For Cooperative Insurance	Saudi Arabia	$3,083
Etiqa Takaful Berhad	Malaysia	$3,053
Syarikat Takaful Malaysia Berhad	Malaysia	$1,755
Bupa Arabia For Cooperative Insurance	Saudi Arabia	$1,640
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company	Saudi Arabia	$1,473
Islamic Arab Insurance Company (Salama)	UAE	$915
Asia Insurance Co.	Iran	$900
Takaful Ikhlas Sendirian Berhad	Malaysia	$723
Bime Alborz	Iran	$672

TOP TAKAFUL OPERATORS / TAKAFUL WINDOWS IN THE GCC BY TOTAL ASSETS

Name of Takaful Operator	Country	Total Assets (US$ Mn)	Latest FYE Reported
The Company For Cooperative Insurance	Saudi Arabia	$3,083	2015
Islamic Arab Insurance Company (Salama)	UAE	$915	2015
Alkhaleej Takaful Group	Qatar	$293	2015
ACR retakaful MEA B.S.C	Bahrain	$241	2015
Al Madina Takaful	Oman	$124	2015
Gulf Takaful Insurance Company	Kuwait	$45	2014

TOP TAKAFUL OPERATORS / TAKAFUL WINDOWS GLOBALLY BY RETURN ON ASSETS (ROA)

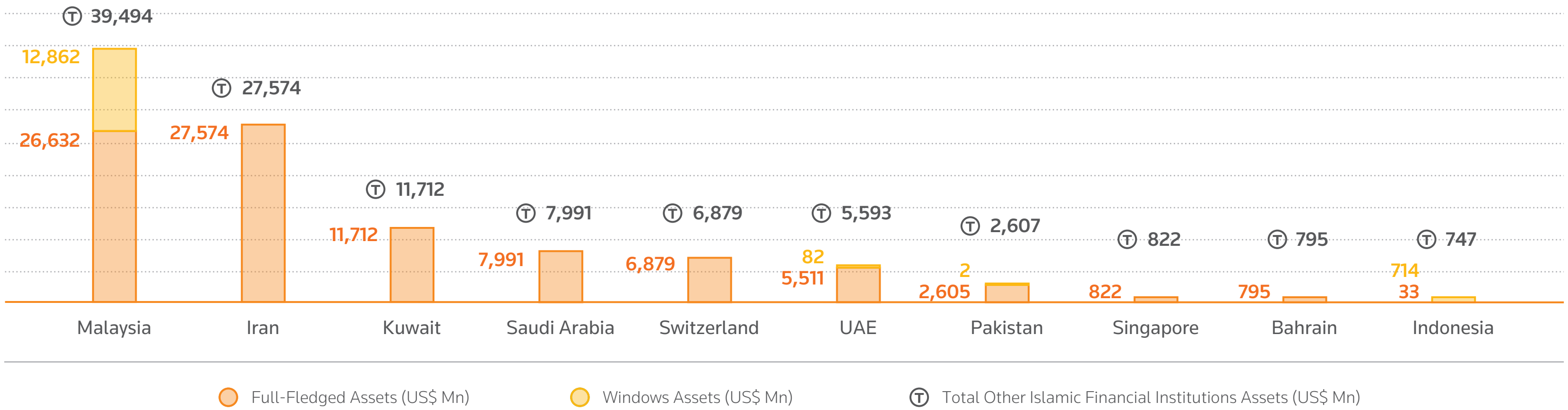
Name of Takaful Operator	Country	Return on Assets (FYE 2015)
PT Prudential Life Assurance	Indonesia	34%
Bime Taavun	Iran	23%
PT Asuransi Jiwa Manulife Indonesia	Indonesia	21%
PT Asuransi Bintang	Indonesia	19%
PT Avrist Assurance	Indonesia	18%

Other Islamic Financial Institutions OIFIs Sub-Indicator

Malaysia – The world's largest OIFI under scrutiny

The total assets contributed by Islamic financial institutions other than Islamic banks or takaful operators hit US$ 66 billion in 2015. The OIFIs included in the IFDI include investment firms investing in mutual funds, financing companies or leasing firms and others, for example modaraba companies in Pakistan. Malaysia holds the largest number of OIFI assets globally. Much of Malaysia's OIFI assets come from Lembaga Tabung Haji (LTH), a government entity which acts as a savings organization for Muslims who are planning to go on pilgrimage to Mecca. LTH has recently come under the spotlight after it bought land in Turn Razak Exchange (TRX) from 1Malaysia Development Bhd (1MDB) in April 2015. 1MDB is a development company owned by the Malaysian government that is currently in the throes of a financial mismanagement scandal. Many market participants view this as a bailout for 1MDB and there have been calls for the land to be sold. However, in July 2016 LTH reportedly said it would keep the land and build residential apartments on it. TH Heavy Engineering Bhd (THHE), a subsidiary of LTH, is also facing RM 554 million of losses on low oil prices, which will have a knock-on effect on its financial and other contractual obligations, such as delivering a production facility for Japan's JX Nippon-operated Layang field development.

TOP 10 COUNTRIES IN OTHER ISLAMIC FINANCIAL INSTITUTIONS ASSETS (US$ MN, FYE 2015)



Trouble for investment-based OIFIs in oil exporting economies

The GCC has the third highest OIFI assets by region, but has the highest number of OIFIs globally. Much of the world's and the GCC's OIFIs are based in Kuwait (76) and Saudi Arabia (71). The remaining GCC OIFIs were disbursed between the UAE (46), Bahrain (19) and Qatar (10) in 2015. The majority of OIFIs in the GCC operate as investment firms and fund managers (131), followed by financing companies (26), leasing companies (21), real estate firms (15) and others.

Given that most of the OIFIs are investment based, they are more vulnerable to drops in oil prices, especially if they deal with equities that reported record low trading volumes over 2015. This is evidenced by the losses made by some Kuwaiti investment firms, as well as the decline in Kuwait's total OIFI assets in 2015. Kuwait had to take prudent steps to stem impairments of investments impacted by volatile oil prices, which when stable usually strengthen a company's financial position.

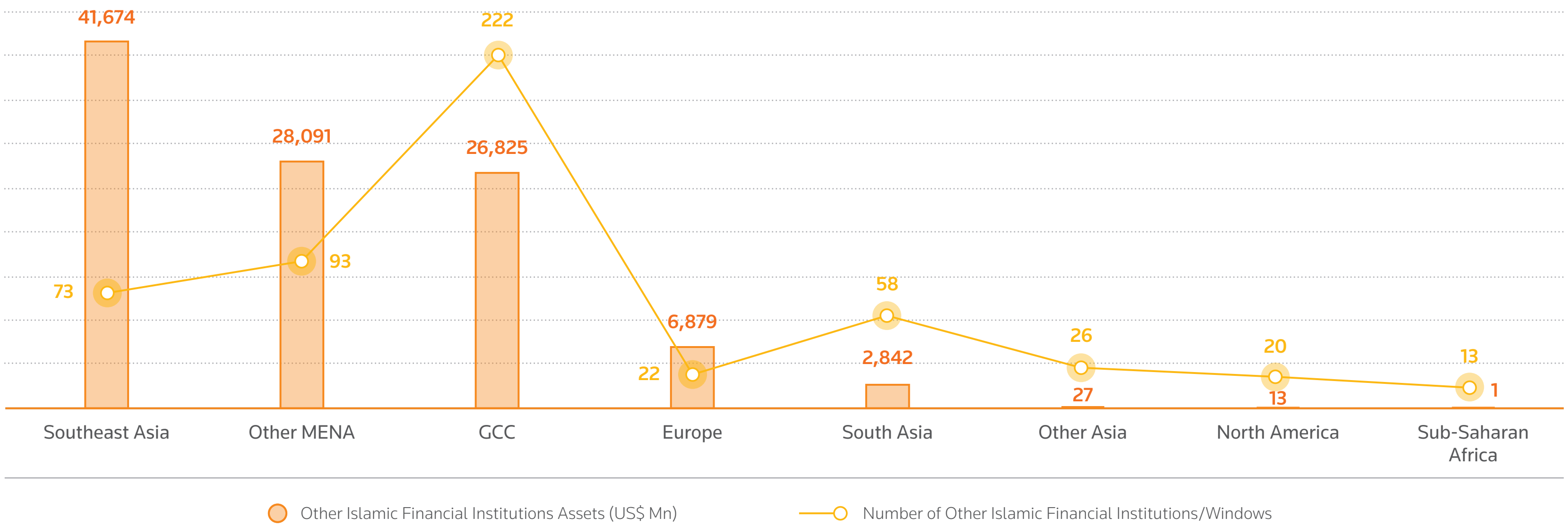
Investors leave the Kuwait Stock Exchange.
REUTERS/STEPHANIE MCGEHEE

The relatively small but growing role of Saudi Arabia's financing companies

Bucking the trend Saudi Arabia posted a 28% rise in Shariah-compliant non-bank financial institution assets in 2015. But the number of such companies remains small compared to the Shariah banking market — their collective size was US$ 5 billion in 2015. (Saudi OIFI's assets totaled US$ 8 billion including investment firms). Such institutions, which include real estate or other finance companies and financial leasing companies, continue to support economic growth in the country by providing another channel of financing for the private sector of individuals and corporates. The main difference between finance companies and commercial banks in Saudi Arabia is that the former do not accept deposits, but rather are financed by private investors.

Mortgage companies make up a share of financing companies in Saudi Arabia and these are fully Shariah compliant. In November 2014, SAMA set the down payment requirement at 30% of the property value when lending to house buyers, in order to prevent an unsustainable housing market boom. However, this led to stalling growth as it proved difficult for consumers to meet the requirement. 15 months later, the central bank slashed the down payment requirement by half in order to support the market during the economic downturn the Saudi economy is facing. Financing companies may end up playing an increasingly significant role in the economy compared to previous years because of tightening liquidity conditions in Islamic banks and the overall Saudi banking system, as a result of slower deposit growth.

OTHER ISLAMIC FINANCIAL INSTITUTIONS ASSETS AND NUMBER OF INSTITUTIONS BY REGION (FYE 2015)



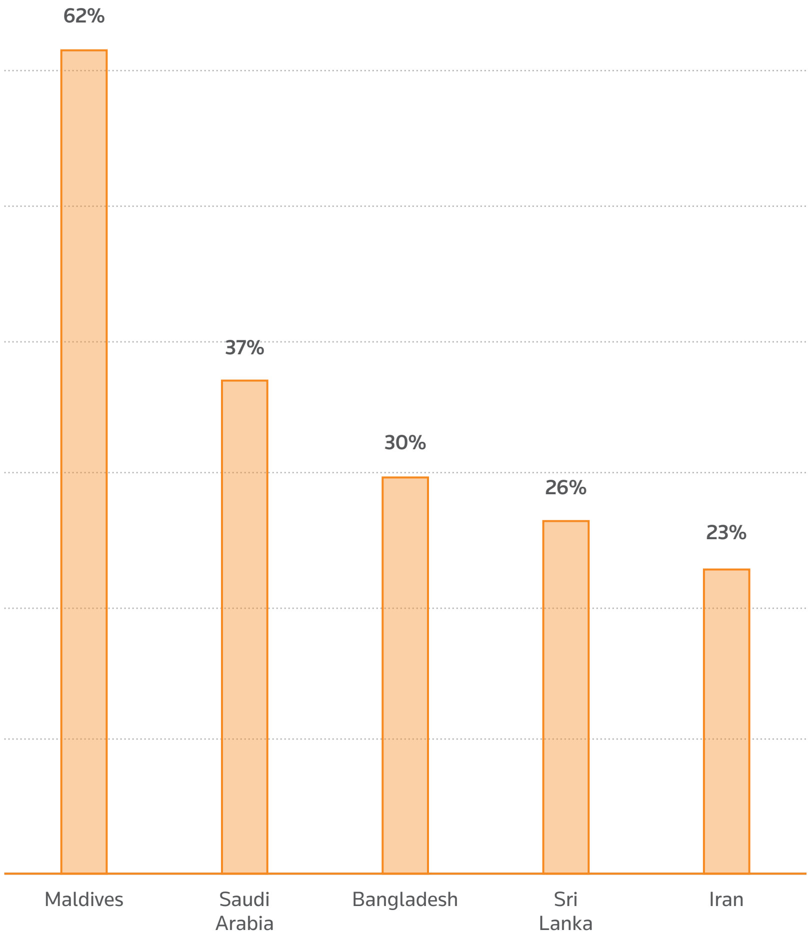
Rising popularity of Islamic products offered by South Asian conventional financing companies

Amongst the top growing OIFI markets are South Asia's Maldives, Sri Lanka and Bangladesh. In the Maldives, the Housing Development Finance Corp. (HDFC) reported a 131% increase in its Islamic window's profit in 2015. This was due to a rise in revenue from housing facilities and fees. Meanwhile, Sri Lanka's financing companies with Islamic units posted an increase in their Islamic portfolio receivables. The establishment of these Islamic units proved its success, meeting the Muslim population's demand for Shariah-compliant products. In Bangladesh, its fully Shariah-compliant Hajj Finance Company reported a rise in investments which led to an increase in assets.

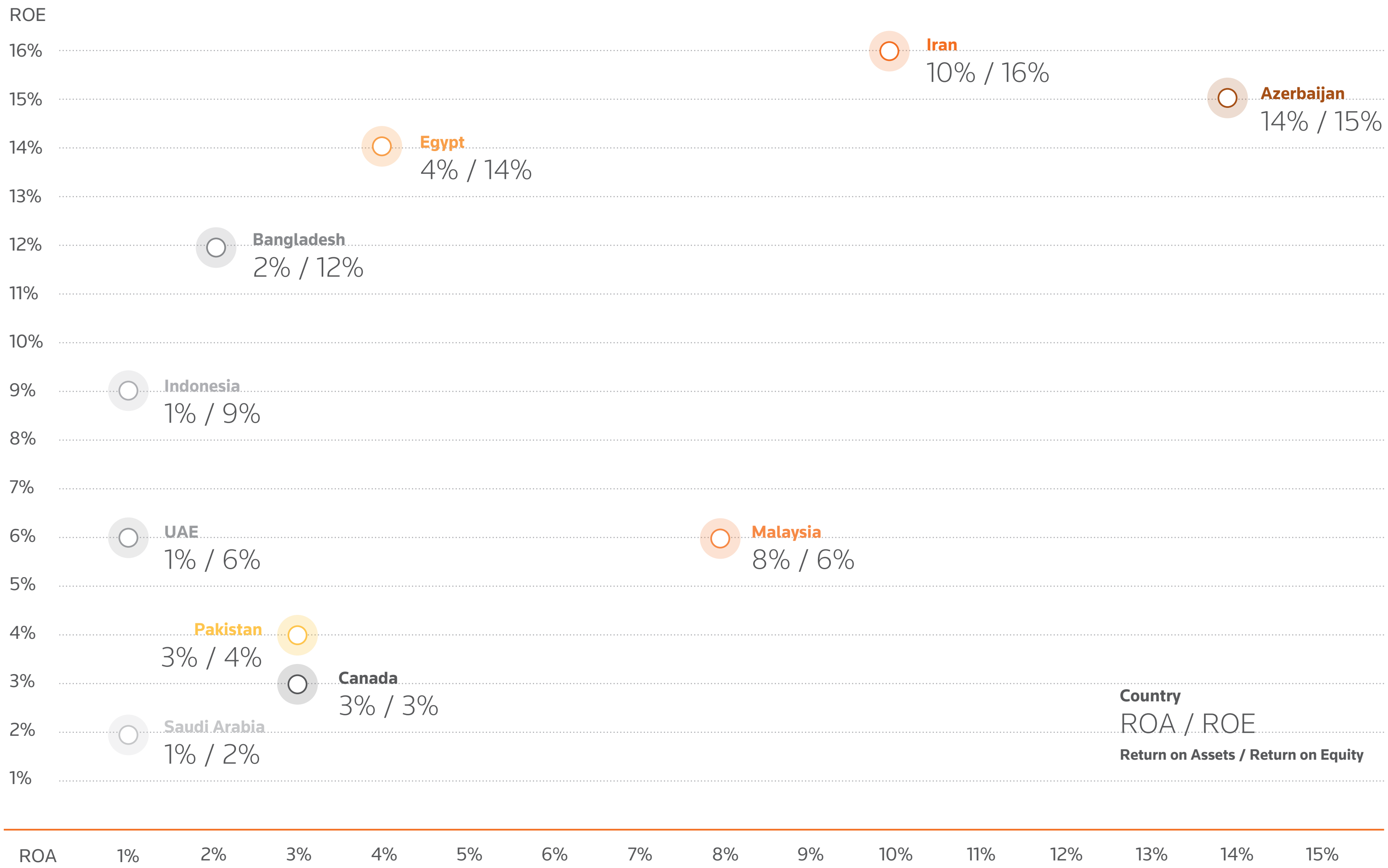
Iran's investment firms show robust growth

Iran has 62 OIFIs operating in the country, which include financial leasing companies, investment firms with portfolios on stocks, projects, and partnerships with companies, and financing companies which are relatively strong performers. Of these companies, its investment firms posted the strongest performance as indicated by their ROA and ROE when compared to other types of firms. Investment firms are also the fastest growing type of company when compared to other Iranian OIFIs.

TOP GROWING COUNTRIES IN OTHER ISLAMIC FINANCIAL INSTITUTIONS ASSETS (CAGR TILL 2015)



OTHER ISLAMIC FINANCIAL INSTITUTIONS PROFITABILITY (FYE 2015)



CRAIG MOORE

Founder and CEO, Beehive

CRAIG MOORE is the founder and CEO of Beehive. He is responsible for overseeing overall strategic direction and managing day-to-day operations. Previously, Craig was one of the founders and Chief Operating Officer (COO) of Butterfly Software, a data analytics and migration software company acquired by IBM in September 2012. Prior to Butterfly, his experience includes various sales, consulting and finance roles at numerous multinational companies including Dell, EMC, Hitachi and HSBC, with an emphasis on shaping effective go-to-market and value propositions.

It has been reported that global financing for FinTech hit US$ 20 billion in 2015. How has the Islamic FinTech industry developed, particularly crowdfunding, in comparison to the global mainstream industry?

Islamic crowdfunding is a nascent industry and in the same way that Islamic finance assets represent between 1%-2% of the global financial market, Islamic crowdfunding is currently a small percentage of the total market. The potential for growth, however, is sizeable as this is a real untapped opportunity. Islamic finance is outpacing growth of conventional finance with double-digit growth and there could be a similar opportunity for Islamic crowdfunding to deliver impressive growth rates in future years.

The risk sharing principles of crowdfunding, including peer-to-peer (P2P) finance, fit very well with the principles of Islam. Crowdfunding also promotes the spirit of entrepreneurship and is pro-community which resonates well with Islamic investors and businesses.

There is increasing demand for a broader range of sophisticated ethical finance products and since the potential audience for these can be both Muslim and non-Muslim investors, the opportunity for growth is substantial.

What is driving growth of the Islamic crowdfunding industry? Given your experience what other growth opportunities are there for Islamic FinTech? What new products are out there?

The primary driver of the industry has clearly been technology, which is the key enabler of the industry itself and the entrepreneurs that are developing more sophisticated products and services. Technological advances have created lower barriers to break through, meaning entrepreneurs can establish and manage their operations more cost effectively, delivering them in a faster and more efficient manner than many established, conventional service providers. Technological solutions are also scalable, which is critical for entrepreneurs.

Many of the new technological platforms have low barriers for participation. P2P platforms, like Beehive, enable a user to invest small amounts of money into lots of different businesses, so the risk is often diminished versus high ticket traditional asset classes. This kind of investment environment is highly accessible to a much broader investment community.

There is a wealth of growth opportunities for Islamic FinTech. FinTech will help expand the reach and availability of Islamic finance products, whereby the consumer will benefit from the increased competition. There is an ever increasing stream of new products, including data driven intelligence platforms, machine-based learning applications and of course we can expect to see a significant increase in mobile payments and money transfer platforms. These will revolutionize how well we understand and interact with consumers and will transform the way people transact money by harnessing the huge growth in mobile usage. They are a perfect fit with the changing Islamic finance consumer who is typically young, technologically savvy and demands fast and convenient services at the touch of a button.

What has market reaction been like for Beehive in the Middle East? Which other regions or countries will benefit from Beehive's expansion? How many businesses do you have on your books looking for financing?

We have had a very positive reaction. The concept of P2P finance is very simple, but extremely powerful. Customers are genuinely engaged and the benefits are evident to both businesses and investors. We have provided finance to SMEs in a wide range of industries and have registered more than 3,500 investors so far.

We have funded more than 100 business finance requests to date and this is increasing all the time. Many of our customers have returned for subsequent rounds of financing, which is a real testament to the positive experience they have encountered on our platform.

There is plenty of opportunity to develop in the Middle East, but we are assessing other markets in Asia. SME financing is a challenge in so many markets that there is potential for growth in many regions.

What are some of the challenges Beehive and the Islamic FinTech industry faces as a whole? Going forward how will we overcome those challenges?

Education is always a challenge. The concept of P2P finance is still relatively new in this region, so it takes time to educate the audience about how it works and the benefits. It also takes time to explain how P2P finance can work in line with Islamic principles.

One of the challenges is that there are many Islamic finance structures and Shariah compliance can differ from region to region. This can impact consumer understanding and confidence in Islamic products. Standardization will therefore be important in order to establish clarity and greater transparency for Islamic finance customers.

Should the FinTech industry be regulated? What benefits would regulation create? What can the government do to support this industry?

> “ISLAMIC CROWDFUNDING IS A NASCENT INDUSTRY AND IN THE SAME WAY THAT ISLAMIC FINANCE ASSETS REPRESENT BETWEEN 1%–2% OF THE GLOBAL FINANCIAL MARKET.

> ONE OF THE CHALLENGES IS THAT THERE ARE MANY ISLAMIC FINANCE STRUCTURES AND SHARIAH COMPLIANCE CAN DIFFER FROM REGION TO REGION. THIS CAN IMPACT CONSUMER UNDERSTANDING AND CONFIDENCE IN ISLAMIC PRODUCTS.

Yes, it should be regulated, but it will differ according to the specific area of FinTech, as the industry is so broad. Regulation always gives more confidence to the market and subsequently brings wider participation. It is important that it provides a clear framework that facilitates the development of FinTech. The technology moves so fast that it is hard for regulators to keep up and legislation is often implemented quite a while after the birth of new technologies. It is important to collaborate with the innovators to ensure any regulation is a positive and supportive influence on the industry, enabling it to grow and develop to deliver against changing customer needs.

It has been reported that there is a US$ 260 billion SME funding gap in the Middle East. What hinders conventional or Islamic banks from filling this gap? Can different Islamic FinTech start-ups play a larger role in filling that gap?

Islamic FinTech businesses will certainly play an important role in helping to fill the gap as they will increase choice and accessibility to affordable finance. Conventional and Islamic banks often have a preference for funding large corporates rather than SMEs. This is because operational costs can limit their ability to fulfill smaller ticket finance. It takes time and money for conventional institutions to review and service SME loan applications, and it is often not an efficient use of their resources. As a result, SMEs, which constitute around 90% of total businesses, have struggled to get the funding they need. The online nature of FinTech platforms makes them very streamlined and efficient. Operating costs are also significantly lower so they can process information and make decisions swiftly, meaning SMEs can obtain finance in a much shorter timeframe. Time is a critical differentiator as it is very often the time to finance, not just the cost of it, that can decide whether an SME continues growing or whether it fails.

Moving forward, collaboration will be important in effectively filling the funding gap. As we have seen in the US and Europe, there is increasing collaboration between conventional banks and FinTech platforms as they work together to help alleviate the SME funding issue. This trend is likely to continue with Islamic banks and Islamic FinTech start-ups, at least in the P2P and crowdfunding industry.

While banks may initially see P2P and crowd-funders as a competitive threat, in fact, many are realizing the mutual benefits that can be garnered from collaboration. Conventional and Islamic banks can cooperate with FinTech start-ups to refer SME finance requests that they cannot service, or undertake a more reciprocal relationship by combining infrastructures and technologies to deliver a more holistic, customer-orientated service to new customers and markets.

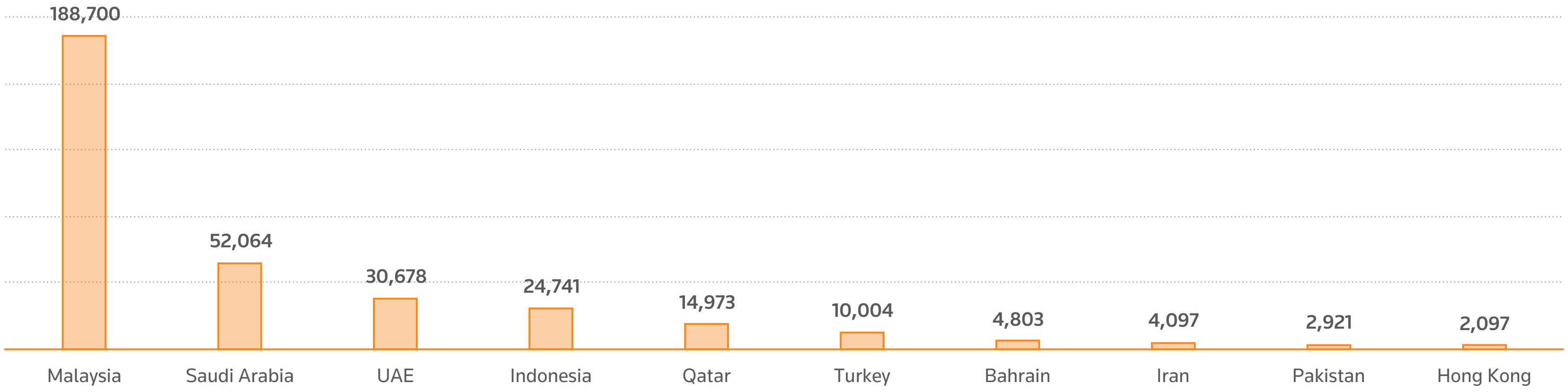
Sukuk Sub-Indicator

Southeast Asia leads outstanding global sukuk volume, driven by Malaysia

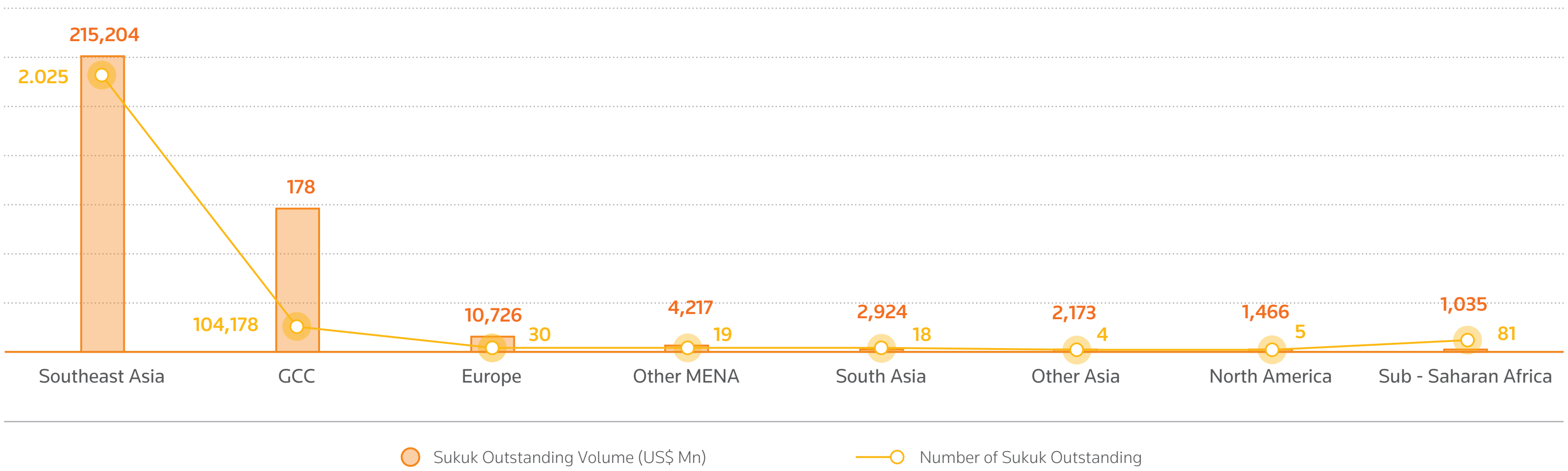
Outstanding global sukuk stood at US$ 342 billion at the end of 2015, a 14% increase compared to 2014. Malaysia remains firmly at the forefront, leading the Sukuk sub-indicator in terms of the number and volume of sukuk outstanding. Malaysia's share makes up 55% of outstanding sukuk globally and 88% of Southeast Asia's outstanding volume. But overall Malaysia's share is declining compared to previous years. Its volume of issuance fell after Bank Negara Malaysia (BNM), the country's central bank, cut back issuance of short-term sukuk. The central bank said much of the short-term paper was not fulfilling its objective of satisfying the country's Islamic banking liquidity needs. The BNM said that a much wider investor base, rather than local Islamic banks were buying the short-term sukuk. Instead the central bank will be using different instruments that will only be available to Islamic banks, including Islamic treasury bills which the bank launched in February 2016.

Malaysia is joined by Indonesia in the top 10, while Brunei and Singapore comprise the remaining Southeast Asian sukuk market. Most of the outstanding global sukuk volume is generated by government institutions, dominated by Malaysia and Indonesia. In August 2016, Indonesia introduced a non-tradable 'savings sukuk' targeting the domestic retail market which gives a better return in comparison to Indonesian bank deposit rates. It is being sold by 20 banks nationwide, and the return will be paid on a monthly basis until the paper's expiration.

TOP 10 COUNTRIES IN SUKUK VOLUME OUTSTANDING (US$ MN, FYE 2015)



SUKUK VOLUME AND NUMBER OF SUKUK OUTSTANDING BY REGION (FYE 2015)



Wider acceptance of sukuk as a tool for sovereign financing, notably by Africa

In 2015, US$ 68 billion worth of sukuk was issued worldwide. Malaysia remains the top issuing country, followed by Indonesia. Sovereign issuances are the most prevalent and make up the majority of sukuk offered to the market. Notable sukuk issued by sovereigns in 2015 include Hong Kong's second US$ 1 billion issuance in May 2015, which was 2 times oversubscribed with the majority of investors from the Middle East and Southeast Asia.

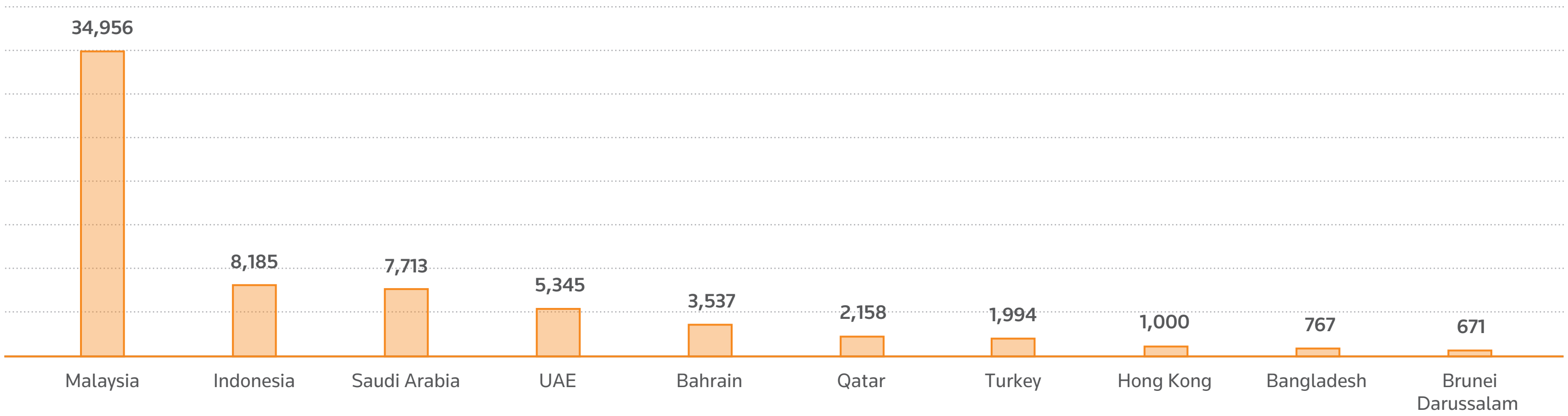
Another noteworthy issue is Ivory Coast's debut sukuk for US$ 250 million in December 2015. It issued a second sukuk in August 2016 after paving the way for other African nations, Togo and Senegal, to issue sovereign sukuk. Kenya, Niger and Nigeria are also planning similar issuances to help meet their infrastructure needs. However, Africa's overall contribution to global sukuk issuance remains small when compared to output from Southeast Asia and the GCC.

Sukuk continued to be a key tool for banks to meet Basel III global banking standards in 2015

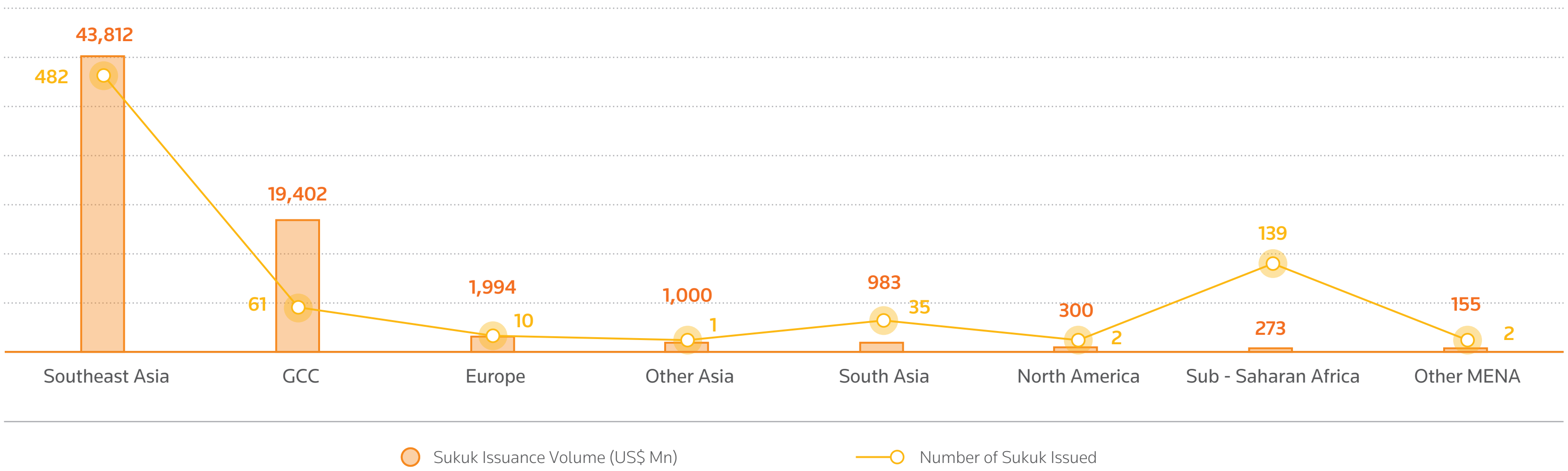
Financial institutions were the top issuer of corporate sukuk in 2015. These Islamic bonds are increasingly becoming a key tool for Islamic banks to meet tightening capital rules of the Basel III global standards as GCC banks continue seeking new sources of tier 1 and tier 2 capital. Amongst notable issuers are Dubai Islamic Bank in 2015 offering a Tier 1 second tranche worth US$ 1 billion and Qatar Islamic Bank, Saudi British Bank and National Commercial Bank offering Tier 1 perpetual sukuk and subordinated sukuk.

In regions other than the GCC, Turkey's Al Baraka Turk also issued a Tier 2 sukuk in 2015, along with Malaysian Bank Islam's 2-tranche Tier 2 Capital sukuk.

TOP 10 COUNTRIES IN SUKUK VOLUME ISSUED (US$ MN, FYE 2015)



SUKUK VOLUME AND NUMBER OF SUKUK ISSUED BY REGION (FYE 2015)



Sukuk Leaderboard

TOP SOVEREIGN SUKUK ISSUED GLOBALLY IN 2015 BY SIZE

Sukuk Name	Country	Offer Size	Issuer Name
Indonesia Global Sukuk III (Tranche 4)	Indonesia	2,000,000,000	Perusahaan Penerbit SBSN Indonesia III
Indonesia Retail Sukuk (SR-007)	Indonesia	1,672,889,185	Perusahaan Penerbit SBSN Indonesia
Ras al-Khaimah Sovereign Sukuk	UAE	1,000,000,000	RAK Capital
Hong Kong Sovereign Sukuk II	Hong Kong	1,000,000,000	Hong Kong Sukuk 2015 Limited
Malaysia Global Sukuk IV (Tranche 1)	Malaysia	1,000,000,000	Malaysia Sovereign Sukuk Bhd

Source: Thomson Reuters

TOP QUASI SOVEREIGN SUKUK ISSUED GLOBALLY IN 2015 BY SIZE

Sukuk Name	Country	Offer Size	Issuer Name
Petronas Global Sukuk II	Malaysia	1,250,000,000	PETRONAS Global Sukuk
Islamic Development Bank MTN Sukuk (Series 21)	Saudi Arabia	1,000,000,000	IDB Trust Services Limited
IILM Short Term Sukuk (Tranche 12)	Malaysia	860,000,000	International Islamic Liquidity Management Corporation
IILM Short Term Sukuk (Tranche 15)	Malaysia	860,000,000	International Islamic Liquidity Management Corporation
IILM Short Term Sukuk (Tranche 17)	Malaysia	860,000,000	International Islamic Liquidity Management Corporation
IILM Short Term Sukuk (Tranche 20)	Malaysia	860,000,000	International Islamic Liquidity Management Corporation

Source: Thomson Reuters

TOP CORPORATE SUKUK ISSUED GLOBALLY IN 2015 BY SIZE

Sukuk Name	Country	Offer Size (US$ Mn)	Issuer Name
Riyad Bank Sukuk II	Saudi Arabia	1,066,609,781	Riyad Bank
Bahri Sukuk	Saudi Arabia	1,039,944,536	The National Shipping Company of Saudi Arabia
DIB Tier 1 Sukuk II	UAE	1,000,000,000	DIB Tier 1 Sukuk (2) LTD
Emirates Airline – UK Export Finance (UKEF) Sukuk	UAE	913,000,000	Khadrawy Limited
DIB Sukuk (Tranche 2)	UAE	750,000,000	DIB Sukuk Company Limited

Source: Thomson Reuters

Saudi money changer counts U.S banknotes at a currency exchange shop in Riyadh.
REUTERS/FAISAL NASSER

Islamic Funds Sub-Indicator

Strong performance by Iranian Islamic funds in 2015

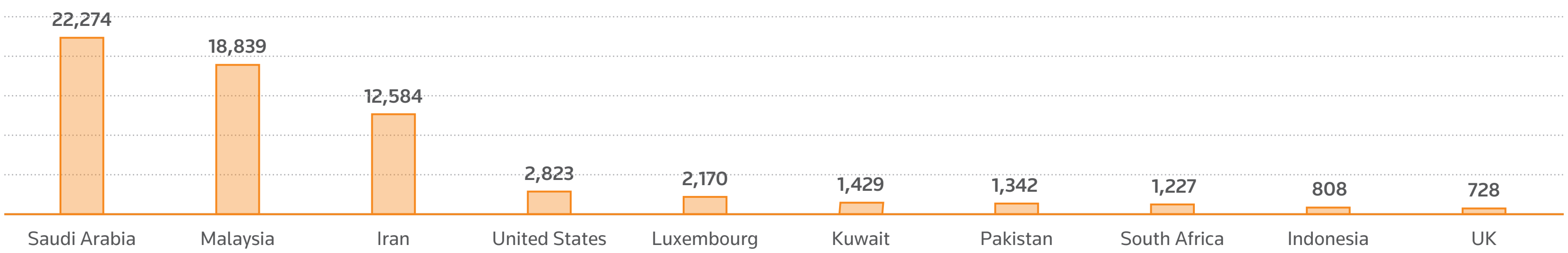
The top 3 countries in terms of Islamic funds outstanding in 2015 make up 81% of total global Islamic funds' AuM. Saudi Arabia and Malaysia are the clear leaders in 2015, holding firm their positions from 2014. However, Iran managed to overtake the US and Luxembourg to become 3rd globally in terms of AuM, after their assets grew 7 times larger than 2014 figures.

The significant growth is partly attributed to the 26 new Islamic funds launched in 2015, and partly down to the superb growth of some of its existing funds, especially those invested in fixed-income assets such as bank deposits or fixed-income securities. These are considered investor safe havens. Conversely, many of Iran's Islamic funds that invest in equities shrunk in size compared to other types of funds it operates.

Efforts to tap into Southeast Asian Muslim wealth

Although it has been reported that volatile global financial markets, including a decline in commodity prices, is taking its toll on global Islamic wealth, there were several efforts from Southeast Asia to tap into this market in 2015, primarily led by Malaysia with total Islamic AuM of US$19 billion and Indonesia with US$ 808 million. The Malaysian government has already put a Shariah-compliant scheme in place for its retirement savings fund — the Employees Provident Fund (EPF) which invests in Islamic finance assets, particularly sukuk. It proved its popularity in August 2016, when approximately 200,000 EPF members signed up for the fund in its first 5 days of registration. The EPF expects to allocate up to US$ 7.43 billion to its Islamic fund which will launch in January 2017. Asian asset managers such as Malaysia's RHB Group Asset Management and Indonesia's PT Mandiri Manajemen Investasi are also vying for a share of this wealth and will launch new Islamic funds in the near future.

TOP 10 COUNTRIES IN ISLAMIC FUNDS AUM OUTSTANDING (US$ MN, FYE 2015)

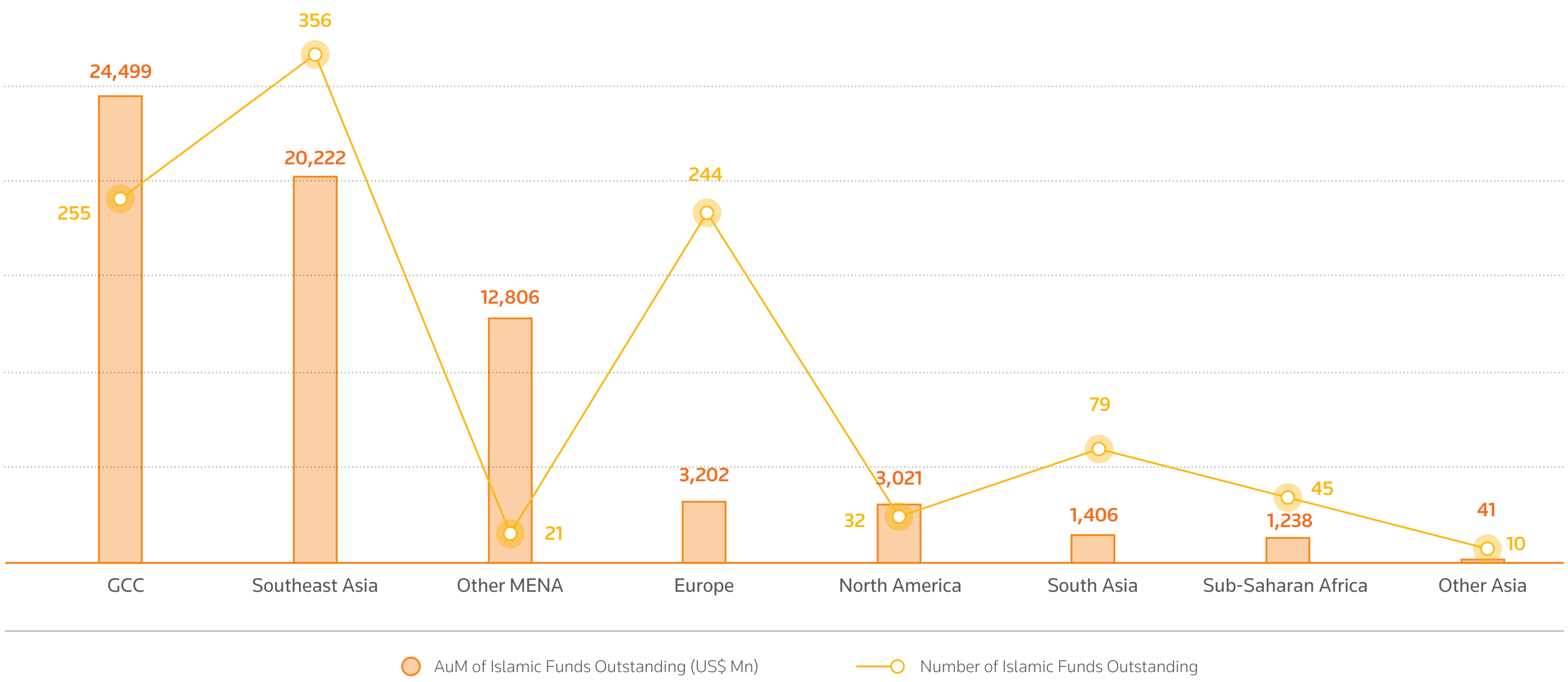


Overall, 2015 was a slow year for Islamic asset management

Only 5 out of 29 countries posted a positive average cumulative performance in 2015 and only 26% of Islamic funds globally reported a positive cumulative performance during the same period. Equity, alternatives and commodity funds suffered the most volatility as a result of the drop in oil prices. As Equity Islamic funds form 34% of Islamic funds' outstanding AuM and make up 51% of total Islamic funds outstanding, taking the lion's share, their fluctuating performance dragged down the industry overall.

Meanwhile, sukuk and real estate Islamic funds in some countries were more stable and reported average positive performances, including in the UK for Islamic real estate funds and Iran, Luxembourg, Pakistan, Qatar, Saudi Arabia and the UK for sukuk funds.

ISLAMIC FUNDS AUM AND NUMBER OF ISLAMIC FUNDS OUTSTANDING BY REGION (FYE 2015)

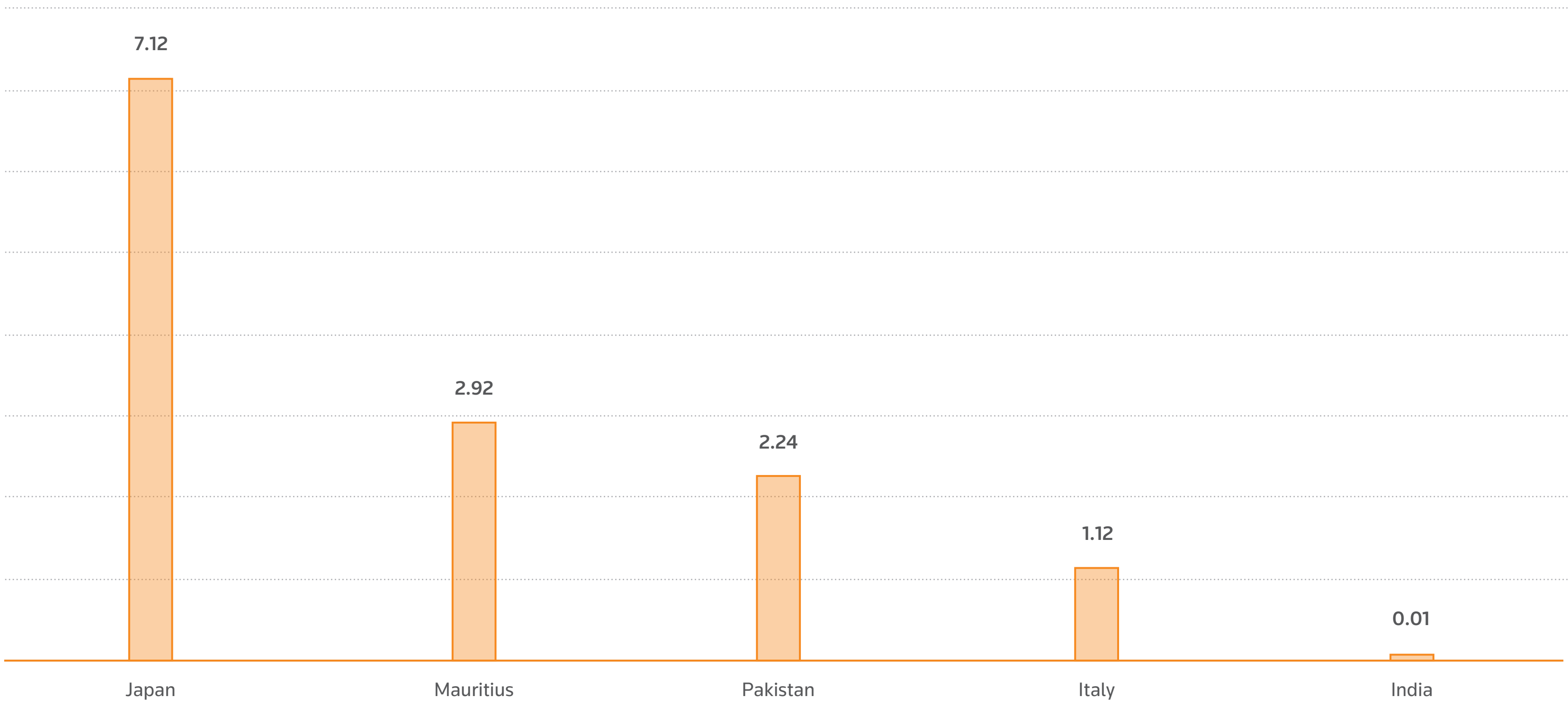


Fortunes declined for South Asian asset managers in 2015

The highest average cumulative performance was 7.12% from Islamic funds launched by Japanese asset managers. But this is considered miniscule when compared to 2014's highest average performance from Islamic funds of 40%, which was managed by Indian-based asset managers Tata and Taurus. Unfortunately, some Indian equity funds also reported poor performances in 2015, which negatively affected the country's average, taking it to 0.01%.

Pakistan, which was the second best performing country in 2014 in terms of average cumulative performance, is still among the top performers in 2015. However, its 2% average in 2015 is much lower than 2014's average performance of 19%.

ISLAMIC FUNDS AVERAGE CUMULATIVE PERFORMANCE (%, FYE 2015)



Islamic Funds Leaderboard

TOP ISLAMIC FUNDS OUTSTANDING IN 2015 GLOBALLY BY AUM

Mutual Fund Name	Asset Type	Domicile	Asset Manager Name	Assets Under Management (US$ Mn)
AlAhli Saudi Riyal Trade	Money Market	Saudi Arabia	NCB Capital CJSC	4,170
AlAhli Diversified Saudi Riyal Trade	Money Market	Saudi Arabia	NCB Capital CJSC	2,355
Al Rajhi Capital SAR Commodity	Money Market	Saudi Arabia	Al-Rajhi Capital Co	2,225
KLCC Real Estate Investment Trust	Real Estate	Malaysia	KLCC REIT Management	1,811
International Trade Finance Fd (Sunbullah SAR)	Money Market	Saudi Arabia	Samba Cap & Invest Mgmt	1,667
Amana Growth Fund;Investor	Equity	United States	Saturna Capital Corporation	1,532
Public Islamic Dividend	Equity	Malaysia	Public Mutual Berhad	1,178
Public Ittikal	Equity	Malaysia	Public Mutual Berhad	1,154
CIMB Islamic DALI Equity Growth	Equity	Malaysia	CIMB-Principal Asset Man	1,153
Amana Income Fund Investor	Equity	United States	Saturna Capital Corporation	1,048

Source: Thomson Reuters Lipper

TOP ISLAMIC FUNDS LAUNCHED IN 2015 GLOBALLY BY AUM

Mutual Fund Name	Asset Type	Domicile	Asset Manager Name	Assets Under Management (US$ Mn)
Maybank Shariah Institutional Cash 2	Money Market	Malaysia	Maybank Asset Management	554
MIDF Amanah Shariah Cash	Money Market	Malaysia	MIDF Am A Mgmt Be	300
Saudi Fransi GCC IPO Fund	Equity	Saudi Arabia	Saudi Fransi Capital JSC	271
Al-Salam Real Estate Investment Trust	Real Estate	Malaysia	Damansara REIT Managers	137
Alinma IPO Fund	Equity	Saudi Arabia	Alinma Investment Co	122

Source: Thomson Reuters Lipper

TOP ISLAMIC FUNDS OUTSTANDING IN 2015 GLOBALLY BY CUMULATIVE PERFORMANCE

Mutual Fund Name	Asset Type	Domicile	Asset Manager Name	Cumulative Performance (%)
Markaz Real Estate	Real Estate	Kuwait	Kuwait Financial Centre	46.76
Al Jazira AL-Mashareq Japanese Equity Fund	Equity	Saudi Arabia	AlJazira Capital CJSC	17.35
PMB Shariah Aggressive	Equity	Malaysia	PMB Investment Berhad	15.04
NAFA Islamic Asset Allocation Fund	Mixed Assets	Pakistan	NBP Fullerton Ast Mgmt	13.70
QINVEST JOHCM Sharia'a Fund	Equity	Cayman Islands	QWM Limited	11.41

Source: Thomson Reuters Lipper

ISLAMIC FINANCE COULD HELP ACHIEVE SUSTAINABLE DEVELOPMENT GOALS

Dr Mohamed Damak, Global Head of Islamic Finance, S&P Global Ratings

MOHAMED DAMAK is the Global Head of Islamic Finance at S&P Global Ratings, leading a global team of Islamic finance specialists. Mohamed is also a Director and Sector Lead in the Financial Services team at S&P Global Ratings. He covers financial institutions in the Middle East and Africa regions. Before re-joining Standard & Poor's in 2014, Mohamed worked as a Principal Credit Risk Officer in the Sovereign Credit Risk Management Division of the African Development Bank in Tunis between 2010 and 2013. From 2006 to 2010 Mohamed worked for S&P Global Ratings covering conventional and Islamic financial institutions in the Middle East and North Africa regions. Mohamed holds a PhD in finance and a postgraduate diploma (DEA) in 'Money, banking and finance' from the University of Paris II, Panthéon Assas and a master's degree in 'Financial institutions management' from Ecole Supérieure de Commerce de Tunis.

In September 2015, the United Nations General Assembly adopted its 2030 agenda for sustainable development, comprising 17 sustainable development goals (SDGs) and 169 measurable targets centred on five pillars: people, planet, prosperity, peace, and partnership. The UN has stressed that striving for sustainable development will require a revitalized global partnership between all stakeholders. Islamic finance could play a role--a modest one at least--in meeting some of the SDGs, particularly those that are in line with the core principles of Islamic finance, according to S&P Global Ratings. Sukuk issues by global multilateral lending institutions (MLIs) over the past few years support this view, however the overall amount of sukuk remains small compared with conventional debt issuance from MLIs. Still, Islamic finance will likely remain a modest contributor due to the industry's small size and the issues it has yet to resolve to unlock its global potential.

Islamic Finance Principles and Products are Compatible with Some Sustainable Development Goals

To be considered Shariah-compliant a financial institution or transaction needs to meet the Koran's tenets against usury and uncertainty. Perhaps the most famous principle of Islamic finance is the prohibition of Riba. Depending on the school of thought, Riba has been defined as interest or excessive interest, leading to slavery. Shariah doesn't consider money as an asset on its own because it is not tangible; therefore it may not earn a return from the simple fact that a period of time has elapsed. Instead, return can be earned on risk taking activities, as long as the burden or reward is shared between the bank and its client. Although the principle of profit and loss sharing has not been applied comprehensively in the past, we think that the industry is slowly inching in this direction. Shariah also prohibits the uncertainty of payout, gambling, or speculation (Gharar) and encourages responsible behaviour. Moreover, Shariah-compliant transactions must be backed by tangible and identifiable assets that anchor the financial sector in the real economy. Lastly, Islamic finance forbids investment in or dealings with those industries banned under Shariah: notably alcohol and brewing, tobacco, weapons and armaments, or pork-based products. The ultimate goal of these principles is to create a sustainable, equitable, and socially responsible financial system.

Looking at the UN SDGs and the principles of Islamic finance, there are some similarities. For example, the principle requiring underlying assets in each Islamic financial transaction makes it a good match for the financing of infrastructure, which is part of SDGs 6, 7, 9, and 11. Another example comes from the parallel between the prohibition of financing certain sectors, such as weapons and armaments, and SDG 16, which aims to promote peaceful and inclusive societies.

Islamic finance also uses some specific products that can be used to fund SDGs. The first two SDGs aim to end poverty in all forms, halt hunger and achieve food security in the world. Although these two objectives could probably be dealt with through the use of concessional loans from MLIs or bilateral loans from developed countries, Islamic finance has its own forms of concessional lending, specifically: (1) Qardh al-Hasan, which consists of a loan granted for welfare purposes, or to bridge short-term funding requirements where the borrower is required to repay only the principal. (2) Zakat, which is one of the five pillars of Islam and is similar to a tax that is levied on wealth that exceeds a certain threshold. (3) and Waqf, consisting of a donation of an asset or cash for religious or charitable purposes with no intention to be reclaimed.

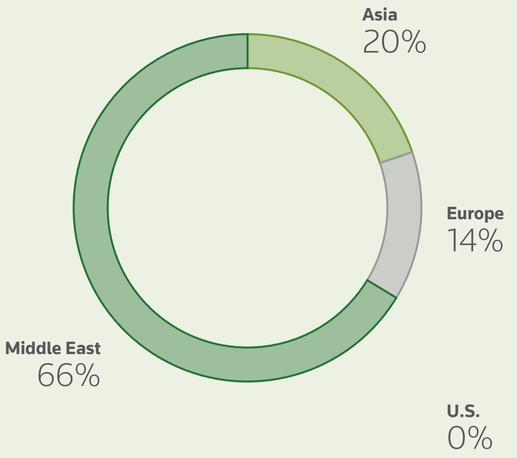
Lastly, the principle of profit and loss sharing inherent to Islamic finance could, if implemented properly, contribute to achieving SDG 10, which focuses on reducing inequality and easing the negative impact of economic swings. This principle has not been applied properly in the past but, in our view the industry is slowly inching towards a more stringent application.

Global Multilateral Lending Institutions May Opt to Increase Their Use of Islamic Finance, Given the Similarities between Some Principles and the SDGs

Apart from the Islamic Development Bank Group (IDB) and the role it fulfills in financing the infrastructure in its Organization of Islamic Conference (OIC) member countries, we have seen only a few examples of interest in Islamic finance from other global MLIs over the past few years. The International Finance Facility for Immunization (IFFIm,) which focuses on raising funds for the immunization and vaccine procurement programmes of Gavi, the Vaccine Alliance, was one of the first global MLIs to tap the sukuk market twice. In 2014, the IFFIm issued a $500 million sukuk that was oversubscribed by 1.4 times. This was followed by a $200 million sukuk that attracted similar interest from investors

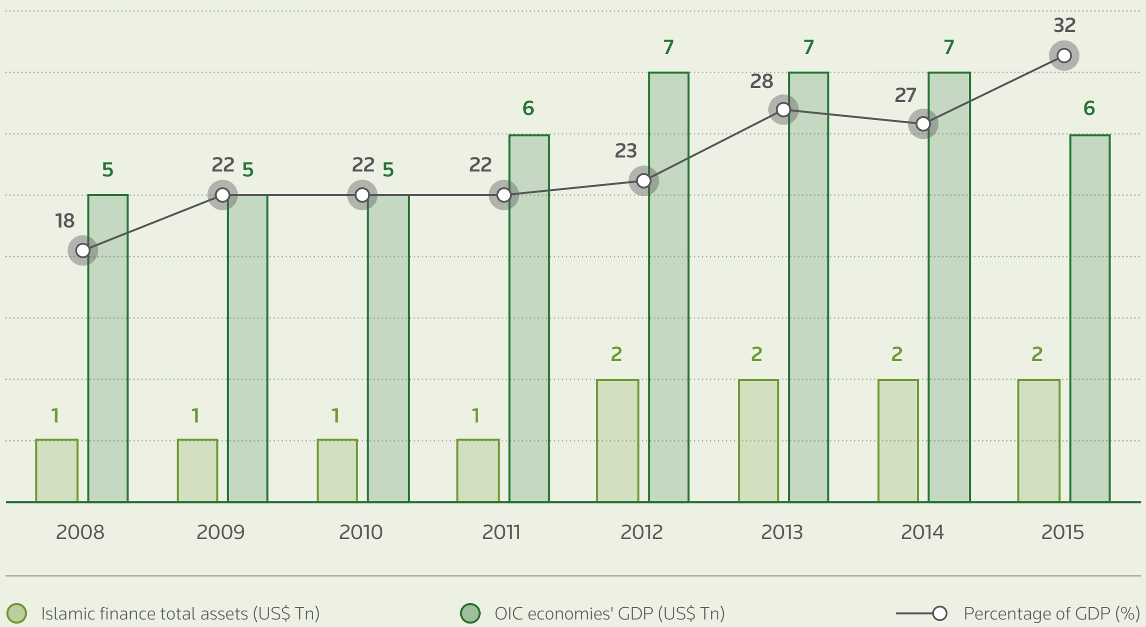
> “ALTHOUGH THE PRINCIPLE OF PROFIT AND LOSS SHARING HAS NOT BEEN APPLIED COMPREHENSIVELY IN THE PAST, WE THINK THAT THE INDUSTRY IS SLOWLY INCHING IN THIS DIRECTION.

CHART 1: INTERNATIONAL FINANCE FACILITY FOR IMMUNIZATION SUKUK INVESTOR BASE



Sources: Zawya and Standard & Poor's

CHART 2: ISLAMIC FINANCE ASSETS VS. GDP OF OIC ECONOMIES



OIC – Organization of Islamic Conference Economies. Sources: International Monetary Fund and Standard & Poor's and was 1.6 times oversubscribed. The International Finance Corporation (IFC) also tapped the market with a $100 million sukuk in 2015 after its first issue in 2009, with underlying assets consisting of private sector projects in the Middle East and North Africa.

Although the oversubscription rates are somewhat lower for these MLI sukuk than for some recent government or private sector sukuk, we consider access to the sukuk market could offer MLIs the opportunity to diversify their funding base and tap liquidity that is disallowed via the conventional route. By our estimates, the overall size of the investor base looking to invest in Shariah-compliant instruments, such as sukuk, is around $500 billion worldwide. With the IFFIm sukuk, for instance, around 65% of investors were based in the Middle East and financial institutions make up three quarters of the total.

In addition, as Basel III deadlines approach sukuk issues by MLIs may attract interest given the chronic lack of high quality liquid assets (HQLA) in the industry. Most MLIs have high credit ratings ('AA' and above) and benefit from HQLA eligibility under the Basel III liquidity coverage ratio. With the significant role global MLIs will have to play in achieving the SDGs and given the compatibility of some of their operations with the principles of Islamic finance, we expect to gradually see more sukuk issuance from global MLIs over the next few years.

Islamic Finance Could Help, but Its Contribution Will be Modest

We think Islamic finance's contribution to funding some SDGs will likely remain modest. This is mainly due to the industry's small size compared with the overall financial system, even in the economies of OIC-member countries.

We estimate Islamic finance assets were worth around $2.1 trillion at 2015 year-end, compared with OIC countries' cumulative GDP of more than $7 trillion during the same period. Similarly, we project that sukuk issuance volumes will reach $50 billion-$55 billion in 2016, representing only a negligible fraction of global conventional issues. Assuming the industry continues its efforts to improve standardization and reduce the usual timeframe for issuing sukuk, Islamic finance could attract new issuers, such as MLIs or governments that might see the industry as a way to diversify their investor base and fund their SDG agendas.

"WE THINK ISLAMIC FINANCE'S CONTRIBUTION TO FUNDING SOME SDGS WILL LIKELY REMAIN MODEST. THIS IS MAINLY DUE TO THE INDUSTRY'S SMALL SIZE COMPARED WITH THE OVERALL FINANCIAL SYSTEM.

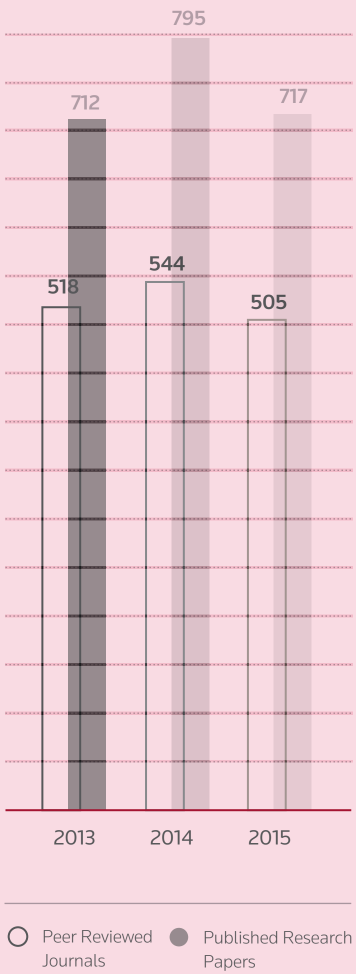
Knowledge Indicator

Sunset at Masjid Sultan Ahmad Shah Mosque at International Islamic University Malaysia, Kuantan Pahang.
AZMAN ALKURAUWI/ SHUTTERSTOCK.COM

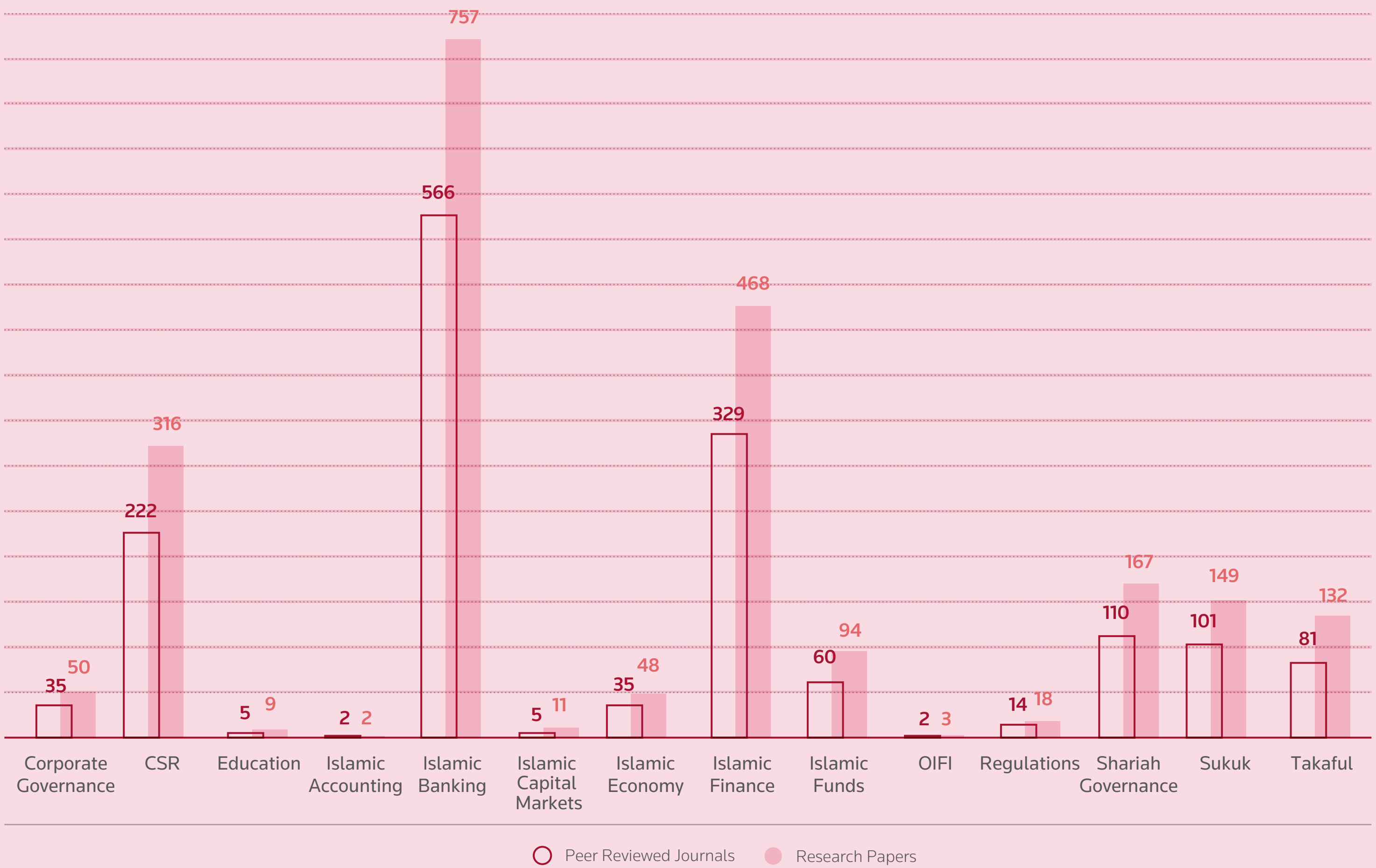
The Knowledge Indicator is a weighted index of two sub-Indicators — education and research — which are the main building blocks for any knowledge-based industry. Education and research are the input factors needed to reach depth and efficiency in the Islamic finance industry.

Indicator Overview

ISLAMIC FINANCE PEER REVIEWED AND PUBLISHED RESEARCH PAPERS (2013 - 2015)



ISLAMIC FINANCE RESEARCH BY ASSET CLASS (2013 - 2015)



*The Global Average indicator or sub-indicator values average the indicator values for all 124 countries in the IFDI universe. The Knowledge indicator values ranges from 0 to 200, Education sub-indicator ranges from 0 to 101 while Research sub-indicator ranges from 0 to 300.

KNOWLEDGE

8 Indicator Global Average

Top Countries	Value*
1 **MALAYSIA**	**200**
2 Jordan	69
3 Tunisia	61
4 Bahrain	54
5 Pakistan	41
6 UAE	39
7 Indonesia	29
8 Saudi Arabia	26
9 Oman	25
10 Lebanon	23

201
Total Islamic Finance Degree Providers Globally

622
Total Islamic Finance Course Providers Globally

2,224
Total Islamic Finance Research Papers Produced Globally (2013-2015)

1,567
Total Islamic Finance Peer Reviewed Journal Articles Produced Globally (2013-2015)

121
Number of Professional Qualifications Providers Globally

Education

8 Sub-indicator Global Average

Top Countries	Value
1 **MALAYSIA**	**101**
2 Jordan	90
3 UAE	58
4 Bahrain	57
5 Lebanon	36
6 Pakistan	34
7 Sri Lanka	33
8 Indonesia	31
9 Afghanistan	27
10 Oman	26

Top 3 Countries
Number of Education Providers

69
United Kingdom

60
Indonesia & Malaysia

48
UAE

Research

7 Sub-indicator Global Average

Top Countries	Value
1 **MALAYSIA**	**300**
2 Tunisia	95
3 Bahrain	51
4 Pakistan	49
5 Jordan	48
6 Saudi Arabia	33
7 Indonesia	28
8 Oman	23
9 Brunei	20
10 UAE	20

Top 3 Countries
Number of Research Papers Produced

833
Malaysia

160
United Kingdom

145
Indonesia

An Iraqi librarian sorts books on the shelves of the central library in Basra, about 420 km (261 miles) southeast of Baghdad.
REUTERS/ATEF HASSAN

Knowledge Indicator Performance in 2016

Static development of Islamic finance knowledge

The Knowledge indicator global average remains stable at 8 in 2016 and has done since 2015. The Education sub-indicator also stays at 8, while the Research sub-indicator declined to 7. The Knowledge indicator global average value incorporates data from 80 countries out of 124 surveyed that are involved in either publishing Islamic finance research papers or institutions that provide Islamic finance education.

A total of 2,224 research papers were published by different affiliations between 2013 and 2015, including 1,567 peer-reviewed journal articles. The published research papers were produced by affiliations in 71 different countries, while peer-reviewed journal articles were published in 65 different countries mostly in 2014. The affiliations include universities, government agencies, Islamic financial institutions and Islamic finance organizations. Most of the research papers focus on Islamic banking, exploring issues such as the comparison between Islamic and conventional banking in a country, or the consumer perception and awareness of Islamic banking. The second most covered topic was general Islamic finance, while the 3rd was CSR, which includes zakat, microfinancing, awqaf (Islamic endowment) and CSR disclosure practices.

In Islamic finance education, there were 622 course providers and 201 degree providers in 2015. Islamic finance degree levels included undergraduate degrees such as diplomas, post graduate diplomas and bachelors along with coursework-based postgraduate or research-based degrees, including Master of Business Administration (MBA), Master of Science (MSc), Masters of Law (LLM) and doctorates (Phd). Subjects included Islamic banking, Islamic finance, Islamic finance management, Islamic accounting, Islamic economics, Islamic wealth management, takaful and Islamic business law. On Islamic finance courses, subjects expand to zakat, sukuk financing and capital markets, actuarial practices, jurisprudence and Islamic trade and corporate finance.

Strong educational and research environments supports Malaysia's booming Islamic finance industry

Malaysia remains the leader of the Islamic finance Knowledge indicator with a value of 200, which is around 3 times higher than Jordan in 2nd place scoring 69 on the Knowledge indicator. Malaysia outperformed its peers both in the Islamic finance Education and Research sub-indicators with the latter having the biggest influence on its indicator results. Given that Malaysia has the second largest number of Islamic finance educational institutions in the world and that some of these institutions are dedicated to Islamic finance such as the International Centre for Education in Islamic Finance (INCEIF) or universities that are founded on Islamic principles such as the International Islamic University of Malaysia (IIUM), it is not out of the ordinary that the total number of Islamic finance research papers produced by Malaysian institutions surpasses other countries by a large margin.

Indonesia's Islamic educational institutions boost its Islamic finance knowledge

Like Malaysia, Indonesia has a large number of educational institutions which boost its Islamic finance knowledge. Many of these institutes, including schools, universities and colleges involved in producing Islamic finance research papers are founded on Islamic principles. Indonesia has the same number of educational institutions as Malaysia and is ranked 3rd in terms of the number of research papers it produces. However, Indonesia's large size applies some downward pressure and it is ranked 7th on the Knowledge indicator.

Pakistan opens centres of excellence furthering investment in Islamic finance education

Pakistan, which is 5th on the Knowledge indicator, enhanced its Islamic finance research and education with the launch of Centres of Excellence at 3 of its educational institutions in 2015 — Institute of Business Administration (IBA) in Karachi, Lahore University of Management Sciences (LUMS), and Institute of Management Sciences (IMSciences) in Peshawar. In an exclusive interview with Senator Mohammaed Ishaq Dar, Pakistan's finance minister, he said the centres were established to meet the need for qualified Islamic banking professionals and finance human resources, hopefully creating an environment for innovation. In addition, these centres will act as platforms for discussion by different industry stakeholders[1].

1. Extracted from Pakistan Islamic Finance Report 2016: Innovation at Asia's Crossroads https://www.zawya.com/mena/en/ifg-publications/300816074233A/

Education Sub-Indicator

Brexit could impact UK's contribution to Islamic finance education

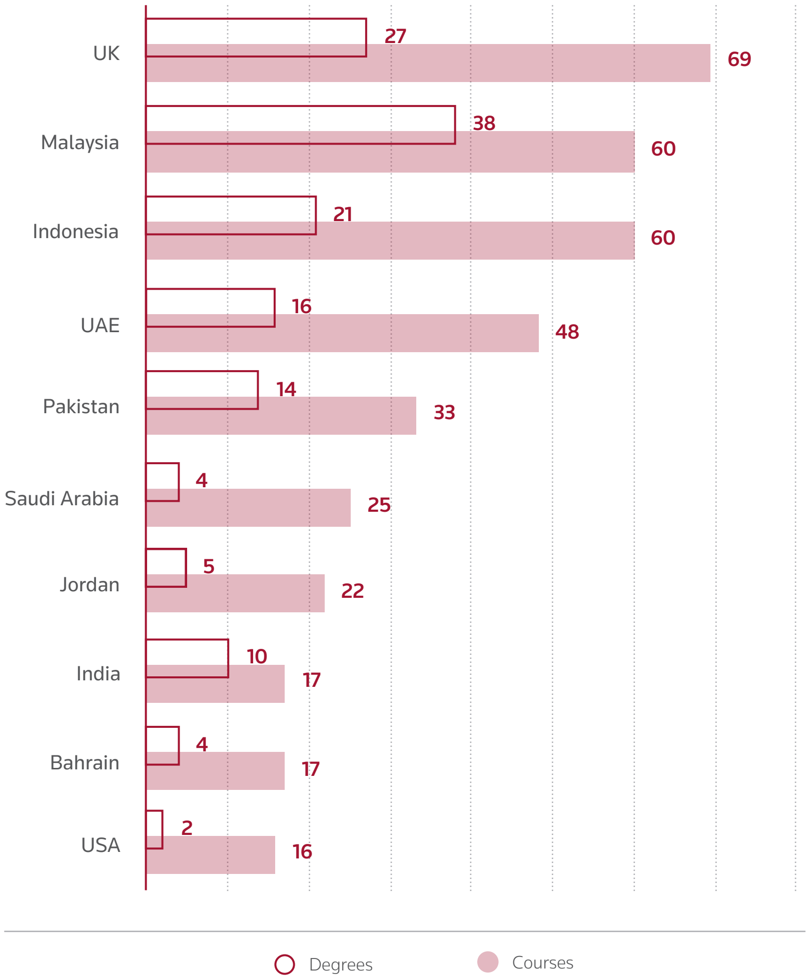
The UK has the highest number of institutions offering Islamic finance courses followed by Malaysia. But, in terms of degrees it offers 27 across the country and is second to Malaysia.

Following the UK's decision to exit the European Union at its referendum in June 2016, Britain's higher education establishments have expressed grave concerns. Leaving the EU will lead to an end to Britain's contribution to the EU's funding of research and it has been argued by 'leave' campaigners that those contributions will be put aside to fund local universities. However, if the number of EU students falls, there could be an increase in international fees to fund any gap. With GBP plummeting against USD, the number of potential international students from dollar-pegged economies such as the GCC studying Islamic finance in UK universities could increase. Moreover, many of these universities are among the top global universities according to the Times Higher Education World University Ranking 2015–2016 such as Durham University. Other universities that benefited from international undergraduate programs, like Bangor University in Wales could attract more international students to its higher education program in Islamic finance as a result of GBP's currency devaluation.

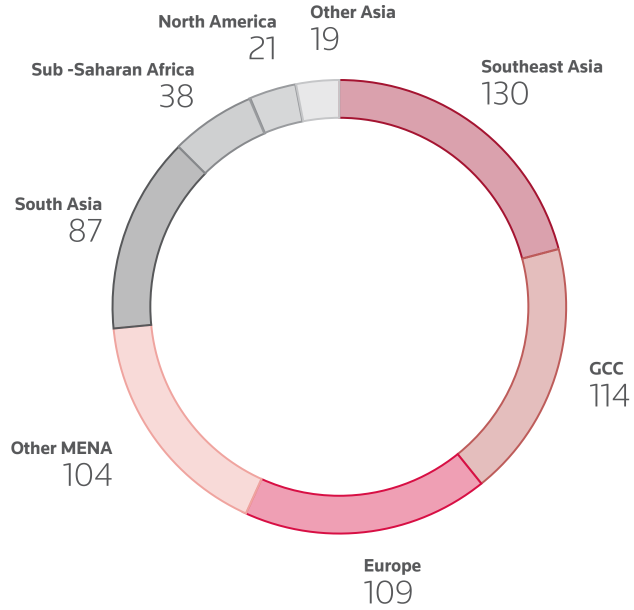
Europe is showing an increasing interest in Islamic finance education

The UK contributes 63% of Europe's total Islamic finance education. The remaining contributors are Turkey (11 providers), France (7), Switzerland (4), Malta (4), Germany (3), Luxembourg, Bosnia (2 each), Poland, Guernsey, Italy, Ireland, Spain, Netherlands and Belgium (1 each). Belgium is the latest country to join after the introduction of an Islamic finance university certificate by the Universite Catholique de Louvain in Brussels.

TOP 10 COUNTRIES WITH ORGANIZATIONS PROVIDING ISLAMIC FINANCE EDUCATION (FYE 2015)



NUMBER OF ORGANIZATIONS PROVIDING ISLAMIC FINANCE EDUCATION BY REGION (FYE 2015)



Research Sub-Indicator

Malaysia holds the world's biggest Islamic finance research library

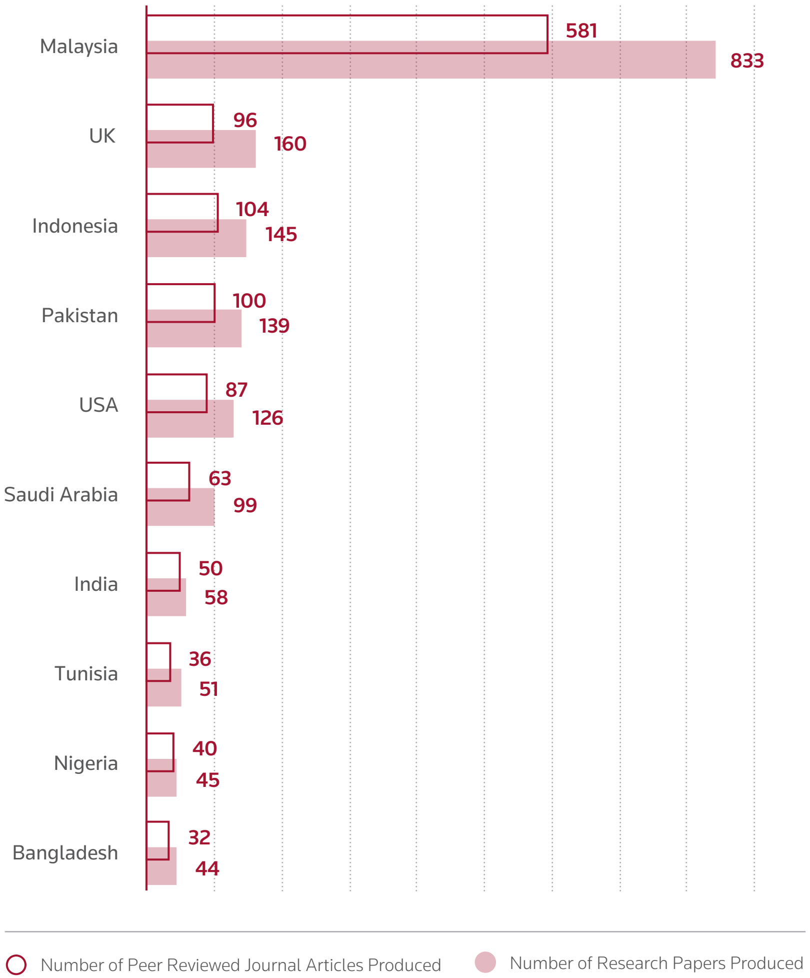
37% of total global Islamic finance related research papers are produced in Malaysia and the same applies for peer-reviewed journal articles. Many of the research topics covered by Malaysian affiliations focus on the Islamic banking industry, particularly the local industry given its global strength and development. Many of the papers also cover zakat, micro-financing and other Islamic finance CSR activities. Like many research papers produced globally, comparisons are made between local Islamic banks and conventional banks. Malaysia provides sufficient data for this on Shariah finance sectors to support such analysis, whether reported by individual institutions or government ministries.

Malaysia produced 84% of Islamic finance research in Southeast Asia, followed by Indonesia which published 145 research papers and 104 peer-reviewed journal articles.

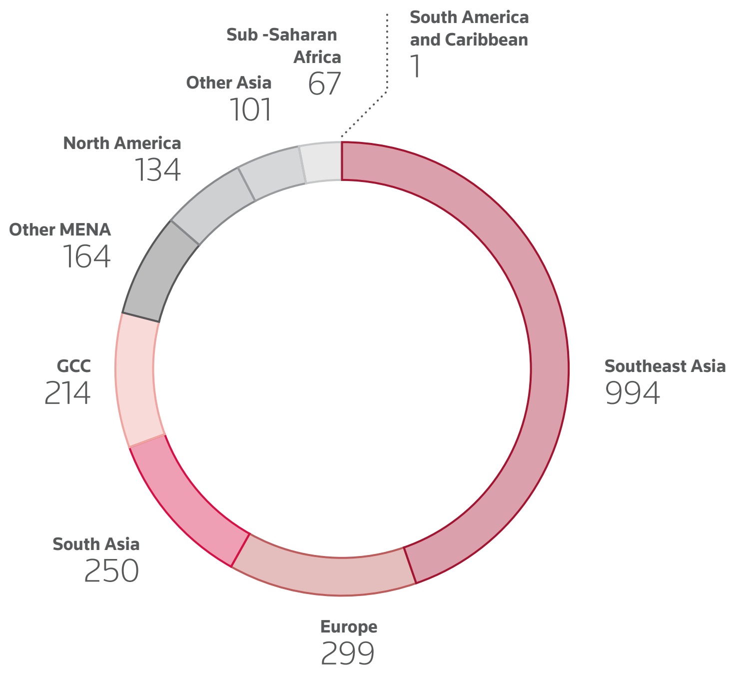
Islamic banking in India: From research concept to action plan

South Asia is ranked third in terms of research papers produced by region and it has the highest number of countries in the top 10 in that field. Interestingly, India is among the leaders when it comes to the number of research papers produced. The country still lacks a non-interest banking presence, yet the majority of its research papers discuss the feasibility of Islamic banking in the country by looking at consumer preferences, awareness and financing for corporate sectors in India. Another area it explored is Islamic micro-financing, which could help it increase its financial inclusion in the country, like its South Asian peers Pakistan and Bangladesh. The latest stance by the Reserve Bank of India to introduce Islamic banking in the country to its 180 million Muslims, as indicated by its latest annual report, could mean that further research is carried out to support India's progression towards opening the country's first Islamic bank.

TOP 10 COUNTRIES WITH ISLAMIC FINANCE TOTAL RESEARCH PAPERS PRODUCED (2013–2015)



ISLAMIC FINANCE RESEARCH PAPERS PRODUCED BY REGION (2013–2015)



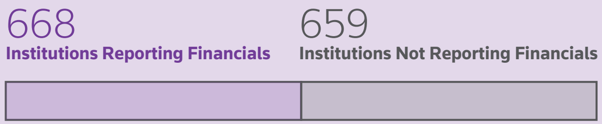
Governance Indicator

^
Sultan Qaboos Grand Mosque in Muscat, Oman. JPRICHARD/ SHUTTERSTOCK.COM

The Governance Indicator is a weighted index of standards of good practice in a country's Islamic finance industry with regard to three sub-indicators: Regulations, Corporate Governance, and Shariah Governance.

Indicator Overview

INSTITUTIONS REPORTING FINANCIALS (FYE 2015)



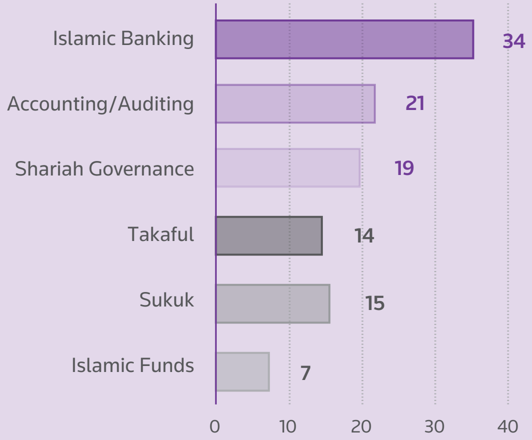
TYPE OF REPORTING (FYE 2015)

FULL-FLEDGED VS. WINDOW REPORTING (FYE 2015)

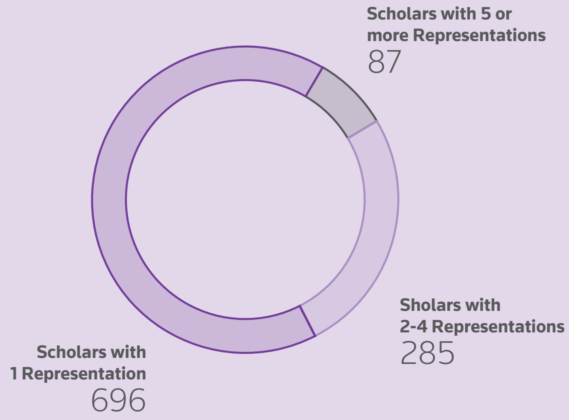
PUBLIC VS. PRIVATE REPORTING (FYE 2015)

GLOBAL ISLAMIC FINANCE REGULATION PROPOSITION (Number of Countries)

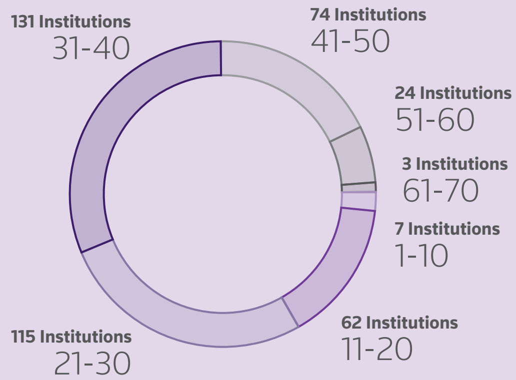
NUMBER OF COUNTRIES PER TYPE OF REGULATION



INSTITUTIONAL REPRESENTATIONS BY SHARIAH SCHOLARS GLOBALLY



FRDI SCORE BY ISLAMIC FINANCIAL INSTITUTIONS



*The Global Average indicator or sub-indicator values average the indicator values for all 124 countries in the IFDI universe. The Governance indicator values ranges from 0 to 103, Regulations sub-indicator ranges from 0 to 100, Shariah Governance sub-indicator ranges from 0 to 56 while Corporate Governance sub-indicator ranges from 0 to 67.

GOVERNANCE

11 Indicator Global Average

Top Countries	Value*
1 **BAHRAIN**	**103**
2 Malaysia	88
3 Pakistan	67
4 Sudan	65
5 Kuwait	65
6 UAE	63
7 Indonesia	62
8 Oman	61
9 Maldives	53
10 Qatar	47

35
No of Countries with at Least 1 Islamic Finance Related Regulation

1,068
No of Shariah Scholars Globally

771
No of Institutions with at Least 1 Shariah Scholar

578
No of Institutions with at Least 3 Shariah Scholars

28.84 / 70
Average Financial Reporting Disclosure Index Globally

0.56
Average Independent Chairman of the Board Globally

0.93
Average Non-Executive Chair of the Audit Committee Globally

0.9
Average Non-Executive Chair of the Risk Management Committee Globally

4.06
Average no of Independent Directors

Regulations

15 Sub-indicator Global Average

Top Countries	Value
1 **BAHRAIN**	**100**
1 Malaysia	100
1 Indonesia	100
1 Pakistan	100
1 Nigeria	100
2 Iran	83
3 Singapore	67
3 Qatar	67
3 Brunei Darussalam	67
3 Maldives	67
3 UAE	67
3 Sudan	67
3 Kazakhstan	67

Top Countries in Regulations
Number of Regulations

6 REGULATIONS
Bahrain, Malaysia, Indonesia, Pakistan & Nigeria

Shariah Governance

11 Sub-indicator Global Average

Top Countries	Value
1 **BAHRAIN**	**156**
2 Kuwait	124
3 Malaysia	108
4 Sudan	82
5 Bangladesh	80
6 Oman	68
7 UAE	68
8 Indonesia	53
9 United Kingdom	52
10 Brunei Darussalam	52

Top 3 Countries
Number of Shariah Scholars Representatives

225
Malaysia

186
Bangladesh

134
Indonesia

Corporate Governance

9 Sub-indicator Global Average

Top Countries	Value
1 **SYRIA**	**67**
2 Oman	65
3 Sri Lanka	59
4 Malaysia	55
5 South Africa	55
6 UAE	54
7 Maldives	54
8 Bahrain	53
9 Pakistan	50
10 Saudi Arabia	47

Top 3 Countries
Average FRDI Score
(Items Disclosed — Out of 70)

44
Oman

42
Bahrain

41
Brunei

Governance Indicator

Governance Indicator Performance in 2016

Steady growth in Islamic finance governance

Governance, the third pillar of the IFDI, maintained stable growth from 2015 through 2016. The Governance indicator's global average value remained flat at 11. It is a weighted index of standards of good practice in a country's Islamic finance industry. The indicator's stability is a reflection of steady growth within its 3 sub-indicators — Regulation, Shariah Governance, and Corporate Governance. The Corporate Governance sub-indicator posted a slight increase in its global average value edging up to 9 in 2016 from 8 in 2015, after new markets joined the IFDI universe assessment.

Among the 124 countries on the IFDI, 59 contributed to the Governance indicator of which only 35 are governed by Islamic financial regulations. Since the establishment of Islamic finance, only 6 countries operate under a comprehensive regulatory framework, with Bahrain as the only country in the Middle East to enforce a full set of regulations.

The quality of a public institution in the IFDI is measured by its corporate ethics, governance standards and level of disclosure. The Governance indicator assessed the financial and governance disclosures of 1,327 institutions of which 50% are mostly full-fledged institutions and report financials. Public institutions are mandated by law to openly publish their financials, however late disclosures by private institutions affected the disclosure index as only 414 out of 976 private institutions (or 42%) considered timely disclosure. Shariah Governance measures the number of Shariah scholars, the number of institutions with Shariah scholars and countries with a centralized Shariah board presence. There are 771 institutions with at least one Shariah scholar and globally there are 1,068 Shariah scholars. Most of these scholars represent a single institution while 87 Shariah scholars have 5 or more institutional representations.

A wellhead belonging to Shell Oil releases oil into the air at a facility at Kegbara Dere in Ogoniland, in Nigeria's volatile Niger Delta. REUTERS/ AUSTIN EKEINDE

Robust growth in emerging Islamic financial markets — Oman, Nigeria and Morocco

Emerging Islamic financial markets hit the ground running in 2015. Oman, Nigeria and Morocco made significant contributions in 2015 to the development of the industry keeping par with advanced and developed economies. These newcomers have a faster growth base; learning from advanced markets how to adopt effective regulatory and corporate governance requirements. However, efforts must continue in utilizing Islamic financial products and services to accelerate economic growth. Oman showed better corporate governance through its financial reporting disclosure index (scoring an average of 44 out of 70). Meanwhile, outside the top 10 performers, Nigeria introduced a centralized Shariah board in February 2015 and Morocco introduced takaful regulation in May 2015.

On the other end of the spectrum, developed Islamic finance markets like Bahrain, Malaysia, and the UAE have maintained their position in the top 10 on the Governance indicator. In 1983, Malaysia launched Islamic banking and takaful laws, followed by sukuk and Islamic funds in the 2000s, and was prolific in initiating a centralized Shariah board in 1997. Bahrain topped Malaysia in Shariah Governance due to its smaller size. Bahrain was also ahead of the UAE, after it successfully enforced the regulation of Islamic finance funds in 2012 and showed an improved level of transparency as measured by the Financial Reporting Disclosure Index (scoring an average of 42 out of 70.)

Good regulatory framework lifts IFDI's Governance ranking

Data from the IFDI has shown that as a result of dynamic regulatory authorities, countries with better accounting standards have a better level of disclosure and better auditing standards. The performance of Islamic finance institutions was measured by their soundness, efficiency and progress within the industry. Adhering to guidelines and regulatory framework is another metric that lifts rankings on the Governance indicator.

Bahrain, Pakistan and Malaysia scored high on the Financial Reporting Disclosure index and other corporate governance items due to well-monitored markets, sufficient accounting standards and comprehensive regulations to some extent in these countries, lifting them to become 8th, 9th and 4th respectively on the Corporate Governance sub-indicator.

Regulations Sub-Indicator

Saudi Arabia offers hefty contribution to Islamic finance assets yet lags in its regulation

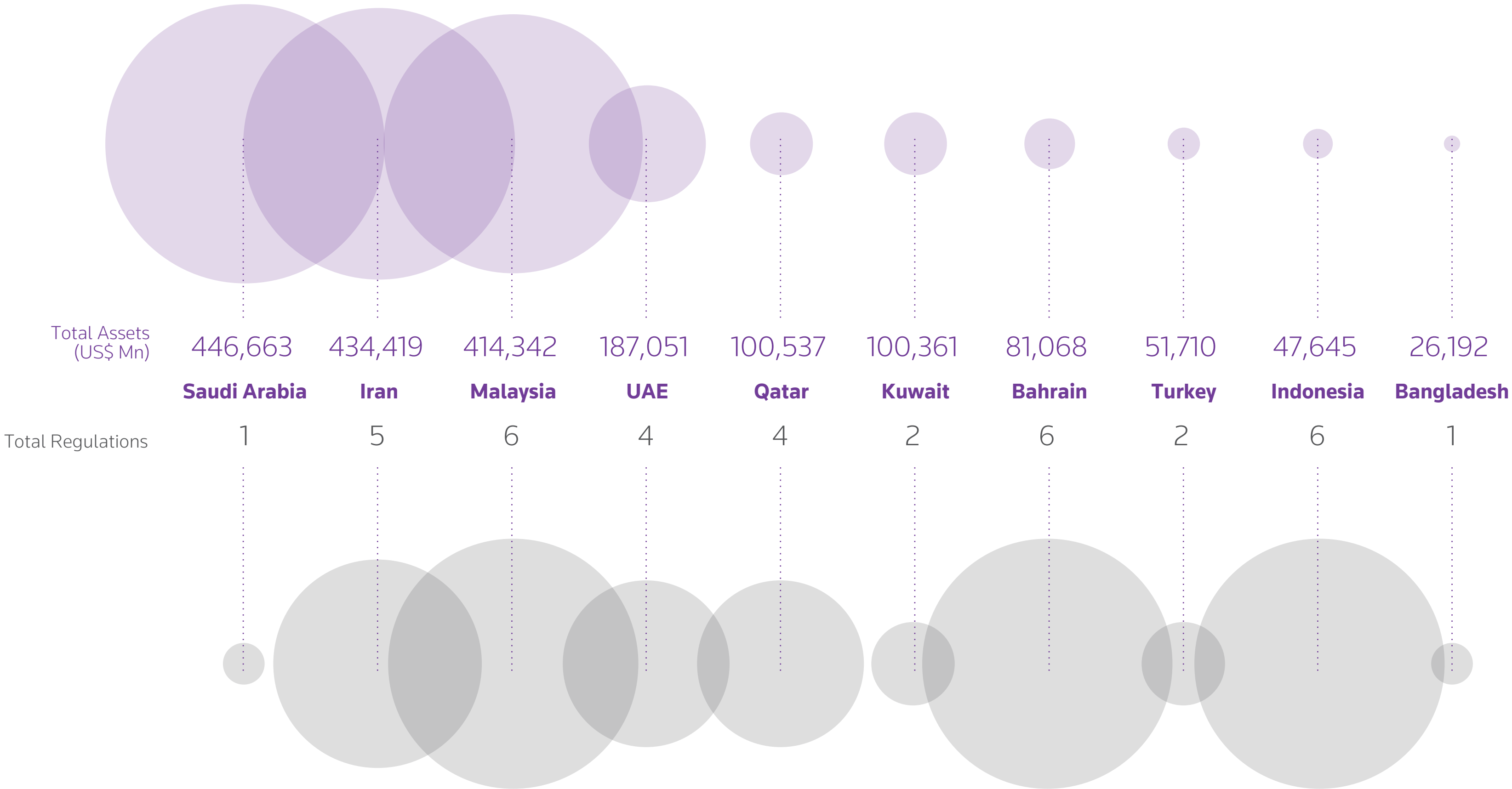
Saudi Arabia contributed a weighty US$ 446 billion (or 22.30%) of Islamic finance assets in 2015. Yet it lags behind peer countries in terms of Islamic finance regulation and dropped out of the top 10 on the Governance indicator.

As the Islamic finance market continues to expand and look for investment opportunities in wealthy countries, Saudi Arabia is yet to join the big regulators, even when it comes to common regulation, such as Islamic banking regulation. Such a non-differentiated market that adopts a *laissez-faire* approach — applying one rule to all players, conventional and Islamic — has resulted in a lack of uniformity, regulation and investor confidence, ultimately hindering the growth of the global market as a whole.

Efforts to improve regulation of the world's largest Islamic banking market

Iran, a huge market in terms of Islamic finance assets, especially in Islamic banking as it holds the most Islamic banking assets worldwide (US$ 434 billion) is still behind the curve in terms of governance, although it did maintain most of its Islamic finance regulations. With the lifting of sanctions the country began 2016 with positive energy towards making improvements. In August 2016, the Central Bank of Iran (CBI) revealed its plans to restructure its supervision section, alongside many initiatives already underway to prepare for eventual migration to Basel II & III.

ISLAMIC FINANCE REGULATORY ENVIRONMENT – TOP 10 COUNTRIES IN ASSETS (FYE 2015)



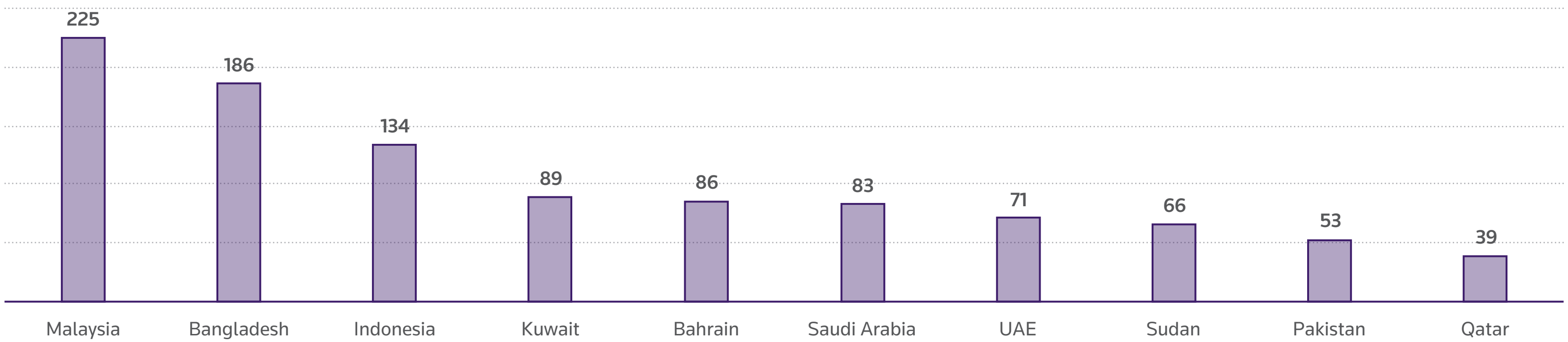
Shariah Governance Sub-Indicator

Strong ecosystem supports Malaysia's Shariah governance

The significance of Shariah governance gained traction amongst industry players in 2015 with 1,068 Shariah scholars representing different Islamic financial institutions globally. The increase in Shariah scholars indicates robust growth in the Islamic finance industry. But further still, a greater number of qualified scholars are needed to work efficiently with practitioners to attain a wider set of skills to carry out Shariah duties more effectively.

Malaysia has the largest number of Shariah scholars representing its Islamic finance institutions totaling 225 Shariah scholars who make up 58% of Southeast Asia's Shariah scholars. Malaysia's Shariah ecosystem is strongly supported by its formal and higher education system. Its formal education system offers school level full Islamic madrasahs. Meanwhile, its higher education system has the largest number of educational institutions offering Islamic finance degrees globally (38 providers) and the second largest number of Islamic finance course providers worldwide (60 providers). Among them are specialized Islamic universities such as the International Centre for Education in Islamic Finance (INCEIF) and the International Islamic University Malaysia. Additionally, the International Shariah Research Academy (ISRA) which was set up in 2008 to support Malaysia's Islamic finance industry created the Association of Shariah Advisors in Islamic Finance (ASAS) along with Bank Negara Malaysia which acts as a self-regulated body for Shariah advisors.

TOP 10 COUNTRIES BY NUMBER OF SHARIAH SCHOLARS WITH AT LEAST 1 BOARD MEMBERSHIP (FYE 2015)



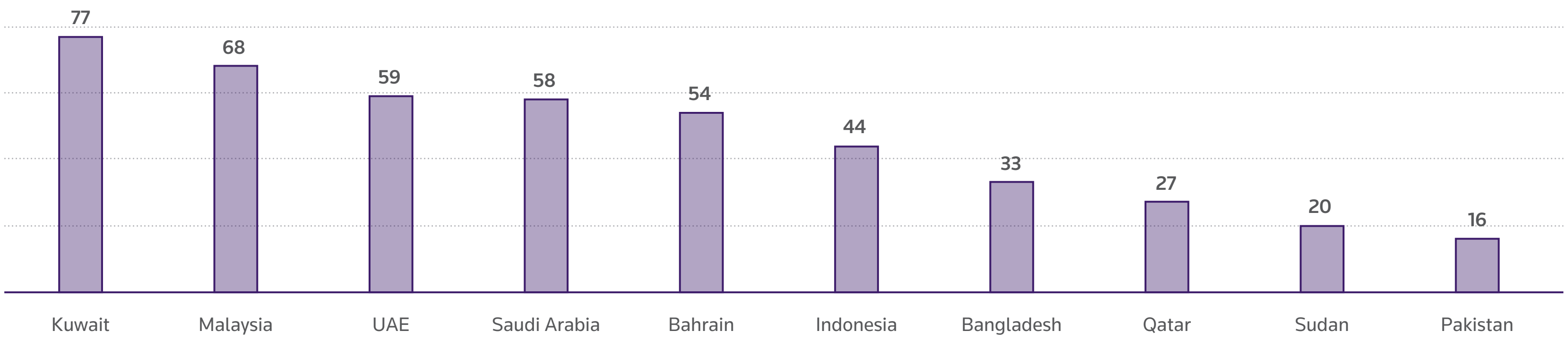
Accomplishments towards strengthening Shariah governance in Malaysia, Pakistan and Bahrain

Malaysia, Pakistan and Bahrain made great strides towards further strengthening their Shariah governance frameworks. In November 2015, Bank Negara Malaysia issued Shariah standards for mudarabah, murabahah, and musharakha products and will release the same standards for other products soon.

The State Bank of Pakistan developed a refined Islamic Banking Institutions' (IBIs) Shariah governance framework, which came into force in July 2015. These reforms highlight the guidelines and instructions on fatwa, Shariah board, internal and external auditing, and management compliance.

Meanwhile, Bahrain has introduced a new Shariah governance rule in September 2016 requiring Islamic banks to have external Shariah audits (such as Islamic advisory firms) of their operations. This decentralized approach aims to reduce conflicts of interest and increase transparency. In terms of international authoritative actions, the Bahrain-based AAOIFI, issued 6 new Shariah standards in 2015, tackling Wa'd (promise), Urbun (earnest money), the conditional termination of contracts, as well as others.

TOP 10 COUNTRIES WITH INSTITUTIONS THAT HAVE 3 OR MORE SCHOLARS (FYE 2015)

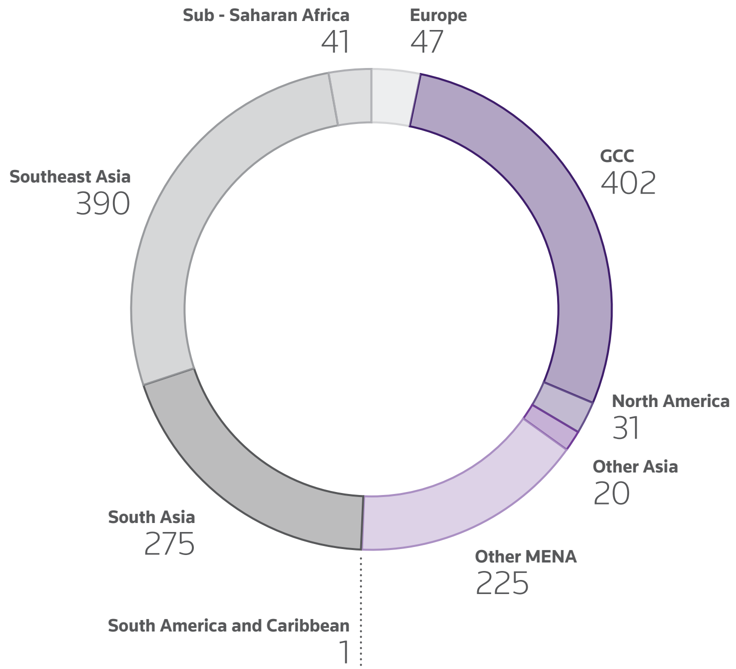


Nigeria and Morocco move towards centralization of national Shariah boards

As of 2014, 9 countries have adopted a central or national Shariah board. Back in 1997 Malaysia pioneered the movement away from decentralization by creating a central Shariah board committee. Indonesia, Sudan, Brunei Darussalam, Bangladesh, Pakistan, Bahrain, the UAE, and Oman have all distanced themselves from decentralization to avoid a conflict of interest and to lessen the effects of multiple representations.

Following the trend, the Central Bank of Nigeria (CBN) set up a new Shariah advisory board to manage all Shariah-related issues in 2015. Elsewhere, Morocco announced the establishment of a central Shariah board in early 2016, with targets to have it up and running in early 2017.

SCHOLARS REGIONAL CONCENTRATION (FYE 2015)

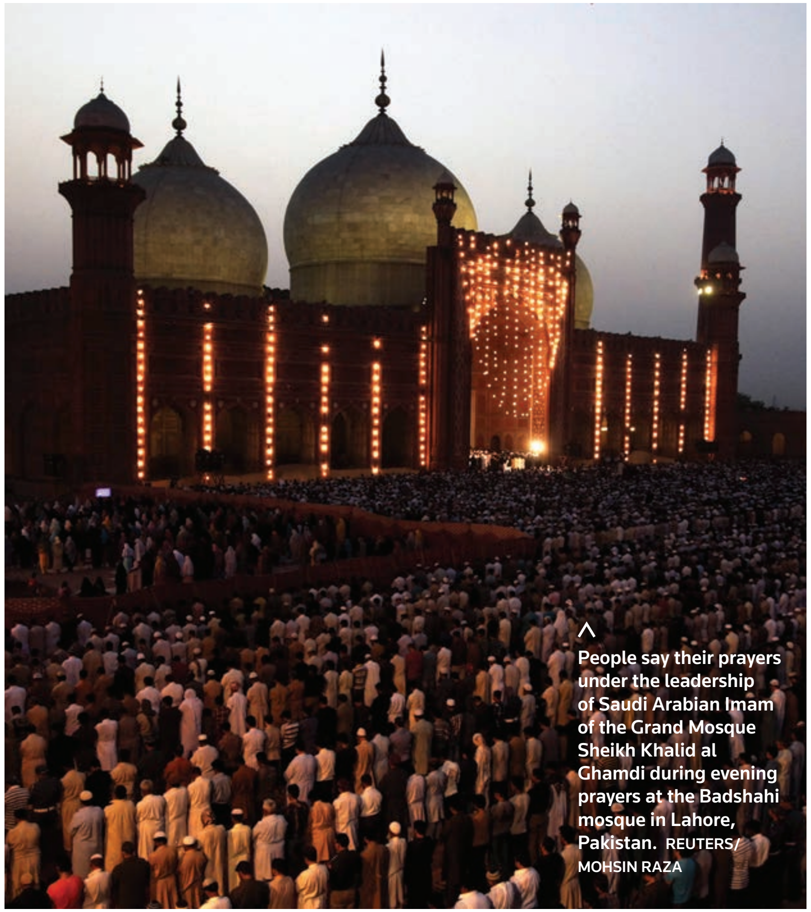


Corporate Governance Sub-Indicator

Financial Reporting disclosure is vital when putting Islamic finance principles into practice

Targeting strong corporate governance standards is a *'sine qua non'* for maximizing the US$ 2 trillion Islamic finance industry's success. Islamic finance depends on the principle of risk-sharing and the avoidance of debt-based transactions, so clear and detailed corporate standards need to be enhanced and stood by to protect all stakeholders. Assessing the disclosure of Islamic banks' deposits and financings is considered one of the key principles in Islamic finance, sitting equally beside risk-sharing and debt-based transaction prohibition. 51% of Islamic banks disclosed deposit breakdowns in 2015, whereas 58% of Islamic banks disclosed financing breakdowns — percentages that still require more effort from regulators and institutions to further strengthen corporate governance framework. More on the disclosure of other financial reporting items can be found in the Appendix chapter of the report.

50% of institutions released financials and annual reports by 2015-end. South Asia made up the biggest portion with 106 out of 160 institutions reporting financials, or 66%. It is closely followed by Southeast Asia, where 144 out of 241 institutions reported financials, or 60%. Meanwhile, the GCC has the largest number of institutions reporting financials, a total of 229; however this constitutes only 54% of a total 425 financial institutions in the region.

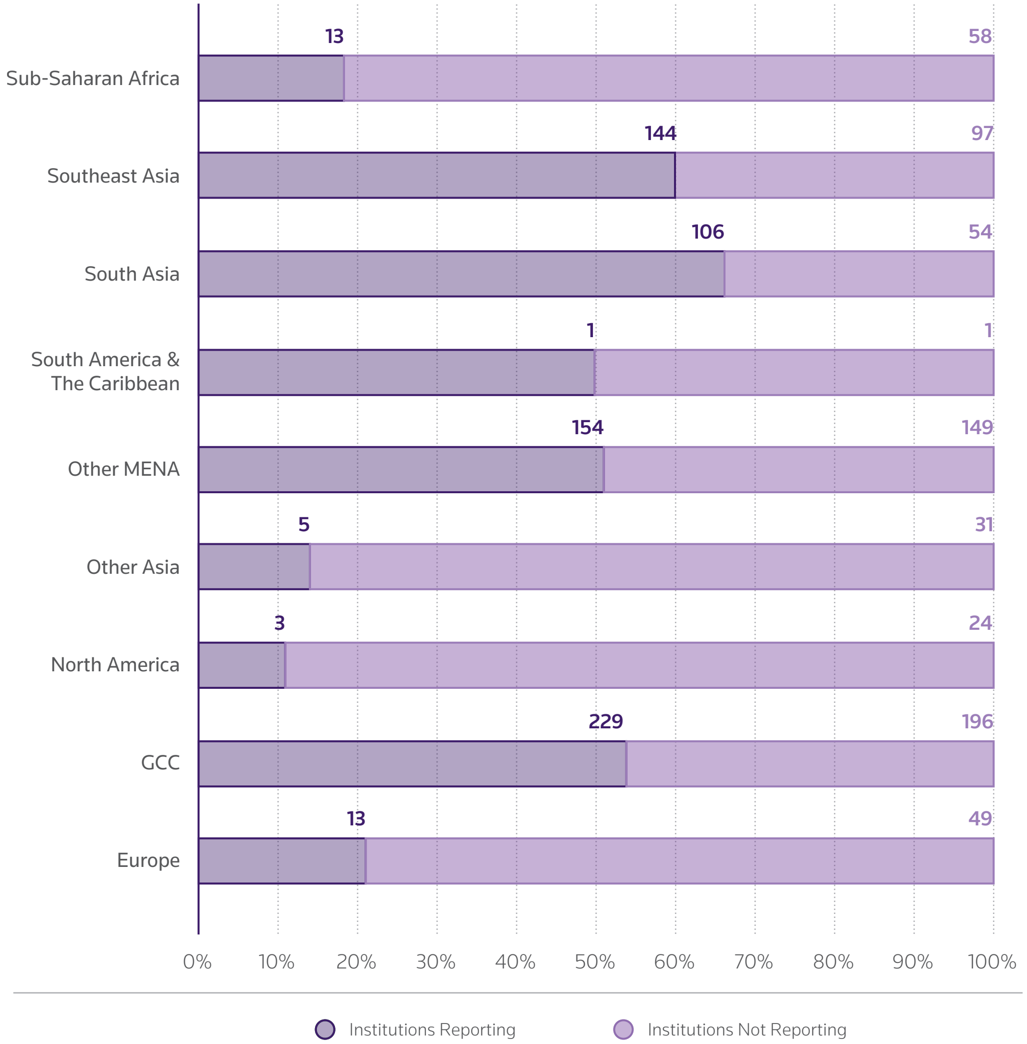


People say their prayers under the leadership of Saudi Arabian Imam of the Grand Mosque Sheikh Khalid al Ghamdi during evening prayers at the Badshahi mosque in Lahore, Pakistan. REUTERS/ MOHSIN RAZA

FINANCIAL REPORTING MANDATORY VS. VOLUNTARY DISCLOSURE BY ISLAMIC FINANCIAL INSTITUTIONS

Section / Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of OIFI Disclosing Item (121)
MANDATORY ITEMS			
Auditor's Report Average	50%	55%	43%
Notes to Balance sheet items - Deposits and its breakdown	32%	51%	11%
Notes to Balance sheet items - Financings and its breakdown	55%	58%	50%
Management Discussion and Analysis Average	35%	39%	25%
Shariah Reporting Average	24%	29%	19%
Other Details of Annual Report Average	46%	51%	39%
Segmental Reporting Average	57%	59%	45%
VOLUNTARY ITEMS REPORTING			
Risk Management Reporting Average	42%	51%	33%

% OF INSTITUTIONS REPORTING BY REGION (FYE 2015)



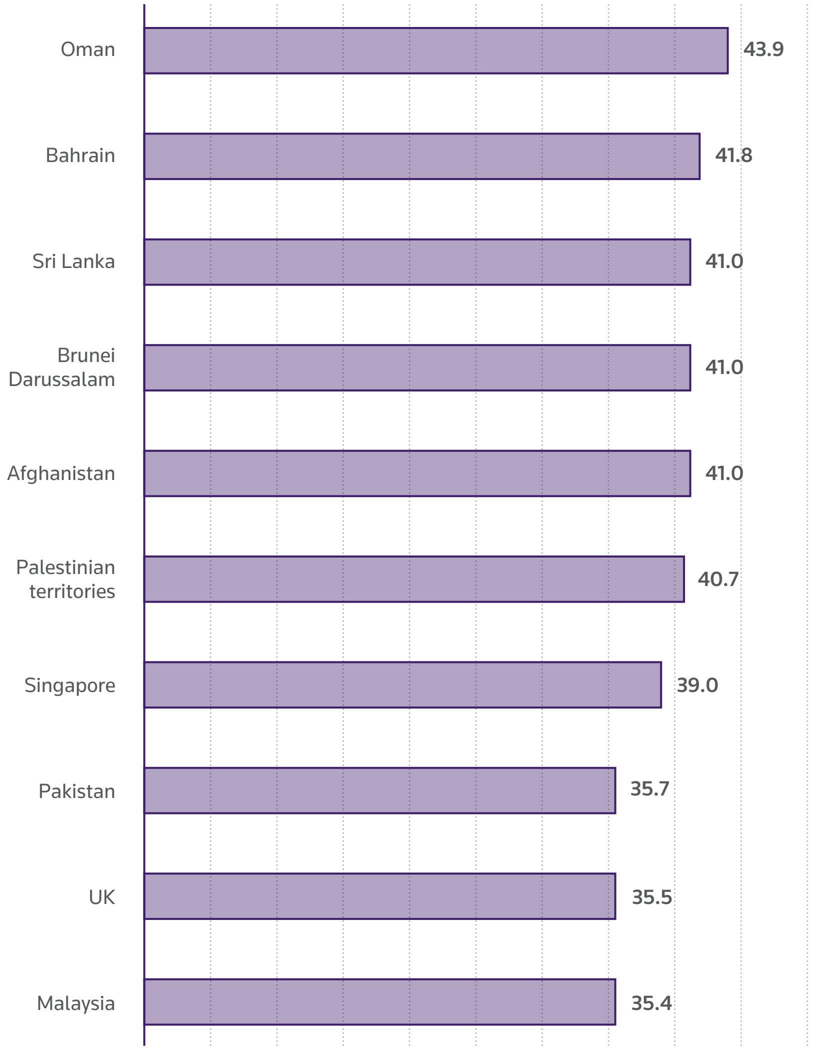
Pakistan, the UAE and Malaysia raise bar on financial institution corporate governance

In South Asia, Pakistan, ranked 8th in financial reporting disclosure scores, is making great strides towards strengthening frameworks and adopting a set of corporate governance guidelines in different sectors. The SECP – Pakistan's financial regulator — recently approved a corporate governance code for non-listed companies (NLCs) in order to improve their internal and external governance structures and improve Islamic financial disclosure. At the same time, the State Bank of Pakistan (SBP) set guidelines for the performance evaluation of its boards of directors (BoDs).

The UAE contributed to the high performance of the GCC with the recent issuance of a circular by its insurance market regulator, detailing the reporting requirements for insurance companies by 2015 year-end. The circular set out to ensure accurate data collection and timely submissions. It emphasized the deadline to meet requirements, which must be upheld by all companies. Such regulatory framework is much needed to drive higher scores on disclosure indicators for takaful operators in the UAE.

Following the civil lawsuit by the U.S. Justice Department in July 2016 after allegations that Malaysia's state fund 1Malaysia Development Berhad (1MDB) is under financial mismanagement, Bank Negara Malaysia tightened corporate governance standards for financial institutions the following month. This will ultimately impact its Islamic financial institutions. The majority of directors will now be independent to promote effective BoDs and the tenure limit for these directors will not be more than 9 years. The tightened standards also require having credible recovery and resolution plans under conditions of stress.

TOP 10 COUNTRIES IN FRDI SCORE (FYE 2015)



Governance Indicator

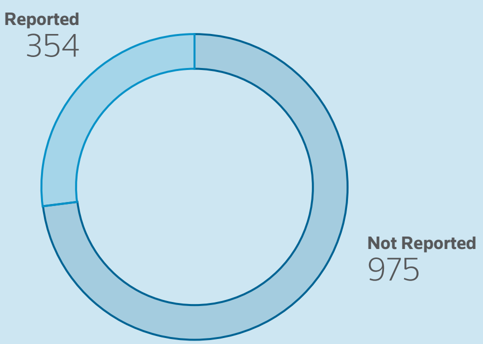
Corporate Social Responsibility Indicator

Communal charity iftar organised on a street by a local mosque in Dubai, UAE. KERTU/ SHUTTERSTOCK.COM

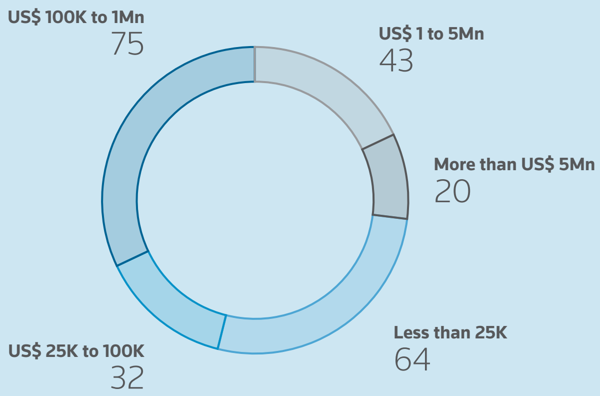
The Corporate Social Responsibility Indicator is a weighted index that considers two sub-indicators: Corporate Social Responsibility (CSR) activities and amount of disbursed funds through zakat, qardh al hasan and charity.

Indicator Overview

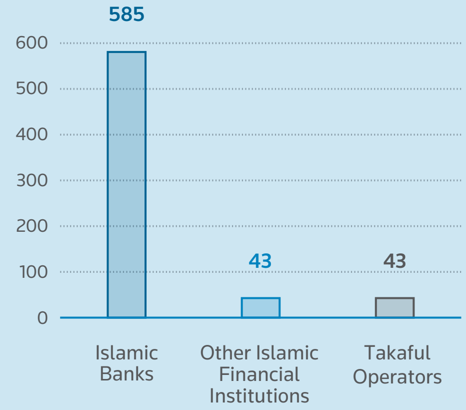
INSTITUTIONS THAT REPORTED CSR ACTIVITIES GLOBALLY



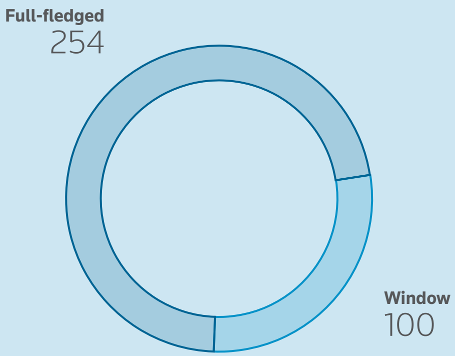
NUMBER OF INSTITUTIONS DISBURSING CSR FUNDS BY SIZE OF FUND



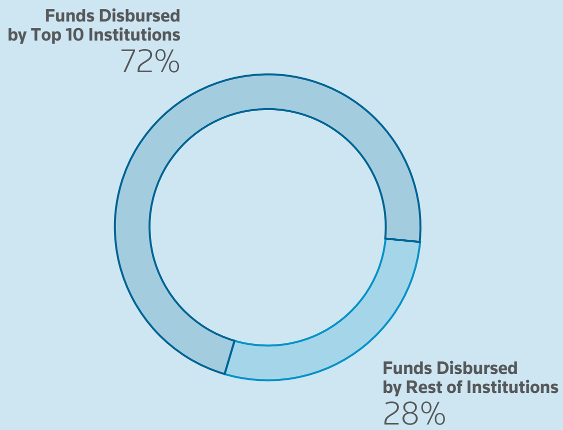
CSR FUNDS DISBURSED BY TYPE OF INSTITUTION (US$ Mn)



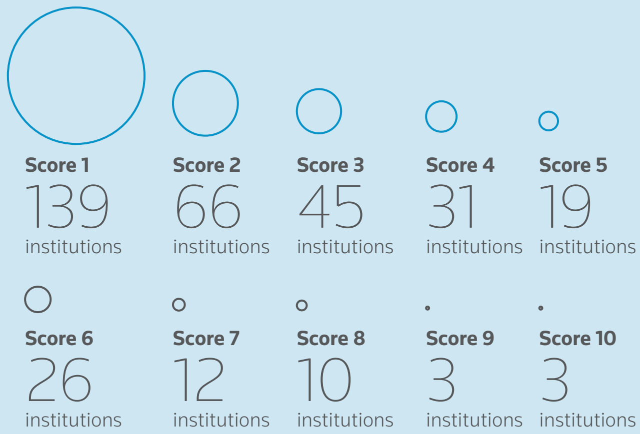
CSR REPORTING BY SHARIAH BASIS



TOTAL CSR FUNDS DISBURSED BY TOP 10 INSTITUTIONS



CSR DISCLOSURE SCORES BY ISLAMIC FINANCIAL INSTITUTIONS (NUMBER OF ITEMS DISCLOSED – OUT OF 11)



*The Global Average indicator or sub-indicator values average the indicator values for all 124 countries in the IFDI universe. The CSR indicator values ranges from 0 to 102, CSR Funds sub-indicator ranges from 0 to 180 while the CSR Activities sub-indicator ranges from 0 to 124.

CORPORATE SOCIAL RESPONSIBILITY

7 Indicator Global Average

Top Countries	Value*
1 **SAUDI ARABIA**	**102**
2 South Africa	65
3 Bahrain	56
4 Oman	54
5 Palestine	52
6 Jordan	49
7 Qatar	47
8 UAE	47
9 Malaysia	43
10 Kuwait	41

US$ 672 Mn
Total Islamic Finance CSR Funds Disbursed Globally

US$ 635 Mn
Total Islamic Finance Zakat and Charity Funds Disbursed Globally

US$ 37 Mn
Total Islamic Finance Qardh Al Hasan Funds Disbursed Globally

2.82 / 11 Items
Average CSR Disclosure by Islamic Financial Institutions Globally

CSR Funds

4 Sub-indicator Global Average

Top Countries	Value
1 **SAUDI ARABIA**	**180**
2 Jordan	71
3 UAE	59
4 Kuwait	50
5 Qatar	38
6 Bahrain	37
7 Malaysia	21
8 Sudan	20
9 Brunei	8
10 South Africa	6

Top 3 Countries
Total Funds Disbursed

US$ 376 Mn
Saudi Arabia

US$ 94 Mn
UAE

US$ 33 Mn
Qatar

CSR Activities

10 Sub-indicator Global Average

Top Countries	Value
1 **SOUTH AFRICA**	**124**
2 Oman	108
3 Palestine	101
4 Bahrain	76
5 Sri Lanka	71
6 Singapore	71
7 Malaysia	65
8 Qatar	56
9 Brunei	53
10 Yemen	53

Top 3 Countries
Average CSR Disclosure in Annual or Financial Reports
(Out of 11 Items)

7.0
South Africa

6.1
Oman

5.7
Palestine

Palestinian children wait to receive food at a soup kitchen in Hebron during Ramadan.
REUTERS/MMAR AWAD

Corporate Social Responsibility Indicator Performance in 2016

Insufficient CSR activities and funds disbursed in 2015

The global average score of the 2016 CSR indicator fell to 7 from 8 in 2015. This is mainly attributed to a decline in both the CSR Funds and CSR Activities sub-indicators, posting global averages of 4 and 10 respectively.

While the total amount of zakat, qardh al hasan and charity funds disbursed globally by Islamic financial institutions increased to US$ 672 million, the number of countries offering charities remains low with only 25 out of 124 countries (or 20%) contributing to the sub-indicator. It is important to note that as the IFDI universe expands each year, growth is lagging in the number of countries contributing to the CSR Funds and furthermore CSR Activities sub-indicators. This dragged the average CSR indicator value down in 2016.

The CSR Activities sub-indicator score remains very low with an average global disclosure of 2.82 out of 11 items reported in 2015 annual and financial reports. The low average disclosure level is supported by the fact that only 27% of Islamic financial institutions reported CSR activities and 39% of those institutions disclosed only 1 item.

Saudi Arabia posts exceptional CSR performance for second year

Saudi Arabia remains the leader on the CSR indicator with a value of 102 for the second consecutive year. This is primarily due to the amount of CSR funds it disbursed (mainly compromising mandatory zakat funds) boosting its CSR indicator value. 4 out of the top 10 institutions disbursing CSR funds came from Saudi Arabia, while the remainder were from the UAE, Kuwait, Qatar and Jordan.

Also, the Saudi CSR indicator value is 56% higher than runner-up South Africa, which has a CSR indicator value of 65, lifted by its higher average CSR activities disclosure score of 7. This high CSR disclosure score meant South Africa secured the top spot on the CSR Activities sub-indicator with a value of 124 and the amount of CSR funds it disbursed (US$ 8.82 million) awarded it the 10th spot globally on the CSR Funds sub-indicator.

Varied sub-indicator performance across CSR indicator top 10 countries

Countries earned their position in the top 10 on the CSR indicator for varying reasons. The UAE, Jordan and Kuwait's success was driven by their Islamic financial institutions disbursing more CSR funds, which had a knock-on effect of higher values on the CSR Funds sub-indicator. Oman and Palestine's placings were lifted by outstanding values on the CSR Activities sub-indicator. Bahrain and Malaysia performed well on both sub-indicators and are placed 3rd and 9th respectively on the CSR indicator. Brunei's sub-indicator values were not sufficient to place it within the CSR indictor's top 10.

DR AISHATH MUNEEZA

Deputy Minister of the Ministry of Islamic Affairs in the Maldives

DR AISHATH MUNEEZA has worked in multiple areas of the Islamic finance industry in the Maldives. Currently, she is an Associate Professor at INCEIF and the Chairwomen of the Maldives Centre for Islamic Finance that was set up by the government of the Maldives to position the country as the hub of Islamic finance and the halal industry in the South Asia region. Aishath facilitated the establishment of more than 10 financial institutions offering Islamic finance services in the Maldives including the Maldives Hajj Corporation. She structured the first corporate sukuk offered in the Maldives and structured the Islamic Treasury Instruments for its government. The Islamic capital market framework within the Maldives has been shaped under her guidance and its legal framework was developed by Aishath.

How would you describe the role of women in Islamic finance?

The role of women is perceived to be limited in Islamic finance and this is actually the case, especially at top-level positions. However, depending on the culture and social background of the jurisdiction, the scenario becomes more favourable. When it comes to Islamic finance, often the limitations are associated with religious beliefs. However, there are misconceptions, for example that religion is a barrier to the economic empowerment of women - these need clarification at all levels as they contribute towards stereotyping the role of women in Islamic finance. To become a Shariah scholar, a Shariah consultant, a CEO, manager or board member should being female be an obstacle? I wish the answer to this question was less complex. But as of today, unfortunately it is not simple. Even if a female is appointed to any of these posts, she is constantly scrutinized until her limitations are uncovered. Slowly, women are being accepted into the field of Islamic finance and opportunities to progress are opening up. For example, in the Maldives we see opportunities given to females at company board level and female Shariah scholars are members of Shariah advisory bodies. I am proud to note that female scholars are being given opportunities to become chair of Shariah advisory bodies at institutional and apex level, proving to the world that women can take lead roles in the Islamic finance industry. But the success of these endeavours will only be evident after some years and sustainability is a crucial factor that needs to be ascertained. Over the past few years, the industry has been showcasing a handful of women as role models in Islamic finance, like Malaysia's Dr Engku Rabiah and Dr Rusni Hassan who are Shariah scholars who sit on councils of regulatory authorities, while Ms Raja Teh Maimunah is the CEO of Hong Leong Islamic Bank Berhad in Kuala Lumpur. This in itself proves the progress we have made. A lot of inertia still surrounds the issue and sometimes even women who are still made to feel inferior and ashamed fail to consider this an issue, thus stagnating progress.

What different job opportunities are there for women in the industry?

The sky is the limit for women in the Islamic finance industry. From low level to high-level jobs, the opportunities are rampant. But competency is the key factor. A female with the same educational background and training can also take on any position or post filled by her male counterparts in the industry. There is an expectation from society that women undertake all household responsibilities and rear children. Spending the required hours on training and education is a stellar challenge. Without those same responsibilities and chores to manage men may be able to spend more time on self-development, earning them a greater chance of landing better jobs. The glass ceiling of gender stereotyping needs to shatter and only then can women break through and shine. The industry is slowly accepting women into their organizations and as the industry progresses, it will be harder to set up barriers against women or marginalize them. Also, women need to buckle down and gain the right education and seek proper training to cater for the vast arena of employment that this industry offers as it expands.

Can women in the Islamic finance workplace play an integral role in increasing financial inclusion in a country?

It is not about gender as much as it is about the strategic distribution of finances and governance for national development. Yes, women do play a role, but in terms of the end result financial inclusion will increase due to the participation of both genders, as per their representation in the total population. This is especially true in the case of societies where women can only access other women due to cultural and social segregations. Proof of this can be seen in countries where there has been the successful introduction of specialized branches to provide services exclusively for women, for example in Sri Lanka (Amana Bank), Kenya (Chase Bank) and Dubai (Abu Dhabi Islamic Bank.) If there is further outreach to access financial services, especially to a segment of the population that previously has not been given access, then definitely the active participation of women in economic activities would improve the ratings for financial inclusion in a country. Countries should advocate for the greater participation of women in all business sectors and at all levels to achieve this.

What are the current issues facing women in this industry and what hinders them reaching leading positions? Does it differ from one country to another?

One of the key obstacles that women face is stereotyping and challenges towards the 'question of authority.' Many Shariah scholars and those in the Islamic financing arena believe the only place for women is at home. It is tough making them accept the fact that merit is the defining factor for promotion to an executive position, not gender. Of course, the cultural and social norms of a country play a vital role in inhibiting the growth of female participation in the industry, especially at top-level positions. Societies in the Maldives and Malaysia that do not entertain such segregation seem to advance their industries faster. Particularly nascent industries like Islamic financing grows faster in such societies.

How can Islamic finance benefit from its female leaders?

Women constitute a large portion of our broad customer base and so the representation of women would allow the industry to expand and capture large market shares. Female leaders in any sector or industry also provide incentive to generations of girls and young female adults as role models for participation in economic activities and self-development. Female leaders in the field of Islamic finance can set an example to future generations to break the glass ceiling.

What can regulators do to support women in Islamic finance? What should Islamic financial institutions do to support women?

Equal opportunities in employment and career progression in financial institutions is the basis for providing females to rise in the workplace. Equal opportunities without discrimination towards education and training opportunities will allow women to compete in the workforce. Regulators must ensure that fairness is exercised throughout the industry irrespective of gender and also ensure that no discrimination or bias is practiced towards women.

CSR Funds Distributed Sub-Indicator

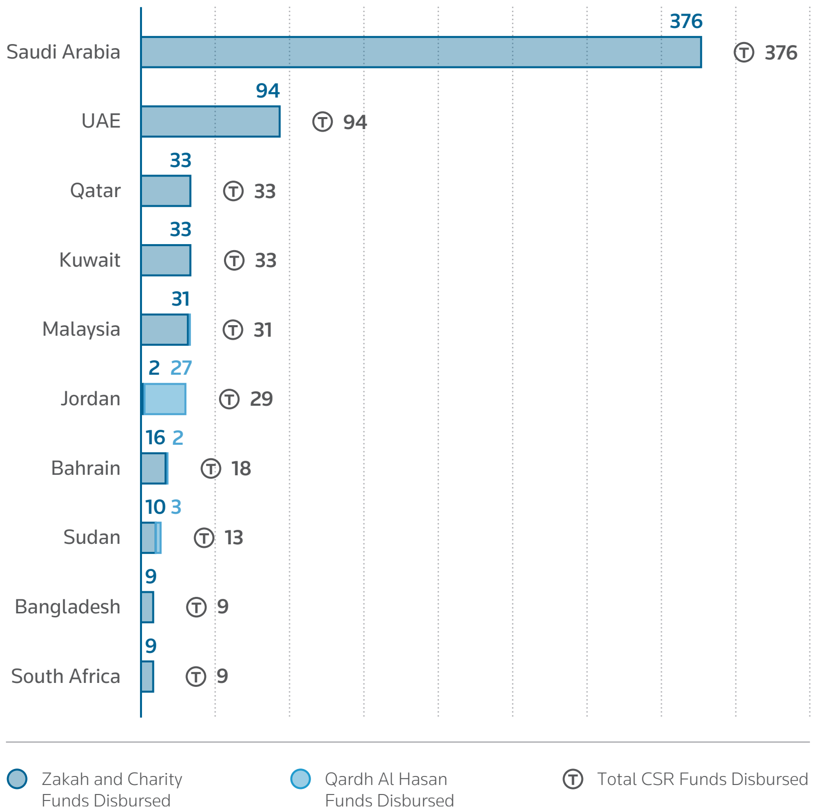
GCC disbursed most CSR funds in 2015

As a whole, GCC institutions hold almost half of the world's total Islamic finance assets, so it is no surprise that collectively, they disburse the most CSR funds. Of total CSR funds disbursed, amounting to US$ 672 million, around US$ 554 million (82%) came from GCC-based Islamic financial institutions. All of these institutions disbursed zakat and charity funds making up 94% of total CSR funds disbursed in 2015. A total of 113 institutions from GCC states disbursed these funds of which 37 (over half of GCC institutions) disbursed more than US$ 1 million. Globally, 63 institutions disbursed over US$ 1 million. By country, 5 out of the 6 GCC nations are within the top 10, while Oman lags with only US$ 68,000 CSR funds disbursed.

No correlation between total amount of CSR funds disbursed and number of institutions

There is no correlation between the amount of CSR funds disbursed by a nation and the number of institutions disbursing those funds. Although only 22 institutions disbursed CSR funds from the Other MENA region (Algeria, Egypt, Sudan, Palestine, Jordan, Syria, Tunisia and Lebanon), it beat Southeast Asia's CSR funds total of US$15 million. This was despite 56 institutions from Southeast Asia (Indonesia, Malaysia, Brunei and Singapore) contributing to the region's total. When inspecting the sizes of these funds, over half of Southeast Asian institutions disbursed less than US$ 100,000, while more than three-quarters of Other MENA institutions disbursed more than US$ 100,000, with 10 institutions disbursing an amount more than US$ 1 million. Subsequently, the Other MENA region has more countries within the top 10 for CSR funds than Southeast Asia.

TOP 10 COUNTRIES IN TERMS OF CSR FUNDS DISBURSED (US$ MN, FYE 2015)



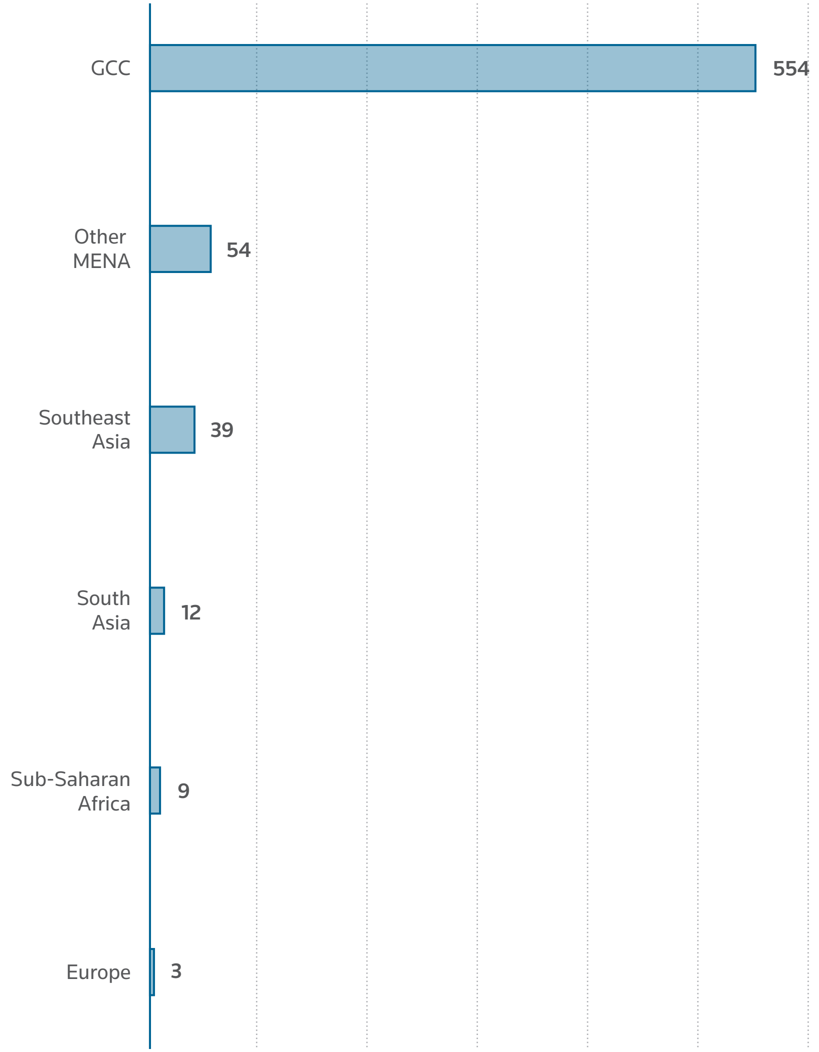
Need for transparency of CSR amounts disbursed especially qardh al hasan

Only 27 out of 234 institutions disclosed the amount of qardh al hasan disbursed, totaling US$ 37 million. Indonesia scored high with the greatest number of institutions providing disclosure of qardh al hasan funds disbursed amounting to US$ 1 million. But it was not enough to beat Jordan's total of US$ 27 million. Many institutions do not disclose their policy or scheme for qardh al hasan as seen in the CSR Activities sub-indicator section of this report. It comes as no surprise that the amount disclosed is low as some institutions have disclosed their policy, but not necessarily the amount of funds disbursed or that no amount was disbursed.

Many institutions do not follow AAOIF's General Presentation and Disclosure in Financial Statements of Islamic Financial Institutions' standard (paras 65 to 73) which requires having a 'Statement of Sources' and 'Uses of Funds' disclosed in Qard Fund, Zakat and charity funds. While it is easy to spot the amount of zakat or charity disbursed via financial statements due to standardized accounting procedures (like in Saudi Arabia and Kuwait), the same cannot be said about qardh al hasan. A financial statement inspector may find the balance of qardh al hasan payments on the balance sheet but not in AAOIFI's standard. Funds can also be sourced from the CSR section of annual reports, but few institutions have a separate section or report for this.

Despite failing to enter the top 10, either in the CSR Funds or the CSR Activities sub-indicators, Indonesia showed a fine representation of CSR financial disclosures. Its Islamic banking institutions, windows or full-fledged, have standardized separate statements for zakat and charity funds showing sources and usage. Such standardization made it easier to collect the data for this sub-indicator.

CSR FUNDS DISBURSED BY REGION (US$ MN, FYE 2015)



Corporate Social Responsibility Indicator

CSR Activities Sub-Indicator

Average CSR disclosure by Islamic financial institutions low globally

The global average CSR disclosure score was a weak 2.82 in 2015 — this is extremely low as it does not even cover the 5 mandatory requirements as recommended by AAOIFI. Many institutions scored low, with 58% of IFIs globally scoring 2 or below.

CSR demonstrates an institution's fulfillment of "religious, economic, legal, ethical and discretionary responsibilities" as defined by AAOIFI's Governance Standard for Islamic Financial Institutions. For an institution to distinguish itself from its conventional counterparts it needs to disclose the 5 mandatory requirements and 6 recommendations laid out in the standard via annual and financial reports.

South Africa, Oman and Palestine meet mandatory requirements with solid CSR disclosure scores

South Africa topped the CSR Activities disclosure sub-indicator with a score of 7 out of 11 items, followed by Oman which had an average of 6.1 items disclosed when measuring CSR for its 10 Islamic financial institutions. Oman's scores ranged from a score of 9 to 2. Palestine received an average score of 5.7 from its 2 Islamic banks and takaful company. The remaining countries scored an average of below 5 and failed to meet the mandatory requirements.

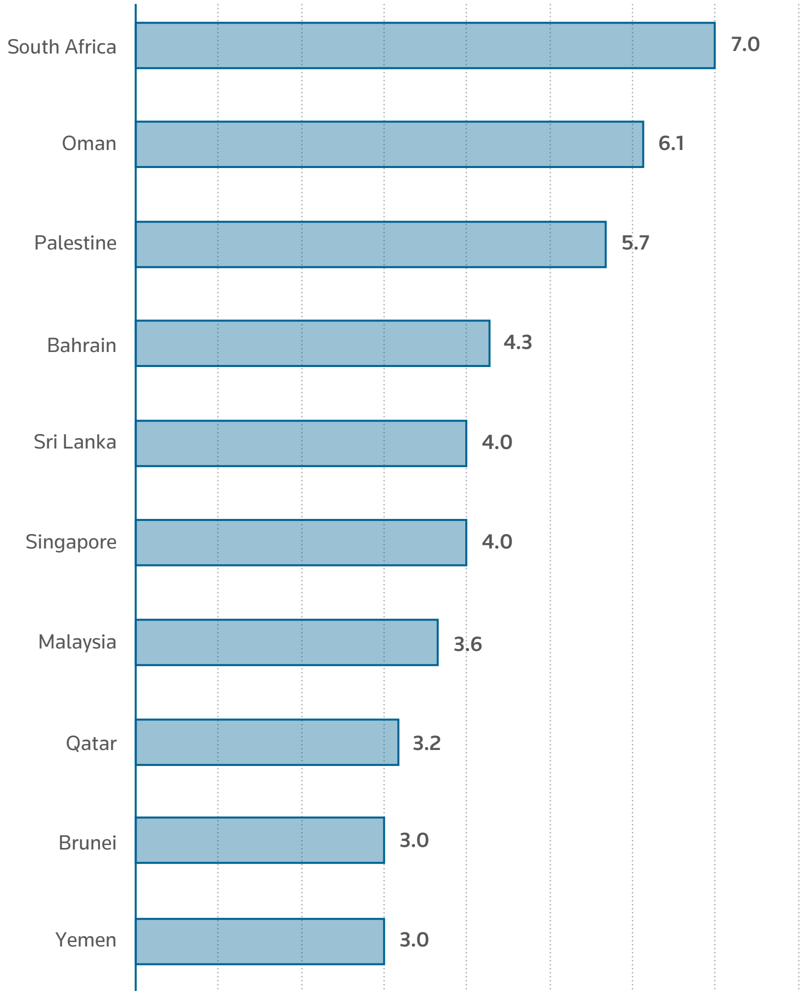
Good transparency of zakat and CSR-based investments

Detailed information about zakat was the most reported mandatory item, while the data from institutions on screening clients for compliance with Islamic principles and social responsibility was the least disclosed item. Disclosure of investments that either involve social (investments that play a role in helping the poor and heavily indebted individuals or families), environmental (investments that help protect the environment) or developmental (investments that offer growth potential for SMEs or for a country's infrastructure) elements were the most reported voluntary items, followed by charitable activities. Waqf (Islamic endowment) management is barely mentioned.

Overall, Islamic banks or Islamic banking windows showed better performance compared with other Islamic financial institutions and takaful operators.

Billionaire philanthropist and Microsoft's co-founder Bill Gates delivers the 14th Nelson Mandela Annual Lecture on the eve of Mandela Day under the theme "Living Together" in his lecture at the University of Pretoria, South Africa.
REUTERS/SIPHIWE SIBEKO

TOP 10 COUNTRIES IN TERMS OF AVERAGE CSR ACTIVITIES DISCLOSURE (OUT OF 11 ITEMS, FYE 2015)



CSR ACTIVITIES MANDATORY VS. VOLUNTARY DISCLOSURE BY ISLAMIC FINANCIAL INSTITUTIONS (FYE 2015)

Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of Takaful Operators Disclosing Item (89)	% of OIFI Disclosing Item (121)
CORPORATE SOCIAL RESPONSIBILITY REPORTING				
CSR Mandatory Items				
Policy for Screening Clients	5%	9%	0%	2%
Policy for Dealing with Clients	14%	23%	2%	8%
Disclosure of Earning & Expenditure Prohibited by Shariah	19%	31%	7%	5%
Employee Welfare	36%	50%	23%	21%
Zakat	51%	49%	62%	48%
CSR Voluntary Items				
Policy/ scheme for Qardh Al Hasan	8%	10%	14%	2%
Social/ Environment/Development Based Investments	36%	51%	19%	23%
Par Excellence Customer Service	24%	35%	17%	10%
Disclosure for SMEs and Social savings	13%	24%	0%	3%
Disclosure of Charitable Activities	33%	52%	14%	13%
Policy for Waqf Management	4%	4%	7%	1%

البنك العربي الاسلامي الدولي

ISLAMIC INTERNATIONAL ARAB BANK

www.iiabank.com.jo

IYAD ASALI has been General Manager of the Islamic International Arab Bank (IIAB) since 2011. He has held senior positions in a number of banks in his 27-year career in Jordan and the GCC. Previously, he was Deputy General Manager and Head of Commercial Banking at the Arab National Bank in Saudi Arabia. Mr. Asali holds an MA in Management from the American University in Cairo, Egypt. Since joining IIAB, Mr. Asali has contributed towards the bank's turnaround through new Shariah-compliant products which resulted in a tripling of the bank's investment portfolio and deposits and an expansion of its network to 41 branches. Mr. Asali is a member of the Jordan Strategy Forum, the Federation of Arab Businessmen, Jordanian Businessmen Association, INJAZ Jordan, and the French Jordanian Chamber of Commerce (CAFRAJ). He is also a BOD member for the Postal Saving Fund of Jordan.

THE ROLE OF ISLAMIC BANKS IN PROMOTING FINANCIAL INCLUSION THROUGH CORPORATE SOCIAL RESPONSIBILITY PRACTICES

Mr. Iyad G. Asali, General Manager, Islamic International Arab Bank PLC

Corporate Social Responsibility in the Middle East and North Africa is focused on addressing social and economic challenges that obstruct development, most notably tackling the shortage of jobs and declining government subsidies. People in the MENA region hold high expectations that Islamic banks will sustain and promote societies through the inclusion of wide segments of the population including the underprivileged, as well as launch enterprises that provide financial solutions that work towards meeting the United Nations' Sustainable Development Goals (SDGs.)

Within the Islamic banking industry financial inclusion is used as a tool for economic development. Financial institutions seek out to target wide segments of individuals and businesses via tailored banking solutions that balance profitability against risk. This process can sometimes deprive large segments of society from getting the particular financial support they need due to unreachable terms and expensive costs. As a result we believe that integrating CSR practices into the banks' core business will support all segments of the sociodemographic. Banks that offer financial solutions with affordable costs and easier terms and conditions will consequently expand the economy by creating new jobs and ultimately improve standards of living, exceeding the classically philanthropic role of CSR.

The Islamic International Arab Bank in Jordan (IIAB) has an active CSR programme that is considered to be an integral part of its business model, focusing on low-income individuals and micro-, small- and medium-enterprise businesses' financial needs, as well as maintaining a balance between the bank's profitability, national economic progression and the good of societies. 0% financing for Hajj, Umrah, and Udhiah are examples of CSR products IIAB offers to individuals, in addition to charity loans and the first Islamic Qard Al-Hasan revolving credit card in Jordan.

It is worth noting that aside from regularly supporting initiatives to combat poverty, hunger and support orphans and the needy IIAB also contributes to society by sharing the true values of Islam through the media. IIAB produces and sponsors television and radio programmes and is involved in building awareness of Islamic finance through organizing and sponsoring local and regional workshops, conferences, and other academic events. In 2012, IIAB launched the Arabi-Islami small- and medium-enterprises (SMEs) initiative — a 10-year active CSR plan to support 250,000 new jobs. In order to achieve this objective, IIAB launched innovative Shariah-compliant financial solutions.

The "Kafala" scheme was launched in cooperation with Jordan Loan Guarantee Corp. and allows SMEs to access Islamic finance without having to focus on collaterals. This led to the first Islamic start-up financing product offered by IIAB. This initiative provided financial solutions for thousands of SMEs throughout Jordan. It takes advantage of the Central Bank of Jordan's (CBJ) Shariah-compliant funding channels for SME financing and CBJ channels that mobilize loans from entities, including the World Bank and Arab funds at subsidized costs.

IIAB's active CSR practices consider financial inclusion the cornerstone of Islamic finance. New Shariah-compliant soft financing products have been developed and introduced to retail, corporate, SMEs and start-ups. These practices conform with the bank's business objectives. IIAB's transparent terms and conditions and low financing costs create an ideal situation between all parties. IIAB hopes for a wider adoption of this model by other Islamic banks in order to deliver the true message of Islamic banking. IIAB emphasizes that the CSR of Islamic banks can be an agent for genuine and much-needed economic progress by providing reliable and sustainable initiatives within preset goals in order to achieve SDGs. IIAB plans to expand its own CSR practices becoming more active within all aspects of society.

“

THE ISLAMIC INTERNATIONAL ARAB BANK IN JORDAN (IIAB) HAS AN ACTIVE CSR PROGRAMME THAT IS CONSIDERED TO BE AN INTEGRAL PART OF ITS BUSINESS MODEL.

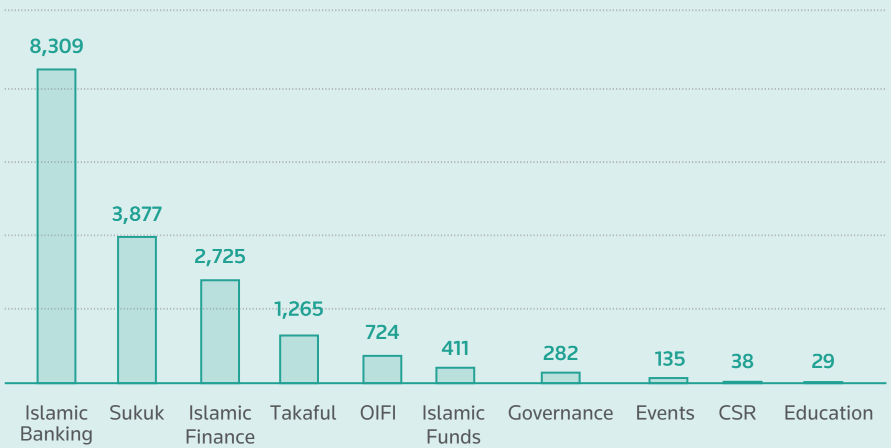
Awareness Indicator

Journalists is being shown the auditorium of the Saudi Arabia's Shura Council headquarters in Riyadh.
REUTERS

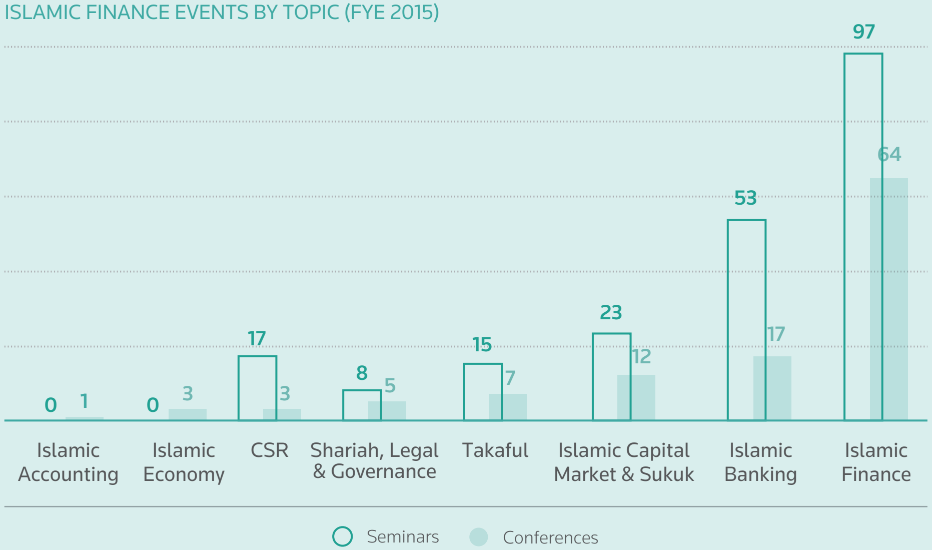
The Awareness Indicator is a weighted index of Islamic finance market awareness per country. It is measured by assessing three components: conferences, seminars and news.

Indicator Overview

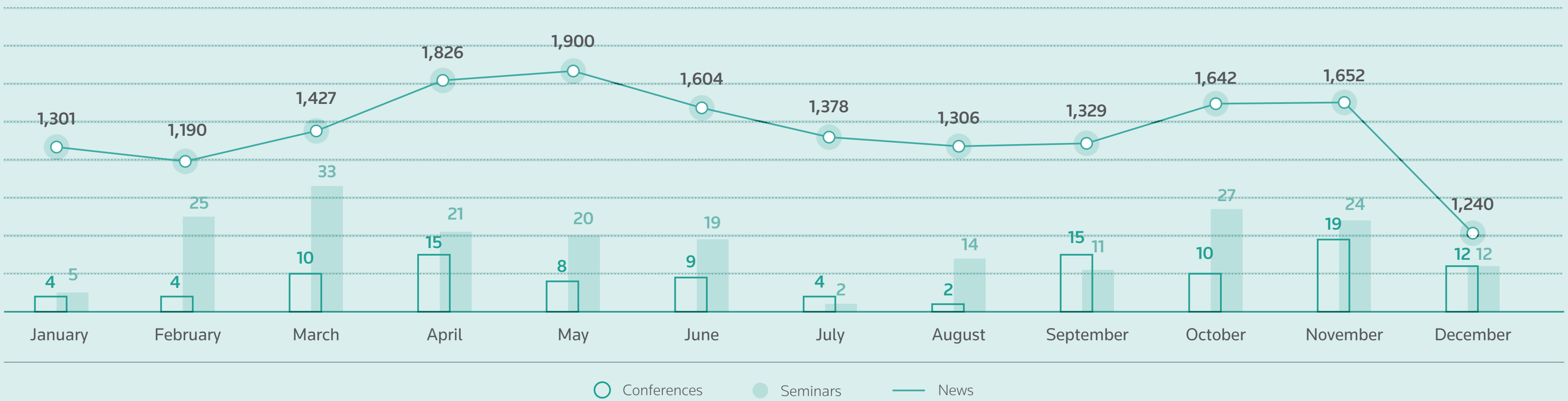
ISLAMIC FINANCE NEWS BY TOPIC (FYE 2015)



ISLAMIC FINANCE EVENTS BY TOPIC (FYE 2015)



ISLAMIC FINANCE AWARENESS BY MONTH (FYE 2015)



*The Global Average indicator or sub-indicator values average the indicator values for all 124 countries in the IFDI universe. The Awareness indicator values ranges from 0 to 208, Seminars sub-indicator ranges from 0 to 214, Conferences sub-indicator ranges from 0 to 138 while News sub-indicator ranges from 0 to 300.

AWARENESS

14 Indicator Global Average

Top Countries	Value*
1 **MALAYSIA**	**208**
2 Bahrain	195
3 UAE	162
4 Oman	116
5 Pakistan	82
6 Kuwait	65
7 Qatar	64
8 Jordan	45
9 Saudi Arabia	36
10 Sri Lanka	34

17,795 Total Islamic Finance Exclusive News Globally

53,642 Total Islamic Finance Exclusive + Regional News Globally

325 Total Islamic Finance Events Globally

112 Total Islamic Finance Conferences Globally

213 Total Islamic Finance Seminars Globally

Seminars

10 Sub-indicator Global Average

Top Countries	Value
1 **MALAYSIA**	**214**
2 Bahrain	147
3 UAE	132
4 Pakistan	118
5 Sri Lanka	60
6 Oman	47
7 Azerbaijan	34
8 Jordan	33
9 Kazakhstan	29
10 Maldives	27

Top 3 Countries
Number of Seminars

48 Malaysia

36 Pakistan

31 UAE

Conferences

6 Sub-indicator Global Average

Top Countries	Value
1 **BAHRAIN**	**138**
2 Malaysia	134
3 UAE	54
4 Jordan	38
5 Mozambique	34
6 Maldives	32
7 Djibouti	31
8 Kuwait	23
9 Morocco	21
10 Turkey	20

Top 3 Countries
Number of Conferences

26 Malaysia

11 UAE

10 United Kingdom

News

26 Sub-indicator Global Average

Top Countries	Value
1 **UAE**	**300**
2 Bahrain	300
3 Oman	300
4 Malaysia	276
5 Qatar	175
6 Kuwait	163
7 Pakistan	108
8 Saudi Arabia	84
9 Mauritania	70
10 Jordan	66

Top 3 Countries
Number of Exclusive News

3,564 UAE

3,333 Malaysia

1,721 Pakistan

A man reads a newspaper while sitting below an electronic board displaying share prices at the Karachi Stock Exchange, in Pakistan.
REUTERS/AKHTAR SOOMRO

Awareness Indicator Performance in 2016

Momentum slows on Islamic finance Awareness indicator in 2016

The Awareness indicator's global average value for 2016 edged lower to 14 from 15 in 2015, pushed down by a reduction on the Conferences and News sub-indicator values.

The sub-indicator looking at seminars rose to 10 from 9 after the number of Islamic finance seminars rose to 213 in 2015. This includes sessions, workshops and roundtables. However, the Conferences sub-indicator declined to 6 from 9, as 2015 witnessed fewer conferences — 112. The theme of general Islamic finance dominated both the seminars and conferences held.

The number of exclusive news items covering Islamic finance-related topics remained at 18,000, and 54,000 including regional news items. Overall, the News sub-indicator average value decreased to 26 from 28 in 2015. Islamic banking-related news overshadowed other news topics making up 47% of Islamic finance news in 2015. The second most popular theme was sukuk news. In 2014, sukuk and Islamic capital markets were the most talked about topics in the media, followed by Islamic banking-related news. However, a lower number of sukuk, particularly sovereign issues, were launched in 2015 compared with 2014.

When analyzing awareness month-by-month, each sub-indicator outperforms at different times. Seminars were held mostly around Q1 (March and February), while conferences were held mostly in Q3 (between September and November). News items were spread across the year and peaked in April 2015.

Malaysia, Bahrain and the UAE continue to dominate

Malaysia, Bahrain and the UAE continued to dominate the Awareness indicator in 2016. While the UAE, Bahrain and Oman topped the News sub-indicator for a second year in a row by achieving the maximum indicator value of 300, Pakistan dropped from 1st to 4th position on the Seminars sub-indicator replaced by Malaysia. But Bahrain toppled Malaysia on the Conferences sub-indicator to take the lead.

Azerbaijan and the Maldives debuted on the Seminar sub-indicator top 10. The Maldives also joined the top 10 rankings for conferences alongside Mozambique, Jordan and Turkey. In terms of news, Mauritania and Jordan replaced Djibouti and Tunisia in the top 10 rankings, joining the usual top performing GCC nations, Malaysia and Pakistan. Mauritania was lifted by the regional popularity of Islamic finance in Africa and its small size, while Jordan covered more corporate news.

Seminars Sub-Indicator

Malaysia, Pakistan and the UAE held most seminars in 2015

41 countries hosted Islamic finance seminars in 2015. Malaysia, Pakistan and the UAE collectively made up the lion's share hosting 54%, showcasing these countries underlying efforts to spread awareness about the industry. Malaysia held 83% of Southeast Asia's seminars, Pakistan 82% of South Asia's seminars and the UAE 60% of the GCC's seminars.

Among the specific topics at seminars in Malaysia were IFSA 2013 and the structuring of Islamic financial products, while the UAE held seminars on project and trade financing. Meanwhile, Pakistan held mostly 2-day specialized workshops on Islamic banking organized by Al Huda CIBE across different cities in Pakistan through 2015.

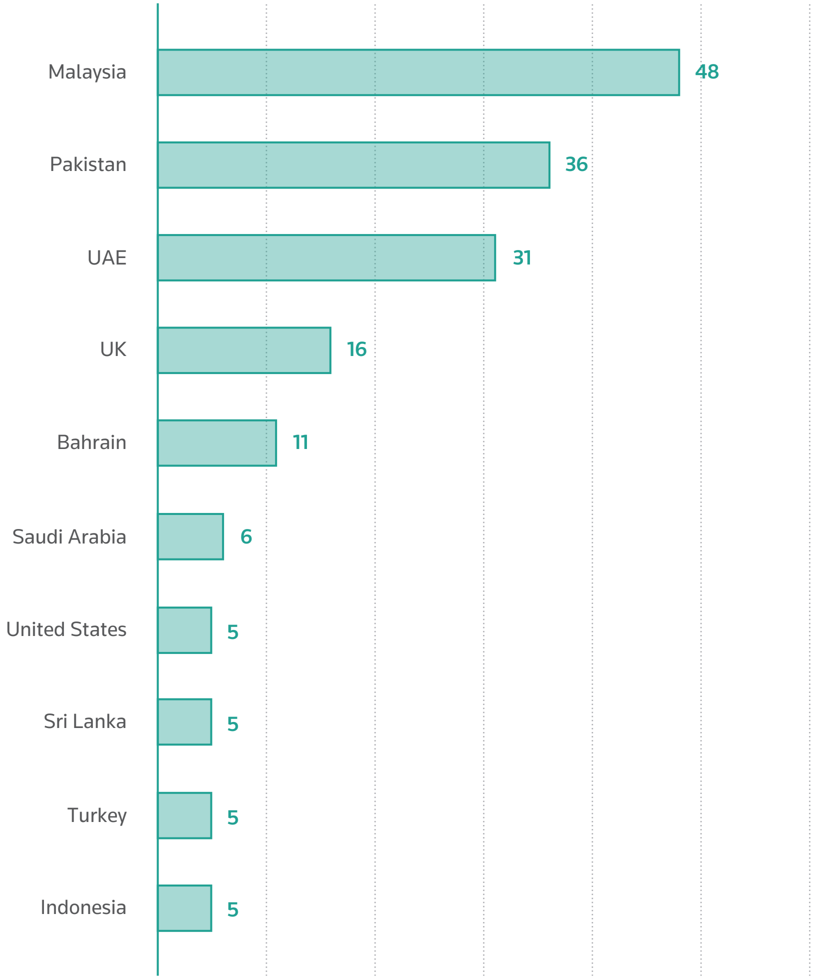
Notable efforts in spreading Islamic finance awareness across new regions

Al Huda grasped the potential of Islamic finance in new regions and promoted it through workshops across sub-Saharan Africa notably Uganda, Tanzania, Nigeria, Senegal and Kenya. These workshops were not limited to Islamic banking, but also included takaful, SME and micro-financing which have potential in the region as well. As a result, it contributed significantly in spreading Islamic finance awareness, holding a total of 11 seminars in 2015.

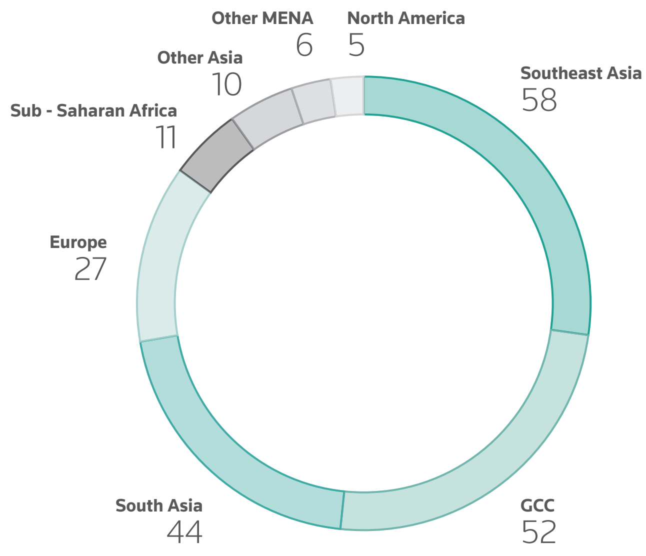
Europe's Macedonia and Asia's Nepal showed renewed interest in Islamic finance through seminars. Nepal, which according to the World Bank is considered to be a low-income nation, was able to take advantage of Islamic finance through micro-financing.

A man waits for Eid al-Fitr mass prayers to begin at Kashmiri Takiya Jame mosque in Kathmandu, Nepal. REUTERS/NAVESH CHITRAKAR

TOP TEN COUNTRIES HOSTING ISLAMIC FINANCE SEMINARS (FYE 2015)



ISLAMIC FINANCE SEMINARS BY REGION (FYE 2015)



Conferences Sub-Indicator

A spectrum of themes covered at Islamic finance conferences in Malaysia, Bahrain and UK

Out of the 34 countries that hosted Islamic finance-related conferences in 2015, Malaysia led with 26. The conferences explored a range of themes including Islamic banking, takaful, Islamic capital markets (sukuk and Islamic funds), Islamic microfinance, education and governance-related conferences, including Shariah governance and Islamic finance law.

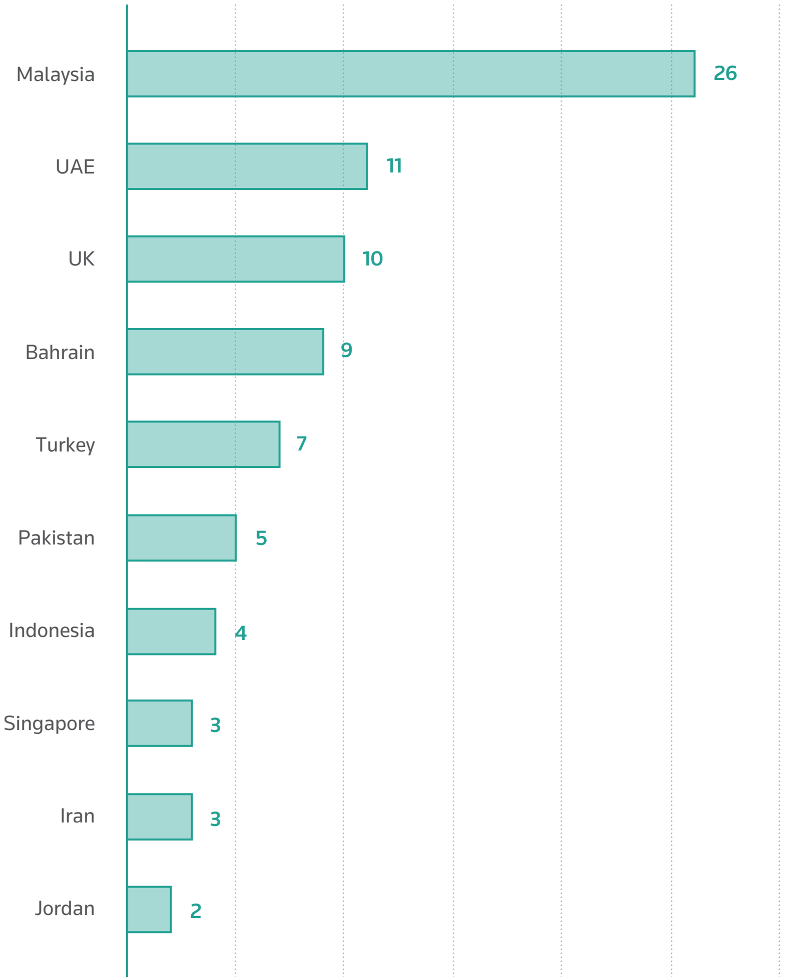
Such variety highlights the confidence of conference organizers. Malaysia hosted events focusing on specialized areas of the industry and these were not limited to a small scale such as a session within a seminar or conference. The organizers of conferences held in Malaysia come from different industries and countries and include academic organizers such as the International Shariah Research Academy (ISRA), government bodies such as the Securities Commission Malaysia, event organizers like Red Money and Middle East Global Advisors, as well as others.

Amongst other developed countries, only Bahrain and the UAE were able to host events covering a more specialized range of themes such as Islamic banking, Islamic capital markets, takaful and governance. The UK, ranked 3rd, held conferences on Islamic capital markets, Islamic banking, ethical finance and takaful.

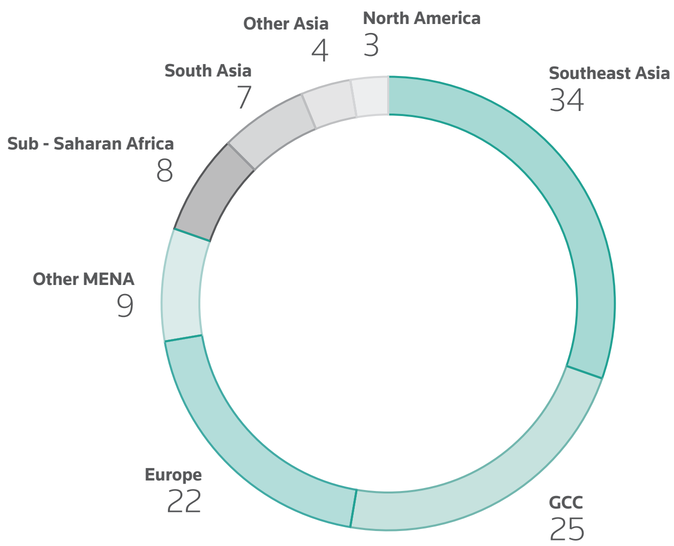
Other countries trail behind and events remain general

European countries such as Spain, Ireland, Switzerland and Turkey held fewer conferences that were mostly general in theme due to Islamic finance's smaller role in their economies. Together, European nations formed the 3rd largest regional total on the Conferences sub-indicator. Other notable countries hosting conferences were Russia, Ivory Coast and Azerbaijan.

TOP COUNTRIES HOSTING ISLAMIC FINANCE CONFERENCES (FYE 2015)



ISLAMIC FINANCE CONFERENCES BY REGION (FYE 2015)



Awareness Indicator

News Sub-Indicator

GCC's news performance heightened by oil shocks in 2015 and broad institutional performance

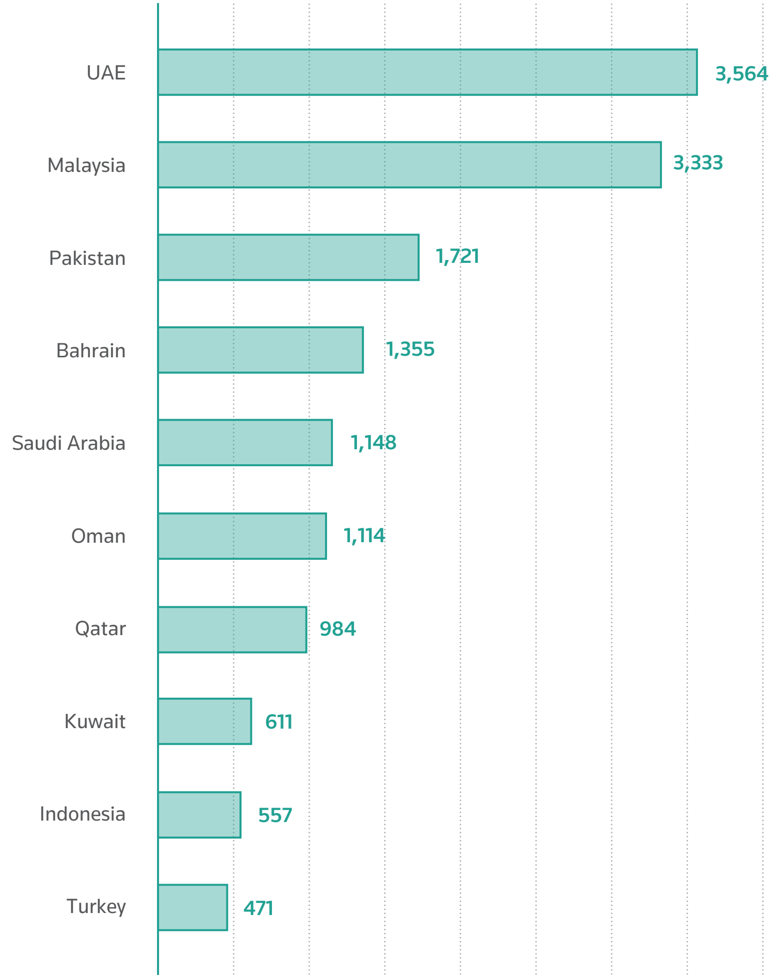
While Malaysia topped the number of Islamic finance-related events hosted in 2015, it was outperformed by the UAE, in terms of Islamic finance news, by 200 stories. Headlines relating to the GCC amounted to 44% of total Islamic finance news in 2015 and that is likely to remain over the coming years.

News headlines from the GCC soared on the back of numerous items on how the drop in oil prices impacted the Gulf and Middle East's different Islamic finance sectors, asset classes and indicators including Islamic banking, lending, sukuk and equities. Moreover, extensive coverage of GCC's financial institutions and the performance of Islamic banks boosted their number of exclusive news items.

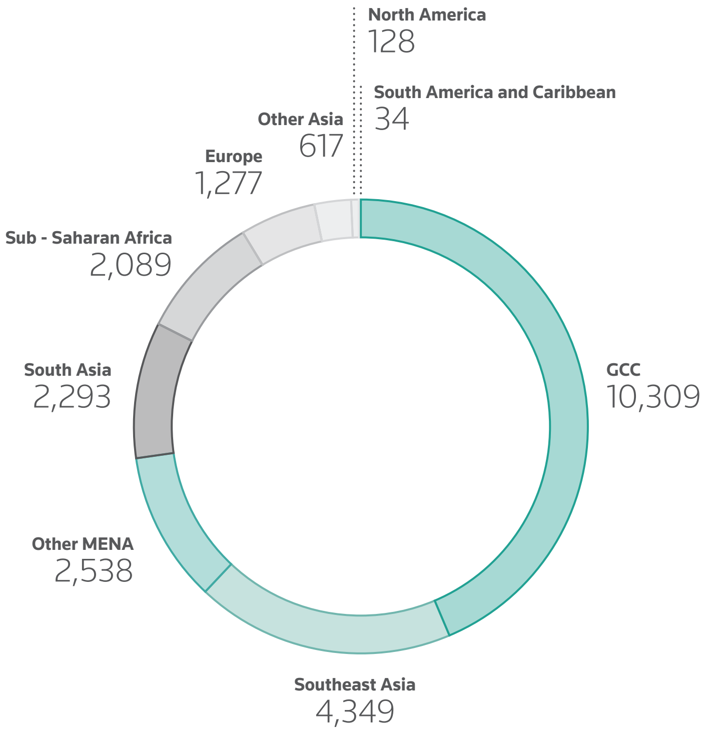
Non-GCC top news performers Pakistan, Indonesia and Turkey grabbed headlines

Excluding Malaysia, Pakistan, Indonesia and Turkey were the only non-GCC countries to make it into the Islamic finance news top 10. In Pakistan, top news included its introduction of sukuk rules, the introduction of takaful windows by several operators and government plans to increase its Islamic banking share to 20% to support its Islamic finance industry. In Indonesia, top headlines included the issuance of Garuda Indonesia and different government sukuk, also its financial authority's (OJK) 2015 initiatives to develop Islamic finance. Meanwhile, despite several headlines by Turkey's Kuveyt Turk starting operations in Germany and Bank Ziraat starting Islamic operations, the news of the seizure of Bank Asya's shares by Turkish regulators sent negative shockwaves through the local industry.

TOP TEN COUNTRIES IN ISLAMIC FINANCE EXCLUSIVE NEWS (FYE 2015)



ISLAMIC FINANCE NEWS BY REGION (FYE 2015)



Awareness Indicator

Methodology & Appendix

Calligrapher Mohammad Sabir Khedri (centre right) gives information about the biggest Koran in the world to Afghan officials during its inauguration ceremony in the Hakim Nasir Khosrow Balkhi library in Kabul. REUTERS/ MOHAMMAD ISMAIL

The Islamic Finance Development Indicator is the true barometer of the state of the industry across its fundamentals.

The Concept and Definition

The Islamic finance industry operates within a financial environment that demands it adapt to constant change. Within this framework survival itself demands innovation and advancement that will both strengthen the very core of the industry as well as always keep it steps ahead of the curve. In the aftermath of the global financial crisis Islamic financial institutions, market players, regulators and other authorities have more purposefully sought out one another in order to improve the process of industry-wide cooperation and alignment. Reliable information and data are key to this exercise.

The Islamic Finance Development Indicator is the true barometer of the state of the industry across its fundamentals. The indicator aims to introduce a new way of measuring development by combining data of the different elements of the industry into a singular composite indicator. This quantified information will help facilitate further comprehension of how the different parts of the market are developing over time.

The Islamic Finance Development Indicator is a composite weighted index that measures the overall development of the Islamic finance industry by assessing the performance of all its parts in line with its inherent faith-based objectives. It is a global level composite indicator with selected national and industry component level indicators. The 2016 edition of Islamic Finance Development Indicator is based on 2015 raw data for different metrics.

More about the indicator methodology can be read in the rulebook which can be accessed at Zawya – Islamic Finance Development Indicator Page

http://www.zawya.com/islamic-finance-development-indicator/

Key Objectives

The Islamic Finance Development Indicator is a single measure that captures a holistic assessment of the Islamic finance industry across all sectors. It is a product of a number of key sub-indicators underlining the industry. Disaggregation of data helps expose the disparities, differences and movements that may not be exclusively covered in wide-ranging aggregate terms.

The different components that make up the Indicator were selected based on an outline of the key constituents of the industry as a whole and are based on key contemporary issues such as Corporate Governance, Corporate Social Responsibility, Knowledge and Awareness. All are fundamentally important for the development of the industry as a global business. The optimal level of development in any of the indicators is pegged to the maximum value of 300.

Global Indicator Level

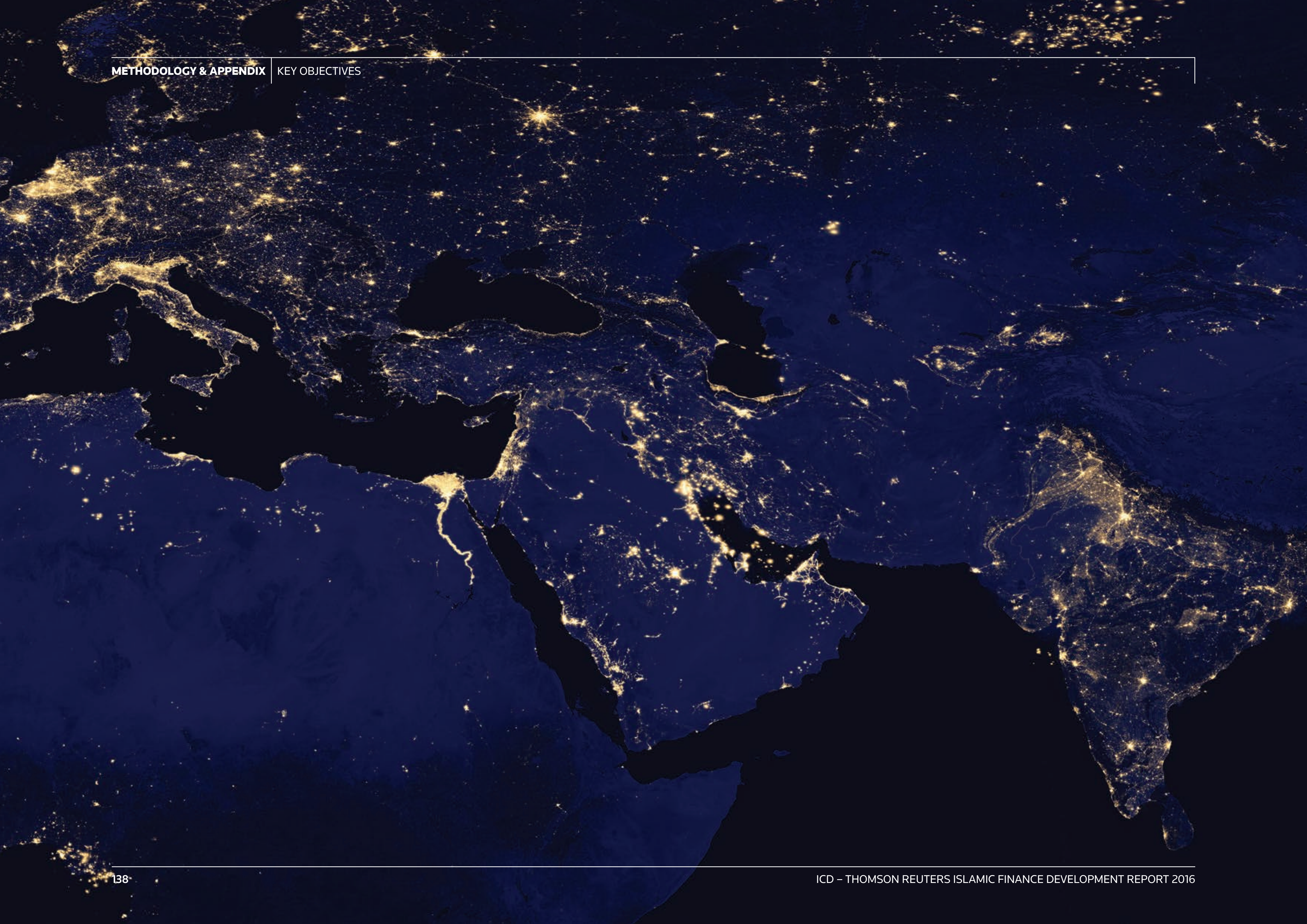
- Present one single indicator to provide a pulse of the global Islamic finance industry's health
- Provide an indicator that is reliable and unbiased
- Inform current and potential Islamic finance stakeholders/investors about the industry's performance
- Gauge future forecasts for the industry's growth

Country Indicator Level

- Assess the current state and growth potential of Islamic finance in each country
- Highlight the performance of Islamic finance institutions in particular markets and its possible determinants
- Track changes over time and make comparisons across regions and countries

Specific Indicator Level

- Measure the industry's growth from various perspectives
- Enhance Islamic finance market transparency and efficiency
- Identify factors, problems and issues that prevent the growth of the industry
- Help market players formulate practical solutions to face current obstacles
- Assist in setting new targets, goals, standards for Islamic finance institutions and regulators



Country List

124 countries are distributed among main regions in our universe. All OIC countries are included and all non-OIC with presence of Islamic financial institutions as well as other metrics including news, education or events about Islamic finance are included.

GCC (Gulf Corporation Council)
Bahrain
Kuwait
Oman
Qatar
Saudi Arabia
United Arab Emirates

Southeast Asia
Brunei Darussalam
Cambodia
Indonesia
Malaysia
Myanmar
Philippines
Singapore
Thailand

South Asia
Afghanistan
Bangladesh
India
Maldives
Nepal
Pakistan
Sri Lanka

Other MENA (Middle East and North Africa Excluding GCC)
Algeria
Egypt
Iran
Iraq
Jordan
Lebanon
Libya
Mauritania
Morocco
Palestine
Sudan
Syria
Tunisia
Yemen

Europe
Albania
Austria
Belgium
Bosnia and Herzegovina
Bulgaria
Cyprus
Czech Republic
Denmark
Finland
France
Georgia
Germany
Greece
Guernsey
Ireland
Italy
Jersey
Liechtenstein
Luxembourg
Macedonia
Malta
Netherlands
Norway
Poland
Romania
Serbia
Slovenia
Spain
Sweden
Switzerland
Turkey
United Kingdom

Other Asia
Australia
Azerbaijan
China
Hong Kong
Japan
Kazakhstan
Kyrgyzstan
New Zealand
Russia
South Korea
Tajikistan
Turkmenistan
Uzbekistan
Vietnam

North America
Bahamas
Canada
United States

South America and Caribbean
Bolivia
Brazil
Cayman Islands
Chile
Guyana
Mexico
Suriname
Trinidad and Tobago

Sub-Saharan Africa
Angola
Benin
Botswana
Burkina Faso
Cameroon
Chad
Comoros
Djibouti
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Ivory Coast
Kenya
Malawi
Mali
Mauritius
Mozambique
Niger
Nigeria
Rwanda
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Tanzania
Togo
Uganda
Zambia

Indicator Values by Country in 2016

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Global	**9**	**4**	**8**	**4**	**3**	**3**	**4**	**8**	**8**	**7**
Afghanistan	10	3	14	0	3	0	0	14	27	1
Albania	0.42	1	5	0	0	0	0	0	0	0
Algeria	3	0.46	2	1	0	0	0	6	9	3
Angola	1	0	0	0	0	0	0	0	0	0
Australia	5	8	37	0	2	0	0.44	4	3	5
Austria	0.03	0	0	0	0	0	0	0	0	0
Azerbaijan	7	7	5	0	29	0	0	2	3	1
Bahamas	0.26	0.17	0	0	1	0	0	0	0	0
Bahrain	87	26	73	18	19	19	2	54	57	51
Bangladesh	21	14	30	36	5	2	0	15	11	18
Belgium	0.35	0.18	1	0.25	0	0	0	1	1	2
Benin	3	0	0	0	0	0	0	0	0	0
Bolivia	0.02	0	0	0	0	0	0	0	0	0
Bosnia and Herzegovina	5	0.46	2	0	0	0	0	15	15	16
Botswana	2	1	3	0	0	0	0	2	0	3

>	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Global	**11**	**15**	**11**	**9**	**7**	**4**	**10**	**14**	**10**	**6**	**26**
Afghanistan	32	50	5	42	0	0	0	3	0	0	8
Albania	0	0	0	0	0	0	0	1	0	0	3
Algeria	1	0	4	0	3	6	0	7	0	0	20
Angola	0	0	0	0	0	0	0	3	0	0	10
Australia	14	0	1	40	0	0	0	0.28	0	0	1
Austria	0	0	0	0	0	0	0	0.14	0	0	0.43
Azerbaijan	4	0	4	7	0	0	0	25	34	19	21
Bahamas	1	0	3	0	0	0	0	0	0	0	0
Bahrain	103	100	156	53	56	37	76	195	147	138	300
Bangladesh	44	17	80	36	27	5	50	5	0	0	16
Belgium	0	0	0	0	0	0	0	0.18	0	0	1
Benin	0	0	0	0	0	0	0	14	21	0	20
Bolivia	0	0	0	0	0	0	0	0.10	0	0	0.30
Bosnia and Herzegovina	3	0	8	0	0	0	0	8	22	0	2
Botswana	0	0	0	0	0	0	0	8	0	0	24

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Brazil	0.03	0	0	0	0	0	0	0.07	0	0.13
Brunei Darussalam	23	6	20	4	3	5	0	22	24	20
Bulgaria	1	0	0	0	0	0	0	0	0	0
Burkina Faso	1	0.37	2	0	0	0	0	0	0	0
Cambodia	0.48	0	0	0	0	0	0	0	0	0
Cameroon	1	0.32	2	0	0	0	0	1	0	2
Canada	1	2	0	0	7	0	1	1	1	1
Cayman Islands	0.01	0	0	0	0	0	0	0	0	0
Chad	1	0	0	0	0	0	0	0	0	0
Chile	0.01	0	0	0	0	0	0	0	0	0
China	0.03	0	0.02	0	0	0	0	0.06	0	0.12
Comoros	3	0	0	0	0	0	0	0	0	0
Cyprus	0.41	1	4	0	0	0	0	1	0	1
Czech Republic	0.06	0	0	0	0	0	0	0	0	0
Denmark	0.09	0.08	0.38	0	0	0	0	0.24	0	0.49
Djibouti	8	3	14	0	0	0	0	0	0	0
Egypt	14	9	25	3	10	0	7	9	13	5
Ethiopia	0.27	0.44	2	0	0	0	0	1	1	0

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Brazil	0	0	0	0	0	0	0	0.06	0	0	0.19
Brunei Darussalam	44	67	52	14	31	8	53	10	0	0	31
Bulgaria	0	0	0	0	0	0	0	6	16	0	2
Burkina Faso	0	0	0	0	0	0	0	6	0	0	19
Cambodia	0	0	0	0	0	0	0	2	0	0	7
Cameroon	0	0	0	0	0	0	0	6	0	0	17
Canada	0.17	0	1	0	0	0	0	1	0	2	0.47
Cayman Islands	0	0	0	0	0	0	0	0.07	0	0	0.22
Chad	0	0	0	0	0	0	0	7	0	0	21
Chile	0	0	0	0	0	0	0	0.05	0	0	0.14
China	0	0	0	0	0	0	0	0.07	0	0	0.21
Comoros	6	17	0	0	0	0	0	10	0	0	29
Cyprus	0	0	0	0	0	0	0	1	0	0	2
Czech Republic	0	0	0	0	0	0	0	0.31	0	0	1
Denmark	0	0	0	0	0	0	0	0.14	0	0	0.42
Djibouti	8	17	7	0	0	0	0	31	27	31	33
Egypt	26	17	36	26	10	3	18	16	8	5	35
Ethiopia	0	0	0	0	0	0	0	0.26	0	0	1

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Finland	0.11	0	0	0	0	0	0	0.36	0	1
France	0.30	0.07	0.22	0.08	0.07	0.01	0	1	1	1
Gabon	2	0	0	0	0	0	0	0	0	0
Gambia	9	11	3	2	0	49	0	9	18	0
Georgia	1	0	0	0	0	0	0	1	0	3
Germany	0.20	0.04	0.15	0.04	0	0	0	1	1	1
Ghana	2	0.18	0	0	1	0	0	1	3	0
Greece	0.07	0	0	0	0	0	0	0	0	0
Guernsey	1	0	0	0	0	0	0	2	4	0
Guinea	2	0.41	2	0	0	0	0	0	0	0
Guinea-Bissau	2	0	0	0	0	0	0	0	0	0
Guyana	0.10	0	0	0	0	0	0	0	0	0
Hong Kong	2	5	0.20	0	0	26	0.29	1	1	1
India	4	0.12	0	0.04	0.27	0	0.28	3	3	3
Indonesia	28	14	19	17	8	14	13	29	31	28
Iran	19	44	58	43	64	1	56	15	14	16
Iraq	3	3	13	1	0	0	0	4	6	1
Ireland	1	1	0	0	0.25	0	4	2	2	2
Italy	0.38	1	0	0	0	0	4	1	0.44	1

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Finland	0	0	0	0	0	0	0	0.21	0	0	1
France	0.04	0	0.13	0	0	0	0	0.24	1	0	0.18
Gabon	0	0	0	0	0	0	0	8	0	0	25
Gambia	11	33	0	0	0	0	0	13	0	0	40
Georgia	0	0	0	0	0	0	0	2	0	0	6
Germany	0	0	0	0	0	0	0	0.36	0.49	0	1
Ghana	1	0	4	0	0	0	0	7	0	0	20
Greece	0	0	0	0	0	0	0	0.33	0	0	1
Guernsey	0	0	0	0	0	0	0	1	0	0	3
Guinea	0	0	0	0	0	0	0	8	0	0	23
Guinea-Bissau	0	0	0	0	0	0	0	9	0	0	26
Guyana	0	0	0	0	0	0	0	0.50	0	0	1
Hong Kong	0.23	0	1	0	0	0	0	2	4	0	2
India	3	0	0.12	9	13	0	27	0.32	0.47	0	0.50
Indonesia	62	100	53	33	23	1	45	13	9	8	22
Iran	28	83	0	0	0	0	0	8	0	12	12
Iraq	5	0	8	6	0	0	0	5	0	0	16
Ireland	1	0	2	0	0	0	0	2	0	4	1
Italy	0	0	0	0	0	0	0	0.05	0	0	0.15

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Ivory Coast	2	0.15	0	0	0	1	0	0	0	0
Japan	1	5	0	0	0	0	27	1	0.22	1
Jersey	0.20	0	0	0	0	0	0	0	0	0
Jordan	42	13	26	20	16	0.17	2	69	90	48
Kazakhstan	10	5	1	1	2	23	0	4	5	3
Kenya	10	7	26	4	4	0	0	11	17	5
Kuwait	45	34	36	15	87	8	24	18	20	17
Kyrgyzstan	4	1	2	0	3	0	0	0	0	0
Lebanon	10	2	6	2	1	0	0	23	36	10
Libya	6	1	3	3	0	0	0	4	3	5
Liechtenstein	0.16	0	0	0	0	0	0	0	0	0
Luxembourg	3	8	0	0.39	1	1	38	2	3	0
Macedonia	2	0	0	0	0	0	0	2	0	3
Malawi	1	0	0	0	0	0	0	0	0	0
Malaysia	123	78	38	39	44	170	100	200	101	300
Maldives	25	10	21	25	2	1	0	12	23	0
Mali	1	0	0	0	0	0	0	0	0	0
Malta	3	0	0	0	0	0	0	12	23	1
Mauritania	6	4	15	4	0	0	0	0	0	0

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Ivory Coast	0	0	0	0	0	0	0	9	0	17	11
Japan	0	0	0	0	0	0	0	0.29	0.40	0	0.47
Jersey	0	0	0	0	0	0	0	1	0	0	3
Jordan	36	50	49	9	49	71	28	45	33	38	66
Kazakhstan	22	67	1	0	0	0	0	18	29	11	12
Kenya	17	33	16	0	0	0	0	18	20	12	22
Kuwait	65	33	124	39	41	50	31	65	10	23	163
Kyrgyzstan	17	50	0	0	0	0	0	3	0	0	9
Lebanon	18	33	17	3	1	1	0	9	0	0	27
Libya	9	17	9	0	0	0	0	15	0	0	44
Liechtenstein	0	0	0	0	0	0	0	1	0	0	2
Luxembourg	1	0	2	0	0	0	0	3	0	6	2
Macedonia	0	0	0	0	0	0	0	9	24	0	3
Malawi	0	0	0	0	0	0	0	6	0	0	19
Malaysia	88	100	108	55	43	21	65	208	214	134	276
Maldives	53	67	36	54	24	0.05	49	25	27	32	15
Mali	0	0	0	0	0	0	0	7	0	0	21
Malta	0	0	0	0	0	0	0	3	0	0	8
Mauritania	2	0	6	0	0	0	0	23	0	0	70

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Mauritius	8	4	5	2	1	0	14	11	16	6
Mexico	0	0	0	0	0	0	0	0	0	0
Morocco	10	1	2	0	2	0	1	13	15	11
Mozambique	4	0	0	0	0	0	0	0	0	0
Myanmar	0.33	0	0	0	0	0	0	0	0	0
Nepal	1	0	0	0	0	0	0	0	0	0
Netherlands	0.25	0.06	0.17	0	0.11	0	0	1	1	1
New Zealand	1	0.10	0	0	0.48	0	0	4	0	7
Niger	2	0.36	2	0	0	0	0	0	0	0
Nigeria	12	1	1	1	1	0.18	0	14	12	16
Norway	0.16	0	0	0	0	0	0	1	0	1
Oman	53	8	19	13	0	3	6	25	26	23
Pakistan	46	19	16	13	36	4	26	41	34	49
Palestine	23	16	36	43	3	0	0	11	20	1
Philippines	6	0.08	0.40	0	0	0	0	1	1	0
Poland	0.34	0	0	0	0	0	0	2	1	2
Qatar	39	21	37	40	7	16	5	15	17	13
Romania	1	0	0	0	0	0	0	3	0	6

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Mauritius	17	50	1	0	0	0	0	8	0	0	23
Mexico	0	0	0	0	0	0	0	0	0	0	0
Morocco	17	50	0	0	0	0	0	19	0	21	36
Mozambique	0	0	0	0	0	0	0	18	0	34	20
Myanmar	0	0	0	0	0	0	0	2	0	0	5
Nepal	0	0	0	0	0	0	0	6	14	0	4
Netherlands	0	0	0	0	0	0	0	0.06	0	0	0.18
New Zealand	0	0	0	0	0	0	0	1	0	0	3
Niger	0	0	0	0	0	0	0	7	0	0	22
Nigeria	42	100	26	0	0	0	0	6	3	7	9
Norway	0	0	0	0	0	0	0	0.20	0	0	1
Oman	61	50	68	65	54	0.16	108	116	47	0	300
Pakistan	67	100	52	50	22	2	42	82	118	19	108
Palestine	16	17	19	14	52	4	101	17	0	0	52
Philippines	25	50	0	25	0	0	0	6	8	5	5
Poland	0	0	0	0	0	0	0	0.15	0	0	0.46
Qatar	47	67	42	33	47	38	56	64	0	18	175
Romania	0	0	0	0	0	0	0	0.34	0	0	1

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Russian Federation	1	0.13	0.16	0	0.48	0	0	1	0.27	2
Rwanda	1	0.32	0	2	0	0	0	0	0	0
Saudi Arabia	47	36	39	39	20	19	65	26	19	33
Senegal	4	1	2	1	0	0.26	0	6	9	2
Serbia	0.36	0	0	0	0	0	0	1	0	2
Seychelles	2	1	3	0	0	0	0	0	0	0
Sierra Leone	1	0	0	0	0	0	0	0	0	0
Singapore	18	3	1	1	2	7	3	3	5	1
Slovenia	0.16	0	0	0	0	0	0	0	0	0
Somalia	5	2	9	2	0	0	0	6	12	0
South Africa	20	6	14	1	1	3	11	3	4	2
South Korea	0.05	0.02	0	0	0.08	0	0	0.03	0	0.07
Spain	0.22	0	0	0	0	0	0	1	1	0.47
Sri Lanka	24	7	17	2	14	0	0	19	33	6
Sudan	26	17	68	12	5	0	0	11	16	5
Suriname	0.49	0	0	0	0	0	0	0	0	0
Sweden	0.08	0.06	0.28	0	0	0	0	0.26	0	1
Switzerland	1	1	0.21	0	2	0	1	2	3	1

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Russian Federation	0	0	0	0	0	0	0	2	1	3	2
Rwanda	0	0	0	0	0	0	0	7	0	0	21
Saudi Arabia	34	17	39	47	102	180	23	36	19	4	84
Senegal	0	0	0	0	0	0	0	14	18	0	24
Serbia	0	0	0	0	0	0	0	1	0	0	2
Seychelles	0	0	0	0	0	0	0	11	0	0	34
Sierra Leone	0	0	0	0	0	0	0	7	0	0	22
Singapore	39	67	3	47	35	0.03	71	12	13	15	8
Slovenia	0	0	0	0	0	0	0	1	0	0	2
Somalia	6	17	0	0	0	0	0	9	0	0	27
South Africa	19	0	1	55	65	6	124	6	5	5	7
South Korea	0	0	0	0	0	0	0	0.19	0	0	1
Spain	0	0	0	0	0	0	0	1	0	1	0.23
Sri Lanka	24	0	12	59	36	0.40	71	34	60	14	29
Sudan	65	67	82	47	16	20	13	20	10	12	38
Suriname	0	0	0	0	0	0	0	2	0	0	7
Sweden	0	0	0	0	0	0	0	0.10	0	0	0.31
Switzerland	0.17	0	1	0	0	0	0	2	2	5	0.26

Country	IFDI	Quatitative Development	Islamic Banking	Takaful	Other Islamic Financial Institutions	Sukuk	Islamic Funds	Knowledge	Education	Research
Syria	18	18	59	31	0	0	0	7	13	2
Tajikistan	3	0	0	0	0	0	0	0	0	0
Tanzania	6	1	3	0	0	0	0	8	10	5
Thailand	2	1	1	1	0.23	0	2	1	0	1
Togo	2	0	0	0	0	0	0	0	0	0
Trinidad and Tobago	0.15	0.35	0	2	0	0	0	0	0	0
Tunisia	20	6	15	7	0	0	9	61	26	95
Turkey	13	5	16	0	0.16	7	2	7	7	8
Turkmenistan	0.41	0	0	0	0	0	0	0	0	0
Uganda	2	0	0	0	0	0	0	1	3	0
United Arab Emirates	66	21	38	15	19	22	10	39	58	20
United Kingdom	15	3	2	0.05	1	9	2	12	13	10
United States	1	2	6	0.02	0.06	5	0.22	1	1	2
Uzbekistan	0.25	0	0	0	0	0	0	0	0	0
Vietnam	0.13	0	0	0	0	0	0	0	0	0
Yemen	14	3	12	3	0	0	0	8	10	7
Zambia	1	0.27	0	1	0	0	0	0	0	0

	Governance	Regulation	Shariah Governance	Corporate Governance	CSR	CSR Funds Disbursed	CSR Disclosure	Awareness	Seminars	Conferences	News
Syria	45	50	17	67	12	0.43	24	10	0	0	30
Tajikistan	6	17	0	0	0	0	0	11	22	0	11
Tanzania	3	0	3	8	9	0	18	8	11	0	14
Thailand	8	17	2	6	0	0	0	1	0	0	2
Togo	0	0	0	0	0	0	0	9	0	0	26
Trinidad and Tobago	0.40	0	1	0	0	0	0	0	0	0	0
Tunisia	8	17	6	0	0.02	0.05	0	25	17	0	57
Turkey	15	33	1	12	18	1	35	20	13	20	26
Turkmenistan	0	0	0	0	0	0	0	2	0	0	6
Uganda	0	0	0	0	0	0	0	7	15	0	7
United Arab Emirates	63	67	68	54	47	59	34	162	132	54	300
United Kingdom	33	0	52	47	18	0	35	7	10	7	5
United States	2	0	0.26	5	0	0	0	0.45	1	0.33	0.29
Uzbekistan	0	0	0	0	0	0	0	1	0	0	4
Vietnam	0	0	0	0	0	0	0	1	0	0	2
Yemen	19	33	22	2	27	0	53	11	0	0	32
Zambia	0	0	0	0	0	0	0	6	0	0	19

Financial Reporting: Mandatory vs. Voluntary Disclosure by Islamic Financial Institutions

Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of Takaful Operators Disclosing Item (89)	% of OIFI Disclosing Item (121)
FINANCIAL REPORTING DISCLOSURE INDEX				
MANDATORY ITEMS				
Auditor's Report				
Existence of Profit and loss account statement	97%	96%	98%	99%
Existence of the Balance Sheet statement	99%	98%	99%	102%
Existence of the Cash Flow Statement	88%	82%	91%	95%
Notes to Balance sheet items - Capital and its breakdown	59%	57%	64%	57%
Notes to Balance sheet items - Deposits and its breakdown	32%	51%	14%	11%
Notes to Balance sheet items - Other Liabilities and provisions breakdown.	47%	67%	20%	32%
Notes to Balance sheet items - Cash and Balance breakdown	75%	75%	68%	79%
Notes to Balance sheet items - Financings and its breakdown	55%	58%	54%	50%
Notes to Balance sheet items - Investments and its breakdown	64%	65%	70%	58%
Notes to Balance sheet items - Fixed assets and their breakdown	63%	68%	65%	51%
Notes to Balance sheet items - Contingent liabilities and their breakdown	55%	63%	38%	53%
Notes to the Profit & Loss account items - Profit earned and their breakdown	34%	37%	40%	26%
Notes to the Profit & Loss account items - Other income and its breakdown	34%	38%	30%	31%
Notes to the Profit & Loss account items - Interest expenses and its breakdown	15%	19%	17%	7%

Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of Takaful Operators Disclosing Item (89)	% of OIFI Disclosing Item (121)
Notes to the Profit & Loss account items - Operating expenses and its breakdown	73%	75%	74%	69%
Notes to the Profit & Loss account items - Directors' fee and allowances	23%	34%	15%	12%
Capital adequacy reporting items - Total Capital adequacy ratio	36%	63%	1%	13%
Capital adequacy reporting items - Tier1 capital	36%	62%	4%	14%
Capital adequacy reporting items - Tier2 capital	33%	56%	4%	13%
Capital adequacy reporting items - Risk-weighted Capital Assets	33%	58%	1%	10%
Director's Report - Narrative statement of company's affairs	81%	80%	89%	76%
Director's Report - Amount of dividend recommended	37%	46%	22%	31%
Director's Report - Report on Corporate Governance	26%	33%	20%	19%
Director's Report - Composition of Board of Directors	73%	71%	88%	68%
Director's Report - Details of attendance of each director at BOD meetings	51%	46%	70%	46%
Director's Report - Number of BOD meetings held and dates	31%	30%	53%	18%
Director's Report - Classification of directors as executive or outsider	28%	24%	51%	21%
Director's Report - Information on management/executive committee of the board	29%	28%	48%	17%
Director's Report - Composition of Audit Committee	53%	56%	54%	46%
Director's Report - Number of meetings held and date of Audit Committee	25%	31%	27%	14%
Director's Report - Disclosure of materially significant related party transactions	80%	74%	85%	86%
Director's Report - Disclosure of accounting treatment & policies	86%	82%	89%	90%
Director's Report - Disclosure of information on the quarterly result/press release to website	55%	65%	43%	47%
Director's Report - Disclosure of the listing information on stock exchanges	42%	45%	37%	41%
Director's Report - Disclosure of the market price data	9%	12%	12%	2%
Director's Report - Disclosure of the performance	50%	51%	52%	46%

Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of Takaful Operators Disclosing Item (89)	% of OIFI Disclosing Item (121)
Management Discussion and Analysis				
Information regarding remuneration committee	47%	45%	63%	38%
Information on remuneration to all the directors/MD	50%	51%	65%	39%
Report on Management Discussion and Analysis (MDA)	11%	16%	6%	7%
Discussion of material development in HR including number of people employed	33%	45%	32%	15%
Shariah Reporting				
Disclosure of the role of Shariah advisor or board in supervising the bank's activities	51%	57%	42%	48%
Disclosure of earnings or expenditures prohibited by Shariah	20%	29%	14%	10%
Disclosure of restricted assets or assets pledged as security	1%	1%	0%	0%
Other Details of Annual Report				
Corporate information - Basic organization structure/chart/description of corporate structure	60%	66%	42%	60%
Corporate information - Date of establishment	84%	81%	91%	83%
Corporate information - Official address/registered address/address for correspondence	93%	92%	96%	93%
Corporate information - Web address of the bank/email address	65%	69%	67%	59%
Corporate information - Information about branches	55%	63%	65%	33%
Corporate information - List of shareholders with an ownership of 5% or more	16%	23%	9%	9%
Corporate Strategy & Governance - Management's objectives and strategies vision/motto	53%	56%	51%	49%
Corporate Strategy & Governance - Details about the BOD (other than name/title)/background /academic/professional/business experiences	43%	56%	30%	29%
Corporate Strategy & Governance - Details about directors (other than name/title)/ background of the directors/ academic/professional/business experiences	19%	25%	10%	15%
Corporate Strategy & Governance - Number of shares held by directors	24%	21%	47%	13%

Item	% of Institutions Disclosing Item	% of Banks Disclosing Item (204)	% of Takaful Operators Disclosing Item (89)	% of OIFI Disclosing Item (121)
Corporate Strategy & Governance - List of senior managers (not on the board of directors)/ senior management structure	31%	39%	33%	17%
Corporate Strategy & Governance - Background of senior managers	16%	21%	12%	9%
Corporate Strategy & Governance - Directors' engagement/directorship of other companies	25%	21%	46%	18%
Financial performance - Financial ratios & statistics	27%	39%	11%	17%
Financial performance - Comparative financial statement	86%	87%	89%	83%
Segmental Reporting				
If the company is operated in more than one business or/and Geographic segment, and report a detailed footnote for the segments	57%	59%	68%	45%
VOLUNTARY ITEMS REPORTING				
Risk Managment Reporting				
General risk Management - Discussion of overall risk management philosophy and policy	83%	84%	83%	82%
General risk Management - Information on Risk management committee	46%	62%	33%	26%
General risk Management - Information on Assets-liability management committee	32%	51%	11%	12%
Credit risk exposure - Quantitative & Qualitative information on gross loan positions	43%	47%	33%	42%
Credit risk exposure - Disclosure of credit rating system/process	33%	42%	27%	22%
Credit risk exposure - Ageing schedule of past due loans and advances (NPA)	30%	38%	20%	22%
Credit risk exposure - Disclosure about risk management process (use of risk-mitigating tools such as collaterals, guarantees, netting agreement, managing concentrations)	22%	32%	4%	17%
Market risk exposure - General descriptions of market risk	67%	77%	51%	60%
Currency risk - Significant concentrations of foreign exchange exposure by currency	37%	49%	27%	25%
Currency risk - Broken down by assets and liabilities	14%	20%	15%	2%
Liquidity risk exposure - Maturity information about deposits and other liabilities	61%	62%	69%	55%

Contributors

Report Authors

Shereen Mohamed
Research Analyst
Project Leader

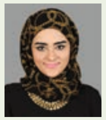
Zahraa Eid
Research Analyst

Jinan Al Taitoon
Senior Research Analyst

Report Consultants

Mustafa Adil
Head of Islamic Finance

Ammar Radhi
Senior Proposition Manager



Shaima Hasan
Research & Bespoke Solutions Manager

IFDI Team

Mohamed Hameed
Research Associate

Eman Hassan
Research Associate

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