



**Islamic Finance for Development;
Present status and future prospects**

MODERN ISLAMIC BANKING: CURRENT TRENDS AND GROWTH



Global Existence

• Increasing market presence

- Growing at 15 to 20% per annum
- Size estimated at USD 900 billion globally
- New markets welcoming Islamic banks and products

• Market-driven proposition

- Retail demand has historically the backbone of the industry
- Sensitivities to principles more visible on retail deposit
- But corporates and even sovereigns showed appetite for the products
- Market-driven product development proved to be successful
- Self-regulating organisations accompanied global Islamic banking boom



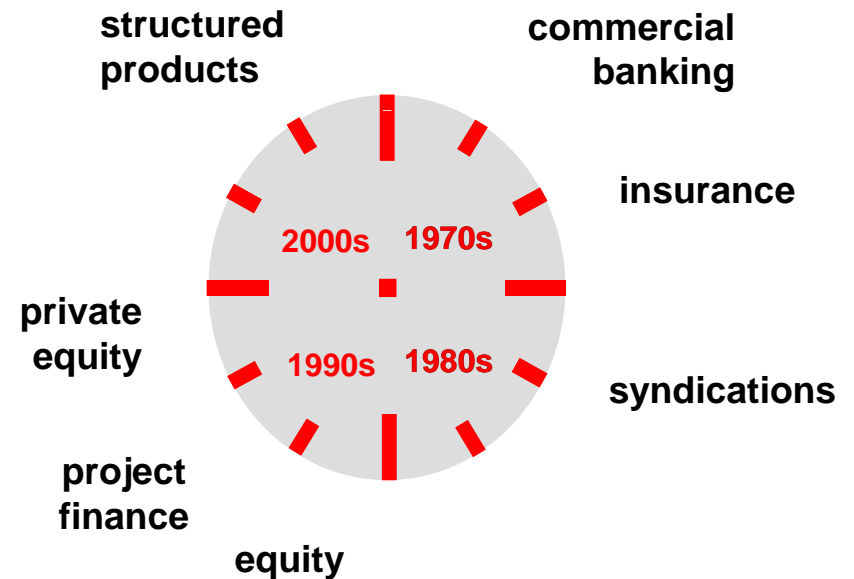
• Global scale

- More than 250 Islamic banks worldwide operating in over 75 countries
- A wide range of interest varying from U.K. to Singapore
- Widening customer base including sovereigns to top global corporates to tap Islamic finance markets

Industry has developed a comprehensive product offering over its young history

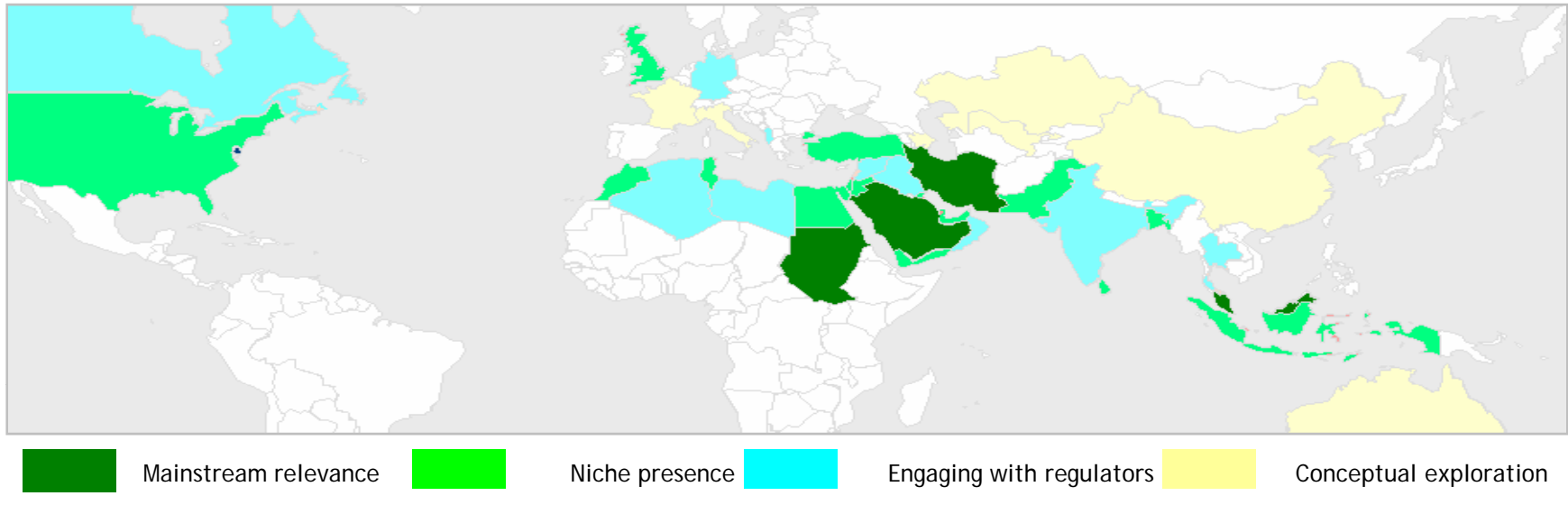
Development of industry	
1950s	<ul style="list-style-type: none"> - Development of theoretical framework - First attempts to structure Islamic banking products
60s	<ul style="list-style-type: none"> - First institutions emerged to test the market
70s	<ul style="list-style-type: none"> - Islamic Development Bank (1974) and DIB - One country-one bank setup
80s	<ul style="list-style-type: none"> - Advancement of Islamic products - Many markets to welcome Islamic banking - Full "Islamization" of banking in some countries (Pakistan, Sudan etc.)
90s	<ul style="list-style-type: none"> - Entry of global institutions & Islamic windows - Increasing global coverage of Islamic banking
2000s	<ul style="list-style-type: none"> - Islamic banks achieving strong and stable growth globally, - New products in international markets - Sukuk market to boom

Evolving richness in products

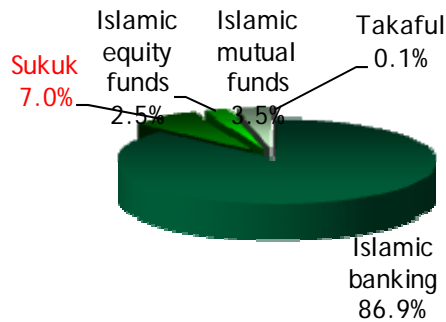


Industry has near like-for-like parity with conventional offering

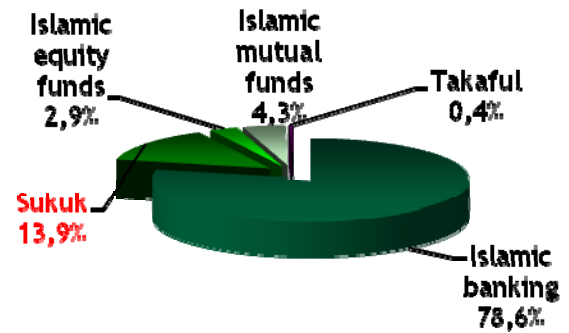
Global Deployment of Islamic Products



Breakdown of Islamic Banking Principles Compliant Assets Worldwide (2003)



Breakdown of Islamic Banking Principles Compliant Assets Worldwide (2008)



Source: KFHR Global Islamic Finance Directory 2008

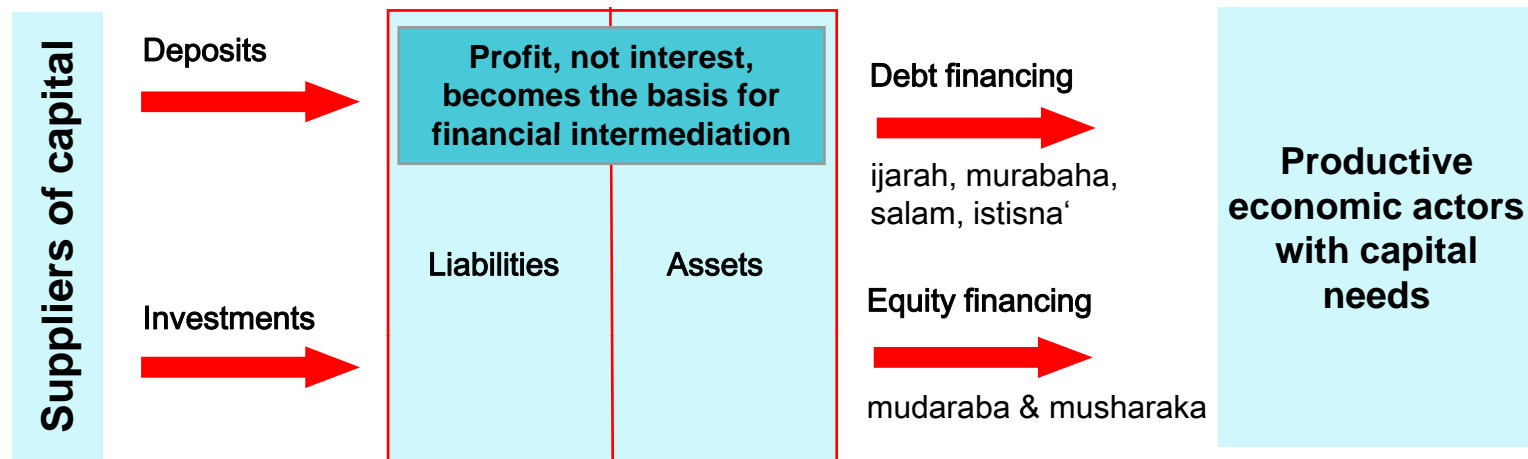
Why Islamic financing is flourishing



- Improved regulatory environment: stronger regulatory framework improved public's confidence
- Increasing demand for interest-free products and services
- Successful product differentiation and product mix;
- Improvement of overall financing system and put the participation banks into a stable growth phase
 - Better customer focus;
 - Wider branch network and customer reach;
 - Growing foreign trade with the Islamic countries
- Growing customer/participant awareness of the system
- Expansion of product mix with more customer-focused strategies
- Experience in lending
- Aggressive growth strategies

Industry is driven by fundamental factors

An alternative banking model in development



Islamic banking, a booming \$US1 trillion global industry that prohibits speculation and high levels of debt, has been relatively unscathed by the credit crunch.

Islamic banking model's basic principles of

- financing "real" trade and economic activities,

- no financing of speculation

- No engagement in debt trading

- Asset backed and project-financing approach to help hedging risks

As a result, the lessons from the crisis;

- Islamic banking is inherently stable

- Islamic banks outperformed the conventional financial institutions