



جامعة حمدان بن محمد الذكية
Hamdan Bin Mohammed Smart University

ISLAMIC BANKING GROWTH, EFFICIENCY AND STABILITY

DCIBF ANNUAL REPORT 2014




دبي عاصمة الاقتصاد الإسلامي
DUBAI THE CAPITAL OF ISLAMIC ECONOMY



مركز دبي
للصيرفة والتمويل الإسلامي
Dubai Center for Islamic Banking & Finance



An aerial photograph of the Dubai skyline, featuring numerous skyscrapers and modern buildings. The image is overlaid with a semi-transparent blue filter. A large, prominent skyscraper with a grid-like facade is visible on the right side. The text is positioned in the upper left quadrant of the image.

"I am optimistic about achieving the goal of Dubai to be the world Capital of Islamic Economy. Dubai has sufficient experience, the advanced infrastructure, as well as the appropriate strategic geographical location in the heart of the Islamic world. Furthermore, Dubai has the will and determination, but, most importantly, we have HH Sheikh Mohammed Bin Rashid Al Maktoum who leads Dubai with all the wisdom, confidence and resolve towards the future."

H.H Hamdan bin Mohammed bin Rashid Al Maktoum

Crown Prince of Dubai

Chairman of the Dubai Executive Council

and President HBMSU



Dubai Center for Islamic Banking and Finance (DCIBF) exemplifies a timely response to “Dubai the Capital of Islamic Economy,” an initiative launched by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the UAE Vice-President , Prime Minister and Ruler of Dubai.

The centre in collaboration with the Islamic Economy Higher Committee, working under the supervision of His Highness Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum, Crown Prince of Dubai and President of Hamdan Bin Mohammed Smart University (HBMSU), was established with a mission to contribute to the human capital development in Islamic Banking and Finance through the provision of quality education, training, applied research and community service as well as promotion of best practices in this area using virtual learning environment, supporting the pursuit of lifelong learning, providing unique learners experience and growing knowledge and its dissemination through excellence in research and knowledge.

Since the launch of the Center in July 2013, it has focused its efforts on research and knowledge dissemination in Islamic Banking and Finance by publishing “The DCIBF Islamic Banking: Growth, Efficiency and Stability Report” as the first fruit of the centre. The report has rightly emphasized the need for institutional and systemic reforms required to create a level playing field for Islamic banks. These reforms would give Islamic banks an unprecedented opportunity of fair play and fair competition with their conventional counterparts.

I hope that this report is recognized as a valued resource for the Islamic Banking & Finance Industry shaping the future of Islamic Banking and Finance and make a major impact upon the economic and social development of the community we serve.

H.E Lieutenant General Dhahi Khalfan Tamim

Deputy Chief of Dubai Police and General Security
Chairman of HBMSU Board of Governors



51.7

25.14 ▲

15.24 ▲

24.51 ▼

I would like to express my sincere gratitude to the Hamdan Smart University for developing and publishing the DCIBF Annual Report for 2014.

Through the establishment of the Dubai Centre for Islamic Banking and Finance (DCIBF), Hamdan Smart University has reiterated its commitment to supporting Dubai's journey to emerge as the capital of Islamic economy.

The second-largest Islamic finance market in the region and home to dynamic initiatives and concepts that are set to build the profile of Islamic economy, the UAE has witnessed a steady rise in Islamic finance activity. More specifically, Dubai has consistently supported the nascent industry since the establishment of the Dubai Islamic Economy Development Centre (DIEDC).

Islamic finance represents the first pillar of DIEDC's strategy by virtue of its pivotal role in the growth of all other sectors of the Islamic economy. As we are witnessing a shift of the global financial system toward Islamic finance, the compound annual growth rate (CAGR) for Islamic banking assets in the UAE is expected to be about 17 per cent over the period 2013-2018.

In the Gulf region, the total assets for both conventional and Islamic banks are expected to reach two billion dollars by the end of 2015, compared to 1.7 trillion dollars at the end of 2013. It is estimated that bank credit share in the Gulf is likely to grow by about 10% during 2014 and 2015. In the UAE, the compound annual growth rate of Islamic finance assets is expected to rise up to 17% in 2018.

The DCIBF Report 2014, developed by Hamdan Smart University, is testimony to the potential of Islamic finance and underlines the sector's performance based on indicators such as efficiency, expansion and stability. The report additionally showcases opportunities, challenges and growth prospects for companies, policymakers and society at large. The findings of the report will facilitate the UAE in shaping a sound financial future based on ethical Islamic principles.

While the future seems promising for the Islamic finance and banking sector, our new generation deserves to play an active part in marking this milestone through gaining expertise and in-depth knowledge. The Hamdan Smart University has made a step in this direction with its priority to empower the next generation with the knowledge and expertise of the vital Islamic economy sector.

I once again commend Hamdan Smart University for its efforts in contributing to the Islamic economy landscape.

His Excellency Essa Kazim

Governor of Dubai International Financial Centre (DIFC),
Secretary General of Dubai Islamic Economy Development Centre



Since the establishment of Hamdan Bin Mohammed Smart University (HBMSU) in 2002, we have spared no effort to be an institution for providing academic and professional knowledge as well as a center for intellectual enlightenment on local, regional and international levels.

After the announcement of the initiative “Dubai the Capital of Islamic Economy” spearheaded by His Highness Sheikh Mohammed Bin Rashed Al Maktoum, the UAE Vice-President, Prime Minister and Ruler of Dubai, with the objective of diversifying the UAE strong economic base by providing it with a new vital hub, HBMSU pledged to be the educational arm of the initiative by establishing The Dubai Center for Islamic Banking and Finance (DCIBF). HBMSU is the first learning institute to launch a dedicated platform to boost academic knowledge and professional expertise in Islamic banking and finance across the Arab World and beyond, in line with the directives of H.H. Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum to launch value-added initiatives that establish Dubai as the world Islamic economy capital and underlining its position among the top Islamic banking hubs in the world.

This report “The DCIBF Islamic Banking: Growth, Efficiency and Stability” is a response to technical and socio-economic development issues that are of common concern to the Islamic Banking and Finance industry. Through identifying pressing issues faced by the industry, in addition to the priorities in policy making, the Report provides stakeholders and policy makers with useful suggestions and recommendations for effectively addressing those issues.

The report is produced in three languages; namely English, Arabic and French. It quantifies investment trends in this sector, and explores how these trends are affected by changes in market demand and industry structure. The report also examines changes in the organization and structure of Islamic Banking and Finance Industry.

DCIBF will continue its effort in enhancing the understanding of current practice of Islamic banking by going beyond mere analysis of its business model. DCIBF will take a more futuristic view on understanding the dynamics of investment decisions and resource allocation in this industry as well the changing perspectives of the potential clientele of the industry.

Dr. Mansoor Al Awar

Chancellor HBMSU and

Chairman of the Governing Board of the UNESCO Institute for Information Technologies in Education (IITE)

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GLOSSARY

Bankscope	A comprehensive, global database of banks' financial statements, ratings and intelligence
Conventional Banking	A banking system in which loans are given to people at fixed interest rates and more the time period taken to pay, more becomes the amount to repay!!
Development Bank	A national or regional financial institution designed to provide medium- and long-term capital for productive investment, often accompanied by technical assistance, in poor countries.
Financing	Financing or investments made by the Islamic banks to their client requesting funds from the Islamic Banks. The Bankscope counterpart for this term is Loans.
Financing Risk	This is counter part of the concept of credit risk used in conventional banking.
Fiqh	Islamic jurisprudence. Fiqh is the human understanding of Sharia. Fiqh deals with the observance of rituals, morals and social legislation in Islam. In the modern era there are four prominent schools (madh'hab) of Fiqh within Sunni practice.
Islamic Banking	A banking activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics.
Muslim World	The countries that are members of the (Organization of Islamic Cooperation-OIC).
NPL	Non-Performing finance a counter part of conventional term Non-Performing Loans.
PLS	Profit Loss Sharing (Musharkah/Mudaraba mode of Financing).
Profit Rate	Payments made by Islamic banks on average customer deposits.
Rate	Rate of Return received on advances and rate of profit paid on deposit. Bankscope terminology for both these rate is Interest Rate
Rate Margin	Difference between the rate paid to its customers on their deposits and rate received from its clients on financing provided by an Islamic bank.
Rate of Return	Income received from average advances by Islamic banks- counter part of income on loans per average gross loans in conventional banks.
Sharia	Islamic law.
Tawarruq	A financial instrument in which a buyer purchases a commodity from a seller on a deferred payment basis, and the buyer sells the same commodity to a third party on a spot payment basis. The buyer basically borrows the cash needed to make the initial purchase. Later, when he secures the cash from the second transaction, the buyer pays the original seller the installment or lump sum payment he owes (which is cost plus markup, or murabaha).

ABBREVIATIONS

BIB	Bank of Islamic Banks
DCIBF	Dubai Center for Islamic Banking & Finance
GDP	Gross Domestic Product
HBMSU	Hamdan bin Mohammed Smart University
IDB	Islamic Development Bank
LIBOR	London interbank offered rate
NPL	Non-Performing finance a counterpart of conventional term Non-Performing Loans
NRM	Net Rate Margin
OIC	Organization of the Islamic Conference
PLS	Profit Loss Sharing (Musharkah / Mudaraba mode of Financing)
ROAA	Rate of Return on Average Assets
ROAE	Rates of Return on Average Equity

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EXECUTIVE SUMMARY

TOTAL SALES BY REGION

West
South
North
East
Total

1 236 345,0	Copper
1 896 354,0	Steel
2 569 345,0	Gold
1 893 543,0	Silver
7 595 587,0	Platinum

This report explains how Islamic commercial banking is surviving and growing in competition with the conventional commercial banking in the prevailing financial environment.

The real challenge for Islamic finance, in the contemporary world, is commercial banking which is nationally and globally regulated by a straitjacket system basically designed for the supervision and control of the interest based financial system. This report explains how Islamic commercial banking is surviving and growing in competition with conventional commercial banking in the prevailing financial environment.

This report gives convincing evidence that Islamic commercial banking is not only competing well with other commercial banking but is also excelling in efficiency and stability. The report also discusses the potentiality of rapid expansion and growth in Islamic banking industry. The Islamic commercial banking alone currently has a network of more than 150 commercial banks spread over about 30 countries of the world. This network is holding total assets equivalent to more than US\$1.1 trillion at global level capturing a market share of 15 to 20 percent in almost all aspects of the total commercial banking in countries where Islamic banking exists and formally recognized as a distinct form of commercial banking. The share in operations is close to 20 percent, though the share in income is close to 15 percent. It will not be an overstatement to say that Islamic banks are, in general, more service oriented than profit motivated. Dynamics of Islamic banks in the three-year period of current decade are clearly indicative of the continuing efforts to dominate the scene of commercial banking at global level.

The growth rate of assets in the current Islamic banking system can safely be placed at more than 22 percent per annum. Modestly, taking into account various factors, the upside of the forecast of the growth of Islamic banking globally is projected at the level of 25 percent per annum or above. Thus, it may not be too optimistic to claim that the assets of Islamic commercial banks alone may reach \$5.5 trillion by 2020 and that the share of Islamic banking in the total assets of commercial banking in the 30 countries where Islamic banking already exists thus is likely to reach 20 to 25 percent by 2020. Taking even a conservative approach towards future

growth of Islamic commercial banking, the downside of the forecast on size of Islamic banking by end of current decade can still be placed at \$4 trillion by 2020.

It may be emphasized again that these forecasts are only for Islamic commercial banking. The rest of the Islamic finance may be manifold of the Islamic commercial banking finance.

The supply side of Islamic banking continues to show growth which is reflected in the growth profile of Islamic banks when compared with the growth profile of counterpart commercial banking. There is, however, very little information available on nature and profile of potential demand for Islamic banking by regions, countries and communities. This is a research subject that requires immediate attention.

Besides assessing the current state of Islamic banking, the report highlights some key issues currently faced by Islamic banking.

Seventy eight percent of the increase in assets is currently coming from 20 percent of the banks, each holding a base of \$10 billion or above. Fifty percent of Islamic banks are small banks, operating with an asset base of less than \$1 billion, and contributing less than 2 percent to the total increase in assets of Islamic banking. The small Islamic commercial banks are not growing as much as other small banks. There is a strong feeling among the stakeholders in Islamic banking that fragmentation of Islamic banking movement into many small banks is not in the interest of Islamic banking to make a global impact and that merger or acquisition of small banks is desirable.

But the increasing concentration of top 20 percent of the Islamic banks raises the question whether seeking mergers and acquisitions would be in the interest of horizontal growth and expansion of Islamic banks. Increasing number of small banks can serve the purpose of meeting the need

of a larger community more than larger banks. In many ways it may be worth exploring whether promoting small Islamic banks and integrating them with micro financial institutions would serve cause of Islamic banking better than promoting micro finance as a separate independent sector of Islamic finance and letting small banks merge together or got acquired. This is an issue that needs to be rigorously researched to develop a common strategy for the growth of Islamic finance in the global market.

The marked difference in the ratio of net income to equity between large and small Islamic banks is also a matter of concern with respect to feasibility of small banks. It also requires an assessment of the question whether or not playing field is level for small banks. The report raises the question whether the regulatory environment faced by Islamic banks is as amenable to compliance as it is for larger banks or it is not constraining the growth capacity of small Islamic banks.

Another issue that came under discussion in the report is the capacity of Islamic banks to sustain in the unlikely event of any unexpected run over the banks. The statistics on the liquidity, the ratio of current deposits to total deposits and on the ratio of net loans to deposits, though do not pose any immediate concern yet the statistics do suggest that Islamic banks keep watching these ratios for risk management.

The relatively higher proportion of current deposits in the total deposits in Islamic banking coupled with relatively lower liquidity ratios is something that needs to be studied not only for its implications with respect to efficiency, risk management and stability at bank level but also for its macroeconomic implications with respect to credit creation and fixed capital formation in the economy.

Though the Rate of Return on Average Assets (ROAAs) for Islamic banks is not as stable as they are for other commercial banks, yet they are not an indicator of losing the initial monopolistic advantage. Keeping in view other performance indicators, this may only be a sign that Islamic banks are becoming more and more competitive and efficient. Islamic banks, however, need to be watchful of these ratios in comparison with these ratios in other commercial banks.

Though Islamic banks in general is very well-capitalized yet the fact that Islamic banks' data on capital adequacy is not available for more than 50 percent of Islamic banks most of which are small banks indicates the need of assessing the institutional framework specifically to meet the needs of rapidly growing Islamic commercial banking. Basel III though apparently does not pose any fresh challenge to Islamic banking industry yet there is a need to develop a strong lobby to resist any undue pressure on Islamic banking to face stringent conditions on the pre-text of Basel III requirements.

The comparison of the net interest margin of other commercial banks with corresponding margin in Islamic banks implies that Islamic banks are not as successful in their investment allocations (in relation to their liabilities) as other commercial banks. Islamic banks, however, are still able to make investment decisions to sustain their profitability as well their financial stability and sustainability as going concerns.

Institutional framework within which Islamic banks are currently operating is the framework designed for the promotion and protection of interest based financial system. This system discriminates against any alternate financial system. Appropriate institutional framework (including regulatory and supervisory mechanism) is what the Islamic banking system needs in order to develop its own distinctive business model. This is an issue that requires attention of academicians as well as bankers and other stakeholders. One important institution that can provide effective support to the expansion of network of Islamic banks is what we may call "Bank of Islamic Banks" (BIB). This would be an institution which would not only provide technical assistance for the establishment of Islamic banks, but will also lobby with the policy makers on behalf of Islamic banks and stand ready to help if an Islamic bank in its initial phase of establishment needs financial support and protection (the infant industry argument) or needs help in situation of an expected crisis. If the Islamic Development Bank cannot take up this responsibility, then an initiative needs to be taken by a group of Muslim countries to mobilize resources for establishing a Bank of Islamic Banks.

Human resource requirement is a priority area for DCIBF. The current state of Islamic banks and its future prospects reiterates the significance of meeting the human resource needs that can help Islamic banking finds its distinct destination.

The academicians and stakeholders often wonder how to evaluate achievements of Islamic banking. Islamic banks need an alternate database to help the academicians and practitioners analyze the performance and other dimensions of the Islamic banks in their own perspective. The need for a database specifically addressed to the nature and philosophy of Islamic banking can hardly be overemphasized.

CHAPTER ONE

CURRENT STATUS OF ISLAMIC BANKS

1.1 Coverage

1.2 Current State in Brief

1.3 Key Parameters

1.4 Current Size of Islamic bank

1.1 Coverage

The size and growth of Islamic banks and their efficiency and stability in the countries with the dual system are points of interest for this report for the purpose of drawing conclusions on the future growth of Islamic banking. However, for the purpose of getting a global picture on growth and assets, the countries where whole banking system is claimed to be Islamic have also been included in this report.

Furthermore, the focus of this Report is on full-fledged Islamic banking institutions. There is a substantial Islamic banking activity carried out by conventional banks through their so-called Islamic windows. Such banking institutions have been excluded from this Report for a simple reason that the growth and stability of Islamic banking activities in such institutions follow the growth and stability of the conventional part of such institutions. Mixing Islamic banking activities of such institutions with full-fledged Islamic banking activities may distort the conclusions on growth, efficiency and stability.

The banks in this report are those for which information is available in a standardized format from a sufficiently authentic source and hence makes the comparison of size and growth robust and reliable. These banks are commercial banks, deposit-taking institutions, and mostly controlled by regulatory authorities like any other commercial banks. These banks are distinguished from other commercial banks only on the ground that they operate on the basis of Islamic rules for financial dealing and not on the basis of interest. Some banks listed in some databases as Islamic banks have been excluded because they were obviously not commercial banks or deposit taking institutions. Thus institutions like development banks, holding companies etc. were not included in the analysis. This report, therefore, refers to "Islamic banks" and "other commercial banks" for the purpose of comparison.

It may be claimed in some circles that there are more Islamic banks in countries other than discussed in this report. This will depend on how the 'Islamic banks, are defined. This Report would not dispute the other claims and will stick to the definition and data source that has been selected for this report for the purpose of consistency of facts and figures. In order to ensure statistical regularity and similarity and maintain analytical harmony of inter-country and inter-bank analysis, the source of all statistical analysis is the Bankscope data (July 2014). All tables in the report have been generated from Bankscope data only.

Some minor variations may be witnessed in statistical values in different tables. This is due to exclusion of certain banks from the particular calculations because of absence of one or more values for some years for which calculations are being made. These variations are neither significant nor they affect the conclusions substantially.











This report covers the analysis at aggregate level, globally, country wise, and by size. Analysis at individual country level or at individual bank level has been left for separate reports from DCIBF.

1.2 Current State in Brief

The market share of Islamic commercial banking is about 15 to 20 percent in almost all aspects of the total commercial banking in countries where Islamic banking exists and formally recognized as a distinct form of commercial banking. The share in operations is close to 20 percent but share in income is close to 15 percent.

TABLE 1.1

Table 1.1 Islamic Banking at Goba Level in Comparison With Competing Commercial Banking Fundamental Financial Values (billion Dollars)

Main Elements Col. 1	Islamic Commercial Banks at Global Level Col. 2	Other Commercial Banks in Countries Where Islamic Banks exist Col. 3	Total (Islamic and other Commercial Banks) [Col. 2+Col. 3] Col. 4	Col. 2 As % of Col. 4
 No. of Banks	150	473	623	24.0
 Total Assets	1127	4966	6093	18.5
 Equity	126	532	658	19.1
 Net Income	12.7	68.9	81.6	15.6
 Gross value of Financing (Advances)	703	2905	3608	19.5
 Customer Deposits & Short Term Funding	902	3950	4852	18.6
 Total Customer's Deposits	737	3428	4165	17.7
 Income from Financing (Advances)	41.7	150.6	179.1	15.9
 Payments on Deposits & Other Financial Obligations	24.8	103.1	127.9	19.4
 Personal Expenses	7.9	41.4	49.3	16.0

Source: Calculations from Bankscope data

1.3 Key Parameters

The parameters of Islamic banking are more or less comparable with the parameters of other commercial banking. Though parameters of efficiency (such as net income to equity, net income to assets and equity of total assets) are at a little lower level compared to those of other commercial banks giving competition to Islamic banks, yet the parameters of operations (such as ratio of financing to deposits, income from gross financing to gross financing and payments on deposits) are at a higher level than those of other commercial banks. See Table 1.2.

Based on the figures of Tables 1.1 and 1.2, it will not be an overstatement to say that Islamic banks are in general, more service oriented than profit motivated.

Short-Run Dynamics

The dynamics of Islamic banking in the first three-year period of this decade, in comparison to those of other commercial banking are shown in Table 1.3.

Dynamics of Islamic banks in the three-year period are indicative of the continuing efforts to dominate the scene of commercial banking at global level.

Table 1.2 Islamic Banking at Global Level in Comparison With Competing Commercial Banking Key Rates and Ratios (%)

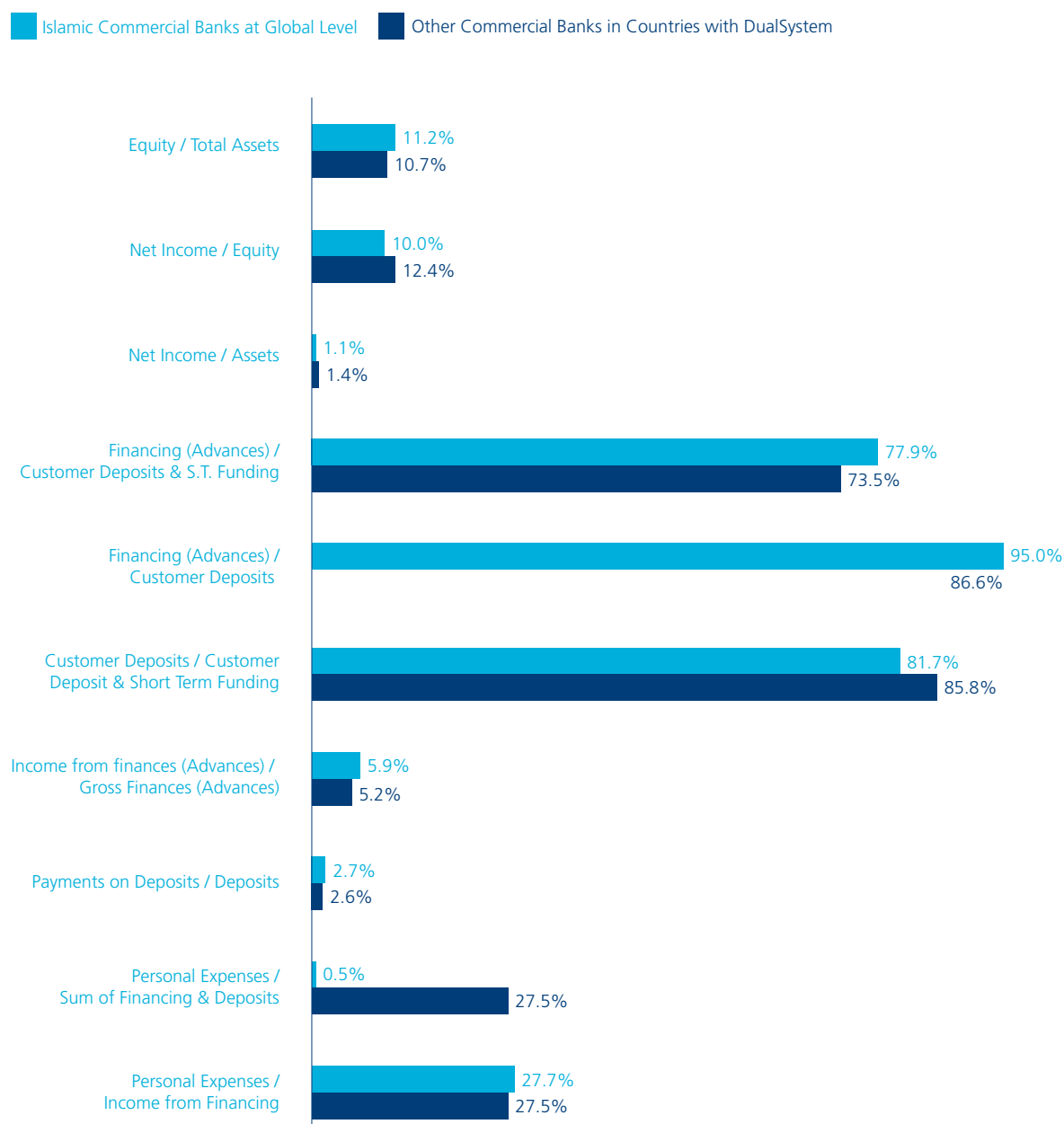
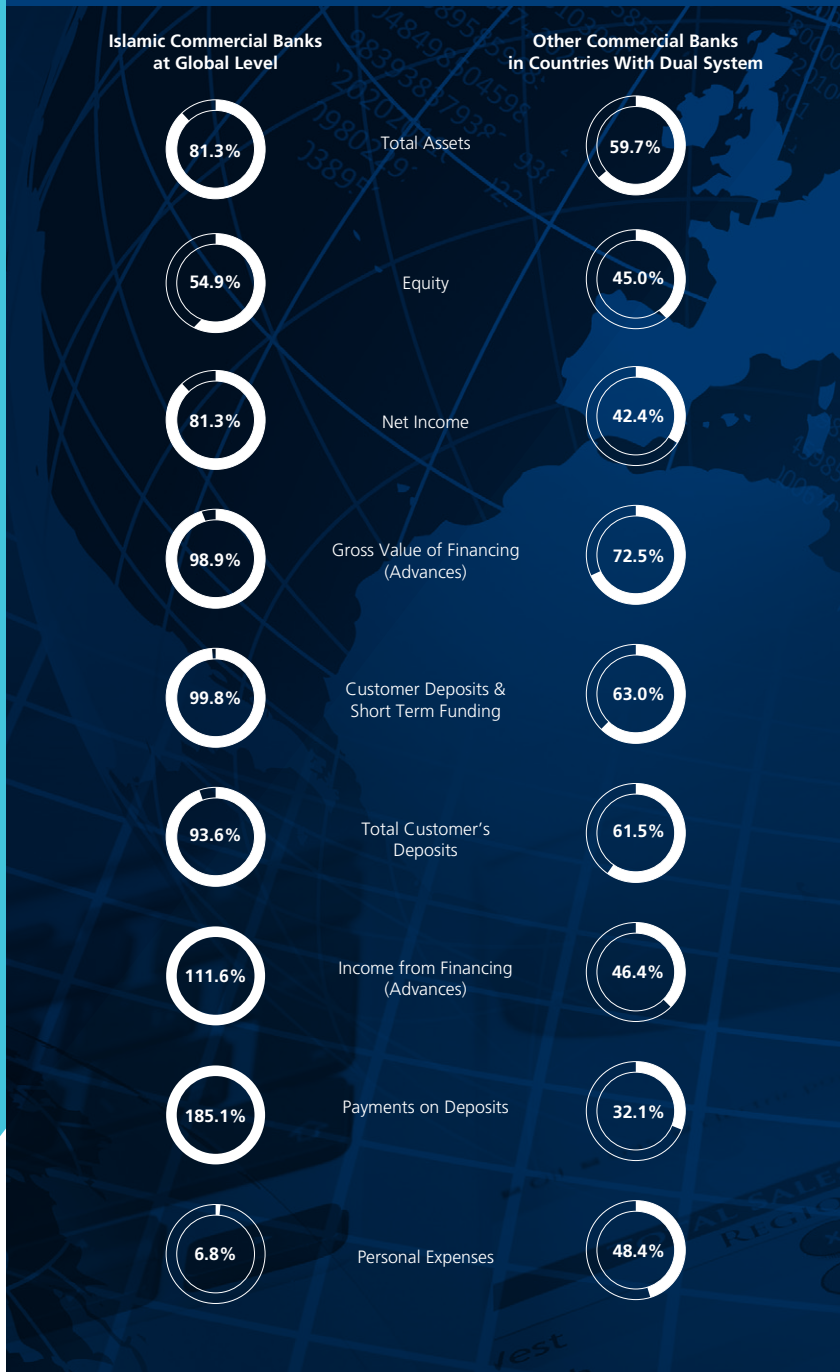


Table 1.3 Islamic Banking at Gobar Level in Comparison With Competing Commercial Banking % Growth in Fundamental Values During Last 3-year Period

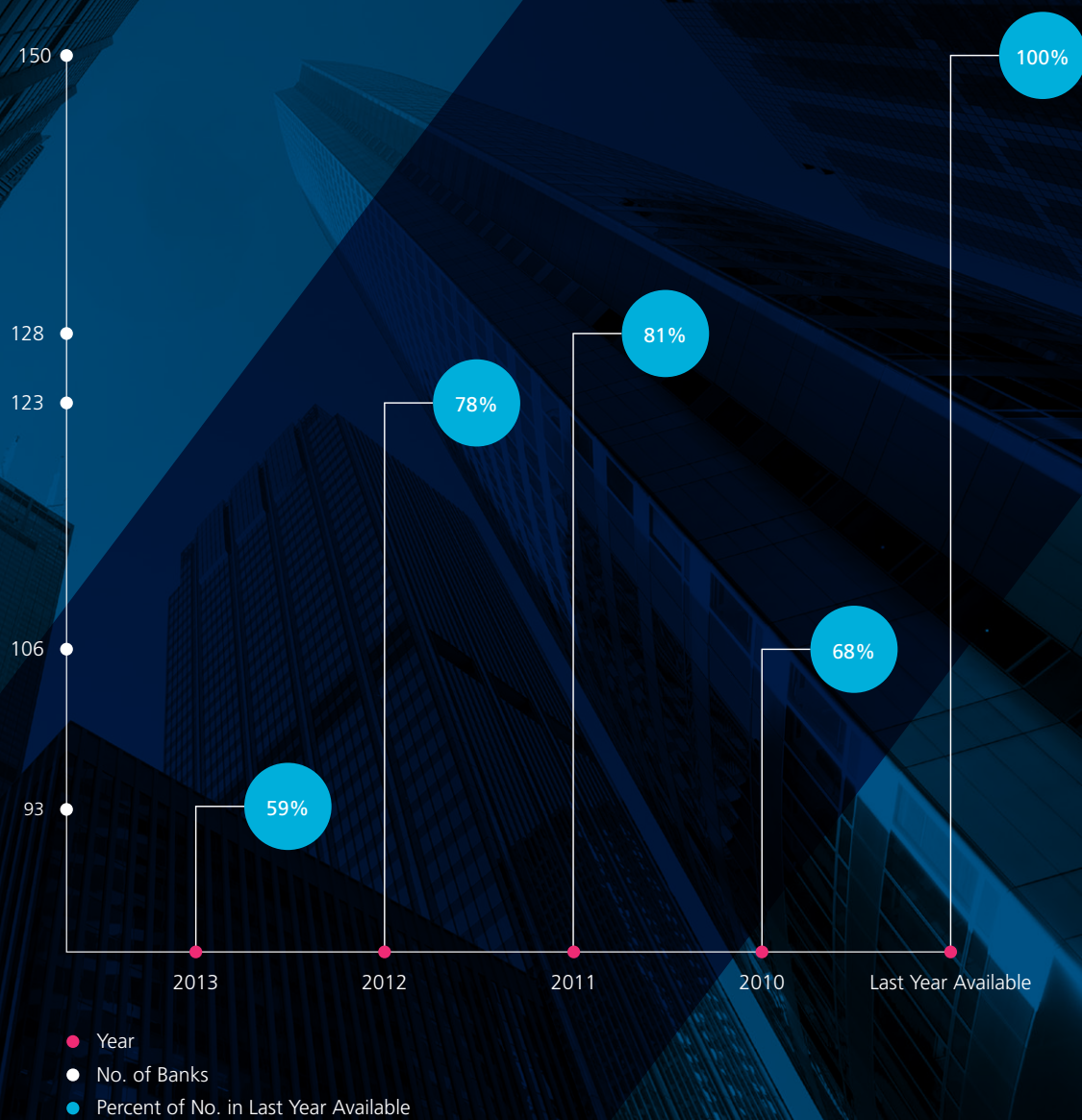


1.4 Current Size of Islamic Banking

No bank has yet reported its total assets figures for 2014. The following table shows the number of Islamic banks that reported the size of their assets during 2010 - 2013.

It will therefore not be possible to get exact figure of total assets of Islamic banking at global level even for 2013. The best figure close to exact figure would be the total assets of Islamic banks for last available year.


Table 1.4 No. of Islamic Banks Reporting Total Assets



On this basis the total assets of 150 Islamic banks stand at US \$1130 billion.

There are several reports in the market giving figures on the size of Islamic finance often wrongly referred to as size of Islamic banking*. This report focuses on Islamic commercial banking which in fact is the real challenge faced by Islamic finance. The institutions like Islamic Development Bank, finance companies, specialized financial institutions are not included in 'Islamic banking' in this report because they have work with modalities different from those of commercial banks and do not face the same challenge that Islamic commercial banking faces in national and global financial system. This report also does not include the Islamic windows of conventional commercial banks for simple reason that these windows will be reflecting the growth, performance and stability features of their parent body rather than of institutions recognized as full-fledged Islamic banks. Size of Islamic banking in this report is the global size of full-fledged Islamic commercial banking activities, which is only a subset of the size of 'Islamic finance' that includes institutions beyond commercial banks. The figures on size of Islamic banking in this report, therefore, may not be confused with the other figures floating in the market which are essentially the figures referring to some undefined (Islamic finance) market.

Table 1.6 No. of Islamic Banks Competing in Dual System

 Banks With Assets	Last Available Year	Year 3
> \$ 10 Billion	19	9
Between \$1-10 Bllion	49	36
< \$1 Billion	60	44
Total	128	89


* The figures on size of Islamic banking in this report may not be confused with the other figures floating in the market which are essentially the figures referring to some undefined 'Islamic finance' rather than to specific Islamic commercial banking market. Size of Islamic banking in this report is the global size of full-fledged Islamic commercial banking.

The Economist is referring to a \$2 Trillion Islamic Finance Market that includes Sukuk, Takaful, Islamic windows and Islamic investment funds. http://www.economist.com/blogs/economist-explains/2014/10/economist-explains-0?src=email_to_a_friend. That full-fledged Islamic commercial banking will be 50 percent of 'Islamic finance' will not be unreasonable assumption. <http://www.economist.com/news/finance-and-economics/21617014-market-islamic-financial-products-growing-fast-big-interest-no-interest>.

Earnest and Young figures refer to Islamic commercial banking and give a figure of \$1.7 trillion but it includes Islamic windows of commercial banks. Precise proportion of Islamic windows in total Islamic banking is not known at global level. From the figures of some individual countries like Pakistan, Malaysia, Saudi Arabia this proportion may be any where between 30-50 percent of full-fledged Islamic banking.

The Islamic Financial Services Stability Report of IFSB gives a figure of \$1.6 trillion of Islamic financial services industry that includes even micro finance but does not give a breakdown to identify the size of full fledged Islamic commercial banking [http://www.ifsb.org/docs/IFSB%20-%20IFS%20Stability%20Report%202013%20\(Final\).pdf](http://www.ifsb.org/docs/IFSB%20-%20IFS%20Stability%20Report%202013%20(Final).pdf).

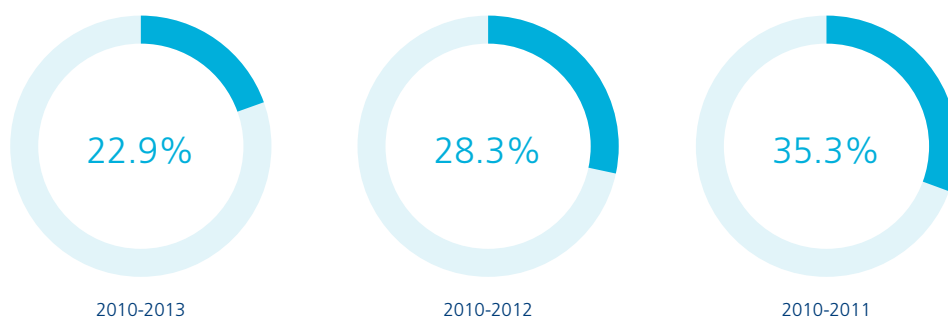
Table 1.5 No. of Islamic Banks

 Banks With Assets	Last Available Year	Year 3
> \$ 10 billion	31	16
Between \$3-10 Billion	27	24
Between \$1-3 Billion	28	21
< \$1 Billion	64	53
Total	150	114

These are not the assets of the entire Islamic finance industry all over the world. It does not include the assets relating to the Islamic windows of the commercial banks not claiming to be Islamic banks. This also does not include the banks which are Islamic but are not commercial banks. There are a large number of investment banks, development banks, and specialized finance institutions, finance companies etc. that conduct their business on Islamic principles of finance. These institutions are holding large amounts of assets. This report, however, excludes them and focuses only on deposit taking commercial banks operating on Islamic basis.

The number of Islamic banks reported in the database increased to 150 according to last available year's information. The number was 106 three years earlier. It can be said that 44 new banks were added to the industry of Islamic banking during the three years of this decade-the 2010-2013 period. The increase was at 38 percent.

The number of other commercial banks in countries where Islamic banks faced substantial competition showed an increase of 29 percent.

Table 1.7 Growth Profile of 50% of Islamic Banks Reporting Assets of 2013

Not all these Islamic banks were competing with other commercial banks. Only about 80 percent of all Islamic banks faced competition with other commercial banks while co-existing with them under the same umbrella of regulations and supervision. The following table shows the number of banks in countries that have dual system of Islamic banking and commercial banking existing together.

Fifty percent of Islamic banks in dual system are small banks, operating with an asset base of less than \$ 1 billion. This percentage is 36 percent in case of other commercial banks.

Current Scenario of Growth in Islamic Banking

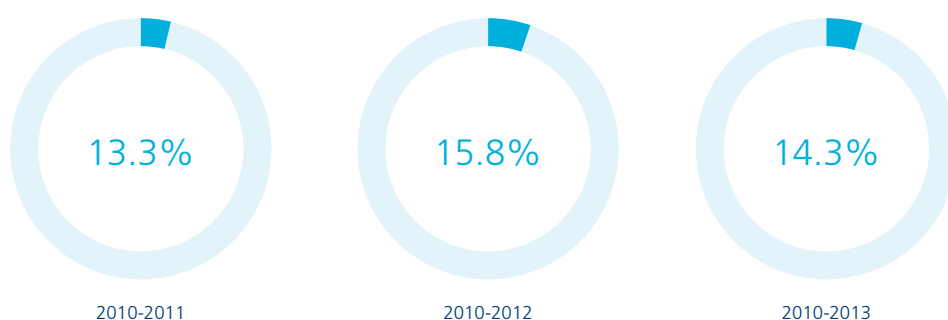
The figures of total assets on last available year bases, when compared with same figures of 3 years' earlier, show that Islamic banks recorded an annual growth rate of 22 percent in their assets worldwide.

The last available figures on assets, in fact, reflect the asset position in 2012/2013 because of lag in reporting the figures. This is not expected to create a significant bias in estimating the growth during last three-year period, namely 2010-2013. Therefore, it may only have underestimated the annual growth rate during last three year period, because

the two-year increase in the assets of some institutions got converted into annual growth rate as three-year increase. It was estimated that last available year's figures on total assets reported by Bankscope in July 2014 contained only 50 percent of the Islamic banking institutions reporting (\$594 billion or 53 percent) of assets for 2013. The rest of the 47 percent banks reported assets for 2012 or earlier as their last year's available figure. Back tracking the growth profile of those banks whose assets figures were available for 2013 gives supporting evidence for the current rate of growth mentioned above. The following table shows the growth profile of those banks whose figures on total assets were available for 2013.

Table 1.8 confirms the assertion made above that the latest annual growth rate of 22 percent for all Islamic banks calculated on the basis of latest available figures on total assets is most likely an understatement of the growth rate. The current growth rate of assets in Islamic banking therefore can safely be placed at more than 22 percent per annum.

Forward tracking the growth of the Islamic banks that existed in 2010 can reveal a further insight into the growth profile of Islamic banks. Assuming that the banks that reported assets in 2013 but reported 'not available' for 2010 most probably did not exist in 2010, there were 24 such banks. The growth profile of remaining 60 banks, that existed in 2010 and reported data for 2013 as well, recorded an annual growth rate of 13 percent per annum.

Table 1.8 Forward Track of Growth Profile of Islamic Banks that existed in 2010

From the figures of Tables 1.7 and 1.8 it is implied that main source of growth in Islamic banking assets is from the new entry of Islamic banks. The banks established some years earlier use their low base advantage in the calculation of growth. A substantial part of the growth of 22 percent per annum is therefore contributed by the emergence of new Islamic banks.

Most of the increase in assets, in absolute terms came from the Islamic banks having assets of \$ 10 billion or more. These banks contributed \$392 billion during 2010-2013 to the total assets of Islamic banking.

Table 1.9 Size and Growth of Islamic Banks

Banks With Current Assets Size	Total Assets (\$ billion 2013)	Total Assets (\$ billion 2010)	Total Assets (\$ billion)	Annual Growth rate of Assets (%)
> \$ 10 billion	888.4	496.4	391.8	21.4
Between \$1-10 billion	215.1	110.5	104.6	24.9
< \$1 billion	23.5	14.8	8.7	16.5
All Banks	1127.0	621.7	505.1	21.9

Seventy eight percent of the additions to total assets came from large Islamic banks having assets more than \$10 billion. The Islamic banks operating with less than \$1 billion contributed less than 2 percent to the total increase in assets of Islamic banking. The annual growth rate of these banks was 16.5 percent significantly lower than the annual growth rate of assets in Islamic banks operating with an asset size of \$1 billion or more.

Are small Islamic banks finding it difficult to compete with their big brothers? Don't they have more potential to grow? Is it merely the issue of economies of scale or playing field is not properly leveled to give them a fair chance to grow? These are the questions that need to be addressed by the stakeholders in Islamic banking.

There is a strong feeling among the stakeholder in Islamic banking that breakup of Islamic banking movement into many too small banks is not in the interest of Islamic banking to make a global impact. The mergers of small banks are, therefore, considered desirable. On the other hand emergence of small banks is providing much more enhanced access to the potential clients of Islamic banks and hence small banks may be meeting the need of a larger community than larger banks. This is an issue that needs to be precisely researched to develop a common strategy for the growth of Islamic banking in the global market.

The part of Islamic banking that is competing with other commercial banking at national level as well as at global level showed an annual growth of 23 percent in its assets during the first three years of this decade. Most of this growth came from large Islamic banks in 7 countries. Out of the total increase of US\$ 299 billion in the assets that was recorded during 2010-2013, US\$ 198 billion or (66 percent) of total increase was contributed by banks that currently have assets size above \$ 10 billion each) in Malaysia, Saudi Arabia, UAE, Kuwait, Qatar, Turkey and Bahrain. The Islamic banks with assets size

between \$1 billion to \$10 billion contributed \$32 billion (or 31 percent) to the increase in assets of Islamic banking. The 63 small banks (with less than \$1 billion) contributed merely \$ 8.7 billion (3 percent) to this increase.

The figures in Tables 1.7 and 1.8 show that the growth rate figures are robust and it does not matter much whether or not Islamic banks are competing with other commercial banks in their respective countries.

Concentration of Assets in Islamic banking

The current assets of Islamic banks are highly concentrated. Top 20 percent of Islamic banks (31 Islamic banks with assets of \$10 billion and above) have 78 percent of the global assets in Islamic banking, while bottom 40 percent of the banks (63 banks with assets less than \$1 billion) hold only 5 percent of the assets in global Islamic banking. Islamic banks in the middle (with assets between \$1-10 billion), which are 53 banks of all the Islamic banks shared 18 percent of Islamic banking assets.

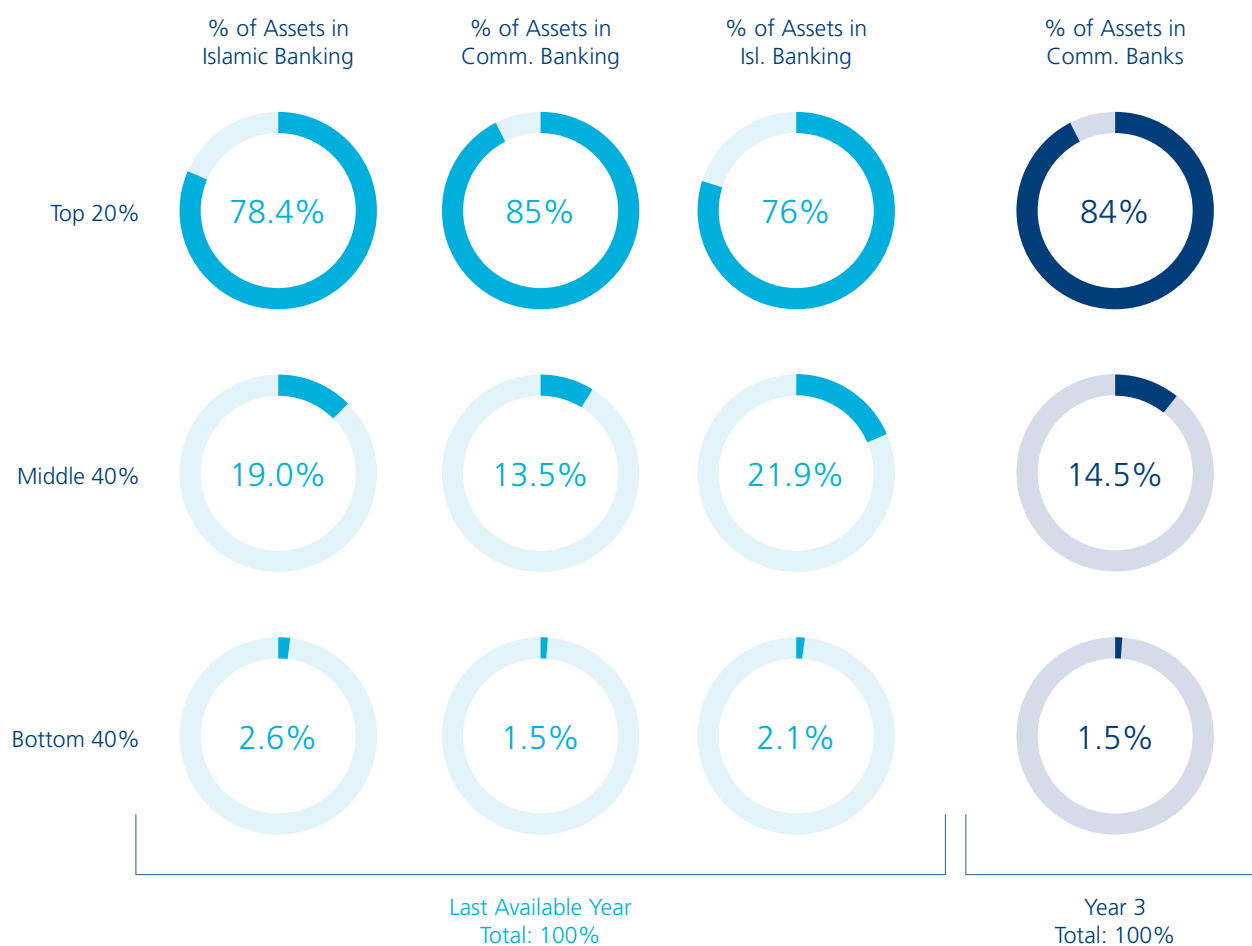
For the countries, where Islamic banks included in this report operate in a dual system of banking, the assets of Islamic banks form 22.6 percent of the total assets of all commercial banking operations in these countries. This percentage was 20 percent in 2010. Top 20 percent of Islamic banks were holding 62 percent of the total assets in Islamic banking whereas top 20 percent of other commercial banks controlled about 85 percent of the total assets in the commercial banking industry in the countries where Islamic commercial banking co-exists substantially.

The bottom 40 percent banks in these countries shared only 1.5 percent of the assets in the conventional banking

Table 1.10 Size and Growth of Islamic Banks Operating in Countries with Dual System of Banking

Banks With Current Assets Size	Total Assets (\$ billion 2013)	Total Assets (\$ billion 2010)	Total Assets (\$ billion)	Annual Growth rate of Assets (%)
> \$ 10 billion	434.0	235.8	198.3	22.5
Between \$1-10 billion	160.1	75.2	85.9	28.6
< \$1 billion	23.5	14.8	8.7	16.5
All Banks	617.6	325.8	291.8	23.8

Table 1.11 Concentration of Assets in Islamic Banks and Other Commercial Banks



industry whereas bottom 40 percent of Islamic banks shared 2.6 percent of total assets in Islamic banking.

The concentration of assets in Islamic banking is far less than the concentration of assets in other commercial banks in the concerned countries.

Islamic banks showed a little increase in concentration of assets in top 20 percent of Islamic banks while other commercial banks are showing substantial decline in the concentration of assets in top 20 percent banks. **The increase in the concentration of top 20 percent Islamic banks, though small, again raises the question whether seeking an increase in the size is in the interest of growth and efficiency of Islamic banks. This reemphasizes the need to study the issue at length in order to develop a collective strategy of growth and competition with other commercial banks.**

Large Islamic banks were holding relatively lesser power in the Islamic banking industry than the power that large conventional banks enjoyed in the commercial banking industry. But small Islamic banks (bottom 40 percent) still shared very little proportion of the assets (less than 3 percent). This was, however, much better than the share of bottom 40 percent in other commercial banking, which was only 1.5 percent. This raises another question of strategic importance. Do small banks have a level playing field to allow them exploit their potential for growth? Is the regulatory environment faced by Islamic banks is as easy for them to comply as it is for larger banks? Are the supervisory and regulatory controls putting constraints on the growth capacity of small Islamic banks? In the same countries where large and medium sized Islamic banks grew at 10 percent, and 9 percent, small Islamic banks recorded a growth of 18.5 percent in their assets. Small commercial (not-Islamic) banks in the same countries also showed high growth rate of 11 percent in their assets which was much better than their counterpart large and medium sized banks, which grew only by 2.3 percent and 6 respectively. **It may be useful to assess the impact of regulatory environment on the growth and performance of small Islamic banks.**

The small banks are showing better performance than large and medium sized banks. But as reflected from the growth figures, the small banks that are not Islamic have much better opportunities to grow than the small banks which claim to be Islamic.

This phenomenon may be the result of uneven playing field for small Islamic banks when competing with small commercial banks, which are not Islamic.

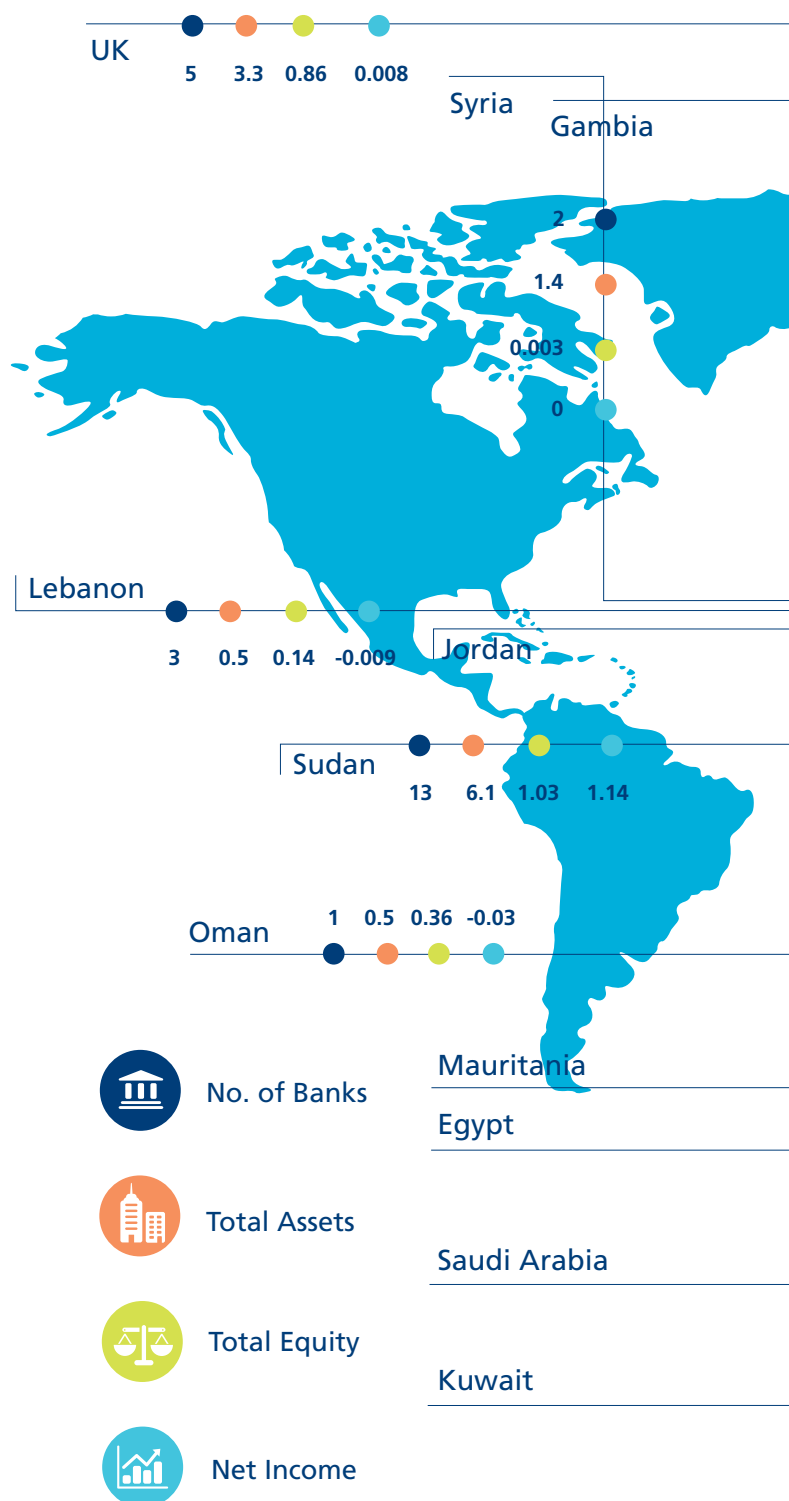
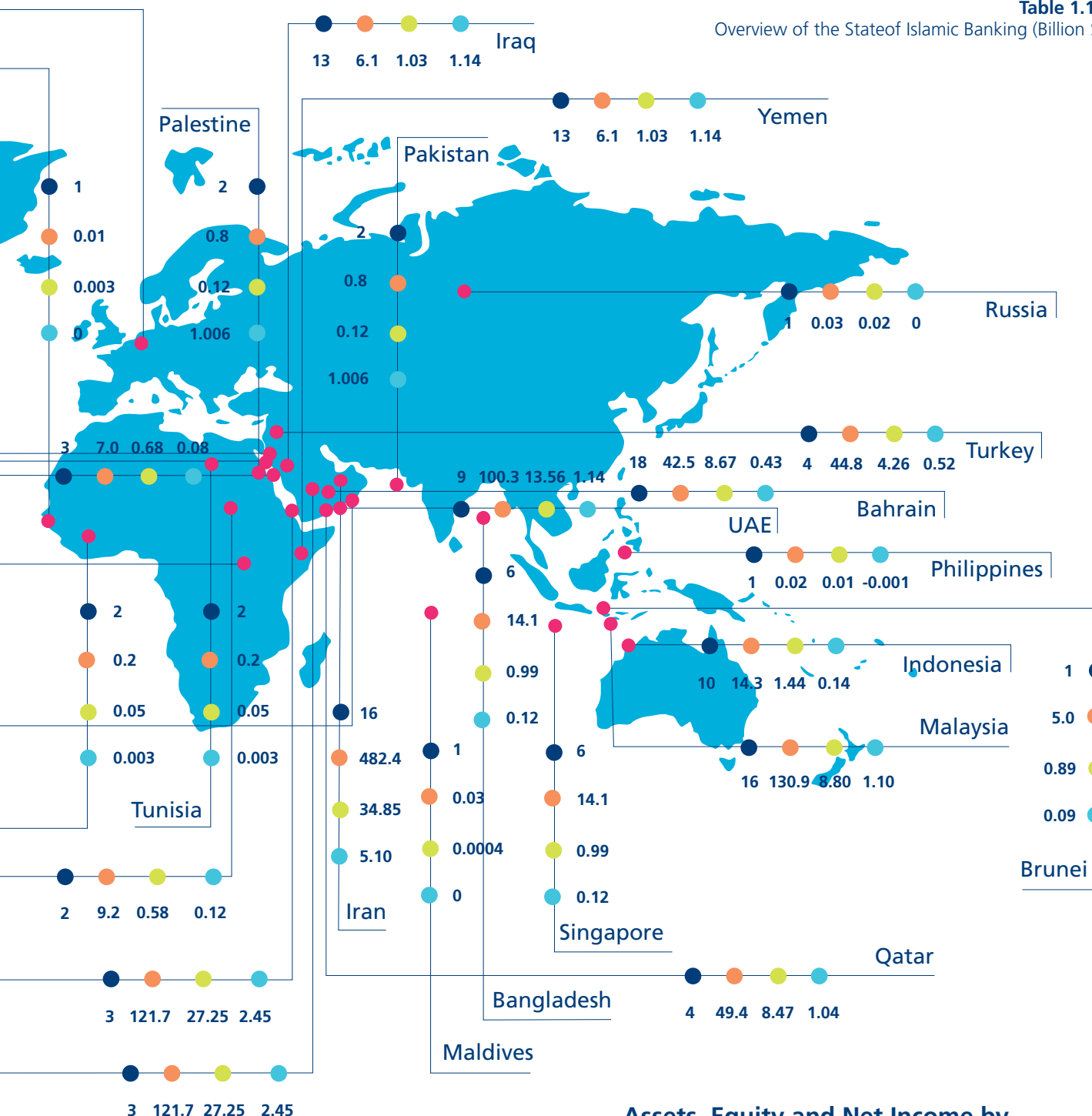


Table 1.12

Overview of the State of Islamic Banking (Billion \$)



Assets, Equity and Net Income by Countries and Regions

About 94 percent of the assets of Islamic banking belonged to 8 countries; namely, Iran, Kuwait, Qatar, Malaysia, Saudi Arabia, UAE, Turkey and Bahrain. If we include Indonesia, Bangladesh, and Egypt then these 11 countries share more than 96 percent of the total assets of Islamic (commercial) banking industry. Of the total equity of all Islamic banks 94 percent came from the 11 countries mentioned above. The assets, equity and net income of Islamic banks in different countries are shown in Table 1.12

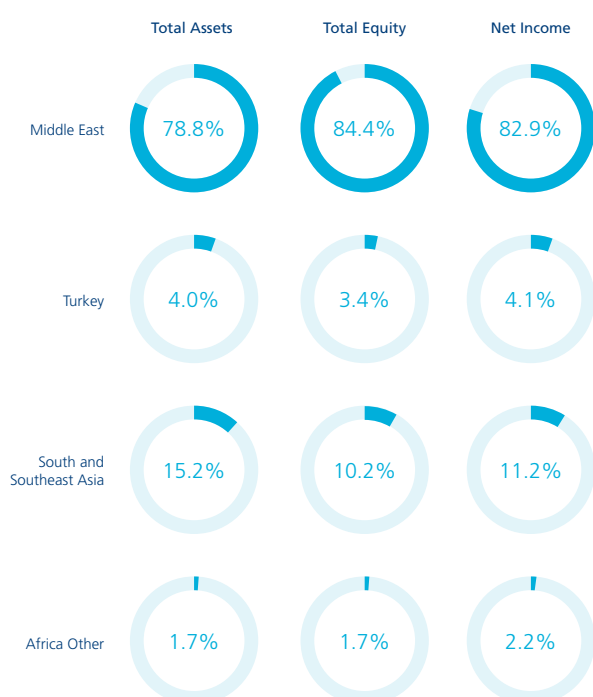
Regional distribution of assets, equity and net income of Islamic banks is summarized in Table 1.13.

Table 1.13 State of Islamic Banking By Regions			
	Total Assets Billion \$	Total Equity Billion \$	Net Income Billion \$
Middle East Including Iran	888.1	105.6	10.25
Iran	482.4	34.9	5.1
Saudi Arabia	121.7	27.25	2.45
Kuwait	78.7	17.8	0.006
UAE	100.3	13.56	1.14
Bahrain	42.5	8.67	0.42
Qatar	49.4	8.67	0.42
South and Southeast Asia	171.0	12.8	1.5
Malaysia	130.9	8.8	1.1
Indonesia	14.3	1.1	0.14
Bangladesh	14.1	0.9	0.12
Pakistan	6.2	0.49	0.04
Africa	19.5	2.14	0.28
Sudan	6.2	0.8	0.16
Egypt	9.2	0.6	0.12
Tunis	0.76	0.96	0.07
Gambia	0.02	0.003	0
Other			
UK	3.1	0.83	0
Turkey	44.8	4.3	0.52

Assets of Islamic banking are consistently growing in the Middle East region as a whole, with growth generally above 10 percent. Kuwait and UAE were the exception in the Middle East showing growth in assets less than 10 percent. Growth of assets in Asia has generally been higher than in the Middle East. The Islamic banks in South and Southeast Asia recorded more than 15 percent growth in the assets of their Islamic banks.

The following table compares regional shares in assets, equity and net income of Islamic banking industry.

Table 1.14 Regional Share in Assets, Equity and Income (%)



The net income generated by worldwide Islamic banking was US\$11 billion, giving a rate of return of 9% on the equity during 2013. The rate of return on equity for counterpart banks in same countries on the average was 6.2 percent. Iranian banks contributed 40 percent income to the total income in Islamic banking. Among all countries where Islamic banking exists, Iran thus has the largest share in the income generated by Islamic banking. Saudi Arabia with 22 percent was the second largest contributor to the total income of Islamic banks.

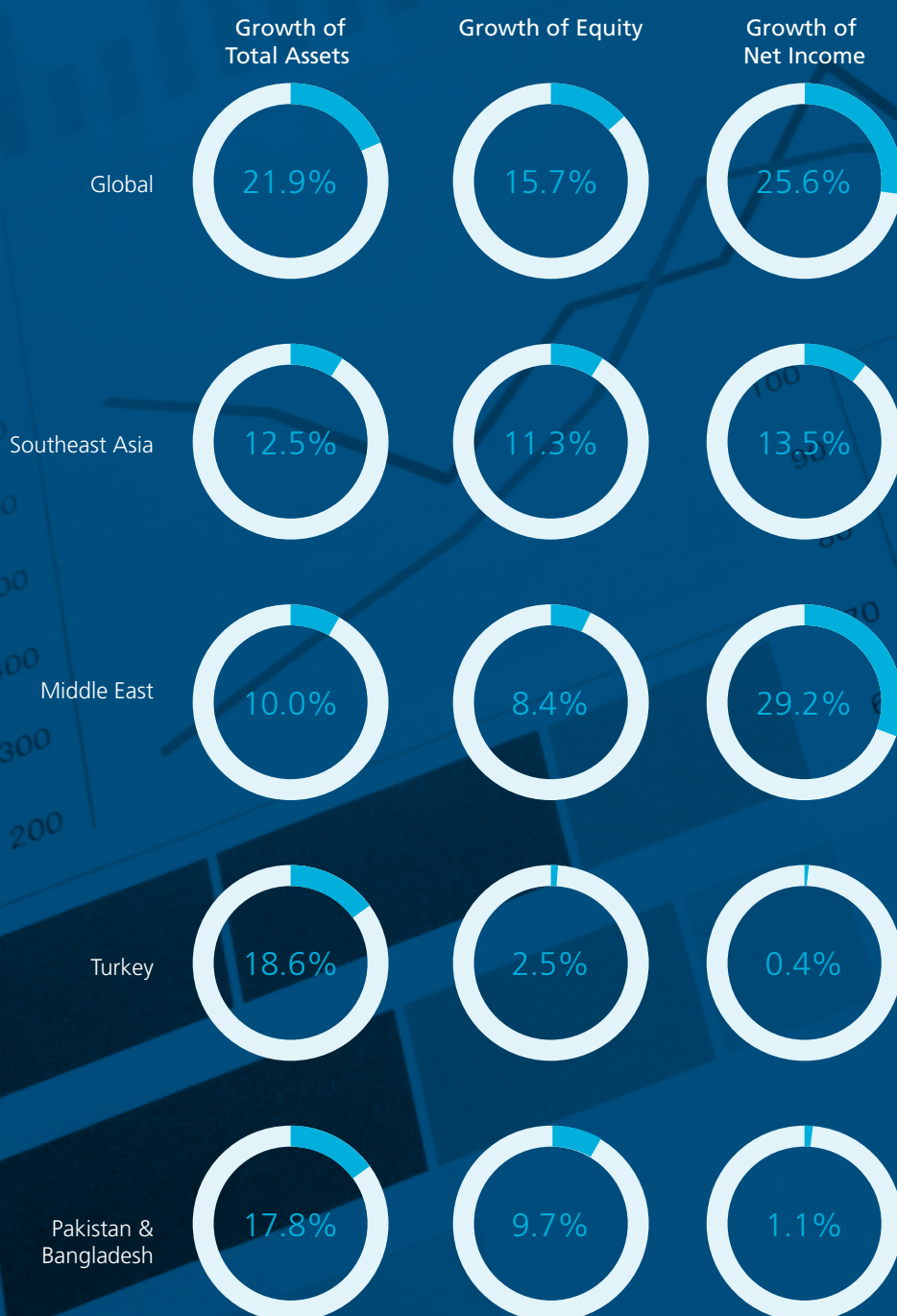
The growth rates of assets in Islamic banking were higher than the growth rates of equity.

While growth rates of assets and equity were lower in the Middle East than in South and Southeast Asia, the net income in the Middle East was substantially higher than in other countries. The net income in Islamic banks in the Middle East dominated the global growth in the net income in Islamic banking sector.


Growth of total assets of Islamic banks as a whole was substantially higher than the growth of assets in commercial banking. The assets of all Islamic banks grew by 11.5 percent during 2013 whereas the assets in the counterpart banking in the same countries declined by 1.1 percent. Likewise, the growth in equity investment in Islamic banking that was 8.5% during 2013, was substantially higher than equity investment in counterpart commercial banking that grew by only 2.3 percent.

The supply side of Islamic banking continues to show growth higher than the growth of counterpart commercial banking. Interest of investors in Islamic banking continues to grow.

Table 1.15 Annual Growth Rates (%) of Total Assets, Equity and Net Income. Islamic Banks 20, 10, 2013







CHAPTER TWO

PERFORMANCE INDICATORS

TOTAL SALES BY REGION			
REGION	SALES	UNIT	COMMODITY
West	1 236 345,0	€	Copper
South	1 896 354,0	€	Steel
North	2 569 345,0	€	Gold
East	1 893 543,0	€	Silver
Total	7 595 587,0	€	Platinum

2.1 Core Business

2.2 Income and Expenditure on core Business

2.3 Equity/Asset Ratio

2.4 Net Income/Equity

2.5 ROAA and ROAE

2.6 Net Rate Margin

2.7 Cost/Income Ratio

2.1 Core Banking Business

The core business of Islamic banks, like conventional banks, is to take deposits and advance financing. The customers deposits and gross financing therefore should be the primary indicators of the growth performance of Islamic banks.

The gross financing made by Islamic commercial banks all over the world amounted to US\$ 706 billion whereas the total customer deposits of all Islamic banks amounted to US\$ 740 billion according to the statistics for last available year. The ratio of gross financing to total customer deposits, on the average is 95 percent. For the counterpart commercial banks (not operating on Islamic basis) this ratio was 97.7 percent.

One unique feature of Islamic banking philosophy is that customers have to take the risk of sharing loss that bank may incur on investing their funds, if they want to earn any return on their deposits. In principle, the bank does not guarantee their deposits. This is unlike the counterpart commercial banking where the deposits as well as a certain fixed return are guaranteed on customer deposits. If Islamic banks are still able to attract deposits and if these deposits are increasing despite tough competition from the long established counterpart commercial banks then it is a clear reflection that Islamic banking is meeting the needs of their customers and serving their customers well in safe keeping their deposits and earning for them a competitive return on their deposits.

Growth in customer deposits of Islamic banks is one indicator of the success of Islamic banking business and is also reflective of confidence of the customers in the Islamic banking concept. Total customer deposits of Islamic banks grew by 24 percent whereas the deposits in the conventional counterpart of commercial banking recorded a growth rate of 9 percent during last 3-year period. This relatively high growth in deposits in Islamic banks is vote of confidence of depositors to Islamic banking. This relatively high growth may be partly due to the creation of new deposits from the customers who did not like

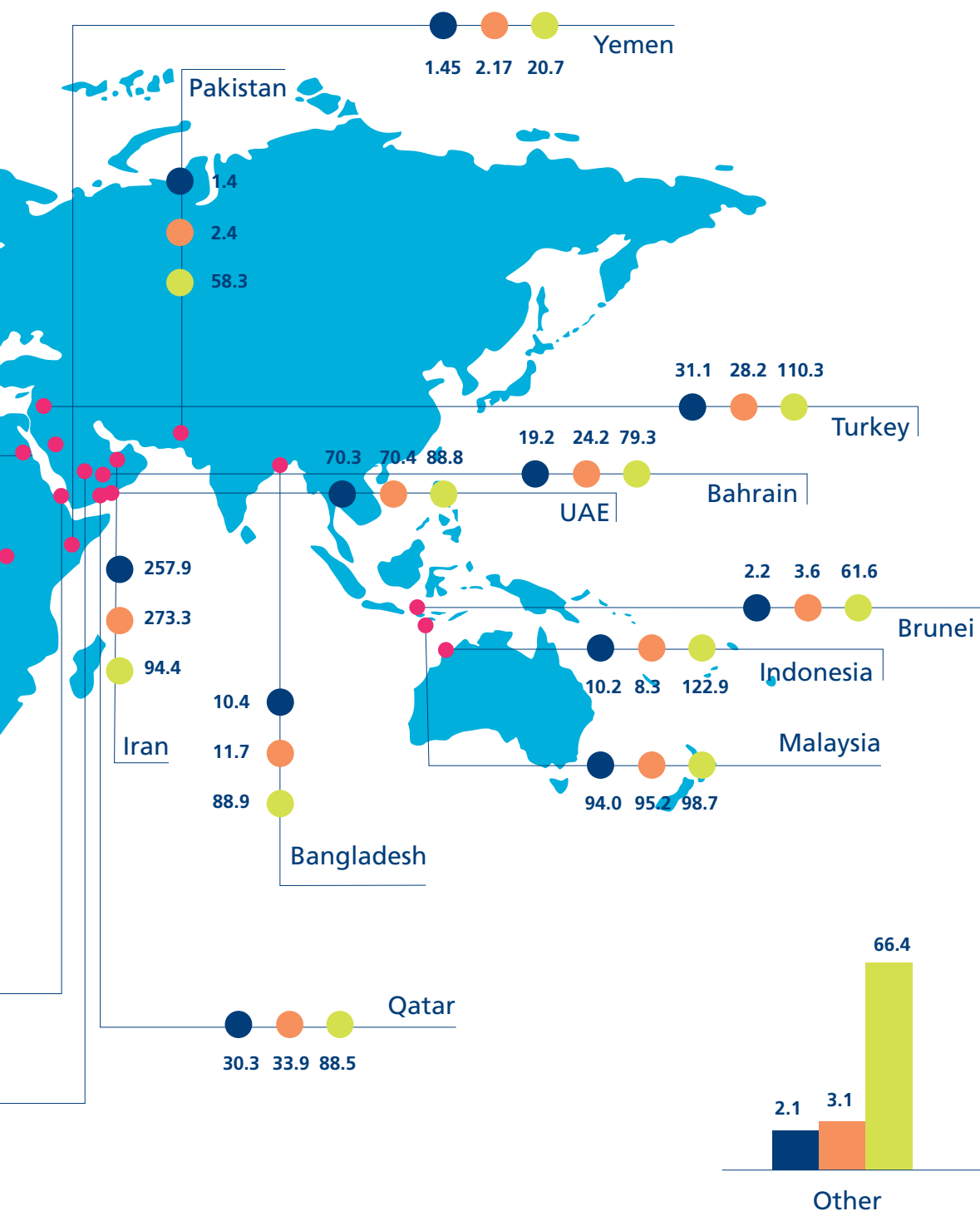
to deal with the interest based banking institutions and partly due to the switching of accounts holders in conventional financial institutions to the Islamic banking institutions. It is long awaited research that could identify how much Islamic banking creating new deposits and hence is proving to be more inclusive and how much it is diverting the existing customers of conventional banking to the Islamic banking and hence proving its qualifications in competing with other commercial banking.

Financing from Islamic banks also did not lag behind. The total financing from Islamic banks also grew by 26 percent per annum during last three-year period. This is despite the general impression that Islamic banks are short of products to meet the needs of their clients on assets side. Popularity of Islamic banks on liabilities as well as assets side is still growing. The gross loans from other commercial banks grew at the rate of 20 percent per annum but the difference is not as much as was mentioned in case of customer deposits. The relatively higher difference in the case of the growth in the deposits of Islamic banks compared to the relative growth in financing/lending¹ is likely to be reflective of the fact that switching or diversion effect is more pronounced in case of clientele on liabilities side rather than in case of clientele on assets side of Islamic banking. This in turn may also be reflective of the fact that customers on liabilities side are more confident of the "Islamic" nature of Islamic banks than the clients on assets side. There is strong view among the clientele of Islamic banks that the products offered by the banks on the liabilities side are not substantially different from the interest-based products of other commercial banks.

¹ The term "financing" is used for Islamic banks and the term "lending" is used for other commercial banks

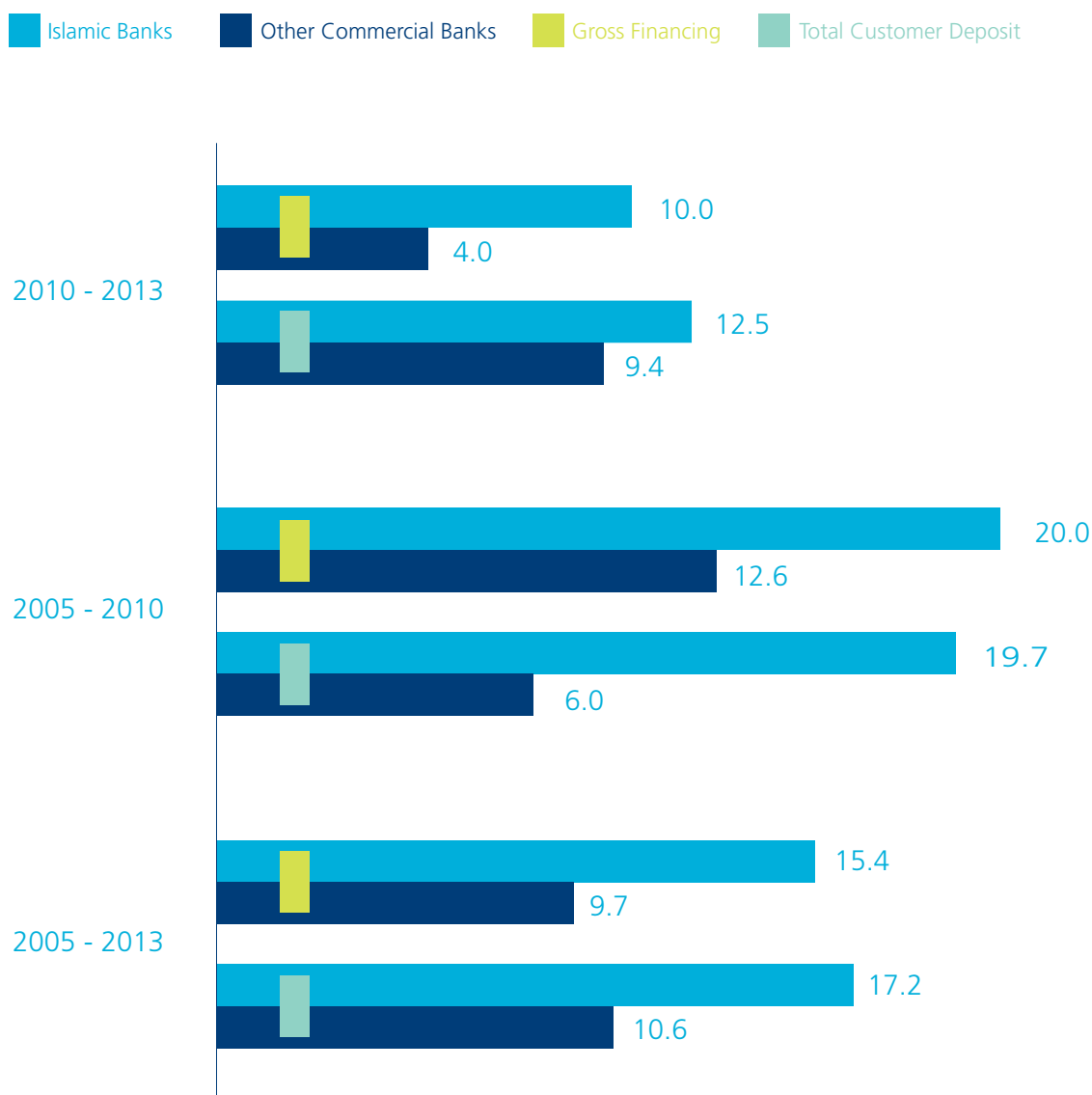


Table 2.1
Financing and Deposit Taking Operations of Islamic Banks



The long-term trend growth in the core business of Islamic banks can be seen in the following table, which is based on the statistics of 37 major Islamic banks, which have a clear history of providing statistics on financing and receiving deposits since 2005.

Table 2.2 Short-run and Long-run Growth in Deposits and Financing Islamic Banking with Other Commercial Banking (%)



Comparison of the rate of deposits growth with the rate of financing growth shows that the gross financing in the long run grew slower than the customer deposits. This difference also may be reflecting relative satisfaction of customers of Islamic banks with respect to deposits and financing operations. Since financing is growing at a rate less than the growth of deposits it may imply that while there is growing satisfaction or preference for using the Islamic banks for keeping their deposits, this satisfaction/preference is not to that level when it is a matter of seeking financing from the Islamic banks. This will have serious effects for strategic planning of Islamic banks for their future growth.

The important point to note is that, during last 10-year period, the growth of banking business was significantly higher for Islamic banking institutions than for other commercial

banking institutions. The Islamic banks are constantly and successfully competing with the huge and long established markets of conventional Islamic banks. An analysis of financial statistics of conventional banks in all those countries where Islamic banking exists at substantial level revealed that Islamic banks competed conventional banks well in short-run as well as long run in attracting and managing their core business.

The fact that the growth of financing from Islamic banks delayed behind the growth of their customer deposits should be a matter of concern for Islamic banks as it may reflect one or both of the following underlying factors:

- 1 **Confidence deficiency on financing side**
- 2 **Product-quality deficiency on financing side**

Theoretically, it is easy for customers on liability side to understand the modalities of Islamic banks products and their Sharia compatibility. This is not so straight forward with respect to products of Islamic banks on assets side. The methods on liabilities side generally are considered to be same as of interest based commercial banking despite that the methods are certified by qualified Sharia scholars to be fully Shariah compatible.

For example, despite Sharia scholars' verdict, it is not easy for an ordinary client to understand how the markup based financing or financing based on installment sale is different from the interest based financing or how leasing based financing of Islamic banks is different from the financial lease concept of the conventional banking. This creates doubts in the mind of clients who are truly interested in getting fully Sharia compatible financing. The Islamic banks thus face a client set interested in seeking financing smaller than the customer set interested in depositing their money with Islamic banks. If the difference in the growth of deposits and financing continues to widen then Islamic banks may soon face excess liquidity problem reflecting negatively on their performance.

Islamic banks are aware of the issue and they are trying to improve the product quality to meet the needs of the clients seeking financial accommodation, to improve confidence

in the Sharia compatibility of the products and to make the economics of their products competitive with the products of conventional banks.

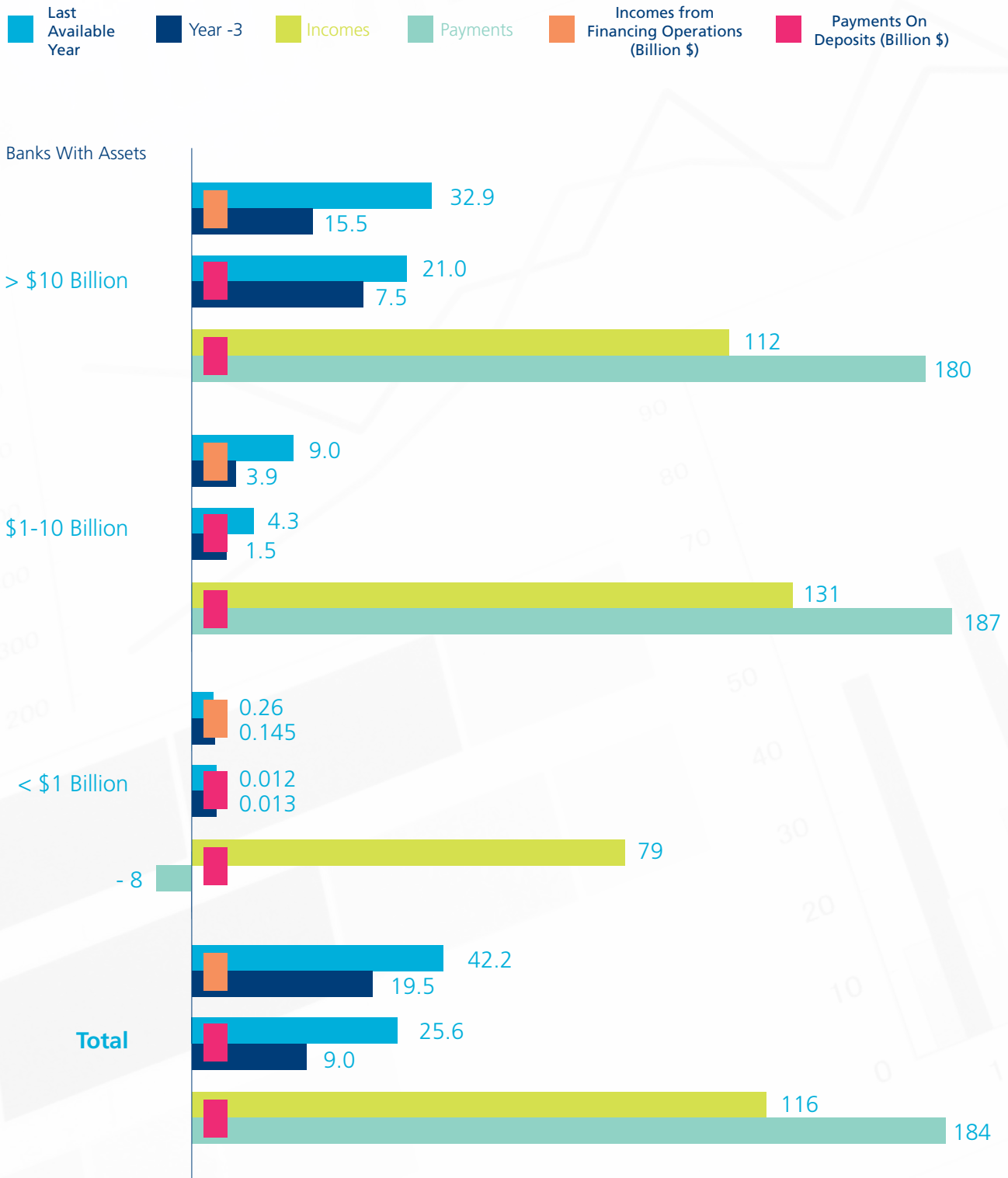
This concern becomes more evident when we analyze the growth of income and expenditure on core operations.

2.2 Economics of Core Business Operations

The growth in core business alone will not be a good indicator of the performance of Islamic banks unless the economics of this growth compares equally or better than the economics of core business of the conventional banks. How much Islamic banks are earning from their financing operations and how much they have to pay on their customer deposits will, therefore, be an important measure of the efficiency of Islamic banks.

The income of Islamic banks from their financing operations recorded a total increase of 116 percent during last 3-year period. On the other hand payments on customers' deposits increased by 184 percent during the same period. The following table shows growth in the income and expenditure on core business operations of Islamic banks by size.

Table 2.3 Income and Payments on Financing and Deposits Last 3-year Period of Islamic Banks



Islamic banks are, on average, earning less (compared to the other commercial banks) on their financing operations and are paying relatively more to their depositors. Though apparently this may reflect negatively on the business on efficiency of Islamic banks, yet taking it positively, Islamic banking is more concerned about providing the service than worrying about its profitability.



2.3 Equity/Assets Ratio

Equity/Assets ratio is an important indicator of efficiency in the business model of a conventional bank. In the context of Islamic banks' performance, this ratio, the equity to asset ratio for Islamic banks, in fact, can also be taken as an indicator of confidence in and popularity of Islamic banks.

The following table 2.4 gives weighted average of equity/asset ratio by countries.



Table 2.4
Weighted Average Equity-Asset Ratios By Countries



The weighted average ratio for Islamic banks in general has not been substantially different than the ratios in their counterpart commercial banking.

Table 2.5 Equity/Assets Ratio in Islamic Banks & Other Commercial Banks by Countries and Regions

	Islamic Banks			Commercial Banks (No. of Banks)		
Ratio	<10	10-20	>20	<10	10-20	>20
UAE	1	6	2	2	10	7
Bangladesh	5	0	0	24	7	2
Bahrain	2	2	14	0	7	5
UK	1	1	3	59	28	28
Gambia	0	1	0	2	3	3
Indonesia	5	3	2	27	31	10
Iraq	-	1	3	3	3	2
Iran	11	3	2	28	11	9
Jordan	2	0	1	0	10	0
Kuwait	0	5	4	0	6	2
Lebanon	0	1	2	27	9	2
Mauritania	0	0	2	0	1	0
Maldives	0	0	1	14	11	3
Malaysia	13	4	0	14	113	0
Oman	0	0	1	1	5	0
Philippine	0	0	1	21	18	5
Pakistan	7	1	1	16	4	2
Palestine	0	2	0	0	2	0
Qatar	0	3	1	0	7	0
Saudi Arabia	2	1	0	0	9	0
Sudan	3	4	6	3	6	13
Syria	0	1	1	5	7	1
Tunis	0	1	0	12	4	0
Turkey	4	0	0	11	15	4
Yemen	1	2	1	2	4	0
Total	57	42	48	271	331	98
Percent	38.8	38.6	32.6	38.7	47.3	14.0

Source: Calculations from Bankscope data

About 40 percent of Islamic banks show the ratio of less than 10 percent. This is the same in case of other commercial banks as well. Other commercial banks, however, are more tending towards maintaining the ratio between 10 to 20 percent. The equity/asset ratio of other commercial banks fell in the range of 10 to 20 percent in case of 50 percent of the banks. In case of Islamic banks only 28 percent of the banks fell in this range.

However more Islamic banks than other commercial banks have the ratio above 20 percent. The percentage of Islamic banks showing equity asset ratio above 20 percent is more than double of the percentage of commercial banks. Some Islamic banks have too high equity/asset ratio.

Most of the Islamic banks with assets greater than \$10 billion generally do not widely differ from each other. Though some of these banks showed wide variation in their equity/assets ratio over time but they are asymptotically approaching over time to vary in a narrower range. The large Islamic banks currently have equity/assets ratio within the range of 15 to 20 percent.

The banks with assets in the range of \$3-10 billion, however, showed wider variation in their equity/assets ratios overtime. It currently varies in a range of 18 to 30 percent.

Though some of these banks showed very wide variations in their equity/asset ratios, yet most of them move within a narrower range.

A good proportion of such Islamic banks not only showed higher equity ratios but also varied widely from different countries during last five years. Small banks high equity/asset ratio probably reflects their limited leverage capacity.

Small Islamic banks, despite constraints on their leverage capacity, succeeded to keep their equity/assets ratio in range which is competitive not only with larger banks within their specialization group but also with the competitors in the commercial banking.

The analysis with respect to the size of Islamic banks raises a strategic issue for the global Islamic banking industry.

Do small banks deserve a special treatment to make it easy for them to enter the market and hence expand their reach to the potential clients?

2.4 Net Income to Equity Ratio

This ratio can be indicative of several aspects of the performance of a banking institution. Firstly, it reflects the economic efficiency of running the business of banking. Secondly, it is a potential indicator of future growth and thirdly, it brings a confidence in the bank's capacity to continue as a going concern. The same is true for the business model of Islamic banking as well.

The ratio of net income to equity for all Islamic banks together was 11 percent, which was higher than the 6.2 percent ratio shown by their counterpart institutions in commercial banking. The higher rate of return on equity compensates the limitation of leverage faced by Islamic banks.

Table 2.6 Equity/Assets and Net Income/Equity in Islamic Banking and Other Commercial Banking

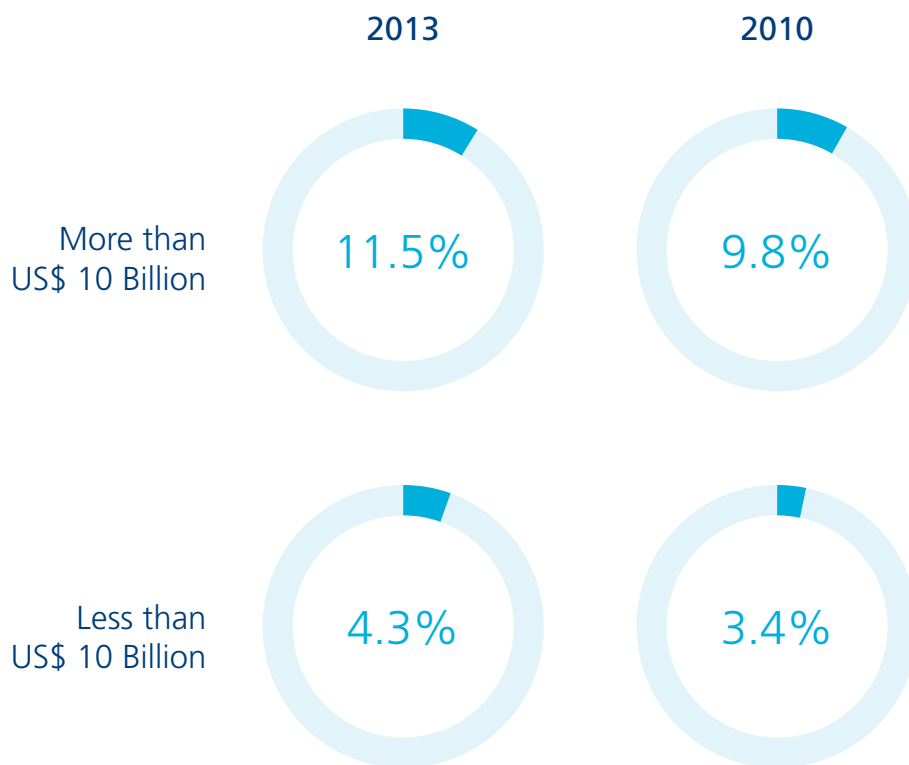
	Equity/Assets (%)	Net Income/Equity Ratio (%)
Global (11 countries)	11.2 (7.1)	9.3 (6.2)
Iran	7.4 (-)	13.5 (-)
Middle East (Five countries)	17.4 (12.6)	6.8 (12.4)
Turkey	7.4 (11.5)	11.4 (14.7)
Malaysia	9.4 (8.3)	12.2 (29.2)
Indonesia	6.8 (11.9)	13.4 (18.5)
Pakistan	8.9 (9.1)	13.1 (12.4)
Bangladesh	20.4 (8.1)	4.8 (7.0)

Figures in Parenthesis refer to counterpart commercial banking in respective country (countries).

The Islamic banking in the Middle East and in Bangladesh shows high equity ratios coupled with low return on equity but Turkey and other Asian countries show low equity ratios with higher return on equity.

There are 31 banks each with over US\$ 10 billion in assets. These banks shared 86 percent (US\$ 9.46 billion) of the total net income generated by the Islamic banking industry. The next group (of 27 banks) with US\$ 3 to 10 billion shared 13 percent (US\$ 0.14 billion).

Table 2.7 Net Income to Equity Ratio for Large and Small Banks (%)



The marked difference in the ratio of net income to equity between large and small Islamic banks raises a question about playing field level for small banks. Is it merely a matter of economy of scale? Or are the regulatory and supervisory environments not friendly to them?

2.5 ROAA and ROAE

Rate of Return on Average Assets (ROAA) and Rates of Return on Average Equity (ROAE) are considered more sophisticated indicators of efficiency of a business organization than the ratio of net income to equity. ROAA is defined as the ratio of

annual net income to the average assets and is considered as an indicator of the efficiency of a bank using the assets to generate net income. ROAE is considered to provide a more accurate picture of the profitability of a bank particularly when equity of shareholders is changing significantly during a year. It is the ratio of annual net income to the average stockholders' equity.

The global ROAA and ROAE currently for Islamic banks are 1.23 and 13.73 respectively. The weighted averages of ROAA and ROAE by countries can be seen in Table 2.8.

Table 2.8 ROAA and ROAE Banks

	ROAA	ROAE
Kuwait	0.10	4.51
UAE	1.26	9.63
Jordan	1.20	15.18
Bahrain	1.42	7.64
Saudi Arabia	2.21	15.07
Qatar	2.24	13.45
Sudan	2.45	18.63
Pakistan	0.72	10.48
Bangladesh	0.80	10.76
Malaysia	1.21	14.69
Indonesia	2.33	20.16
Turkey	1.66	15.09
Iran	1.18	16.59

If weighted average of ROAA of other commercial banks in these countries (1.60) is taken as a benchmark, we can say that weighted average of ROAA of all Islamic banks is meeting the benchmark if not exceeding it. ROAE is generally in the range of 10 to 20 percent, which compares favorably with the range observed for other commercial banks.

2.6 Rate Margin

The term Rate Margin is used as a term alternative to term Net Interest Rate Margin used in conventional financial analysis of a bank. Net Interest Margin is conventionally defined as the ratio of difference of investment returns and interest expenses to the average earning assets. The Rate margin for Islamic banks is based on returns on financing and payments on deposits. This measure indicates the efficiency of investment decisions in business operations.

This ratio is not only an important element for the comparison of the performance of Islamic banks within their group but also with similar performance in the conventional indicators. While the margins of interest for other commercial banks and rates of return on deposits and financing/lending for Islamic banks are regulated by the central banks, comparison of Islamic banks and conventional banks in this respect may still reflect interesting insights into the competition.

Table 2.9 ROAA and ROAE Other Commercial Banks

	ROAA	ROAE
Kuwait	0.01	0.10
UAE	0.10	12.95
Jordan	1.30	8.29
Bahrain	1.42	7.64
Saudi Arabia	2.00	15.07
Qatar	2.13	15.76
Sudan	2.42	16.17
Pakistan	1.17	11.4
Bangladesh	1.21	17.17
Malaysia	1.22	15.63
Indonesia	2.33	20.16
Turkey	1.66	15.09



Table 2.10 Net Rate of Margin* (%)

Country	No. of Banks	Max	Modal Range
Bahrain	16	3.89	0-2
Bangladesh	6	5.42	3-5
Indonesia	10	5.88	4-6
Kuwait	9	25.74	2-4
Malaysia	16	4.1	2-4
Qatar	4	3.2	2-3
Pakistan	9	28.8	3-5
Saudi Arabia	3	4.11	3-4
Turkey	3	5.0	4-5
UAE	9	4.4	2-4

Excludes outliers

*Net rate margin is the difference of rate of return earned on financing and rate of profit paid on customer deposits

Though the average net rate margin in Islamic banks is higher than the net interest rate margin of other commercial banks within same country yet these rates for Islamic banks in some countries larger variation associated with them.

2.7 Cost/Income Ratio

Another indicator of the performance of Islamic banks can be their cost/income ratio. The ratio is defined as ratio of operating expenses and operating income. This in fact can serve as a benchmark for a bank to judge its operational efficiency. The current weighted average of cost/income ratio for all Islamic banks is 55 percent, which is lower than the five-year average. The ratios for individual Islamic banks as well as for all Islamic banks on the average were quite stable showing very low coefficient of variation. The ratio for other commercial banks on the whole was substantially lower than that of Islamic banks.

Since ROAA and ROAE showed greater spread, within and among Islamic banks, stable cost/income ratio for Islamic banks reflects their ability to manage costs relative to their income. But it is obvious that Islamic banks have yet to

improve their efficiency to bring their cost/income ratio to be competitive with other commercial banks. The weighted averages of cost-income ratios by countries can be seen in Table 2.11. The weighted average ratio for all Islamic banks is 55.2 compared to the weighted average of the ratio of 60 percent for² commercial banks in the same countries, reflecting a competitive efficiency of Islamic banks with respect to cost income-ratio.

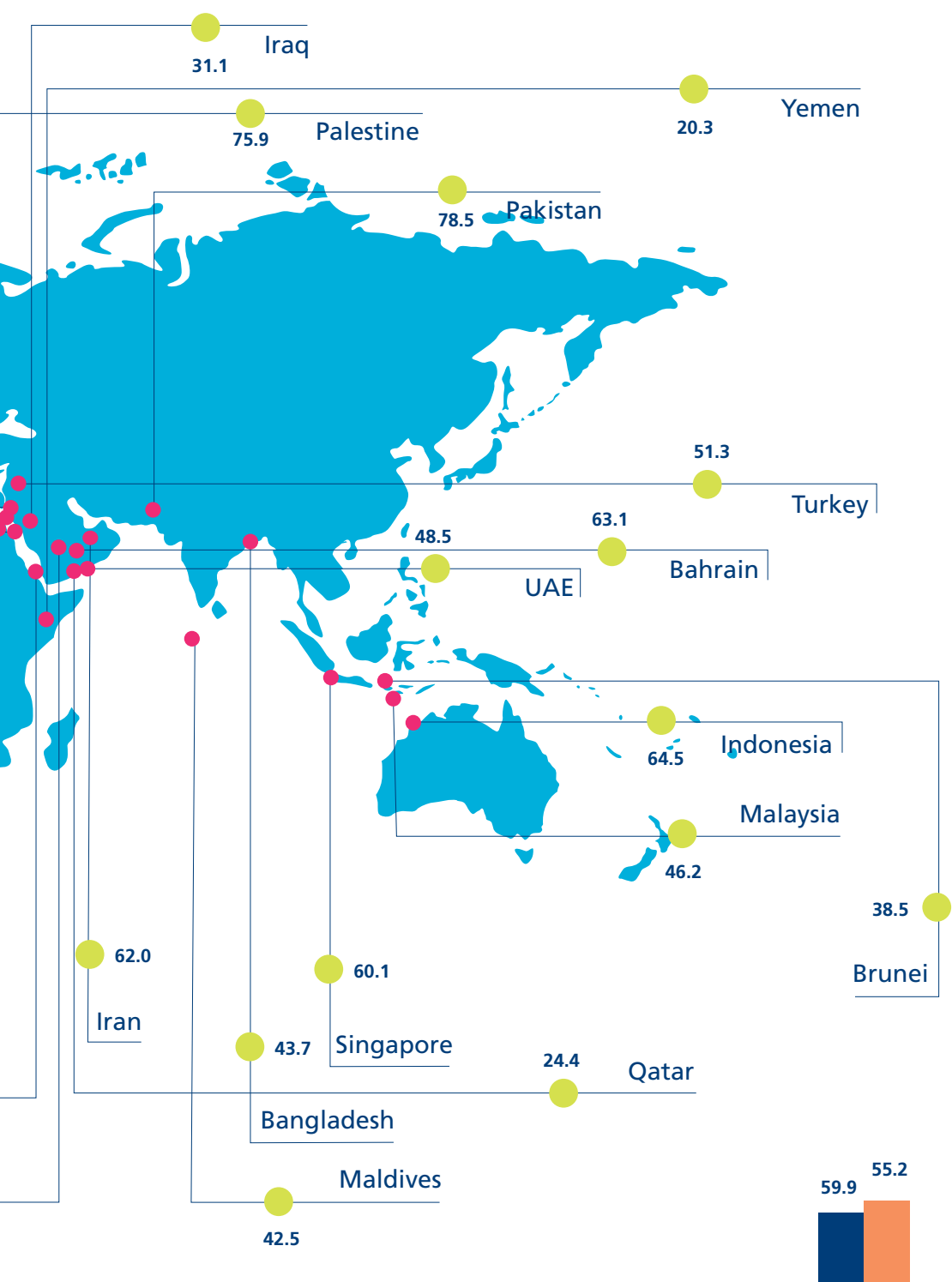
As already mentioned, since Iran has only Islamic banks and has no other commercial banks to compete with, it will make more sense to compare the aggregate cost-income ratio of Islamic banks without Iran. The weighted average cost-income ratio without Iran is 50 percent, which is lower than the overall ratio for other commercial banking. Iran's Islamic banks show cost-income ratio as 62, which is closer to the other commercial banks in rest of the countries.

² Calculated from Bankscope data for other commercial banks for which relevant figures were available.





Table 2.11
Weighted Average Cost-Income Ratio By countries



CHAPTER THREE

RISK MANAGEMENT

TOTAL SALES BY REGION		
REGION	SALES	
West	1 236 345,0	Copper
South	1 896 354,0	Steel
North	2 569 345,0	Gold
East	1 893 543,0	Silver
Total	7 595 587,0	

Like all other commercial banks, Islamic banks also face multiplicity of risks. They face all those market risks that are faced by conventional banks. This is because Islamic banks follow the business model of conventional banks. The market risks include equity risk (arising from the volatility in stock market), interest rate risk (arising from the fluctuations in LIBOR and other national and international interbank official rates), currency risk etc. An annual report on Islamic banking is not the right platform to discuss these risks because the similarity in business models does makes Islamic banks not different from conventional banks in managing these risks.

This report focuses only on such risks that require Islamic banks to adopt unusual measures for risk managements and such risks that can potentially lead Islamic banks to insolvency, run on the bank or short run stability issues primarily on account of financial profile of Islamic banks. The following aspects of financial profile of Islamic banks, therefore, have been included in this Report.

- 3.1 Quality of Assets**
- 3.2 Liquidity Ratio**
- 3.3 Capital Adequacy**
- 3.4 Net Margin Variations**
- 3.5 Variations in ROAA**

3.1 Quality of Assets

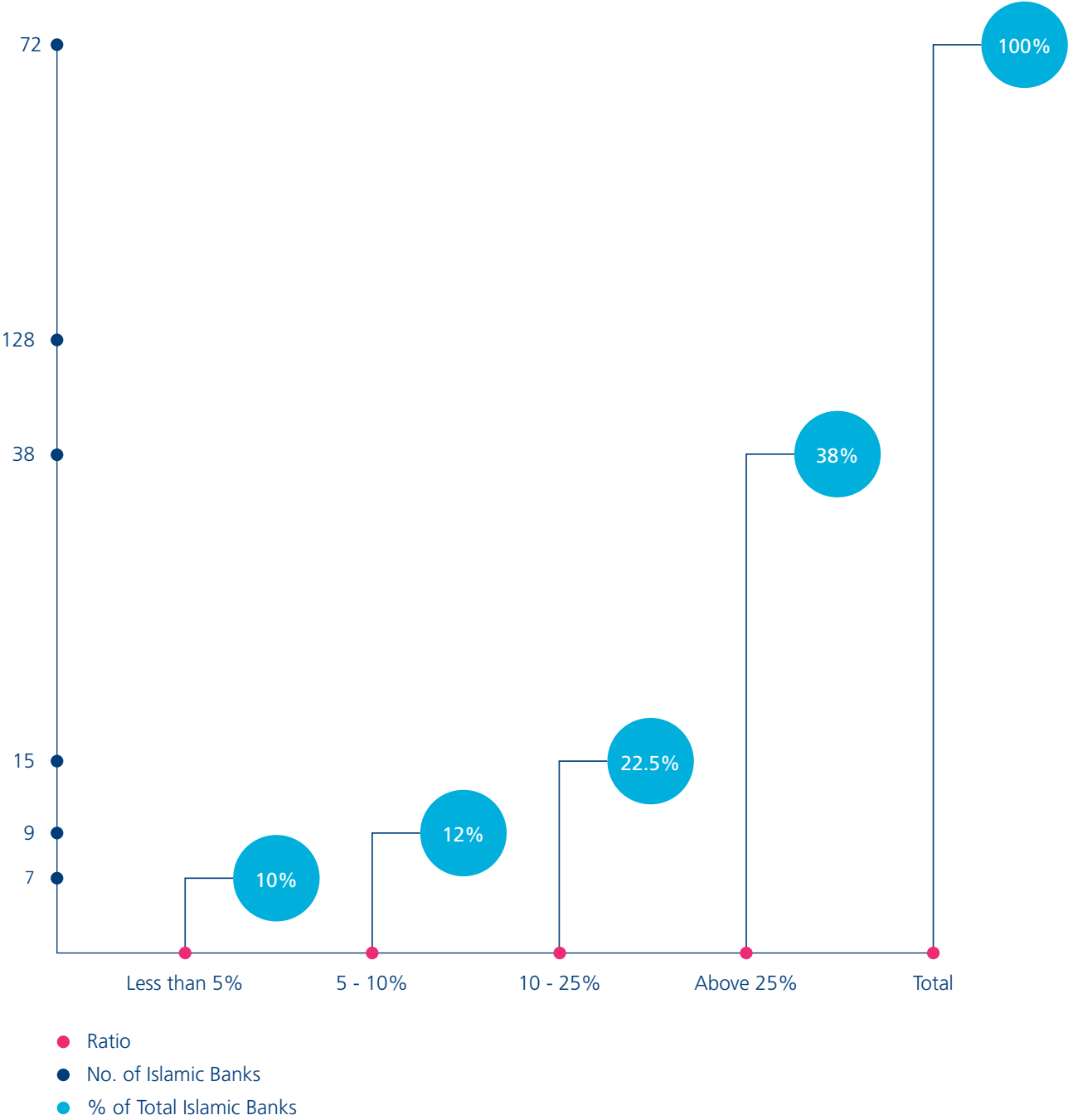
Most of the Islamic Banks are relatively, young if not new and have not yet gained as much strength as their counterparts in the market. Such banks are more exposed to various risks, particularly financing risk, conventionally known as credit risk. Islamic banks face exposure to financing risks more than those faced by conventional banks which face exposure to credit risk. This is the risk that the clients who received financing from the Islamic bank may become unable to pay back in full when due. This risk is more pronounced for Islamic banking industry which is dominated by small Islamic banks which have small amounts of capital to absorb unexpected shocks. This risk is managed by making provisions for meeting the possible impairment. Not much information is available on reserves maintained by Islamic banks for possible impairment. The information available on the ratio of impaired loans to gross loans is discussed here to assess the quality of assets of Islamic banks.

Impaired loans, as percent of gross loans, (also called Non Performing Loans or NPL ratio) are an indicator hinting upon solvency features of Islamic banks. The higher ratio would indicate more probability to get into insolvency conditions.

NPL ratio also reflects the likelihood that a finance receiver from Islamic bank will default on repayment of markup or lease or will not declare correct profit share or will misuse the capital causing the bank to lose income and/or principal. The legal procedures for recovery in case of Islamic financing governed by Sharia rules are not as straightforward and swift as in case of the recovery of interest based loan obligations for other commercial banks.

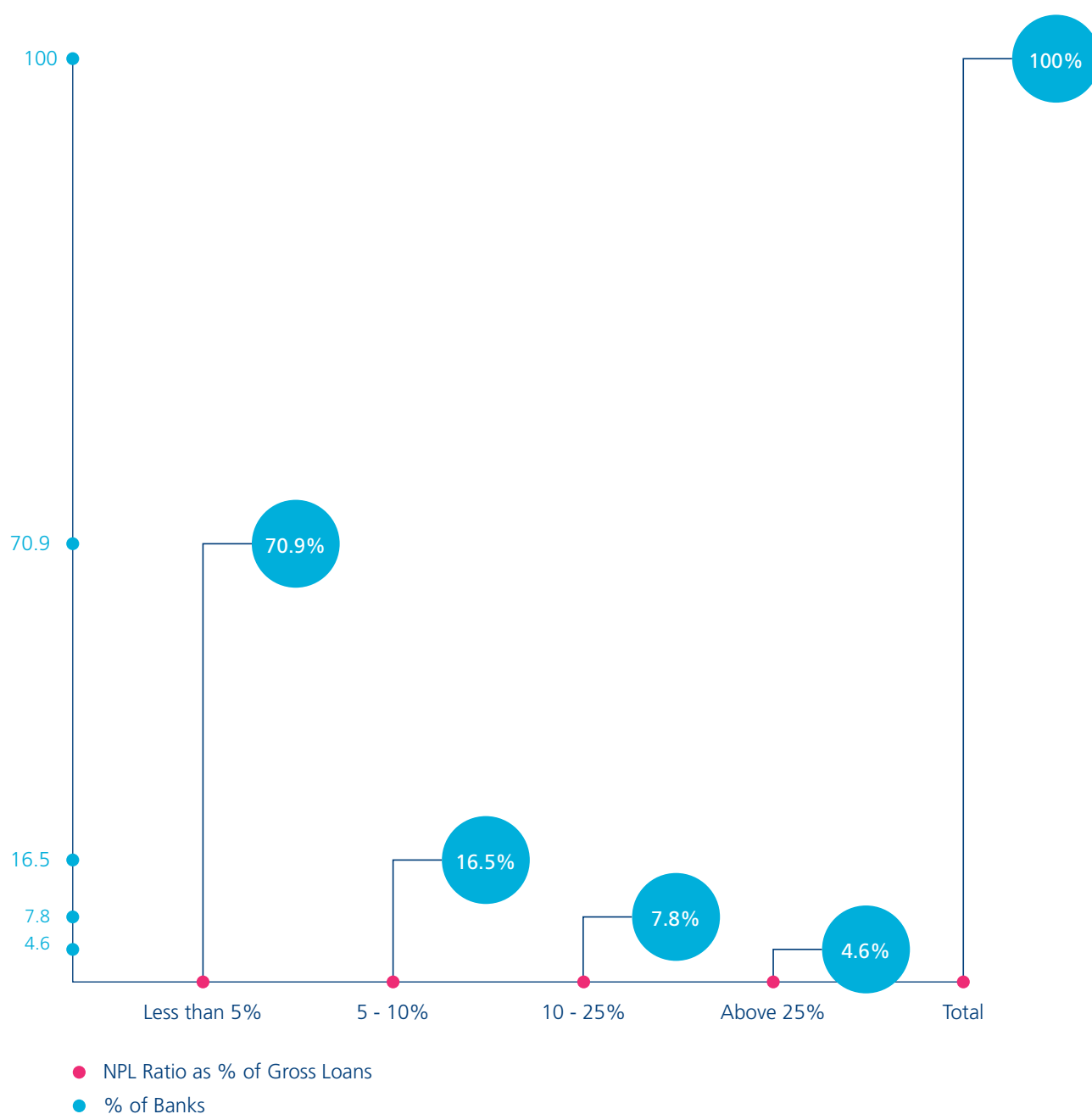
The NPL ratios for 69 Islamic banks competing with other commercial banks in their country that reported the ratio is shown in the following table.

Table 3.1 NPL as Ratio to Gross Loans Islamic Banks



More than 20 percent of the Islamic banks (showing more than NPL greater than10 percent) can be considered in danger zone. The comparison with other commercial banks also does

not put Islamic banks in good position with respect to supply side of Islamic banking. The following table shows the state of NPL ratio in commercial banking.

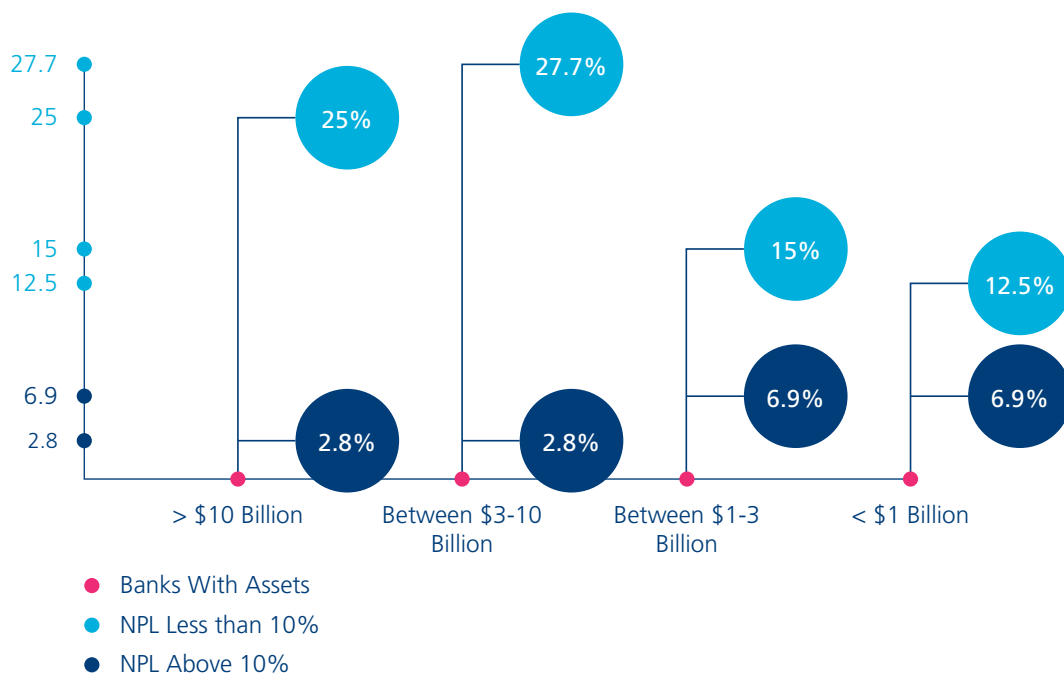
Table 3.2 NPL as Ratio to Gross Loans of Other Commercial Banks

For 21 percent of other commercial banks, NPL ratio was not available. (This percentage was 55 percent for Islamic banks). Other commercial banks for which this ratio was available 6.7 percent of the banks did not show any NPL during 2013. In case of Islamic banks, the database did not show any Islamic bank with zero NPL. The danger zone, subjectively described earlier as 10 percent and above, contained only 12.4 percent compared to 22.5 percent Islamic banks falling in this zone.

The performance of Islamic banks on NPL account can be, wrongly, ascribed to the intrinsic nature of Islamic banking business which is often characterized as more risky business than conventional banking and may lead the regulators to

apply more stringent prudential rules to Islamic banks and this may distort the level playing field for Islamic banks when competing with other commercial banks. Current state of Islamic banks with respect to NPL ratios is something that deserves to be studied to identify the factors responsible for this performance and to suggest institutional arrangements to help Islamic banks to improve their quality of assets. NPL is an area that Islamic banks need to attend urgently before it causes damage to the name of Islamic banking. It may be useful to see the NPL ratios with respect to the size of Islamic banks. The two tables below relate NPL ratios to size of the banks.

Table 3.3 NPL Ratio by Size of Islamic Banks (% of Islamic Banks)

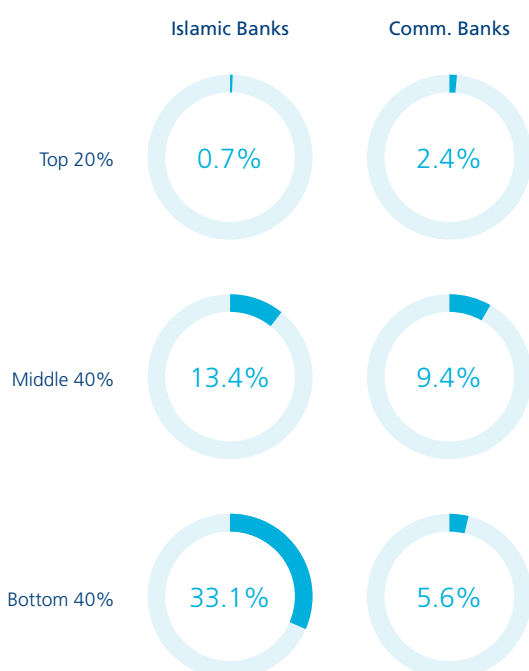


The proportion of small banks (holding less than \$ one billion) showing greater than 10 percent NPL ratio was double of the proportion found in the larger banks.

About 50 percent of all Islamic banks did not report their NPL ratio. They were mostly the Islamic banks operating with less

than one billion dollar of assets. This was not the case for the other commercial banking. Among bottom 40 percent of other commercial banks only relatively very few reported the ratio 'not available'.

Table 3.4 Percentage of Banks Not Reporting NPL Ratios



But, from the bottom 40 percent Islamic banks that reported this ratio, they showed these ratios, in general, lesser than the ratios shown by the bottom 40 percent of other commercial banks that reported this ratio.

Table 3.5 NPL Ratio to Gross Loans by Size of Bank.
Islamic Banks Compares with Other Comm. Banks (% of the Banks Reporting the Ratio)

Banks	Ratio <10% Islamic Banks	Ratio <10% Commercial Banks	Ratio >10% Islamic Banks	Ratio >10% Commercial Banks
Top 20%	24.6	17.7	2.9	4.0
Middle 40%	45.0	30.6	10.1	5.4
Bottom 40%	11.6	38.6	8.7	3.7
Total	81.2	86.9	21.7	13.1

Is this because the institutional arrangements for their regulation and supervision do not watch them as closely as they watch the larger banks or is it because the institutional arrangements are not sufficient to provide the small Islamic banks with enough protection against default and impairment. In either case, it points to the absence of level playing field for small Islamic banks to compete with other commercial banks or even to compete with their big brothers within the Islamic banking industry.

In fact currently the institutional infrastructure is biased towards protecting the fixed return loans of conventional institutions. Financing from Islamic banks is in itself different in nature from loans given by conventional banks. Islamic banks need special institutional arrangements to get their financing properly protected. Such institutional arrangements have yet to emerge. For larger Islamic banks it may be easier to benefit from the institutional arrangements that protect the loans from conventional banks. But smaller Islamic banks may not be able to do so because of the relative costs involved in benefitting from the existing institutional arrangements catering to the needs of conventional banks.

The country wise average of the NPL as ratio to the Gross Loans, based on the statistics available for Islamic banks in the respective country is shown in the following table. Saudi Arabia, Malaysia and Turkey showing lowest NPL ratios reflect the institutional strength in their countries in support of Islamic banking activities in their countries. Islamic banks in the Middle East and Africa generally showed higher NPL ratios than the Islamic banks in Asia.

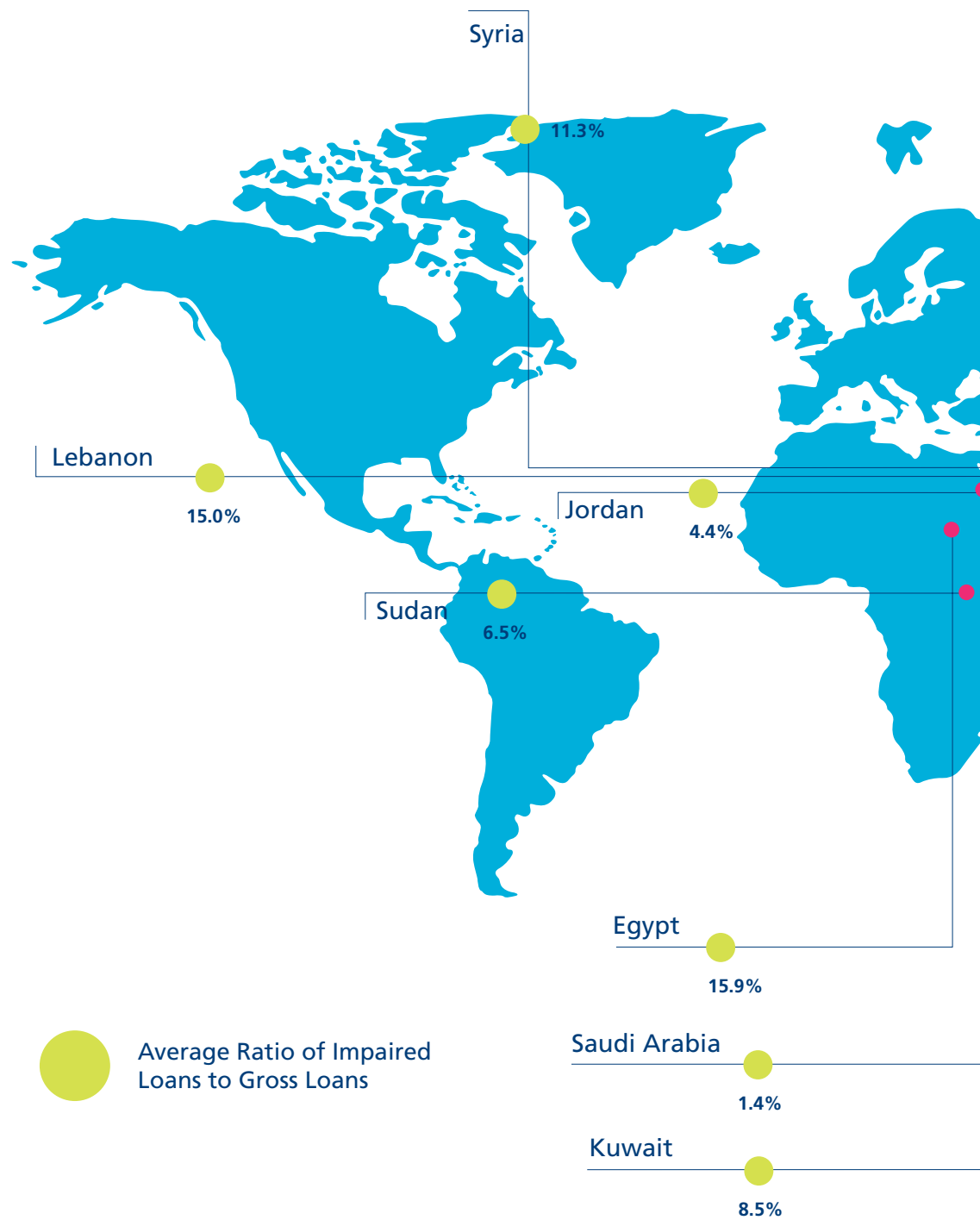
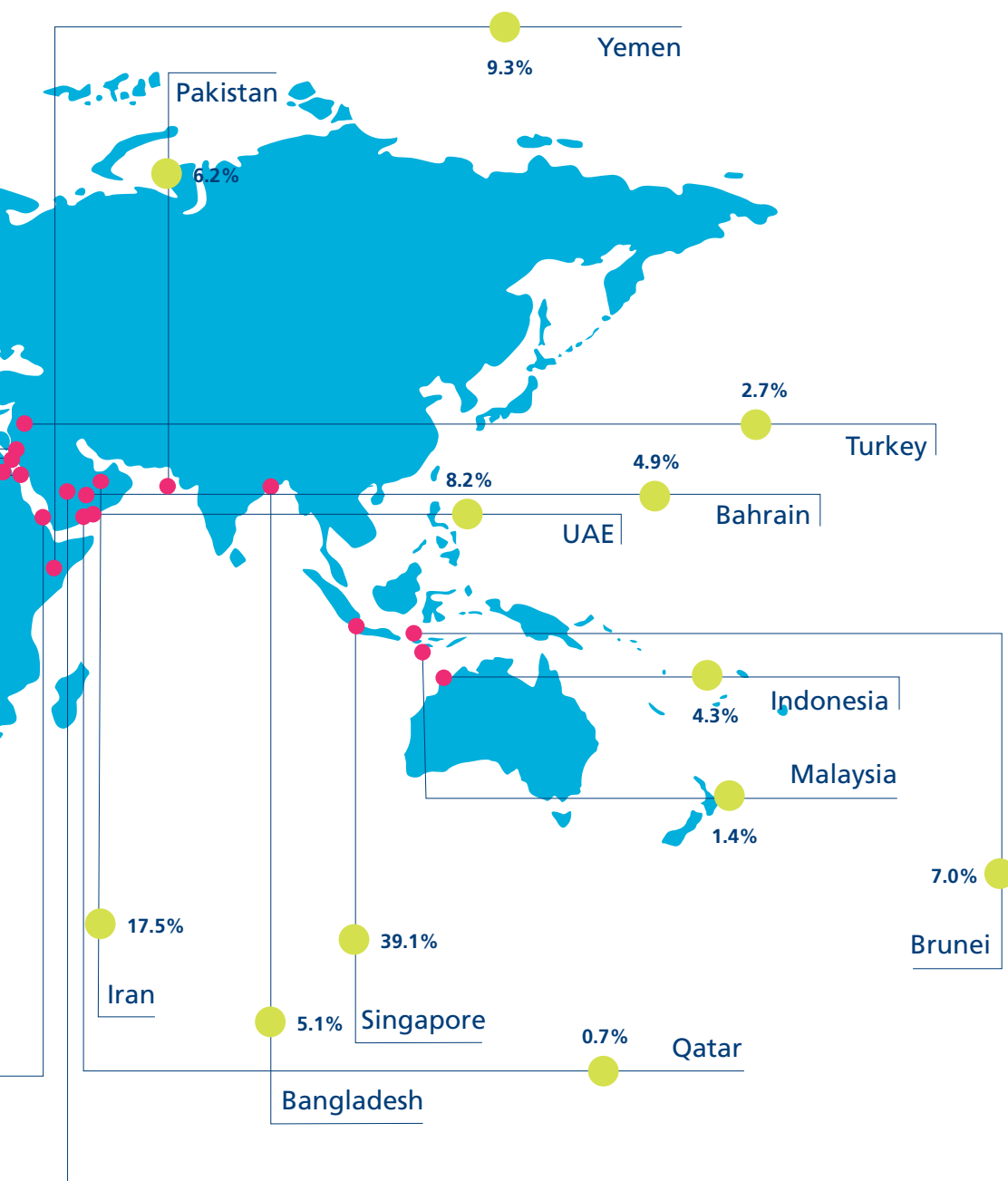


Table 3.6
NPLs /Gross Loans By Countries



3.2 Liquidity Ratio

The liquidity ratio therefore indicates the ability of a financial institution to meet an unexpected excessive demand of withdrawal of deposits from the customers. Failure to do so is usually considered as a factor that may cause run on Islamic banks. The role of Islamic banks in transforming short term deposits in longer term financing and investments makes Islamic bank exposed to liquidity risk. This is true for the other commercial banks too but Islamic banks face this risk more than other commercial banks simply because Islamic banks do not have the flexibility that other commercial banks enjoy in obtaining short term liquidity through borrowing from the commercial banks as well as central bank as interest bearing loans.

Before discussing the liquidity it will be useful to understand that this risk is theoretically and generally related to the current deposits in case of Islamic banks. Savings and investment deposits share the profits and losses of the banks. If customers run on the banks to withdraw their savings and investment they may end up sharing the losses of the banks and may end up losing part of their deposits. It will pay the customers to wait and give time to their bank to recover from any unexpected shock on their asset side. The probability that there will be a run on Islamic banks from all deposit holders, of current deposits as well as investment deposits is theoretically much lower than the risk faced by other commercial banks. In this background let us see the average liquidity ratio of Islamic banks.

Weighted average of liquidity ratio for all Islamic banks of the world together was 22 percent whereas the same ratio for other commercial banks, in the same countries, taken together, was 41 percent. However, if we take the average of all other commercial banks as a benchmark for liquidity ratio then we find about three-fourth of the other commercial banks below their average ratio whereas among Islamic banks two-third fall below this average of 41 percent recorded by other commercial banks. Though the liquidity ratio of Islamic banks on the average is much lower than the other commercial banks, the skewed distribution of the liquidity ratios of Islamic banks clearly reflects that Islamic banks, in general, have favorable liquidity ratios (implying relatively lesser probability of facing problem on account of unexpected withdrawals) compared to other commercial banks to get into trouble on account of liquidity.

The Islamic banks, in general may not look in a better position than other commercial banks in facing any unexpected run over the banks. Islamic banks in general may reflect a concern having sound ability to continue as a going concern.

The statistics on ratio of current deposits to total deposits and on ratio of net loans to deposits add to this concern and suggest that Islamic banks keep watching their liquidity ratios in relation to their ratio of net loans to total deposits. The ratios of net loans to deposits for all Islamic banks by countries are shown in the following table 3.7.

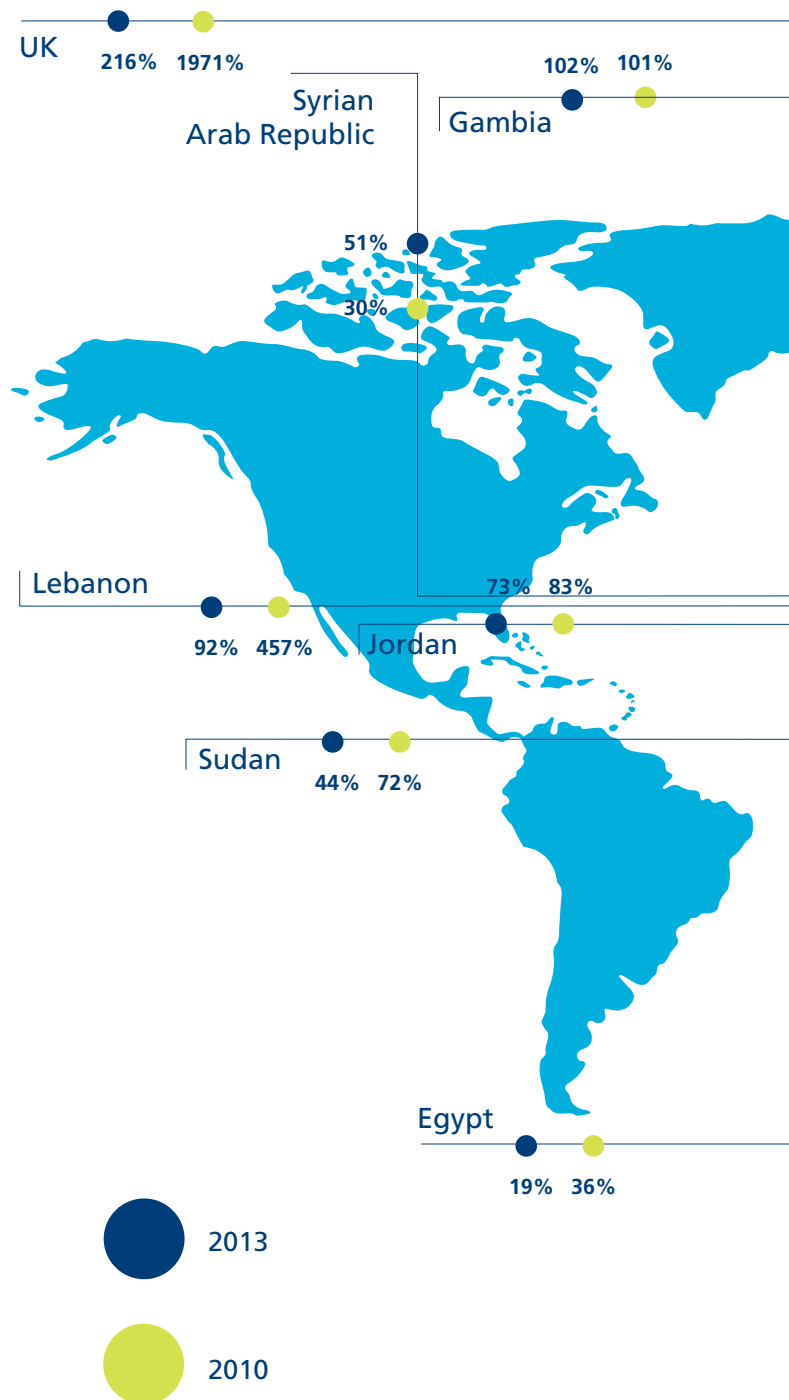
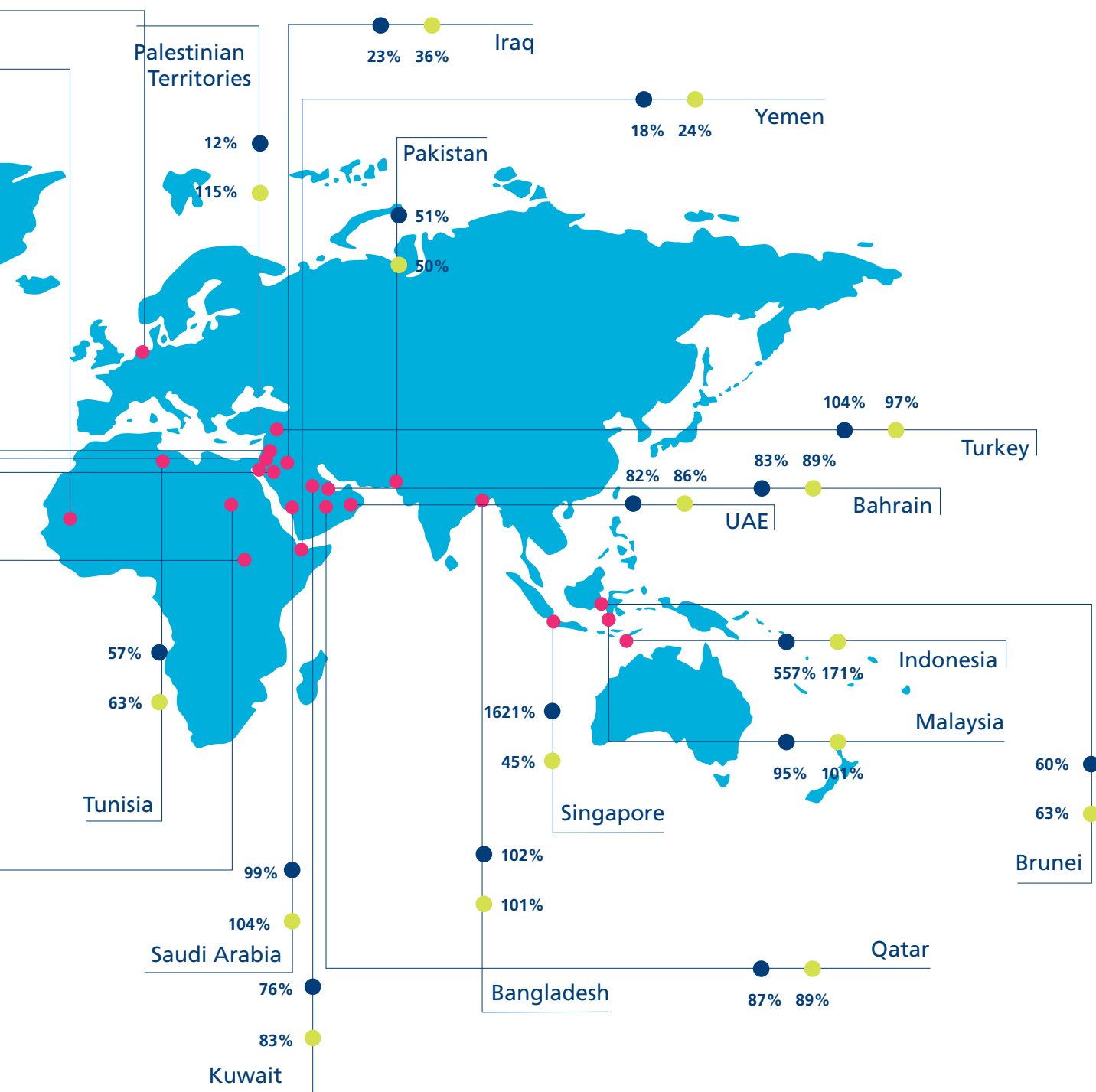


Table 3.7
Net Loans/Customers Deposits



The relatively lower proportion of customers' deposits in Islamic banks is something that needs to be studied for not only its effects with respect to efficiency, risk management and stability at bank level but also with respect to its macroeconomic implications with respect to credit creation and fixed capital formation in the economy.

Liquidity risk may also arise due to substantial mismatch of maturities of their customers' deposits and clients' financing. This risk is increased and becomes a greater problem for Islamic banks because of lack of money market opportunities to park liquidity for short periods.

This risk is reflected by the data on the assets and liabilities of different maturities by Islamic banks. Islamic banks in general

do not seem to be facing a risk on account of maturity gap between deposits and loans maturing in one-year framework. However gap in the deposits and loans of more than one-year maturity do create liquidity risk for Islamic banks.

3.3 Capital Adequacy

The regulatory capital ratio, a ratio of a bank's capital to its risk-weighted assets also known as capital adequacy, is a ratio watched by regulators to ensure stability of financial institutions. Basel II requires the total regulatory capital ratio to be at least 8 percent. The following table shows Regulatory Capital ratio for Islamic banks whose data was available.

Table 3.8 Regulatory Capital Ratio for Islamic Banks

Ratio (%)	No. of Banks with Assets > \$10 Billion	No. of Banks with Assets between \$3-10 Billion	No. of Banks with Assets between \$1-3 Billion	No. of Banks with Assets < \$1 Billion
Not Available	13	6	9	36
Less than 8	0	0	0	3
8 - 10	17	19	13	8
Above 20	1	4	5	23
Total	31	29	27	70

There were 67 Islamic banks (43 percent) that had capital adequacy ratio less than 8 percent or their ratio was not available. More than 40 percent of these banks were Islamic banks with less than \$ one billion. Though Islamic banks in general are very well capitalized yet the fact that Islamic banks' data on capital adequacy is not available for more than 50 percent of small Islamic banks indicates lack of institutional support for regulatory supervision of small Islamic banks.

Out of the 33 small banks that reported Tier 1 capital ratio, 31 banks showed Tier 1 capital ratio greater than 10 percent. All 30 large Islamic banks that reported Tier ratio were well capitalized (with the Tier 1 capital ratio being greater than 10 percent).

Table 3.9 Regulatory Capital Ratio. Islamic Banks and Commercial Banks (% of Total Banks)

	Top 10% Banks		Middle 40% Banks		Bottom 40% Banks	
Ratio (%)	Islamic Banks	Comm. Banks	Islamic Banks	Comm. Banks	Islamic Banks	Comm. Banks
Not Available	9.6	11.1	9.6	28.4	22.9	38.5
< 8%	0	1.3	0	1.1	1.9	0
8 - 20%	10.8	8.5	20.4	4.5	5.1	16.0
> 20%	1.1	0	5.7	8.3	14.6	0.3

Table 3.10 Tier 1 Capital Ratio, Islamic Banks and Commercial Banks (% of Total Banks)

	Top 10% Banks		Middle 40% Banks		Bottom 40% Banks	
Ratio (%)	Islamic Banks	Comm. Banks	Islamic Banks	Comm. Banks	Islamic Banks	Comm. Banks
Not Available	11.5	11.3	15.9	28.4	22.9	(38.5)
< 10%	1.1	0	1.1	17.9	2.2	0.8
> 10%	12.6	0	24.1	8.6	35.6	0.5

Proportion of Islamic banks, reporting capital adequacy indicators, was higher than the proportion of other commercial banks that reported such indicators. This was true irrespective of the size. Total regulatory capital in the range of 8 to 20 percent was shown by higher percentage of Islamic banks than by other commercial banks.

3.4 Basel III Regulations

The effect of Basel III on Islamic banks' capital requirement and its implications for Islamic banks' risk management profile is yet to be clearly understood. The new requirements, however, are not likely to have substantial impact on capital requirements for Islamic banks. Keeping in view the current level of liquidity ratios and the capital ratios of Islamic banks, the Islamic banks do not seem to face any serious implications at least for the next few years.

Islamic banks in any case have very insignificant, if any, proportion of their assets in derivatives and risky investments. On this account Islamic banks may not face any serious problem because of the Basel III requirement. It is, however, understood, that the nature of deposits of Islamic banks being the nature of profit/loss sharing accounts may invite more strict capital requirements for Islamic banks. The idea is based on the ground that the deposits of Islamic banks will be volatile and fluctuate with the fluctuations in the profits of Islamic banks. This idea is not based on the facts. Islamic banks show the proportion of current account deposits in their total

customer's deposits substantially higher than the proportion shown by conventional banks. There is no reason why Islamic banks should face more strict capital requirements than what other commercial banks will face on account of profit loss sharing nature of deposits.

Islamic banks profit rate on customers saving deposits generally do not show wide fluctuations as they are closely supervised and regulated by national regulatory authorities. Since financing operations on assets side are mostly based on fixed return modes of financing such as markup based financing or leasing based financing, or tawarruq based financing and hence there is little chance that Islamic banks may post losses in their income statement and hence transfer losses to the customers which may result in reducing the deposit base. There are strong reasons to believe that even if an Islamic bank incurs a loss, its depositors may not withdraw their deposits immediately and may like to wait for the recovery of the banks' profitability instead of withdrawing deposits after taking the losses.

There is no evidence yet that national regulators will assign relatively unfavorable weights to the deposits of Islamic banks in view of the current profile of their deposits.



CHAPTER FOUR

SHORT RUN STABILITY

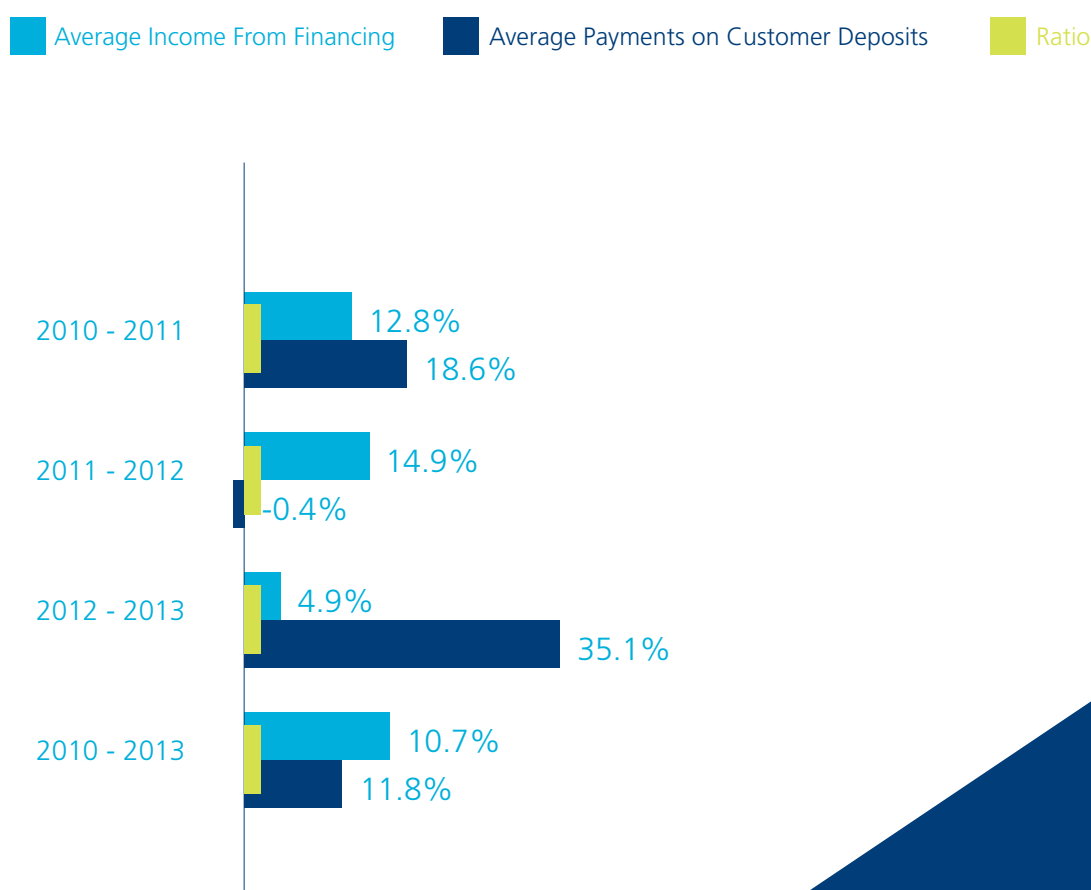
TOTAL SALES BY REGION		
REGION	SALES	
West	1 236 345,0	Copper
South	1 896 354,0	Steel
North	2 569 345,0	Gold
East	1 893 543,0	Silver
Total	7 595 587,0	Platinum

4.1 Variations in Net Rate Margin

Islamic banks face risk on account of rate (return on financing and rate of profit on deposit). This risk is related to rate of return received on financing and profit rate paid on deposits and is similar to the interest rate risk faced by the conventional banks on receiving interest on loans and making payments of interest on deposits. This is a risk to which banks are exposed due to possible adverse movements in the two rates. Such an exposure can also result from adverse movements in the timing between the maturities of financing and deposits. These movements take place exogenously and the banks stand facing this risk to the extent to which the assets and liabilities are sensitive to the changes in their pricing.

Average income from financing activities in Islamic banks recorded a growth rate of 7 percent per annum. The movement of this average for 75 Islamic banks during last three years is shown below along with the average payments on customer deposits of same banks.

Table 4.1 Growth Rates of Average Income From Financing Activities and Average Payments on Customer Deposits (2010-13)



Variations in the net rate margin in Islamic banks in comparison with the variations in other commercial banking are shown in the following table.

Table 4.2 Net Rate Margin in Islamic Banks Compared with Net Interest Margin in Other Commercial Banks. Last Available Year.

Net Rate Margin (%)	Percent of Islamic Banks (%)	Percent of Comm. Banks (%)
Negative	9.2	2.2
0-1	10.0	5.7
1-2	10.5	8.8
2-3	21.1	14.1
3-4	17.1	6.6
4-5	11.2	9.7
5-6	7.2	16.7
6-7	3.3	12.2
7-8	0	9.0
8-9	2.0	6.7
9-10	0.7	4.6
> 10	7.8	3.6

The modal range within which most of the Islamic banks (70 percent) are concentrated is 0 to 5 percent. Similar concentration in commercial banks is in the range 2 to 8 percent. The following table further summarizes the picture.

Table 4.3 Variations in Net Rate Margin Over Time Within Islamic Banks. Last Available Year.

Net Rate Margin	% of Islamic Banks	% of Comm. Banks
< 4.00	4.0	44.1
4.00 - 8.00	32.0	35.5
8.00 - 12.00	16.0	12.0
> 12.00	17.3	5.4
Not Available	30.7	3.0
Total	100	100

4.2 Variations in ROAA

Risk management is required to ensure the stability of the Rates of Return on Assets for an on-going concern. The figures on mean and standard deviation obtained from the statistics of 81 Islamic banks, which reported the statistics

on their ROAAs³ for 2013, reflected the weighted mean ROAA of all 81 Islamic banks as 1.3 percent with a standard deviation 2.8. Comparing this profile with 2010 reveals that weighted mean of ROAA was slightly higher in 2013 (1.3%) than the mean in 2010 (1.1%). On the other hand standard deviation declined substantially from 6.7 in 2010 to 2.8 in 2013. The ROAA of Islamic banks and the variations therein are reflective of current level of stability of Islamic banks. The same conclusion is drawn from the statistics on ROAE from a large number of Islamic banks. The weighted mean of ROAE for statistics of same banks was 12.9 percent during 2013, slightly higher than the weighted mean of ROAE for 2010 (12.2 percent) but standard deviation declined substantially from 19.9 in 2010 to 9.4 in 2013.

The comparison with 2010 is interesting from the point of view that this year was the year when conventional banking started recovering from the global financial crisis of the last decade. It will therefore be useful to compare the variability of ROAAs among Islamic banks with those of other commercial banks. The weighted mean of ROAA for other commercial banks during 2013 was 1.5 with standard deviation 1.15. These figures for 2010 were 1.6 and 3.8 respectively⁴.

The important point to note is the disagreement between large and small Islamic banks with respect to the cross sectional variations in the ROAA. Small Islamic banks with assets size less than \$1 billion improved their ROAA from 1.1 to 1.3 percent and the recorded substantial reduction in the variation of their ROAAs from 6.7 to 2.8. This was not the case for other commercial banks of same size that recorded a decline in their weighted average (from 1.6 to 1.5 percent) and the variation in their ROAAs though improved (from 0.9 to 0.7) but not as much as in case of Islamic banks.



³ ROAA figures in this section may differ from the figures mentioned in Chapter 3. The weighted average figures of ROAA in chapter 3 are for more than 150 Islamic banks. Here the figures refer to 81 banks for which a time series for at least 10 years was available

⁴ The figures for other commercial banks have been obtained from 250 banks, in the countries where Islamic banking exists, and for which statistics on ROAA were available.

Table 4.4 Short Run Stability ROAA Islamic Banks**Table 4.5 Short Run Stability ROAE Islamic Banks**

One measure of the stability of financial institutions is called Z score⁵. The following table compares the Z scores for Islamic banks and other conventional banks⁶.

Table 4.6 Z Scores				
	Islamic Banks		Commercial Banks	
	2013	2010	2013	2010
< Zero	10.8		4.1	
0 - 1	39.8		40.7	40.7
> 1	49.4		55.6	55.6

The rule is, higher the Z scores the lower the possibility of the the risk of insolvency. Applying the rule, Islamic banks on the whole have lower probability of risk of insolvency compared to what other commercial banks with which Islamic banks are competing.

⁵ Defined as equity plus mean ROAA as ratio of standard deviation of ROAA.

⁶ Z scores calculations require true mean and standard deviation of ROAAs. These figures use the weighted average and standard deviation of the 84 Islamic banks as proxies for true parameters. Alternatively the mean and standard deviation from the time series data for each individual bank was used for Z score calculations. These calculations showed that 73 percent Islamic banks had Z scores greater than 1. On this basis the 82 percent of other commercial banks showed Z Scores greater than 1.

CHAPTER FIVE

LONG RUN STABILITY AND SUSTAINABILITY

TOTAL SALES BY REGION		
REGION	SALES	
West	1 236 345,0	Copper
South	1 896 354,0	Steel
North	2 569 345,0	Gold
East	1 893 543,0	Silver
Total	7 595 587,0	

The movement of the following variables over time is discussed in this chapter to draw implications for stability and growth in longer-term perspective. The commercial banks in OIC countries have been taken as the reference point for this chapter. There are 57 country members of OIC. These countries have 750 other commercial banks besides 150 Islamic banks.

List of Variables:

1. ROAA.
2. Cost/Income Ratio.
3. Non Performing Financing/Investment.
4. Capital Ratio.
5. Net Rate Margin.

5.1 ROAA Perspective

Long-term movements of ROAA may reflect perspective on long terms stability of Islamic banks. The yearly averages of ROAAs of Islamic banks during last 10 years are shown in the following table. These yearly averages for Islamic banks for last five years have been lower than those in other commercial banks. This was not the position five years earlier than that when Islamic banks generally had yearly averages of ROAAs out performed with respect to ROAA averages for commercial banks.

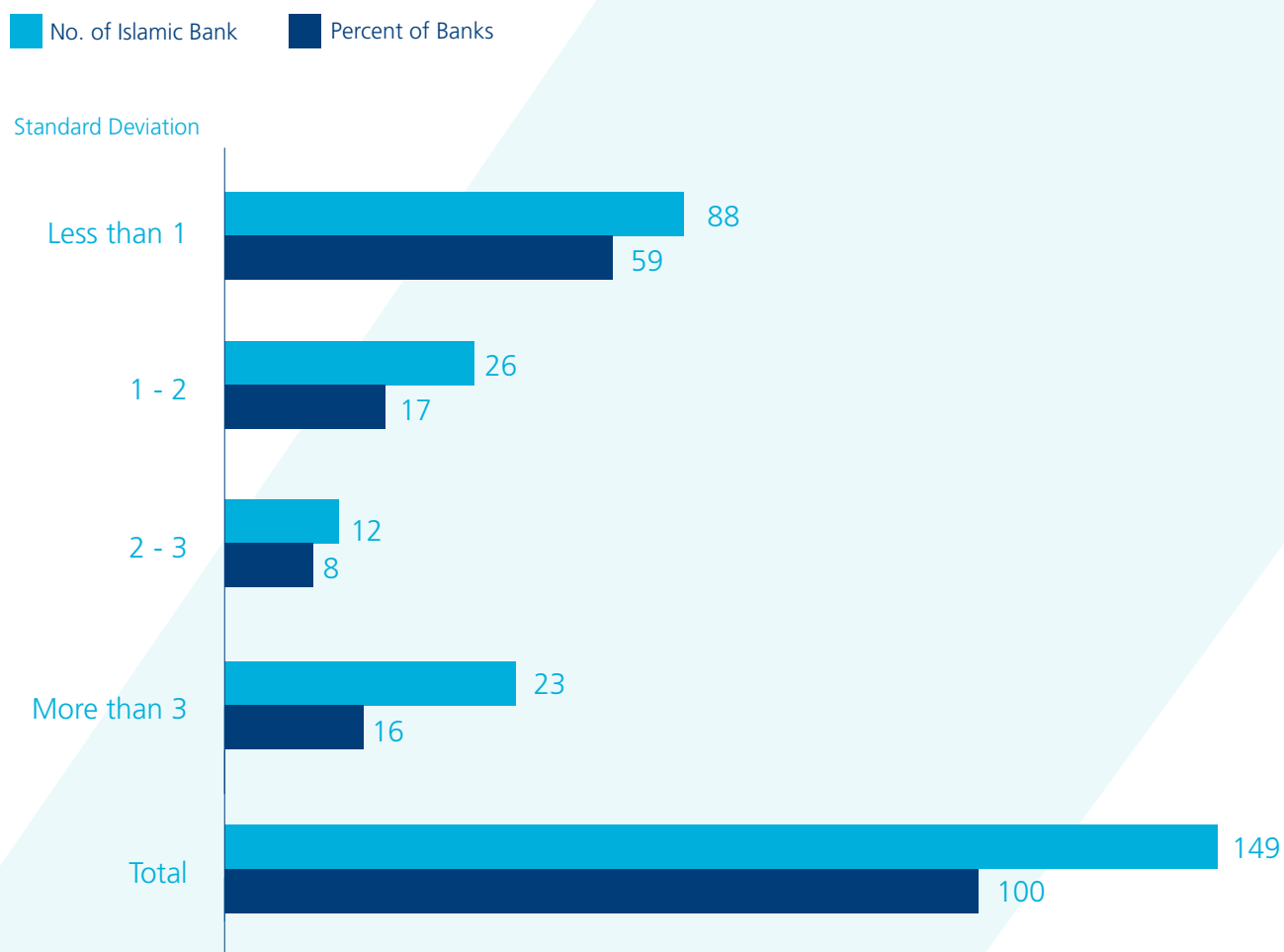
Table 5.1 Mean of ROAAs (%) During Last 10 Years

	Islamic Banks		Commercial Banks	
	Number	Mean	Number	Mean
Last Available Year	149	1.25	742	1.53
Year -1	144	1.21	701	1.64
Year -2	125	1.30	630	1.48
Year -3	106	1.20	553	2.02
Year -4	93	1.17	511	1.24
Year -5	84	2.0	466	1.03
Year -6	72	2.55	423	2.06
Year -7	61	2.43	384	2.13
Year -8	55	2.52	349	2.16
Year -9	44	1.52	319	1.78
Year -10	41	1.23	285	1.42

Are Islamic banks losing in competition with commercial banks? Or are Islamic banks losing the initial monopolistic advantage and are becoming more and more competitive and efficient? The relative stability of the ROAAs, however, suggests that the later proposition is the more likely scenario.

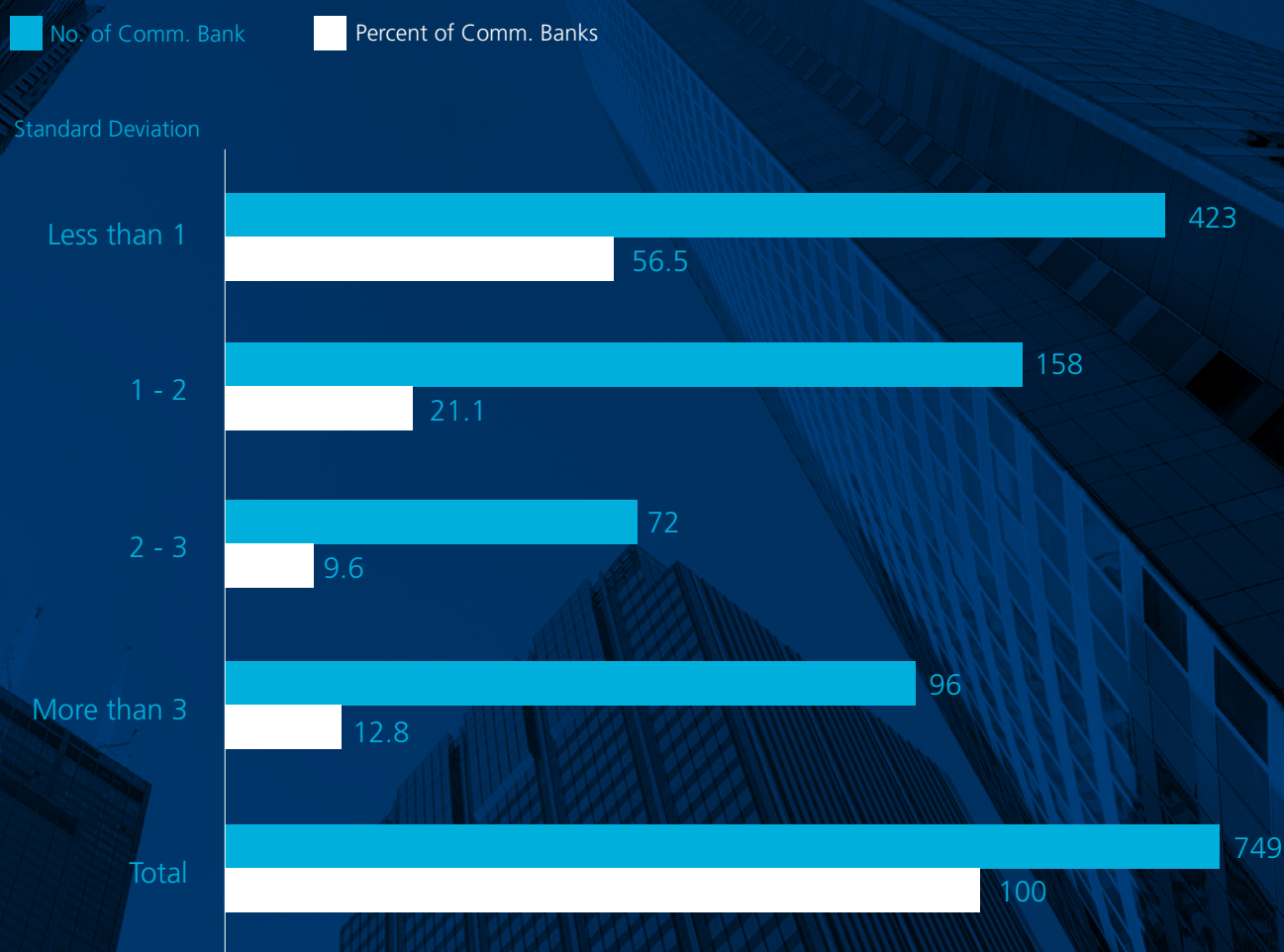
The variations in ROAA in Islamic banks over last 5 years were reflected by a standard deviation of less than 3.0 for more than 90 percent of 150 Islamic banks. The same was true for last 10-year period. Last 10 years' standard deviation of ROAAs across all Islamic banks is shown in the following table.

Table 5.2 ROAA Standard Deviation For Islamic Banks During Last 10 Years



The weighted average of standard deviations for all Islamic banks is 1.08.

The variations in ROAA in commercial banks over last 10 years can serve as a benchmark for evaluating the variations in ROAA in Islamic banks. The standard deviation of last 16 years' is less than 5% in more than 92 percent of 720 commercial banks in the countries where Islamic banks compete other commercial banks.

Table 5.3 ROAA Standard Deviation For Commercial Banks During Last 10 Years

The variation in ROAAs over time for Islamic banks is lesser than that in other commercial banks reflecting long-term stability of ROAAs of Islamic banks.

5.2 Cost/Income Ratios

Trends in Cost-income ratios can also compliment the information on stability of ROAAs in Islamic banks. The following table shows trend in the weighted averages of cost income ratios for Islamic banks over the period of last 10 years.

Table 5.4 Cost / Income Ratios (%) During Last 10 Years				
	Islamic Banks		Commercial Banks	
	Number	Mean	Number	Mean
Last Available Year	143	54.8	720	44.4
Year -1	136	54.1	701	44.1
Year -2	120	54.5	613	45.8
Year -3	95	54.0	495	40.9
Year -4	83	51.7	495	40.5
Year -5	79	52.9	454	44.3
Year -6	71	56.5	412	41.8
Year -7	59	59.2	373	42.7
Year -8	54	57.0	340	43.0
Year -9	44	61.8	306	44.9
Year -10	40	67.4	276	47.9

The cost-income ratio for Islamic banks has significantly been higher than for other commercial banks. The trend, however, does show a decline in the ratio. The continuation of decline in the ratio is essential for the sustainability of Islamic banks in view of the lower ROAA relative to the ROAA for other commercial banks.

The variations in cost-income ratios for Islamic banks in last 10-year period, when compared with the variations in the ratios of other commercial banks reflected by respective standard deviations suggest that Islamic banks need to manage the fluctuations in cost-income ratios as well in order to stabilize and improve the stability of their ROAAs. The following table compares the standard deviations in cost-income ratios for Islamic and other commercial banks.

Table 5.5 Standard Deviations for Cost-Income Ratios During Last 10 Year Period

Standard Deviation	Islamic Banks		Commercial Banks	
	Number of Banks	% of Banks	Number of Banks	% of Banks
< 20	56	38	337	45
20 - 40	58	39	269	36
> 40	35	23	143	19
Total	149	100	749	100

5.3 NPL Ratios

Trend in the non-performing financing as a ratio of gross financing provided by Islamic banks to their clients on assets side (conventionally known as NPL) are important factors in assessing the sustainability of Islamic banks. The following table shows the trend.

Table 5.6 Mean NPL Ratios Last 5 Year Period

	Islamic Banks		Commercial Banks	
	Number of Banks	Mean	Number of Banks	Mean
Last Available Year	75	4.8	498	4.5
Year -1	74	5.4	493	5.0
Year -2	65	5.8	423	5.2
Year -3	50	5.1	337	6.5
Year -4	41	6.35	163	5.4
Year -5	17	4.84	166	3.8

The trend in NPLs of Islamic banks is comparable with the trend in the other commercial banking. On the average, Islamic banks and other commercial banks have same numbers of non-performing financing. The Islamic banks thus do not face any adverse situation on account of quality of their financial operations compared to the quality of loans in other commercial banking. This in fact goes to the credit of Islamic banks. Islamic banks face difficulties in securing Sharia compatible guarantees and collaterals and applying them by

fulfilling Sharia requirements. This potentially creates serious problems for Islamic banks in recovering their investments and market return on it. Despite that, the Islamic banks' track record compares favorably with the track record of other commercial banks whose interest-based loans are better secured by the existing legal framework.

The variations in NPL ratios over time as an indicator of long-term stability can be seen in the following table.

Table 5.7 Standard Deviations NPL Ratios Last 5 Year Period

Standard Deviation	Islamic Banks		Commercial Banks	
	Number of Banks	% of Banks	Number of Banks	% of Banks
< 1.00	24	16	113	15
1.00 - 3.00	38	25	182	24
3.00 - 6.00	10	13	183	24
> 6.00	19	7	82	11
Not Available	59	39	190	25
Total	150	100	750	100

Though information on NPL ratios is generally scanty when analyzing the time trend, yet the available information provides no evidence for any concern about long term sustainability of Islamic banking.

5.4 Capital Ratio

An important aspect of a bank's ability to sustain as an ongoing concern is its ability to substantially absorb unexpected losses through its own equity capital. This ability is reflected by the capital ratio of the bank. The regulatory authorities set the

requirements for capital as ratio to assets (after adjusting them for their riskiness). Under Basel Agreement, the ratio is required to be greater than 8 percent. The average capital ratio of Islamic banks during last five-year period is shown in the following table 5.8.

Table 5.8 Regulatory Capital Ratio

	Islamic Banks		Commercial Banks	
Year	No.	Mean	No.	Mean
Last Available Year	88	16.3	443	16.0
Year -1	85	16.0	475	17.2
Year -2	73	17.1	401	16.9
Year -3	57	17.3	345	17.5
Year -4	52	19.1	314	17.3
Year -5	42	19.6	272	15.2

5.5 Net Rate Margin

Net rate margin is an alternate name for the term 'interest rate margin'. Since Islamic banks do not receive or pay interest on their investments and liabilities the statistics on interest rate margin for Islamic banks are referred to Net Rate Margin. Movements in net rate margins in Islamic banks can shed light on the efficiency of Islamic banks in making decisions for investing and financing from the customers' deposits and other sources of funding.

Table 5.9 Net Rate Margin (%)

	Islamic Banks			Commercial Banks		
Year	Number of Banks	Mean	Number of Banks	Number of Banks	Mean	No of Banks With Negative NRM
Last Available Year	143	2.6	17	727	3.1	8
Year -1	139	2.4	16	711	3.7	16
Year -2	123	2.4	17	620	3.6	9
Year -3	101	2.3	15	548	3.8	7
Year -4	88	3.1	9	506	4.0	8
Year -5	79	4.7	6	461	3.9	8

Islamic banks are showing, on the average, a clear sign of stabilizing their net rate margin though at a substantially lower level as compared to the net interest rate margin of other commercial banks. Islamic banks' difficulties in managing net rate margin are also evident from the number and proportion of Islamic banks showing negative NRM. The difficulties lie in realizing better income from deploying their funds, specially the customers' deposits.



5.6 Financial Strength of Core Operations

The following table shows the time trend in the core operations of Islamic banks.

Table 5.10 Financial Strength of Core Operations of Islamic Banks During Last Five Year Period

	Assets Billion \$	Incomes From Financing Billion \$	Payments On Deposits Billion \$	Incomes/ % of Payments
Last Available Year	1130	42.5	25.6	166
Year -1	975	37.4	21.0	178
Year -2	818	28.6	15.8	181
Year -3	624	19.5	9.1	214
Year -4	522	17.9	6.9	259
Year -5	447	17.8	6.0	297
Growth (%)	153	138	303	-44.5

It is clear that the income of Islamic banks from their financing operations grew much slower (138 percent over five-year period) than the payments made by Islamic banks on their financial obligations (303 percent over the same period). The income from financing operations as percent of payments on financial obligations declined from 297 percent five years ago to 166 percent for last available year. The growth of income on financing operations was less than half the growth in the payments on financial obligations.

One simple explanation of this divergence may lie in the fact that while customers on the liabilities side seem to be satisfied dealing with Islamic banks, the clients on assets side may not be feeling so. The dissatisfaction of the clients on asset side may be either on Sharia grounds or on economic/commercial efficiency grounds or on both grounds.

The long run sustainability therefore depends on Islamic banks ability to develop their products which not only meet the needs their clients on asset side but also are not competitive enough with respect to the products offered by other commercial banks.

The other explanation, though not based on deeper analysis, may lie in the fact that Islamic banks are constrained to create credit unlike other commercial banks who has a tremendous power to create money and hence increase their lending operations at a much higher rate than the rate at which Islamic banks can increase their financing operations, other things remaining same.

The point can be further emphasized by showing the corresponding figures for other commercial banks as shown in the following table.

Table 5.11 Core Financial Strength Commercial Banks During Last Five Year Period

	Assets Billion \$	Incomes From Financing Billion \$	Payments On Deposits Billion \$	Incomes/ % of Payments
Last Available Year	4435	162.5	74.1	160
Year -1	4156	163.8	78.1	155
Year -2	3484	129.5	61.9	154
Year -3	2879	108.1	54.2	147
Year -4	2524	109.1	55.7	136
Year -5	2291	104.8	58.5	179
Growth (%)	94	55	27	47.3

Two points are very obvious. In case of other commercial banks, the ratio of interest income from loans to interest expense on customer deposits showed a rather increasing trend but in case of Islamic banks, the ratio showed a very significantly declining trend. Secondly, increase in the interest incomes on lending from commercial banks was double of their interest expenses on their deposits whereas the income from financing operations was not even half of the payments paid by them to their depositors.

The conclusion remains that Islamic banks need to pay more attention to their asset side rather than on liabilities side for future growth.

5.7 Variations in NRM Over Time

The cross section variations in Net Rate Margin for Islamic banks are shown in the following table in comparison with those of other commercial banks.

Table 5.12 Variations in Net Rate Margin over time Within Islamic Banks During Last 10 years

	Islamic Banks		Commercial Banks	
Standard Deviation	Number of Banks	% of Banks	Number of Banks	% of Banks
< 20	86	57.3	423	56.5
2.00 - 4.00	42	28.0	209	27.9
4.00 - 6.00	7	10.0	89	11.9
> 6.00	15	4.7	28	3.7
Total	150	10.0	729	100

On account of cross section variations in NRM over the last 10 years, the stability conditions are comparable to those of other commercial banks.

The variations over time within Islamic banks have been measured in terms of standard deviation of NRM reported by Islamic banks over the period of last 10 years and are shown in the following table 5.13.

5. 13 Variations in Net Rate Margin over time Within Islamic Banks During Last 5 years

Net Rate Margin	Islamic Banks		Commercial Banks	
	Number of Banks	%	Number of Banks	%
< 1.00	42	28.0	285	38.0
1.00 - 2.00	51	34.0	200	26.7
2.00 - 4.00	33	22.0	147	19.6
> 4.00	20	13.3	106	8.8
Not available	4	2.7	12	1.6
Total	150	10.0	750	100

The comparison of net rate margin in Islamic banks with the net interest margin of other commercial banks implies that Islamic banks are not as successful in their investment allocations (in relation to their liabilities) as other commercial banks are. In absolute terms Islamic banks, however, are still able to make investment decisions to sustain their profitability as well their financial stability and sustainability as a going concern.





CHAPTER SIX

GROWTH FORECAST

TOTAL SALES BY REGION

West
South
North
East
Total

€
€
€
€
€

1 236 345,0 Copper
1 896 354,0 Steel
2 569 345,0 Gold
1 893 543,0 Silver
7 595 587,0 Platinum

Assuming that current growth in assets and equity of Islamic banks will continue at the global rate of 22 percent per year, the total volume of the total assets of Islamic banks would be \$4.5 trillion by 2020. But the forecast is sensitive to the assumption on whether Islamic banking will maintain the current growth or will slow down or accelerate in the rest of this decade. Part of the answer depends on the global economic outlook. In the recent past global economy has been sluggish. Signs of revival of the global economy are, however, visible. The global economy did improve its growth during 2013. There are good chances that the growth in banking sector in the rest of the decade may be better than in the recent past. The Islamic banks too will benefit with the recovery of the global economy and hence its growth may be higher than the current growth of 22.5 percent.

While growth in Islamic banking is influenced by global economic outlook, the economic growth in Asia is a more important factor in the growth of Islamic banking. There are indications that growth in Asia, during the rest of the decade, is likely to be higher than the growth in the developed world.

Population in countries where Islamic banks are currently operating in substantial proportion is growing at the rate of greater than 2 percent per annum while the population in the rest of the world is growing at a rate of 1 percent per annum. According to IDB annual report, 2013 the population of OIC countries is growing at the rate of 2 percent per annum on the average. It will not be unreasonable to assume that the entire Muslim population in the world will increase by 2 percent per annum, which will have at least same effect on the growth of clientele of Islamic banks.

Economic conditions of Muslim population in the world are improving. According to IDB annual report, 25 OIC member countries would achieve the MDG target of halving the population under poverty line. Though the growth of OIC countries slowed during the first three years of this decade yet the annual growth of GDP in all 56 OIC countries centers around 5 percent per annum, which is substantially high growth compared to the growth in the Europe and North America. This reflects that economic conditions of Muslim population are generally on the rise in the countries with large proportions of Muslims. This is expected to have positive effect on the growth of banking sector (Islamic as well as other) in these countries.

Another factor that needs to be kept in mind while assessing the future growth of Islamic banking is the unused Islamic banking potential in the countries with large proportion of Muslim population.

Currently Islamic banking, in terms of its assets, is only 11.5 percent of the total commercial banking in the countries where Islamic banking is competing with other commercial banking in a dual system. The countries with large Muslim population offer big potential for Islamic banks to grow. If Islamic banking makes strategic moves to enhance its current clientele base, these countries can witness an accelerated growth in the Islamic banking industry. One most important requirement for accelerated growth would be providing level playing field to Islamic banking to compete with the conventional banking.

Market environment for fair competition is needed on its own value. If Islamic banks are enabled to compete with the conventional banks on a level playing field then this will improve the efficiency of conventional banking too. There are some key features in the concept of Islamic banking that can provide them competitive advantage. One important feature is the strength of Islamic finance concept, which is taken as its weakness by the regulatory authorities. The philosophy of Islamic finance is to bring risk-bearing capital to the market. Risk bearing capital, in present days, is becoming rare commodity whereas its significance for the economic development and growth in a society is accelerating. Islamic banks refrain from developing this feature because of the institutional framework that caters to the needs of non-risk bearing capital (with fixed return) and hence serves as disincentive to the risk-bearing capital to enter financial market. A long awaited research since the start of the movement of Islamic banking is the institutional requirements to help Islamic banking to beneficially use its basic philosophy. Some innovative institutions are needed to help the Islamic banks reduce not only financial risks but also to reduce information cost and transaction cost in providing risk-bearing capital.

Keeping in view the 2 percent per annum population growth and about 5 percent growth in GDP in the majority of Muslim world, there is a good potential that the growth of Islamic banking may take place globally at the level of 25 percent per annum or more (compared to the present growth rate of 22 percent annum). Thus, it may not be too optimistic to claim that the assets of Islamic banks may reach \$5.5 trillion by 2020. If we assume that other conventional banking will maintain the current growth plus the population growth effect, then their assets may reach a level of \$ 24 trillion by 2020. Islamic banking share in the total assets of commercial banking in the 30 countries where Islamic banking already exists thus is likely to reach 20 to 25 percent by 2020 (compared to current share of 11.5 percent)

It may be highlighted again that these forecasts are only for Islamic banks involved in commercial banking activities. There is a lot of Islamic finance activities taking place outside the activities of full-fledged Islamic banks. They include:

- 1) Islamic finance activities from Islamic windows of commercial banks**
- 2) Specialized Islamic finance institutions**
- 3) Government finance institutions working on Islamic basis**
- 4) Finance companies**
- 5) National or multinational development banks and development funds**
- 6) Investment banks**

This is not a full list. The point is that the forecast mentioned above is only a part of the entire Islamic finance that is taking place in the contemporary world. The rest of the Islamic finance may be multiple of the Islamic commercial banking finance. Based on the statistics available from Islamic commercial banking it will not be unreasonable to suggest a figure that current level of Islamic finance (in commercial banking and beyond) at global level may be currently 3 trillion.

This is the upside of the forecast. On the down side, it may be kept in mind that there are limits to growth. This is particularly true when the initial base on which growth is taking place is low and the conditions governing the growth do not change. If Islamic banks do not initiate essential changes in their method of working to enhance their potential clientele base, the Islamic banks may witness slowing down of growth. The presently existing Islamic banks are already showing some signs of slowing down.

Since most of the Islamic banks, in current scenario, are not very old, and many of them do not report all statistics regularly, not much can be inferred about their growth dynamics. Since most of the Islamic banks, in current scenario, are not very old, and many of them do not report all statistics regularly, not much can be inferred about their growth dynamics. Most of the banks for which time series data is available for 5 years showed that their last year's growth rate was lower than their last 5 years' annual growth rate. This was particularly true for large banks and medium size banks.

In view of such facts, there is likelihood of downside to the growth forecast described earlier. The downside of the forecast can be based on the assumption of 15 percent growth per annum. The downside of forecast on size of Islamic banking by end of current decade thus can be placed at 4 trillion by 2020.

6.1 Expansion of Islamic Banking Network

The above forecast is based on the existing network of more than 150 Islamic commercial banks in 30 countries from Tunisia to Indonesia. There are in between and around another set of more than 30 countries where Muslim population live in large numbers and wait to welcome Islamic banking. It is only a matter of policy at national level that these remaining countries may decide to attend any time to this need of local

population. For example, Kazakhstan is in the process of restoring the existing Islamic bank to give a boost to Islamic banking industry in the country. The Parliament in Morocco has already approved the Islamic banking law to open and pave the way for establishing Islamic banks in the country. Besides, even in the countries where Islamic banking has already succeeded in getting itself recognized, there is still a large potential for new Islamic banking institutions.

Thus, there are two potential sources that can contribute to expansion of Islamic banking network worldwide.

- A) Entry of new Islamic banking institutions in countries where Islamic banking already exists.**
- B) Introduction of Islamic banking in countries where Islamic banking does not currently exist but substantial proportion of Muslim population can potentially mobilize establishment of Islamic banks.**

In chapter 1, it has been explained that large part of growth during last three years came from the establishment of new Islamic banks during the period 2010 to 2013. About 45 new Islamic banks were established during the period, which contributed \$276 million. Following this pattern, it is therefore, quite likely that in next 7 years \$600 million may be added on this account.

The following table shows selection of countries where Islamic banking already exists, is profitable and has a lot of potential because of the large Muslim population.

Table 6.1 Selected Countries with Large Potential for Expansion of Islamic Banking Network

	Population (Million)	No. of Existing Islamic Banks	Assets in Islamic Banking (Billion \$)	Assets of Islamic Banks as % Assets of All Banks	Equity in Islamic Banks (Billion \$)	Net Income as Percent of Equity in Islamic banks
Bangladesh	155	6	14	16	0.97	13.4
Egypt	79	2	9	10	1.22	13.1
Indonesia	246	10	14	7	0.58	20.7
Iran	75	16	444	100	32.9	13.5
Malaysia	29	16	132	20	6.82	11.4
Turkey	75	4	43	6	4.01	12.2

Besides, there are countries where currently Islamic banks do not exist but they may have good demand for Islamic banks in near future because of the large proportions of Muslim population. The following table 6.2 identifies these countries.

All these countries are member of OIC and IDB and hence are familiar with and sympathetic to the concept of Islamic banking. The Regions of Central Asia and most part of Africa are still virgin lands with respect to Islamic banking and are attracting attention of investors looking for investments in Islamic banking industry. The world map presented in the beginning of this report shows the potential for expansion of Islamic banking network in near future.

Taking all these considerations in account, there is the likelihood that the actual level of Islamic banking may be away ahead of the forecasts made in the beginning of this chapter.

The potential for Islamic banking remains mostly unemployed because of lack of institutional support. One important institution that can provide effective support for the expansion of network of Islamic banks is what we may call "Bank of Islamic Banks" (BIB)-an institution which not only provides technical assistance for the establishment of Islamic banks, lobbies with the policy makers on behalf of Islamic banks but also stands ready to help if a bank in its initial phase of establishment needs financial support and protection (the infant industry argument). If Islamic Development Bank cannot take up this responsibility then an initiative needs to be taken by a group of Muslim countries to mobilize resources for establishing a bank for Islamic banks.



Table 6.2
Some Countries with Large Muslim Population
But Without Formal Islamic Banking



CHAPTER SEVEN

RESEARCH AND POLICY PERSPECTIVE

TOTAL SALES BY REGION			
REGION	SALES		
West	1 236 345,0	€	Copper
South	1 896 354,0	€	Steel
North	2 569 345,0	€	Gold
East	1 893 543,0	€	Silver
Total	7 595 587,0	€	Platinum

The Following research and policy issues emerged from the analysis made in previous chapters.

01

Smaller Islamic banks have shown their flexibility and their openness to meet local demand for Islamic banking services. But there are several issues with respect to the role of small Islamic bank in the promotion and success of Islamic banking. The first issue is about their entry into the market that does not seem to be as free as it is for other commercial banks. This is reflected by the comparison of emergence of new smaller Islamic banks with the emergence of new smaller conventional banks. Since the report focuses on Islamic banking in countries with dual system where Islamic banks are competing with other commercial banks.

02

Under the same umbrella of regulation and supervision, the constraints in the way of Islamic banks' entry into the market have to be found within the regulatory and supervisory environment. Since conventional banking defines the overall financial system of the country, the regulatory and supervisory environment is more focused towards conventional banking. The analysis in the previous chapters with respect to some performance and growth indicators reflects the absence of level playing field for smaller Islamic banks. Two-third of the Islamic banks at bottom (of all 150 Islamic banks when ranked according to their total assets) currently make less than 10 percent of the total assets in Islamic banking. The same proportion of banks at the bottom three years earlier (out of 106 banks) made the same percentage of the total assets of Islamic banks. The bottom half of Islamic banks currently has only 3 percent of the share in the total Islamic banking. This was true 3 years earlier too. Compared to this, the share of 10 percent of top Islamic banks is currently 60 percent and it was same for top 10 percent of Islamic banks in three years earlier as well. There are too many eggs in few baskets putting the global Islamic financial system at stake on account of several risk factors. It is in the interest of Islamic banking to look for global strategies to develop a balanced structure of Islamic banks with respect to their size.

03

The case of smaller Islamic banks lies in their capacity to reach wider set of potential clientele. Since majority of countries where there is huge potential demand for Islamic banks are capital scarce countries, the emergence of smaller banks makes more economic sense in the context of meeting the Islamic banking needs of people in these countries. The expansion of Islamic banking to meet the needs of people who need it requires necessary provisions and incentives in the financial system to provide encouraging environment for the promotion of smaller Islamic banks.

04

Though this report did not specifically discuss the Sharia related risks that Islamic banking faces globally, yet it is not difficult to imagine that the high concentration of Islamic banking power in few banks makes the entire Islamic banking market open to Sharia related risk. There is no shortage of opposite voices on Sharia compatibility of the operations of Islamic banks. In case the opposite voices gain strength the top of Islamic banks may face confidence deficit which will not only affect the growth of top Islamic banks but will spillover this effect on smaller banks as well. While there are efforts to standardize the application of Sharia and transparency with respect to it, yet increasing the role of smaller banks will make Islamic banking industry more stable and sustainable.

05

There is, however, a concern about the efficiency and stability of small Islamic banks. In order to enhance efficiency and stability of Islamic banking industry and to make it effectively competitive relative to the conventional banking industry, there is a general impression that smaller banks need to merge themselves to make a bigger Islamic banks and hence play a more efficient role in the promotion of the industry. For the discussions in the report about performance of small banks, it is essential that a comprehensive study is launched to study the positive and negative aspects of small Islamic banks and collectively adapting a policy and a strategy towards the promotion of small Islamic banking.

06

The distinction of Islamic banking lies in its variety of products to meet specific financing needs of people. Sufficient statistics are not available to understand the economics of different Islamic modes of financing as alternative to interest-based modes of financing. It is a common knowledge that Islamic banks are depending heavily on the modes that apparently look like interest-based modes of financing in their substance. The great dependence on such modes as mark-up based trading, Tawarruq-based financing and leasing & mortgage type financing is damaging the sentimental and religious attachments of believers to Islamic banking. This can pose significant challenge to the future growth prospects of the industry. Chapter 6 clearly showed that Islamic banks are not growing on their investment side as much as they are growing on their liability side. This means that finance seekers are not as much comfortable with methods of Islamic banks as depositors are. There is need on the part of Islamic bankers to provide statistics on the use of different products on their assets side in order to enable good understanding of the economics of Islamic banking products. Academicians may help Islamic bankers identify the statistics required to be disclosed in this respect.

07

As long-term strategy for competing with other commercial banking at global level, some Islamic banks are feeling the need to attract non-Muslim clientele as well. This may be due to Islamic banks' view with respect to Sharia related risks faced by Islamic banks. Diversity in Fiqh opinion can contribute to management of this risk. Islamic banks need to get clientele from non-Muslim communities. The already declining trend in the incomes from financing (Table 5.9) may also be causing Islamic banks to seek clientele outside Muslim community. One sign of this concern is reflected by some Islamic banks' concern about "branding" their bank as 'Islamic'. It is feared that the word 'Islamic' in the name of the bank is making non-Muslim community to shy away from Islamic banking. A couple of Islamic banks have already done so. Turkey from the beginning calls their Islamic banks as participation banks.

08

Is name "Islamic bank" an obstacle to expansion of Islamic banking? It may be or it may be not. It is an experimental question. This is an issue for collective strategic positioning to compete in the global financial market. No doubt, the name "Islamic bank" attracts believers but whether this is thwarting the effort to attract non-Muslim clientele is a question to be researched. The name may or may not be an issue for non-Muslim clientele but this has to be established for the purpose of attracting potential clientele in totality.

09

The name may not necessarily be significant element in branding the Islamic banks and the change of name may not prove effective in diversifying clientele. Islamic banks have to find a relevant selling point that will be attractive to anyone, irrespective of faith, race or creed. This is an issue for research for academicians and practitioners. The search can be made in the concept and philosophy of Islamic banking to identify its unique features to serve as selling points. The search of selling point is matter of precise research that deserves immediate attention.

10

Islamic banks can also get a branding value by paying attention to how they project their operations. The branding may depend more on the products they are offering and economics of their products. The Islamic banks do not provide information on nature and economics of their products on assets side. The overwhelming use of markup based and Tawarruq based products are presented as a brand that makes them look like products of conventional banks, the difference is more documentation. This is a factor that may not be allowing the potential clientele to switch their accounts from conventional banks to Islamic banks. The limitations of Islamic banks to introduce products to address all the needs of their potential clients may be creating problems for those Islamic banks to manage and match maturities between their assets and liabilities.

11

The slower growth in financing relative to the growth of deposits in Islamic banks is reflective of the fact that Islamic banks may become victim of their own success. The declining financing-deposit ratio may impose limits on the growth of Islamic banking. Now that the initial effect of low base on growth is decreasing fast, the slowing down of financing will damage the rate of return on deposits and hence make it difficult for Islamic banks to compete with other commercial banks. Islamic banks' priority lies in making their financing more attractive not only to gain clientele from other commercial banks but also to create new deposits and depositors for Islamic banks from the community of believers. Only accelerated financing from Islamic banks can compensate the damaging effect of small base.

12

Institutional framework within which Islamic banks are currently operating is the framework designed for the promotion and protection of interest based financial system. This system is against any alternate financial system.

A research for developing appropriate institutional framework (including regulatory and supervisory mechanism) needs to be made to help and encourage Islamic banking system to manage the supply and demand of risk bearing capital. The report discussed the need of Bank of Islamic Banks at national levels or at global level that could provide

- a. **Regulatory and supervisory framework specifically tailored to the needs of Islamic banks and takes necessary measures for protecting and promoting them in the interest of clientele loyal to Islamic banking**
- b. **A research-based guidance to develop and innovate Islamic products that would give them a competitive edge over other commercial banking on the basis of economics and not merely on the basis of faith.**
- c. **Standards for transparency on using and reporting on Fiqh opinions underlying their products and operations, which serve as last resort to seek help in a crisis situation**

13

Human resource requirements for Islamic banks are often highlighted in different forums and several institutions of higher learning are in the field of awarding certificates, diplomas and degrees in Islamic banking and finance. But they do not meet the need of Islamic financial institutions in general and of Islamic banking institutions in particular. These institutions continue to seek the professionals qualified in conventional academic programs from academic institutions of international repute. Since Islamic financial

institutions have to operate in the current financial environment, therefore they need human resources that are well versed with the methods and procedures of the conventional system. The knowledge in Islamic finance is something that financial institutions believe that can get their staff easily trained in. DCIBF will form a consortium of Islamic Finance Teaching and Learning Institutions to address human capital development in the Islamic Banking and Finance industry.

14

Islamic banks need an alternate database to help the academicians and practitioners to analyze the performance and other dimensions of the Islamic banks in their own perspective. The academicians and stakeholders often wonder how to evaluate achievements of Islamic banking. Achievements can be related to several objectives and dimensions provided that necessary statistics are readily available. Several efforts have been made and are being made to provide exclusive database on Islamic banking but they are following the normal business model to collect and compile the statistics, which Bankscope is already providing. The need for a database specifically addressed to the nature and philosophy of Islamic banking can hardly be exaggerated.

APPENDIX

Statistical Appendix Table A.2 Economics of Core Business of Islamic Banks around the world.									Part 1
	Total Assets th USD Last avail. yr	Gross Loans th USD Last avail. yr	Gross Loans th USD Year - 3	Customer Deposits th USD Last avail. yr	Customer Deposits th USD Year - 3	Income on Financing th USD Last avail. yr	Income on Financing th USD Year - 3	Expense on Customer Deposits th USD Last avail. yr	Expense on Customer Deposits th USD Year - 3
UAE Banks	30,847,760	16,512,975	16,372,525	21,527,733	17,276,269	911,749	877,250	286,943	390,905
	28,089,993	17,728,686	13,677,141	20,564,656	15,371,627	993,084	940,231	172,417	284,547
	10,828,863	6,728,958	4,206,399	7,867,365	6,595,752	313,465	n.a.	104,398	n.a.
	10,539,224	7,622,355	4,229,353	7,672,784	4,931,082	416,011	281,198	135,303	140,885
	6,304,016	4,294,023	3,669,081	5,081,960	3,488,169	184,806	n.a.	73,764	n.a.
	5,917,468	3,506,875	2,672,512	3,240,572	2,825,895	188,673	197,359	34,118	76,705
	3,572,988	2,329,231	1,702,437	2,935,929	1,433,764	167,733	111,123	n.a.	n.a.
	2,282,151	2,206,562	2,592,757	n.a.	402,723	125,337	146,086	n.a.	0
	1,931,273	1,604,221	472,103	1,491,926	550,633	70,715	n.a.	22,083	n.a.
Bangladesh	2,054,080	1,470,467	n.a.	1,779,136	n.a.	209,559	n.a.	180,358	n.a.
	1,848,313	1,335,636	n.a.	1,474,319	n.a.	n.a.	n.a.	117,671	n.a.
	1,590,071	1,104,467	518,452	1,043,754	502,138	152,246	48,802	124,848	34,417
	1,570,255	1,162,064	n.a.	1,226,846	n.a.	144,165	n.a.	133,613	n.a.
Bahrain	20,967,600	13,375,300	10,391,200	16,648,600	13,146,300	1,402,300	1,045,300	n.a.	n.a.
	4,162,500	1,621,277	1,739,362	1,004,787	647,872	105,585	127,394	n.a.	n.a.
	3,718,300	512,000	326,200	363,400	236,500	n.a.	54,300	n.a.	n.a.
	2,894,415	1,053,989	532,713	1,810,372	1,366,489	69,415	67,553	45,745	39,096
	2,421,011	1,255,319	1,786,968	1,923,936	1,813,032	97,074	88,032	29,521	47,074
	1,635,546	207,241	n.a.	168,347	n.a.	n.a.	n.a.	n.a.	n.a.
	1,442,133	717,979	540,452	827,053	556,245	48,718	42,798	n.a.	n.a.
	1,001,700	915,700	844,100	47,800	10,400	17,700	8,500	n.a.	10,700
	907,900	n.a.	77,100	2,200	265,000	n.a.	700	n.a.	n.a.
	628,600	55,600	236,000	217,600	n.a.	n.a.	n.a.	n.a.	n.a.
Brunei Darassalam	5,024,265	2,283,700	1,933,591	3,610,652	2,814,628	n.a.	n.a.	n.a.	12,771
Egypt	6,514,773	770,557	3,605,453	5,912,508	4,649,194	49,146	237,882	262,540	n.a.
UK	2,660,815	1,187,846	885,177	2,284,505	1,831,903	99,386	74,552	133,197	98,970
	2,031,889	1,344,107	705,232	508,119	37,966	n.a.	n.a.	15,884	n.a.
	606,061	1,318	4,853	527,668	293,989	13,834	4,853	6,917	2,818
Indonesia	5,247,794	4,117,884	2,648,704	747,833	3,189,964	412,471	264,763	173,019	129,205
	4,487,161	3,413,923	1,702,046	516,457	279,657	357,068	178,857	n.a.	n.a.
	1,427,591	1,150,857	614,737	258,553	640,963	126,056	n.a.	n.a.	n.a.
	1,206,703	796,493	376,362	n.a.	n.a.	70,063	46,453	n.a.	n.a.
	844,356	642,562	n.a.	172,112	n.a.	101,434	n.a.	n.a.	n.a.
Iraq	884,905	1,801	270	253,769	216,849	755	4,439	n.a.	n.a.
	611,807	247,890	n.a.	264,080	n.a.	29,938	n.a.	n.a.	n.a.
Iran	96,532,087	57,588,637	28,033,079	67,383,034	35,658,709	4,202,667	3,097,770	3,792,798	2,196,020
	57,003,356	35,630,825	20,631,850	37,074,265	17,813,060	2,263,039	n.a.	2,470,204	n.a.
	54,528,128	46,208,040	15,826,308	16,277,425	11,395,468	n.a.	n.a.	n.a.	n.a.
	50,706,117	28,879,690	26,420,899	33,442,740	25,758,364	n.a.	n.a.	n.a.	n.a.
	50,142,324	29,328,744	2,238,340	37,416,133	24,282,579	4,169,005	1,645,630	3,889,225	1,768,260
	30,139,400	20,789,600	n.a.	23,633,500	n.a.	3,965,600	n.a.	3,351,300	n.a.
	30,063,042	18,658,279	14,887,500	22,146,109	15,496,370	n.a.	n.a.	n.a.	n.a.
	25,879,951	13,959,339	7,428,830	17,097,643	10,218,970	718	1,610	n.a.	n.a.
	25,370,043	16,246,862	12,217,126	15,479,171	10,378,916	n.a.	n.a.	827,960	523,374
	11,803,776	9,119,453	5,937,120	3,086,248	1,182,510	n.a.	n.a.	n.a.	n.a.
	11,283,335	8,912,030	n.a.	9,360,687	n.a.	1,669,299	n.a.	1,321,360	n.a.
	10,837,868	6,454,338	3,403,244	7,995,726	3,890,641	919,268	544,871	888,786	501,125
	9,871,292	6,734,960	3,915,010	8,048,448	5,030,157	n.a.	n.a.	345,572	16,235
	8,024,217	4,727,651	3,066,080	3,188,214	1,420,770	n.a.	189,410	n.a.	27,230
	6,315,230	3,712,857	2,349,678	4,025,125	2,764,376	709,031	506,465	525,158	380,163
	3,939,306	2,757,835	797,717	2,720,035	759,774	497,763	n.a.	327,476	n.a.

Statistical Appendix Table A.2 Economics of Core Business of Islamic Banks around the world.

Part 2

	Total Assets th USD Last avail. yr	Gross Loans th USD Last avail. yr	Gross Loans th USD Year - 3	Customer Deposits th USD Last avail. yr	Customer Deposits th USD Year - 3	Income on Financing th USD Last avail. yr	Income on Financing th USD Year - 3	Expense on Customer Deposits th USD Last avail. yr	Expense on Customer Deposits th USD Year - 3
Jordan	4,621,972	3,099,578	1,784,648	4,147,465	3,240,423	227,606	132,113	75,352	52,676
	1,653,803	1,073,099	1,146,761	1,404,225	237,465	141			
	744,313	344,942	n.a.	538,671	n.a.	23,848	n.a.	17,924	n.a.
Kuwait	57,233,332	31,685,460	26,229,509	35,829,786	27,259,801	2,026,241	1,844,619	609,929	580,542
	7,773,049	5,369,503	3,024,947	5,877,305	n.a.	251,773	146,828	30,142	32,074
	5,331,206	3,596,099	n.a.	3,330,851	n.a.	181,915	n.a.	25,177	n.a.
	3,384,589	193,863	756,381	2,437,936	2,069,586	1,058,577	109,635	n.a.	n.a.
	2,292,190	298,117	148,025	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	1,693,870	306,842	517,949	1,367,071	1,387,179	28,867	139,560	n.a.	n.a.
Malaysia	38,109,616	26,475,454	n.a.	25,298,676	n.a.	1,092,062	n.a.	531,556	n.a.
	15,061,155	10,811,890	7,380,493	11,722,345	7,354,615	534,271	367,869	238,661	131,186
	13,046,290	7,387,628	n.a.	11,349,993	n.a.	414,109	n.a.	230,291	n.a.
	10,524,591	7,282,564	n.a.	7,515,363	n.a.	417,678	n.a.	189,153	n.a.
	10,505,135	7,071,431	n.a.	8,654,792	n.a.	382,173	n.a.	180,954	n.a.
	8,373,835	5,319,786	n.a.	5,665,468	n.a.	239,806	n.a.	172,285	n.a.
	6,836,086	4,295,076	n.a.	5,426,963	n.a.	208,400	n.a.	134,560	n.a.
	6,137,892	3,723,451	n.a.	5,393,667	n.a.	192,474	n.a.	134,496	n.a.
	4,438,336	2,844,919	n.a.	3,314,917	n.a.	161,390	n.a.	59,820	n.a.
	3,757,855	1,864,148	n.a.	2,831,175	n.a.	87,125	n.a.	65,854	n.a.
	3,085,693	2,092,945	828,831	2,034,314	947,268	115,374	45,046	43,090	22,442
	2,880,055	1,985,921	n.a.	1,628,097	n.a.	101,966	n.a.	46,655	n.a.
	2,499,101	1,574,036	773,731	1,269,389	428,571	104,312	68,040	35,106	6,097
	2,286,990	1,451,885	n.a.	1,530,622	n.a.	81,222	n.a.	46,464	n.a.
	2,209,843	1,517,727	n.a.	1,906,265	n.a.	81,917	n.a.	44,552	n.a.
	918,983	494,838	n.a.	517,762	n.a.	19,395	n.a.	13,074	n.a.
Pakistan	3,120,088	1,263,032	n.a.	2,653,092	n.a.	81,875	n.a.	107,859	n.a.
	830,442	376,752	336,252	608,039	543,598	n.a.	n.a.	39,537	18,495
	763,181	287,575	127,066	644,576	331,243	27,158	11,922	34,858	14,283
	653,729	278,748	248,763	545,714	327,550	32,877	36,251	27,433	20,613
	505,205	288,434	n.a.	344,592	n.a.	22,613	n.a.	23,891	n.a.
Qatar	21,251,155	13,067,253	8,163,517	13,835,990	8,305,193	550,330	481,126	123,297	122,692
	18,282,309	11,393,984	6,888,270	13,277,830	7,422,143	478,846	444,588	n.a.	n.a.
	9,456,457	5,263,050	2,551,511	6,782,967	3,855,467	261,016	234,890	70,852	90,522
Saudi Arabia	74,632,191	51,047,709	33,078,082	61,757,097	38,150,402	2,572,720	2,424,373	124,160	61,413
	9,686,214	6,482,854	3,446,080	7,762,054	4,515,307	244,027	166,427	6,720	n.a.
Sudan									
						n.a.	n.a.	n.a.	n.a.
Syria	1,135,950	313,905	619	512,424	132,092	26,851	31,096	n.a.	n.a.
Tunisia	759,900	284,000	269,400	481,300	419,500	n.a.	n.a.	n.a.	n.a.
Turkey			n.a.	6,936,907	n.a.	682,809	n.a.	262,656	n.a.
Yemen								n.a.	n.a.

Source: Calculations from Bankscope data

Statistical Appendix Table A.1 Size and Income of Major IslamicBanks in the world.										Part 1
	Total Assets th USD Last avail. yr	Total Assets th USD Year - 3	Equity th USD Last avail. yr	Equity th USD Year - 3	Net Income th USD Last avail. yr	Net Income th USD Year - 3	Total Capital th USD Last avail. yr	Total Capital th USD Year - 3	Tier 1 Capital th USD Last avail. yr	Tier 1 Capital th USD Year - 3
UAE Banks	30,847,760	24,474,962	4,449,884	2,797,304	467,801	152,294	3,799,755	3,826,167	3,862,873	2,823,608
	28,089,993	20,492,199	3,559,945	2,208,496	394,881	278,693	3,560,953	2,701,702	3,467,665	2,197,005
	10,828,863	8,916,678	1,132,063	797,059	37,985	16,147	1,414,023	1,067,012	1,128,468	772,417
	10,539,224	7,023,172	1,071,123	536,174	120,300	35,698	1,151,913	542,573	1,084,411	513,220
	6,304,016	4,953,764	665,296	519,891	69,544	-151,967	838,557	723,948	663,635	519,265
	5,917,468	4,538,380	1,235,099	1,184,152	83,622	72,566	1,254,540	1,137,454	1,241,253	1,124,520
	3,572,988	2,576,882	516,433	542,873	-60,749	82,478	n.a.	479,156	n.a.	499,986
	2,282,151	2,775,548	648,142	605,909	28,291	7,107	n.a.	n.a.	n.a.	n.a.
	1,931,273	880,681	282,914	274,173	2,886	1,089	296,773	274,799	288,142	274,227
Bangladesh	2,054,080	n.a.	85,056	n.a.	9,987	n.a.	122,117	n.a.	78,902	n.a.
	1,848,313	n.a.	175,964	n.a.	24,363	n.a.	185,407	n.a.	163,721	n.a.
	1,590,071	758,993	142,665	59,306	16,104	9,047	149,612	66,129	128,743	59,347
	1,570,255	n.a.	143,977	n.a.	16,796	n.a.	161,106	n.a.	143,976	n.a.
Bahrain	20,967,600	15,878,300	1,983,400	1,816,600	257,800	193,200	n.a.	1,795,400	n.a.	1,698,700
	4,162,500	3,847,606	978,192	957,979	15,160	19,681	761,968	672,074	649,734	573,404
	3,718,300	5,137,400	1,117,500	1,429,800	50,200	362,200	1,006,600	1,104,400	1,006,600	1,104,400
	2,894,415	2,278,192	654,521	536,968	32,979	19,415	498,936	459,574	498,936	459,574
	2,421,011	2,488,564	207,713	266,223	16,223	-105,585	190,691	n.a.	162,234	n.a.
	1,635,546	n.a.	165,238	n.a.	918	n.a.	n.a.	n.a.	n.a.	n.a.
	1,442,133	1,114,936	265,987	314,250	-51,088	-17,375	268,104	n.a.	261,519	n.a.
	1,001,700	1,241,100	248,400	219,800	12,200	2,100	n.a.	n.a.	n.a.	n.a.
	907,900	1,018,200	524,800	116,300	6,300	-349,400	523,900	204,800	523,900	204,700
	628,600	727,900	248,600	202,400	4,700	-229,500	65,400	122,700	65,400	105,300
Brunei Darassalam	5,024,265	3,767,802	894,588	689,474	89,813	50,929	878,673	696,285	852,675	675,851
Egypt	6,514,773	5,053,676	418,923	287,541	100,274	22,610	300,157	282,810	232,900	231,307
UK	2,660,815	2,120,868	163,106	131,826	21,536	22,464	166,865	n.a.	148,469	n.a.
	2,031,889	1,114,487	399,840	386,650	7,106	5,507	315,934	331,949	396,901	387,541
	606,061	341,578	40,020	41,014	-9,387	-12,680	40,184	41,641	39,196	40,388
Indonesia	5,247,794	3,612,710	398,884	224,738	53,429	46,549	438,502	1,179	360,261	938
	4,487,161	2,380,247	352,047	194,550	39,035	19,008	487,587	230,597	331,545	183,228
	1,427,591	762,585	139,314	106,217	10,633	1,223	144,811	110,700	134,228	105,606
	1,206,703	711,258	107,037	116,945	9,637	4,061	112,019	117,615	103,553	113,353
	844,356	n.a.	64,169	n.a.	19,118	n.a.	n.a.	n.a.	n.a.	n.a.
Iraq	884,905	303,408	334,533	66,610	34,353	13,306	n.a.	n.a.	n.a.	n.a.
	611,807	n.a.	279,484	n.a.	29,905	n.a.	n.a.	n.a.	n.a.	n.a.
Iran	96,532,087	55,907,299	4,613,564	2,183,130	1,236,468	366,650	n.a.	n.a.	n.a.	n.a.
	57,003,356	39,430,997	4,425,967	3,990,802	193,440	289,117	n.a.	n.a.	n.a.	n.a.
	54,528,128	19,310,981	3,019,670	1,132,986	197,492	217,132	n.a.	n.a.	n.a.	n.a.
	50,706,117	41,294,740	2,935,971	2,784,764	410,359	250,403	n.a.	n.a.	n.a.	n.a.
	50,142,324	38,348,669	2,963,442	2,209,590	502,219	335,370	3,113,442	2,297,450	n.a.	1,235,760
	30,139,400	n.a.	2,236,400	n.a.	650,300	n.a.	2,501,200	n.a.	2,236,400	n.a.
	30,063,042	22,273,629	515,962	1,293,670	30,677	9,260	n.a.	n.a.	n.a.	n.a.
	25,879,951	12,439,090	4,289,617	1,344,530	1,105,856	329,840	n.a.	n.a.	n.a.	n.a.
	25,370,043	18,444,007	1,371,109	896,649	5,770	3,715	n.a.	n.a.	n.a.	n.a.
	11,803,776	8,423,900	2,213,344	2,609,390	39,013	46,580	n.a.	n.a.	n.a.	n.a.
	11,283,335	n.a.	730,857	n.a.	226,635	n.a.	n.a.	n.a.	n.a.	n.a.
	10,837,868	4,932,700	731,827	287,773	107,634	72,734	n.a.	n.a.	n.a.	n.a.
	9,871,292	5,781,498	930,749	149,024	23,288	12,564	n.a.	n.a.	n.a.	n.a.
	8,024,217	4,788,520	2,417,268	2,069,500	49,470	63,860	n.a.	n.a.	n.a.	n.a.
	6,315,230	3,761,823	999,603	415,116	238,114	166,024	n.a.	n.a.	n.a.	n.a.
	3,939,306	1,307,039	457,719	447,188	85,206	50,875	496,643	n.a.	n.a.	n.a.

Source: Calculations from Bankscope data

Statistical Appendix Table A.1 Size and Income of Major Islamic Banks in the world.

Part 2

	Total Assets th USD Last avail. yr	Total Assets th USD Year - 3	Equity th USD Last avail. yr	Equity th USD Year - 3	Net Income th USD Last avail. yr	Net Income th USD Year - 3	Total Capital th USD Last avail. yr	Total Capital th USD Year - 3	Tier 1 Capital th USD Last avail. yr	Tier 1 Capital th USD Year - 3
Jordan	4,621,972	3,667,183	361,268	273,521	63,521	40,986	326,901	249,859	320,282	n.a.
	1,653,803	1,465,916	142,113	165,634	16,197	3,662	141,408	162,113	n.a.	157,465
	744,313	n.a.	182,134	n.a.	2,071	n.a.	175	n.a.	172	n.a.
Kuwait	57,233,332	44,720,244	6,926,596	5,594,441	528,723	255,880	6,953,546	5,069,494	6,869,149	5,045,260
	7,773,049	4,691,019	955,674	855,666	45,035	21,383	710,284	807,912	710,284	814,683
	5,331,206	n.a.	806,383	n.a.	46,809	n.a.	734,752	n.a.	652,128	n.a.
	3,384,589	3,668,811	711,994	1,292,108	-61,018	326,485	n.a.	n.a.	n.a.	n.a.
	2,292,190	1,179,705	720,711	372,138	-478,731	115,515	n.a.	n.a.	n.a.	n.a.
	1,693,870	2,042,125	188,881	463,004	-80,898	95,238	n.a.	n.a.	n.a.	n.a.
Malaysia	38,109,616	n.a.	1,961,176	n.a.	319,762	n.a.	2,050,861	n.a.	1,759,257	n.a.
	15,061,155	11,687,495	813,927	434,139	111,400	97,866	908,212	499,583	660,808	384,171
	13,046,290	n.a.	1,013,805	n.a.	148,012	n.a.	1,091,086	n.a.	1,006,308	n.a.
	10,524,591	n.a.	688,651	n.a.	83,600	n.a.	1,062,360	n.a.	688,166	n.a.
	10,505,135	n.a.	789,700	n.a.	108,792	n.a.	796,831	n.a.	758,251	n.a.
	8,373,835	n.a.	553,804	n.a.	50,976	n.a.	578,786	n.a.	551,875	n.a.
	6,836,086	n.a.	425,578	n.a.	71,323	n.a.	542,048	n.a.	423,974	n.a.
	6,137,892	n.a.	534,068	n.a.	46,382	n.a.	657,090	n.a.	530,151	n.a.
	4,438,336	n.a.	358,799	n.a.	43,882	n.a.	379,674	n.a.	356,636	n.a.
	3,757,855	n.a.	214,871	n.a.	18,041	n.a.	219,991	n.a.	213,957	n.a.
	3,085,693	1,396,270	181,380	95,508	32,759	7,719	227,030	143,376	169,557	92,168
	2,880,055	n.a.	484,413	n.a.	29,773	n.a.	496,998	n.a.	410,910	n.a.
	2,499,101	1,320,448	167,515	143,408	14,719	15,405	181,716	123,626	149,840	123,626
	2,286,990	n.a.	233,071	n.a.	4,512	n.a.	234,444	n.a.	206,782	n.a.
	2,209,843	n.a.	191,873	n.a.	18,035	n.a.	200,615	n.a.	174,518	n.a.
	918,983	n.a.	154,247	n.a.	-2,342	n.a.	158,098	n.a.	154,107	n.a.
Pakistan	3,120,088	n.a.	178,970	n.a.	37,442	n.a.	182,258	n.a.	166,515	n.a.
	830,442	708,939	55,340	71,392	-390	-12,129	56,494	62,124	45,315	61,922
	763,181	405,781	57,371	56,020	4,280	-5,739	56,162	54,035	55,683	53,568
	653,729	419,742	70,697	71,684	3,559	2,690	67,144	66,037	66,212	65,270
	505,205	n.a.	50,731	n.a.	-10,721	n.a.	49,695	n.a.	48,956	n.a.
Qatar	21,251,155	14,251,979	3,756,236	2,558,159	364,176	346,758	2,669,478	1,790,522	2,534,231	1,790,522
	18,282,309	9,528,407	2,940,769	1,957,912	477,775	332,775	2,070,769	1,765,879	2,070,769	1,758,626
	9,456,457	4,994,204	1,459,863	1,048,709	206,126	153,516	1,177,033	854,341	1,112,006	824,808
Saudi Arabia	74,632,191	49,290,909	10,241,227	8,084,747	1,983,467	1,805,600	10,853,734	8,508,560	10,241,227	6,279,200
	9,686,214	5,631,120	1,360,240	827,467	194,453	24,613	1,453,760	844,267	1,360,240	802,827
Sudan	1,431,340	1,625,322	196,124	237,391	26,683	24,533	n.a.	n.a.	n.a.	n.a.
	1,237,116	1,372,502	103,474	105,906	39,373	42,378	n.a.	n.a.	n.a.	n.a.
	694,500	750,156	77,340	99,384	17,693	28,529	n.a.	n.a.	n.a.	n.a.
Syria	1,135,950	1,391,814	122,293	113,365	7,747	5,847	n.a.	n.a.	n.a.	n.a.
Tunisia	759,900	597,100	95,900	91,200	6,600	13,100	n.a.	n.a.	n.a.	n.a.
Turkey	13,062,269	9,512,097	1,222,138	1,322,620	84,009	170,716	1,447,355	1,278,285	1,189,668	1,230,717
	11,985,079	6,224,787	1,132,153	827,721	169,074	109,162	1,264,113	819,197	1,042,934	792,814
	11,725,065	n.a.	1,206,479	n.a.	154,363	n.a.	1,169,462	n.a.	1,124,674	n.a.
	8,059,429	5,454,033	700,903	553,192	113,009	86,968	869,827	545,157	632,316	522,036
Yemen	2,094,621	1,659,126	284,512	267,211	11,633	7,137	175	191	170	185
	836,084	732,322	50,513	35,843	2,739	2,738	n.a.	38,443	n.a.	35,660

Note: The banks with asset base greater than \$500 only have been included in this table.

Banks that have been excluded from this table numbered 41 and their assets accounted for less than 4 percent of global assets of Islamic banks.

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Total Assets th USD Last avail. yr	Total Assets th USD Year - 3	Deposits & Short term funding th USD Year - 1	Deposits & Short term funding th USD Year - 2	Equity th USD Last avail. yr	Equity th USD Year - 3
UAE	30,847,760	24,474,962	20,457,045	18,740,286	4,449,884	2,797,304
	28,089,993	20,492,199	17,552,076	15,548,863	3,559,945	2,208,496
	10,828,863	8,916,678	7,814,078	5,029,026	1,132,063	797,059
	10,539,224	7,023,172	7,474,009	6,685,800	1,071,123	536,174
	6,304,016	4,953,764	4,038,611	3,942,900	665,296	519,891
	5,917,468	4,538,380	3,214,350	3,076,869	1,235,099	1,184,152
Bangladesh	6,914,080	n.a.	n.a.	n.a.	563,199	n.a.
Bahrain	20,967,600	15,878,300	16,397,700	14,679,700	1,983,400	1,816,600
Brunei Darassalam	5,024,265	3,767,802	4,009,399	3,843,008	894,588	689,474
Indonesia	5,247,794	3,612,710	4,939,099	4,779,084	398,884	224,738
Iran	96,532,087	55,907,299	53,751,639	51,185,840	4,613,564	2,183,130
	57,003,356	39,430,997	48,703,414	38,023,770	4,425,967	3,990,802
	54,528,128	19,310,981	34,037,212	21,237,454	3,019,670	1,132,986
	50,706,117	41,294,740	44,457,106	40,103,999	2,935,971	2,784,764
	50,142,324	38,348,669	35,174,470	35,306,445	2,963,442	2,209,590
	30,139,400	n.a.	21,918,800	19,076,900	2,236,400	n.a.
	30,063,042	22,273,629	22,351,851	20,977,882	515,962	1,293,670
	25,879,951	12,439,090	14,044,731	13,408,187	4,289,617	1,344,530
	25,370,043	18,444,007	20,828,404	18,334,508	1,371,109	896,649
	11,803,776	8,423,900	5,045,587	5,082,497	2,213,344	2,609,390
	11,283,335	n.a.	9,175,998	n.a.	730,857	n.a.
	10,837,868	4,932,700	7,606,037	6,691,824	731,827	287,773
	9,871,292	5,781,498	8,000,284	6,146,231	930,749	149,024
	8,024,217	4,788,520	3,441,101	3,749,876	2,417,268	2,069,500
	6,315,230	3,761,823	3,796,748	3,270,621	999,603	415,116
Kuwait	57,233,332	44,720,244	41,421,054	37,025,844	6,926,596	5,594,441
	7,773,049	4,691,019	5,704,481	4,599,426	955,674	855,666
	5,331,206	n.a.	3,580,014	n.a.	806,383	n.a.
Malaysia	38,109,616	n.a.	27,504,856	21,436,418	1,961,176	n.a.
	15,061,155	11,687,495	15,344,677	12,429,746	813,927	434,139
	13,046,290	n.a.	10,924,795	9,022,443	1,013,805	n.a.
	10,524,591	n.a.	6,438,461	n.a.	688,651	n.a.
	10,505,135	n.a.	8,615,276	8,564,495	789,700	n.a.
	8,373,835	n.a.	6,550,834	n.a.	553,804	n.a.
	6,836,086	n.a.	6,098,480	n.a.	425,578	n.a.
	6,137,892	n.a.	6,072,527	5,920,143	534,068	n.a.
Qatar	21,251,155	14,251,979	14,702,995	11,263,654	3,756,236	2,558,159
	18,282,309	9,528,407	14,119,094	12,709,808	2,940,769	1,957,912
	9,456,457	4,994,204	5,666,401	4,973,984	1,459,863	1,048,709
Saudi Arabia	74,632,191	49,290,909	59,634,616	48,120,056	10,241,227	8,084,747
	16,800,321	n.a.	n.a.	n.a.	4,488,507	n.a.
	9,686,214	5,631,120	6,483,307	6,255,920	1,360,240	827,467
Turkey	13,062,269	9,512,097	9,671,673	7,074,339	1,222,138	1,322,620
	11,985,079	6,224,787	8,640,502	6,046,646	1,132,153	827,721
	11,725,065	n.a.	7,202,776	n.a.	1,206,479	n.a.
	8,059,429	5,454,033	5,959,284	4,760,629	700,903	553,192

Thee 47 banks in 10 countries of the world holding about 90 percent of global assets of Islamic banking

Part 1

Net Income th USD Last avail. yr	Net Income th USD Year - 3	Loan Loss Reserve / Gross Loans % Last avail. yr	Loan Loss Reserve / Gross Loans % Year - 3	Total Capital Ratio % Last avail. yr	Total Capital Ratio % Year - 3	Equity / Total Assets % Last avail. yr	Equity / Total Assets % Year - 3
467,801	152,294	7.54	4.92	18.20	17.80	14.43	11.43
394,881	278,693	5.16	4.53	16.86	16.03	12.67	10.78
37,985	16,147	12.26	5.32	15.96	18.00	10.45	8.94
120,300	35,698	3.18	1.38	n.a.	11.84	10.16	7.63
69,544	-151,967	9.03	7.40	17.57	20.56	10.55	10.50
83,622	72,566	2.79	1.64	31.00	35.54	20.87	26.09
65,021	n.a.	3.05	n.a.	14.27	n.a.	8.15	n.a.
257,800	193,200	3.16	3.36	n.a.	19.69	9.46	11.44
89,813	50,929	4.66	7.99	24.30	29.50	17.81	18.30
53,429	46,549	3.04	3.71	14.10	10.60	7.60	6.22
1,236,468	366,650	0.52	0.06	n.a.	n.a.	4.78	3.91
193,440	289,117	1.55	n.a.	n.a.	n.a.	7.76	10.12
197,492	217,132	n.a.	n.a.	n.a.	n.a.	5.54	5.87
410,359	250,403	n.a.	7.17	n.a.	n.a.	5.79	6.74
502,219	335,370	0.16	1.36	8.80	9.20	5.91	5.76
650,300	n.a.	5.19	n.a.	11.48	n.a.	7.42	n.a.
30,677	9,260	n.a.	n.a.	n.a.	n.a.	1.72	5.81
1,105,856	329,840	3.97	4.15	n.a.	n.a.	16.58	10.81
5,770	3,715	n.a.	n.a.	n.a.	n.a.	5.40	4.86
39,013	46,580	9.64	4.66	n.a.	n.a.	18.75	30.98
226,635	n.a.	3.81	n.a.	n.a.	n.a.	6.48	n.a.
107,634	72,734	3.82	n.a.	n.a.	n.a.	6.75	5.83
23,288	12,564	n.a.	n.a.	n.a.	n.a.	9.43	2.58
49,470	63,860	n.a.	n.a.	n.a.	n.a.	30.13	43.22
238,114	166,024	n.a.	3.74	n.a.	n.a.	15.83	11.04
528,723	255,880	5.56	7.36	17.44	14.22	12.10	12.51
45,035	21,383	2.34	2.85	17.43	27.59	12.30	18.24
46,809	n.a.	3.38	n.a.	25.24	n.a.	15.13	n.a.
319,762	n.a.	0.86	n.a.	13.71	n.a.	5.15	n.a.
111,400	97,866	1.15	1.46	14.02	17.21	5.40	3.72
148,012	n.a.	2.07	n.a.	14.06	n.a.	7.77	n.a.
83,600	n.a.	2.25	n.a.	14.60	n.a.	6.54	n.a.
108,792	n.a.	1.30	n.a.	12.36	n.a.	7.52	n.a.
50,976	n.a.	1.64	n.a.	14.74	n.a.	6.61	n.a.
71,323	n.a.	2.20	n.a.	13.80	n.a.	6.23	n.a.
46,382	n.a.	2.22	n.a.	17.60	n.a.	8.70	n.a.
364,176	346,758	0.89	1.22	16.51	17.37	17.68	17.95
477,775	332,775	0.08	0.04	20.55	19.21	16.09	20.55
206,126	153,516	0.71	1.18	18.86	23.99	15.44	21.00
1,983,467	1,805,600	2.27	2.96	19.60	20.63	13.72	16.40
n.a.	n.a.	1.13	n.a.	28.00	n.a.	26.72	n.a.
194,453	24,613	3.68	4.90	17.14	17.43	14.04	14.70
84,009	170,716	3.32	3.67	n.a.	13.46	9.36	13.91
169,074	109,162	2.26	2.88	14.43	17.05	9.45	13.30
154,363	n.a.	2.22	n.a.	12.81	n.a.	10.29	n.a.
113,009	86,968	2.97	3.42	n.a.	14.09	8.70	10.14

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country UAE	Capital Funds / Liabilities %	Net Interest Margin %	Net Interest Margin %	Return on Average Assets (ROAA) %	Return on Average Assets (ROAA) %	Return on Average Equity (ROAE) %	Return on Average Equity (ROAE) %
	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3
	18.49	3.68	3.04	1.62	0.64	12.26	5.81
	15.89	4.43	4.16	1.53	1.47	11.27	13.42
	n.a.	2.32	3.39	0.36	0.20	4.12	2.05
	n.a.	3.63	3.06	1.25	0.61	11.89	6.88
	n.a.	2.37	n.a.	1.24	-3.18	11.04	-25.52
	35.30	2.73	3.10	1.53	1.63	6.84	6.19
Bangladesh	n.a.	3.65	n.a.	0.94	n.a.	11.55	n.a.
Bahrain	n.a.	2.87	3.49	1.29	1.33	13.05	10.87
Brunei Darassalam	n.a.	6.14	5.98	1.83	1.38	10.45	7.67
Indonesia	7.34	5.46	6.95	1.10	1.54	14.40	23.12
Iran	n.a.	2.11	1.96	1.54	0.74	29.21	17.69
	n.a.	0.47	n.a.	0.35	0.78	4.41	7.37
	n.a.	-4.03	-9.26	0.44	1.18	9.75	19.88
	n.a.	1.46	3.56	0.85	0.62	14.70	8.60
	n.a.	2.45	-2.11	1.09	0.92	18.03	16.22
	n.a.	3.85	n.a.	2.33	n.a.	30.73	n.a.
	n.a.	0.69	2.25	0.11	0.04	4.66	0.68
	n.a.	2.28	1.99	4.94	2.65	29.13	24.53
	n.a.	-4.75	-3.82	0.03	0.02	0.44	0.41
	n.a.	6.24	3.84	0.37	0.68	1.79	1.83
	n.a.	4.54	n.a.	2.13	n.a.	37.94	n.a.
	n.a.	0.73	1.94	1.09	1.48	15.52	25.28
	n.a.	4.69	3.82	0.27	0.24	4.35	9.04
	n.a.	3.79	4.16	0.73	1.49	2.32	3.16
	n.a.	6.61	7.32	4.23	4.54	26.24	43.16
Kuwait	14.30	2.91	3.21	0.97	0.60	8.45	4.62
	n.a.	3.39	2.99	0.62	0.53	4.83	3.65
	n.a.	3.45	n.a.	0.96	n.a.	5.95	n.a.
Malaysia	n.a.	2.19	n.a.	0.97	n.a.	19.11	n.a.
	4.76	2.35	2.78	0.73	0.95	14.58	27.31
	n.a.	3.30	n.a.	1.21	n.a.	15.11	n.a.
	n.a.	2.97	n.a.	0.89	n.a.	13.44	n.a.
	n.a.	3.22	n.a.	1.12	n.a.	14.64	n.a.
	n.a.	1.97	n.a.	0.65	n.a.	10.27	n.a.
	n.a.	2.09	n.a.	1.04	n.a.	18.00	n.a.
	n.a.	2.46	n.a.	0.74	n.a.	9.07	n.a.
Qatar	21.88	2.95	3.29	1.76	2.77	9.92	13.64
	n.a.	2.78	5.85	2.71	4.12	17.02	18.51
	n.a.	3.03	3.81	2.38	3.22	14.50	14.67
Saudi Arabia	n.a.	4.11	5.84	2.72	3.81	19.87	22.93
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	3.33	3.77	2.21	0.48	15.40	3.02
Turkey	16.15	4.94	5.78	0.73	1.99	7.11	13.71
	n.a.	4.18	4.72	1.63	2.05	17.42	16.08
	n.a.	4.92	n.a.	1.55	n.a.	13.86	n.a.
	11.29	5.01	4.83	1.63	1.81	17.78	17.15

Source: Calculations from Bankscope data

Part 2

Cost to Income Ratio % Last avail. yr	Cost to Income Ratio % Year - 3	Net Loans / Total Assets % Last avail. yr	Net Loans / Total Assets % Year - 3	Net Loans / Customer & ST Funding % Last avail. yr	Net Loans / Customer & ST Funding % Year - 3	Liquid Assets / Cust & ST Funding % Last avail. yr
43.55	63.85	49.49	63.61	68.64	84.25	33.33
47.60	42.33	59.86	63.72	75.53	83.53	29.25
43.92	30.30	54.52	44.66	74.24	52.36	47.83
54.16	63.03	70.03	59.39	86.43	66.49	19.20
61.38	n.a.	61.96	68.59	72.36	78.33	26.45
51.15	50.23	57.61	57.92	94.79	87.32	40.34
43.71	n.a.	73.33	n.a.	84.23	n.a.	12.18
54.42	51.97	61.77	63.24	72.99	74.00	13.73
38.48	40.74	43.34	47.22	54.12	59.59	54.09
60.43	56.40	76.09	70.61	85.14	78.75	19.88
45.38	59.50	59.35	50.11	65.21	63.53	25.92
47.66	n.a.	61.54	52.32	72.82	90.99	20.42
94.14	61.17	84.74	81.96	104.10	94.80	6.73
67.77	77.07	56.96	59.40	69.10	77.21	26.45
55.77	51.01	58.40	5.76	69.97	7.56	22.52
22.85	n.a.	65.40	n.a.	74.53	n.a.	15.37
97.42	98.91	62.06	66.84	69.59	80.61	22.30
44.02	20.31	51.80	57.25	73.67	66.37	25.65
99.88	100.13	64.04	66.24	73.36	77.35	18.48
88.62	45.59	69.82	67.20	123.13	134.90	15.64
26.22	n.a.	75.98	n.a.	85.37	n.a.	18.03
89.15	55.84	57.28	68.99	64.06	79.36	34.22
86.61	81.69	68.23	67.72	78.09	76.54	19.42
73.06	29.01	58.92	64.03	85.11	130.91	37.71
20.38	18.80	58.79	60.12	74.50	69.78	21.81
61.36	48.02	52.29	54.34	67.12	71.61	27.86
45.67	54.68	67.46	62.65	78.10	77.65	26.96
44.39	n.a.	65.17	n.a.	78.74	n.a.	31.19
38.53	n.a.	68.88	n.a.	74.01	n.a.	15.66
51.49	29.59	70.96	62.22	77.87	66.34	22.90
54.48	n.a.	55.46	n.a.	61.23	n.a.	12.76
43.06	n.a.	67.64	n.a.	85.50	n.a.	24.52
31.47	n.a.	66.44	n.a.	73.44	n.a.	27.24
40.54	n.a.	62.49	n.a.	73.11	n.a.	24.25
43.08	n.a.	61.45	n.a.	68.72	n.a.	25.77
76.00	n.a.	59.32	n.a.	67.12	n.a.	6.69
33.63	26.94	60.94	56.58	82.91	75.96	13.71
15.36	12.23	62.27	72.27	75.21	92.77	10.88
21.14	21.86	55.26	50.49	72.92	64.93	21.05
29.41	25.57	66.85	65.12	79.54	81.07	13.74
n.a.	n.a.	71.31	n.a.	104.56	n.a.	23.40
53.68	65.26	64.46	58.20	77.84	70.98	28.47
52.56	62.86	74.13	75.44	93.45	95.08	19.32
53.45	52.35	63.78	72.51	75.98	87.37	16.66
52.26	n.a.	72.67	n.a.	100.77	n.a.	10.40
45.19	52.34	69.63	74.91	85.11	86.78	26.03

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Liquid Assets / Cust & ST Funding % Year - 3	Gross Loans th USD Last avail. yr	Gross Loans th USD Year - 3	Loans th USD Last avail. yr	Loans th USD Year - 3	Deposits & Short term funding th USD Year - 1
UAE	14.45	16,512,975	16,372,525	15,267,692	15,567,325	20,457,045
	37.39	17,728,686	13,677,141	16,813,506	13,057,209	17,552,076
	6.54	6,728,958	4,206,399	5,904,207	3,982,491	7,814,078
	28.65	7,622,355	4,229,353	7,380,041	4,171,191	7,474,009
	19.00	4,294,023	3,669,081	3,906,113	3,397,767	4,038,611
	37.68	3,506,875	2,672,512	3,408,958	2,628,673	3,214,350
	n.a.	5,229,641	n.a.	5,070,035	n.a.	n.a.
Bangladesh	23.53	13,375,300	10,391,200	12,952,400	10,041,800	16,397,700
Bahrain	50.28	2,283,700	1,933,591	2,177,342	1,779,180	4,009,399
Brunei Darassalam						
	19.71	4,117,884	2,648,704	3,992,895	2,550,771	4,939,099
Indonesia						
Iran	39.94	57,588,637	28,033,079	57,288,238	28,016,599	53,751,639
	45.76	35,630,825	20,631,850	35,080,029	20,631,850	48,703,414
	8.30	46,208,040	15,826,308	46,208,040	15,826,308	34,037,212
	19.19	28,879,690	26,420,899	28,879,690	24,527,409	44,457,106
	19.94	29,328,744	2,238,340	29,281,435	2,207,800	35,174,470
	n.a.	20,789,600	n.a.	19,709,900	n.a.	21,918,800
	25.84	18,658,279	14,887,500	18,658,279	14,887,500	22,351,851
	13.20	13,959,339	7,428,830	13,405,905	7,120,930	14,044,731
	14.57	16,246,862	12,217,126	16,246,862	12,217,126	20,828,404
	33.99	9,119,453	5,937,120	8,240,783	5,660,560	5,045,587
	n.a.	8,912,030	n.a.	8,572,709	n.a.	9,175,998
	21.96	6,454,338	3,403,244	6,208,032	3,403,244	7,606,037
	25.79	6,734,960	3,915,010	6,734,960	3,915,010	8,000,284
	46.00	4,727,651	3,066,080	4,727,651	3,066,080	3,441,101
	12.66	3,712,857	2,349,678	3,712,857	2,261,721	3,796,748
Kuwait						
	21.48	31,685,460	26,229,509	29,924,822	24,300,072	41,421,054
	34.41	5,369,503	3,024,947	5,243,617	2,938,703	5,704,481
	n.a.	3,596,099	n.a.	3,474,468	n.a.	3,580,014
Malaysia						
	n.a.	26,475,454	n.a.	26,248,881	n.a.	27,504,856
	32.67	10,811,890	7,380,493	10,687,968	7,272,442	15,344,677
	n.a.	7,387,628	n.a.	7,234,771	n.a.	10,924,795
	n.a.	7,282,564	n.a.	7,119,087	n.a.	6,438,461
	n.a.	7,071,431	n.a.	6,979,857	n.a.	8,615,276
	n.a.	5,319,786	n.a.	5,232,548	n.a.	6,550,834
	n.a.	4,295,076	n.a.	4,200,409	n.a.	6,098,480
	n.a.	3,723,451	n.a.	3,640,722	n.a.	6,072,527
Qatar						
	33.83	13,067,253	8,163,517	12,950,413	8,063,682	14,702,995
	21.23	11,393,984	6,888,270	11,384,671	6,885,715	14,119,094
	38.78	5,263,050	2,551,511	5,225,550	2,521,346	5,666,401
Saudi Arabia						
	16.08	51,047,709	33,078,082	49,890,163	32,100,455	59,634,616
	n.a.	12,116,747	n.a.	11,979,627	n.a.	n.a.
	31.99	6,482,854	3,446,080	6,244,107	3,277,280	6,483,307
Turkey						
	19.90	9,924,254	7,372,921	9,683,111	7,175,934	9,671,673
	17.00	7,821,186	4,647,389	7,644,373	4,513,339	8,640,502
	n.a.	8,713,337	n.a.	8,519,966	n.a.	7,202,776
	19.80	5,730,272	4,191,484	5,611,637	4,085,392	5,959,284

Part 3

Deposits & Short term funding th USD Year - 2	Total Customer Deposits th USD Last avail. yr	Total Customer Deposits th USD Year - 3	Loan Loss Reserves th USD Last avail. yr	Loan Loss Reserves th USD Year - 3	Net Interest Revenue th USD Last avail. yr	Net Interest Revenue th USD Year - 3	Total Capital Ratio % Last avail. yr
18,740,286	21,527,733	17,276,269	n.a.	0	815,848	605,691	18.20
15,548,863	20,564,656	15,371,627	n.a.	n.a.	890,374	716,923	16.86
5,029,026	7,867,365	6,595,752	n.a.	n.a.	222,655	253,860	15.96
6,685,800	7,672,784	4,931,082	n.a.	n.a.	305,650	165,745	n.a.
3,942,900	5,081,960	3,488,169	n.a.	n.a.	111,042	n.a.	17.57
3,076,869	3,240,572	2,825,895	n.a.	n.a.	124,466	118,176	31.00
n.a.	6,019,193	n.a.	5	n.a.	221,803	n.a.	14.27
14,679,700	16,648,600	13,146,300	n.a.	n.a.	448,900	452,400	n.a.
3,843,008	3,610,652	2,814,628	n.a.	n.a.	162,688	119,195	24.30
4,779,084	747,833	3,189,964	221	371	248,400	188,069	14.10
51,185,840	67,383,034	35,658,709	n.a.	n.a.	1,335,620	690,140	n.a.
38,023,770	37,074,265	17,813,060	n.a.	n.a.	197,481	n.a.	n.a.
21,237,454	16,277,425	11,395,468	n.a.	n.a.	-1,651,450	-1,461,998	n.a.
40,103,999	33,442,740	25,758,364	n.a.	n.a.	543,312	1,048,972	n.a.
35,306,445	37,416,133	24,282,579	n.a.	n.a.	833,279	-360,540	8.80
19,076,900	23,633,500	n.a.	n.a.	n.a.	853,100	n.a.	11.48
20,977,882	22,146,109	15,496,370	n.a.	n.a.	138,401	390,850	n.a.
13,408,187	17,097,643	10,218,970	n.a.	n.a.	395,024	199,330	n.a.
18,334,508	15,479,171	10,378,916	n.a.	n.a.	-821,742	-520,012	n.a.
5,082,497	3,086,248	1,182,510	n.a.	n.a.	535,759	203,820	n.a.
n.a.	9,360,687	n.a.	n.a.	n.a.	394,885	n.a.	n.a.
6,691,824	7,995,726	3,890,641	n.a.	n.a.	62,866	86,638	n.a.
6,146,231	8,048,448	5,030,157	n.a.	n.a.	301,235	188,248	n.a.
3,749,876	3,188,214	1,420,770	n.a.	n.a.	220,392	162,180	n.a.
3,270,621	4,025,125	2,764,376	n.a.	n.a.	291,792	211,201	n.a.
37,025,844	35,829,786	27,259,801	n.a.	n.a.	1,329,433	1,169,280	17.44
4,599,426	5,877,305	n.a.	n.a.	n.a.	220,213	109,765	17.43
n.a.	3,330,851	n.a.	n.a.	n.a.	161,702	n.a.	25.24
21,436,418	25,298,676	n.a.	n.a.	n.a.	554,381	n.a.	13.71
12,429,746	11,722,345	7,354,615	n.a.	n.a.	301,284	223,851	14.02
9,022,443	11,349,993	n.a.	n.a.	n.a.	361,938	n.a.	14.06
n.a.	7,515,363	n.a.	n.a.	n.a.	240,894	n.a.	14.60
8,564,495	8,654,792	n.a.	n.a.	n.a.	247,905	n.a.	12.36
n.a.	5,665,468	n.a.	n.a.	n.a.	122,944	n.a.	14.74
n.a.	5,426,963	n.a.	n.a.	n.a.	127,796	n.a.	13.80
5,920,143	5,393,667	n.a.	n.a.	n.a.	132,446	n.a.	17.60
11,263,654	13,835,990	8,305,193	n.a.	n.a.	555,027	380,027	16.51
12,709,808	13,277,830	7,422,143	n.a.	n.a.	462,527	449,478	20.55
4,973,984	6,782,967	3,855,467	n.a.	n.a.	244,148	167,830	18.86
48,120,056	61,757,097	38,150,402	n.a.	n.a.	2,581,200	2,438,560	19.60
n.a.	11,403,361	n.a.	n.a.	n.a.	n.a.	n.a.	28.00
6,255,920	7,762,054	4,515,307	n.a.	n.a.	256,027	167,547	17.14
7,074,339	8,380,147	7,184,571	91,138	76,042	462,033	390,038	n.a.
6,046,646	7,995,055	4,852,581	n.a.	n.a.	337,418	208,366	14.43
n.a.	6,936,907	n.a.	n.a.	n.a.	400,635	n.a.	12.81
4,760,629	5,626,153	4,285,212	53,229	38,669	292,873	205,124	n.a.

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Tier 1 Ratio % Last avail. yr	Tier 1 Ratio % Year - 3	Total Capital th USD Last avail. yr	Total Capital th USD Year - 3	Tier 1 Capital th USD Last avail. yr	Tier 1 Capital th USD Year - 3	Interest Income on Loans th USD Last avail. yr
UAE	18.20	12.70	3,799,755	3,826,167	3,862,873	2,823,608	911,749
	16.42	13.04	3,560,953	2,701,702	3,467,665	2,197,005	993,084
	n.a.	13.03	1,414,023	1,067,012	1,128,468	772,417	313,465
	n.a.	11.20	1,151,913	542,573	1,084,411	513,220	416,011
	13.90	14.75	838,557	723,948	663,635	519,265	184,806
	30.67	35.14	1,254,540	1,137,454	1,241,253	1,124,520	188,673
	10.10	n.a.	585,407	n.a.	414,480	n.a.	605,579
Bangladesh	n.a.	18.58	n.a.	1,795,400	n.a.	1,698,700	1,402,300
Bahrain	23.50	28.70	878,673	696,285	852,675	675,851	n.a.
Brunei Darassalam	n.a.	8.43	438,502	1,179	360,261	938	412,471
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4,202,667
Iran	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2,263,039
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	3,113,442	2,297,450	n.a.	1,235,760	4,169,005
	n.a.	n.a.	2,501,200	n.a.	2,236,400	n.a.	3,965,600
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	718
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,669,299
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	919,268
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	709,031
Kuwait	17.23	14.15	6,953,546	5,069,494	6,869,149	5,045,260	2,026,241
	17.43	27.82	710,284	807,912	710,284	814,683	251,773
	22.40	n.a.	734,752	n.a.	652,128	n.a.	181,915
Malaysia	11.76	n.a.	2,050,861	n.a.	1,759,257	n.a.	1,092,062
	10.20	13.24	908,212	499,583	660,808	384,171	534,271
	12.96	n.a.	1,091,086	n.a.	1,006,308	n.a.	414,109
	9.50	n.a.	1,062,360	n.a.	688,166	n.a.	417,678
	11.74	n.a.	796,831	n.a.	758,251	n.a.	382,173
	14.06	n.a.	578,786	n.a.	551,875	n.a.	239,806
	10.72	n.a.	542,048	n.a.	423,974	n.a.	208,400
	14.20	n.a.	657,090	n.a.	530,151	n.a.	192,474
Qatar	n.a.	17.37	2,669,478	1,790,522	2,534,231	1,790,522	550,330
	20.55	19.14	2,070,769	1,765,879	2,070,769	1,758,626	478,846
	17.82	23.16	1,177,033	854,341	1,112,006	824,808	261,016
Saudi Arabia	18.49	15.23	10,853,734	8,508,560	10,241,227	6,279,200	2,572,720
	28.00	n.a.	4,576,107	n.a.	4,488,507	n.a.	n.a.
	16.04	16.58	1,453,760	844,267	1,360,240	802,827	244,027
Turkey	n.a.	12.96	1,447,355	1,278,285	1,189,668	1,230,717	813,316
	11.90	16.48	1,264,113	819,197	1,042,934	792,814	618,274
	12.32	n.a.	1,169,462	n.a.	1,124,674	n.a.	682,809
	n.a.	13.49	869,827	545,157	632,316	522,036	514,779

Source: Calculations from Bankscope data

Part 4

Interest Income on Loans th USD Year - 3	Interest Expense on Customer Deposits th USD Last avail. yr	Interest Expense on Customer Deposits th USD Year - 3	Total Interest Expense th USD Last avail. yr	Total Interest Expense th USD Year - 3	Personnel Expenses th USD Year - 1	Personnel Expenses th USD Year - 2	Interest Income on Loans / Average Gross Loans % Last avail. yr
877,250	286,943	390,905	286,943	390,905	263,118	247,488	5.62
940,231	172,417	284,547	172,417	284,547	256,256	243,894	6.11
n.a.	104,398	n.a.	104,398	n.a.	74,527	82,641	4.89
281,198	135,303	140,885	135,303	140,885	105,187	92,417	5.99
n.a.	73,764	n.a.	73,764	n.a.	38,829	49,748	4.80
197,359	34,118	76,705	64,207	79,183	63,063	58,897	6.04
n.a.	397,432	n.a.	397,432	n.a.	n.a.	n.a.	n.a.
1,045,300	n.a.	n.a.	956,400	745,400	262,300	222,500	11.04
n.a.	n.a.	12,771	16,072	16,873	39,804	31,598	n.a.
264,763	173,019	129,205	180,564	132,234	100,637	106,405	12.51
3,097,770	3,792,798	2,196,020	5,372,235	2,407,630	1,213,263	991,220	8.72
n.a.	2,470,204	n.a.	4,052,408	n.a.	66,598	56,594	6.58
n.a.	n.a.	n.a.	1,651,450	1,461,998	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	2,339,723	1,436,518	901,187	872,900	n.a.
1,645,630	3,889,225	1,768,260	3,922,569	2,006,170	642,080	739,142	15.42
n.a.	3,351,300	n.a.	3,351,300	n.a.	93,800	71,200	20.46
n.a.	n.a.	n.a.	2,048,002	1,285,190	n.a.	n.a.	n.a.
1,610	n.a.	n.a.	2,052,031	1,354,300	95,987	84,374	0.01
n.a.	827,960	523,374	827,960	523,374	427,763	377,905	n.a.
n.a.	n.a.	n.a.	28,646	59,640	n.a.	28,705	n.a.
n.a.	1,321,360	n.a.	1,346,750	n.a.	n.a.	n.a.	20.41
544,871	888,786	501,125	954,806	506,473	41,954	32,244	15.44
n.a.	345,572	16,235	430,888	232,679	n.a.	n.a.	n.a.
189,410	n.a.	27,230	54,299	27,230	n.a.	n.a.	n.a.
506,465	525,158	380,163	593,133	381,303	29,248	30,708	19.81
1,844,619	609,929	580,542	833,333	740,556	478,663	447,236	6.84
146,828	30,142	32,074	36,525	38,845	61,522	55,994	5.12
n.a.	25,177	n.a.	25,177	n.a.	45,164	n.a.	5.76
n.a.	531,556	n.a.	732,958	n.a.	9,155	3,588	4.91
367,869	238,661	131,186	351,339	240,404	27,147	21,430	5.05
n.a.	230,291	n.a.	237,513	n.a.	127,849	106,421	6.17
n.a.	189,153	n.a.	264,206	n.a.	3,227	n.a.	6.29
n.a.	180,954	n.a.	214,963	n.a.	5,461	5,319	5.73
n.a.	172,285	n.a.	218,291	n.a.	19,736	n.a.	4.99
n.a.	134,560	n.a.	150,857	n.a.	8,528	n.a.	5.08
n.a.	134,496	n.a.	143,032	n.a.	65,113	55,704	5.62
481,126	123,297	122,692	170,962	155,687	142,747	117,115	4.65
444,588	n.a.	n.a.	21,374	n.a.	62,418	53,379	4.07
234,890	70,852	90,522	92,143	90,522	33,956	31,236	5.59
2,424,373	124,160	61,413	124,160	61,413	560,853	523,733	5.18
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
166,427	6,720	n.a.	7,493	5,707	137,973	119,733	4.29
739,838	330,839	383,535	394,444	394,509	193,450	148,364	9.06
396,982	213,282	196,946	286,148	206,382	147,535	109,564	9.37
n.a.	262,656	n.a.	332,551	n.a.	151,800	n.a.	9.12
399,602	217,397	225,368	247,243	227,307	115,418	75,155	10.38

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Interest Income on Loans / Average Gross Loans % Year - 3	Interest Expense on Customer Deposits / Average Customer Deposits % Last avail. yr	Interest Expense on Customer Deposits / Average Customer Deposits % Year - 3	Net Income / Average Total Equity % Last avail. yr	Net Income / Average Total Equity % Year - 3	Net Income / Average Total Assets % Last avail. yr
UAE	5.97	1.33	2.25	14.29	6.07	1.56
	7.42	0.94	2.01	20.48	17.95	1.56
	n.a.	1.44	n.a.	3.61	2.04	0.37
	8.00	1.87	3.45	11.90	6.88	1.26
	n.a.	1.66	n.a.	11.04	-25.52	1.24
	7.38	1.06	2.79	6.90	6.22	1.53
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bangladesh	11.55	n.a.	n.a.	13.17	11.00	1.30
Bahrain	n.a.	n.a.	0.49	10.45	7.67	1.83
Brunei Darassalam						
	11.27	5.73	4.99	14.45	23.18	1.12
Indonesia						
Iran	11.92	6.71	7.17	29.21	17.69	1.54
	n.a.	6.71	n.a.	4.41	7.37	0.35
	n.a.	n.a.	n.a.	9.75	19.88	0.44
	n.a.	n.a.	n.a.	14.70	8.60	0.85
	15.86	11.56	7.66	18.03	16.22	1.09
	n.a.	15.39	n.a.	30.73	n.a.	2.33
	n.a.	n.a.	n.a.	4.66	0.68	0.11
	n.a.	n.a.	n.a.	29.13	n.a.	4.93
	n.a.	6.21	5.30	0.44	0.41	0.03
	n.a.	n.a.	n.a.	1.79	1.83	0.37
	n.a.	14.99	n.a.	37.94	n.a.	2.13
	n.a.	12.90	n.a.	15.52	n.a.	1.09
	n.a.	4.87	0.36	4.35	9.03	0.27
	7.32	n.a.	2.50	2.32	3.16	0.73
	21.83	14.71	14.32	26.24	43.16	4.23
Kuwait	7.44	1.74	2.21	8.15	4.71	0.97
	5.43	0.55	n.a.	4.85	3.17	0.62
	n.a.	0.84	n.a.	6.01	n.a.	0.96
Malaysia	n.a.	2.36	n.a.	20.18	n.a.	0.99
	5.46	2.12	2.01	15.03	30.67	0.71
	n.a.	2.14	n.a.	15.00	n.a.	1.19
	n.a.	2.79	n.a.	13.34	n.a.	0.89
	n.a.	2.29	n.a.	14.84	n.a.	1.12
	n.a.	2.90	n.a.	10.35	n.a.	0.64
	n.a.	2.57	n.a.	18.04	n.a.	1.08
	n.a.	2.53	n.a.	9.15	n.a.	0.76
Qatar	6.57	0.99	1.74	10.07	14.21	1.81
	7.46	n.a.	n.a.	17.44	18.50	2.70
	8.77	1.17	2.58	15.04	14.67	2.39
Saudi Arabia	7.52	0.21	0.17	20.14	23.26	2.72
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	5.29	0.10	n.a.	15.47	3.01	2.22
Turkey	11.38	4.07	5.87	7.09	13.71	0.70
	10.37	3.07	4.74	17.19	15.87	1.66
	n.a.	4.31	n.a.	13.76	n.a.	1.56
	10.90	4.61	5.80	18.10	17.15	1.66

Part 5

Net Income / Average Total Assets % Year - 3	Core Tier 1 Regulatory Capital Ratio % Last avail. yr	Core Tier 1 Regulatory Capital Ratio % Year - 3	Equity / Total Assets % Last avail. yr	Equity / Total Assets % Year - 3	Growth of Total Assets % Last avail. yr	Growth of Total Assets % Year - 3	Growth of Gross Loans % Last avail. yr
0.66	n.a.	n.a.	11.18	11.43	14.88	6.62	2.99
1.48	n.a.	n.a.	7.22	8.12	19.84	17.44	19.92
0.20	n.a.	n.a.	10.45	8.94	6.72	29.49	10.85
0.61	n.a.	n.a.	10.16	7.63	20.50	47.86	18.50
-3.18	n.a.	n.a.	10.55	10.49	28.94	7.90	26.23
1.63	n.a.	n.a.	20.87	26.09	18.65	2.02	17.11
n.a.	n.a.	n.a.	8.15	n.a.	n.a.	n.a.	n.a.
1.35	n.a.	n.a.	9.46	11.44	10.04	20.60	6.44
1.38	n.a.	n.a.	17.81	18.30	4.67	4.68	16.16
1.58	n.a.	8.43	7.60	6.22	17.95	47.40	12.63
0.74	n.a.	n.a.	4.78	3.90	51.82	29.51	48.58
0.78	n.a.	n.a.	7.76	10.12	3.48	14.42	7.54
1.18	n.a.	n.a.	5.54	5.87	53.90	9.44	52.32
0.62	n.a.	n.a.	5.79	6.74	9.94	6.10	0.65
0.92	n.a.	n.a.	5.91	5.76	19.12	11.86	18.61
n.a.	n.a.	n.a.	7.42	n.a.	17.68	n.a.	15.71
0.04	n.a.	n.a.	1.72	5.81	16.37	2.14	7.76
n.a.	n.a.	n.a.	16.58	10.81	36.66	n.a.	27.65
0.02	n.a.	n.a.	5.40	4.86	23.90	11.72	23.51
0.68	n.a.	n.a.	18.75	30.98	23.92	57.25	15.75
n.a.	n.a.	n.a.	6.48	n.a.	12.77	n.a.	19.66
n.a.	n.a.	n.a.	6.75	5.83	22.39	n.a.	18.36
0.24	n.a.	n.a.	9.43	2.58	35.90	18.38	27.62
1.49	n.a.	n.a.	30.12	43.22	45.57	25.76	23.85
4.54	n.a.	n.a.	15.83	11.03	28.05	6.03	7.74
0.61	n.a.	n.a.	12.10	12.51	9.77	11.14	1.82
0.51	n.a.	n.a.	12.29	18.24	16.30	36.43	16.33
n.a.	n.a.	n.a.	15.13	n.a.	20.32	n.a.	24.44
n.a.	n.a.	n.a.	5.15	n.a.	36.78	n.a.	40.13
0.90	n.a.	n.a.	5.26	3.52	-3.52	31.86	5.97
n.a.	12.96	n.a.	7.77	n.a.	14.40	n.a.	21.53
n.a.	n.a.	n.a.	6.54	n.a.	27.33	n.a.	18.58
n.a.	n.a.	n.a.	7.52	n.a.	17.66	n.a.	13.62
n.a.	n.a.	n.a.	6.61	n.a.	13.07	n.a.	24.58
n.a.	n.a.	n.a.	6.23	n.a.	-0.67	n.a.	10.08
n.a.	n.a.	n.a.	8.70	n.a.	-4.79	n.a.	14.55
2.86	n.a.	n.a.	17.68	17.95	5.69	32.09	9.10
4.08	n.a.	n.a.	16.09	20.55	7.98	43.77	-0.70
3.22	n.a.	n.a.	15.44	21.00	20.53	9.84	29.01
3.82	n.a.	n.a.	13.72	16.40	4.67	8.27	8.10
n.a.	n.a.	n.a.	26.72	n.a.	n.a.	n.a.	n.a.
0.48	n.a.	n.a.	14.04	14.69	21.98	21.28	25.64
1.99	n.a.	n.a.	9.36	13.90	29.34	24.90	28.86
2.07	n.a.	n.a.	9.45	13.30	37.68	40.78	38.44
n.a.	n.a.	n.a.	10.29	n.a.	42.80	n.a.	39.64
1.81	n.a.	n.a.	8.70	10.14	39.66	31.04	32.25

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Impaired Loans (NPLs) / Gross Loans %	Impaired Loans (NPLs) / Gross Loans %	Reserves for Impaired Loans / Gross loans %	Reserves for Impaired Loans / Gross loans %	Reserves for Impaired Loans / Impaired Loans %	Reserves for Impaired Loans / Impaired Loans %	Loans / Customer Deposits %
	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr
UAE	9.32	8.34	7.54	4.92	80.89	59.00	76.71
	6.47	7.13	5.16	4.53	79.84	63.58	86.21
	16.50	10.75	12.26	5.32	74.28	49.54	85.53
	1.22	0.34	3.18	1.38	261.43	400.75	99.34
	9.51	11.41	9.03	7.39	95.02	64.83	84.50
	5.41	2.60	2.79	1.64	51.64	63.01	108.22
	n.a.	n.a.	3.05	n.a.	n.a.	n.a.	86.88
Bangladesh	3.77	4.91	3.16	3.36	83.96	68.51	80.34
Bahrain	7.04	12.98	4.66	7.99	66.11	61.52	63.25
Brunei Darassalam	4.33	n.a.	3.04	3.70	70.16	n.a.	550.64
Indonesia	n.a.	0.39	0.52	0.06	n.a.	15.02	85.46
Iran	n.a.	n.a.	1.55	n.a.	n.a.	n.a.	96.11
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	283.88
	n.a.	0.23	n.a.	7.17	n.a.	n.s.	86.36
	n.a.	n.a.	0.16	1.36	n.a.	n.a.	78.39
	n.a.	n.a.	5.19	n.a.	n.a.	n.a.	87.97
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	84.25
	n.a.	n.a.	3.96	4.14	n.a.	n.a.	81.64
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	104.96
	n.a.	11.63	9.64	4.66	n.a.	40.06	295.49
	n.a.	n.a.	3.81	n.a.	n.a.	n.a.	95.21
	18.87	n.a.	3.82	n.a.	20.22	n.a.	80.72
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	83.68
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	148.29
	n.a.	n.a.	n.a.	3.74	n.a.	n.a.	92.24
Kuwait	9.45	11.85	5.56	7.36	58.80	62.09	88.43
	3.03	1.12	2.34	2.85	77.34	254.74	91.36
	5.68	n.a.	3.38	n.a.	59.55	n.a.	107.96
	0.60	n.a.	0.86	n.a.	142.76	n.a.	104.65
Malaysia	0.87	1.48	1.15	1.46	131.11	99.19	92.23
	1.18	n.a.	2.07	n.a.	175.81	n.a.	65.09
	1.19	n.a.	2.24	n.a.	188.11	n.a.	96.90
	0.90	n.a.	1.29	n.a.	144.40	n.a.	81.71
	2.51	n.a.	1.64	n.a.	65.22	n.a.	93.90
	1.50	n.a.	2.20	n.a.	146.85	n.a.	79.14
	2.68	n.a.	2.22	n.a.	83.02	n.a.	69.03
Qatar	1.04	1.47	0.89	1.22	86.06	83.16	94.44
	0.10	0.05	0.08	0.04	79.95	80.17	85.81
	1.15	3.87	0.71	1.18	62.13	30.57	77.59
Saudi Arabia	1.57	2.15	2.27	2.96	144.32	137.71	82.66
	0.67	n.a.	1.13	n.a.	169.98	n.a.	106.26
Turkey	1.90	5.48	3.68	4.90	194.25	89.43	83.52
	5.46	3.93	2.43	2.67	44.48	67.90	118.43
	2.59	3.71	2.26	2.88	87.30	77.76	97.83
	2.37	n.a.	2.22	n.a.	93.65	n.a.	125.61
	2.28	2.95	2.07	2.53	90.71	85.68	101.85

Part 6

Loans / Customer Deposits % Year - 3	Customer Deposits / Total Funding excl Derivatives % Last avail. yr	Customer Deposits / Total Funding excl Derivatives % Year - 3	Loan Loss Res / Gross Loans % Last avail. yr	Loan Loss Res / Gross Loans % Year - 3	NCO / Average Gross Loans % Last avail. yr	NCO / Average Gross Loans % Year - 3	Tier 1 Ratio % Last avail. yr
94.77	93.57	83.72	7.54	4.92	n.a.	-0.02	18.20
88.98	87.47	86.78	5.16	4.53	0.50	0.07	16.42
63.77	95.40	83.48	12.26	5.32	0.05	-0.18	n.a.
85.77	84.89	78.60	3.18	1.38	0.09	0.03	n.a.
105.19	94.14	80.42	9.03	7.40	1.66	0.59	13.90
94.57	72.11	87.35	2.79	1.64	0.07	-0.06	30.67
n.a.	100.00	n.a.	3.05	n.a.	0.14	n.a.	10.10
79.04	91.05	96.87	3.16	3.36	0.37	n.a.	n.a.
68.70	89.74	94.28	4.66	7.99	n.a.	n.a.	23.50
83.03	15.77	97.81	3.04	3.71	1.17	1.00	n.a.
78.61	76.70	80.86	0.52	0.06	n.a.	n.a.	n.a.
115.82	72.83	53.92	1.55	n.a.	n.a.	n.a.	n.a.
138.88	33.45	68.26	n.a.	n.a.	n.a.	n.a.	n.a.
102.57	76.23	71.97	n.a.	7.17	n.a.	n.a.	n.a.
9.22	89.40	83.19	0.16	1.36	n.a.	n.a.	n.a.
n.a.	89.36	n.a.	5.19	n.a.	n.a.	n.a.	n.a.
96.07	82.60	83.91	n.a.	n.a.	n.a.	n.a.	n.a.
72.70	93.96	95.25	3.97	4.15	n.a.	n.a.	n.a.
117.71	69.90	65.71	n.a.	n.a.	n.a.	n.a.	n.a.
502.08	46.11	28.18	9.64	4.66	n.a.	n.a.	n.a.
n.a.	93.21	n.a.	3.81	n.a.	n.a.	n.a.	n.a.
87.47	82.51	90.73	3.82	n.a.	n.a.	n.a.	n.a.
77.83	93.32	98.34	n.a.	n.a.	n.a.	n.a.	n.a.
215.80	57.40	60.66	n.a.	n.a.	n.a.	n.a.	n.a.
85.00	80.77	84.36	n.a.	3.74	n.a.	n.a.	n.a.
96.22	80.28	77.57	5.56	7.36	1.68	0.07	17.23
n.a.	87.54	n.a.	2.34	2.85	0.99	2.95	17.43
n.a.	75.48	n.a.	3.38	n.a.	1.74	n.a.	22.40
n.a.	70.34	n.a.	0.86	n.a.	0.10	n.a.	11.76
100.35	83.55	66.50	1.15	1.46	0.43	0.37	10.20
n.a.	96.05	n.a.	2.07	n.a.	0.73	n.a.	12.96
n.a.	79.11	n.a.	2.25	n.a.	0.86	n.a.	9.50
n.a.	89.62	n.a.	1.30	n.a.	0.33	n.a.	11.74
n.a.	74.20	n.a.	1.64	n.a.	0.87	n.a.	14.06
n.a.	87.57	n.a.	2.20	n.a.	0.39	n.a.	10.72
n.a.	98.98	n.a.	2.22	n.a.	0.15	n.a.	14.20
98.29	80.84	73.10	0.89	1.22	0.22	-0.20	n.a.
92.81	87.72	100.00	0.08	0.04	0.00	n.a.	20.55
66.18	86.24	99.29	0.71	1.18	0.01	0.00	17.82
86.70	98.45	96.35	2.27	2.96	1.47	n.a.	18.49
n.a.	99.53	n.a.	1.13	n.a.	n.a.	n.a.	28.00
76.32	96.76	97.79	3.68	4.90	1.71	0.00	16.04
102.62	76.26	94.35	3.32	3.67	1.29	0.68	n.a.
95.77	75.30	92.12	2.26	2.88	0.28	-0.48	11.90
n.a.	70.37	n.a.	2.22	n.a.	0.36	n.a.	12.32
97.81	79.38	91.02	2.97	3.42	0.13	0.30	n.a.

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Tier 1 Ratio %	Total Capital Ratio %	Total Capital Ratio %	Cap Funds / Tot Assets %	Cap Funds / Tot Assets %	Cap Funds / Net Loans %	Cap Funds / Net Loans %
	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3
UAE	12.70	18.20	17.80	14.43	15.60	29.15	24.53
	13.04	16.86	16.03	12.67	13.71	21.17	21.52
	13.03	15.96	18.00	n.a.	n.a.	n.a.	n.a.
Bangladesh	11.20	n.a.	11.84	n.a.	n.a.	n.a.	n.a.
	14.75	17.57	20.56	12.55	n.a.	20.26	n.a.
	35.14	31.00	35.54	n.a.	26.09	n.a.	45.05
	n.a.	14.27	n.a.	8.70	n.a.	11.87	n.a.
	18.58	n.a.	19.69	10.44	n.a.	16.89	n.a.
Bahrain	28.70	24.30	29.50	n.a.	n.a.	n.a.	n.a.
Brunei Darassalam	8.43	14.10	10.60	8.38	6.84	11.02	9.68
Indonesia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Iran	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	8.80	9.20	n.a.	n.a.	n.a.	n.a.
	n.a.	11.48	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kuwait	14.15	17.44	14.22	12.10	12.51	23.15	23.02
	27.82	17.43	27.59	n.a.	n.a.	n.a.	n.a.
	n.a.	25.24	n.a.	n.a.	n.a.	n.a.	n.a.
Malaysia	n.a.	13.71	n.a.	5.95	n.a.	8.65	n.a.
	13.24	14.02	17.21	7.14	4.55	10.06	7.31
	n.a.	14.06	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	14.60	n.a.	9.62	n.a.	14.22	n.a.
	n.a.	12.36	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	14.74	n.a.	n.a.	n.a.	n.a.	n.a.
	n.a.	13.80	n.a.	7.47	n.a.	12.15	n.a.
Qatar	n.a.	17.60	n.a.	10.73	n.a.	18.08	n.a.
	17.37	16.51	17.37	n.a.	17.95	n.a.	31.72
	19.14	20.55	19.21	n.a.	n.a.	n.a.	n.a.
Saudi Arabia	23.16	18.86	23.99	n.a.	n.a.	n.a.	n.a.
	15.23	19.60	20.63	n.a.	n.a.	n.a.	n.a.
	n.a.	28.00	n.a.	n.a.	n.a.	n.a.	n.a.
Turkey	16.58	17.14	17.43	n.a.	n.a.	n.a.	n.a.
	12.96	n.a.	13.46	11.31	13.91	15.25	18.43
	16.48	14.43	17.05	11.14	n.a.	17.46	n.a.
	n.a.	12.81	n.a.	n.a.	n.a.	n.a.	n.a.
	13.49	n.a.	14.09	11.21	10.14	16.10	13.54

Part 7

Cap Funds / Dep & ST Funding % Last avail. yr	Cap Funds / Dep & ST Funding % Year - 3	Cap Funds / Liabilities % Last avail. yr	Cap Funds / Liabilities % Year - 3	Net Interest Margin % Last avail. yr	Net Interest Margin % Year - 3	Net Int Rev / Avg Assets % Last avail. yr	Net Int Rev / Avg Assets % Year - 3
20.01	20.67	16.86	18.49	3.68	3.04	2.83	2.55
15.99	17.97	14.51	15.89	4.43	4.16	3.46	3.78
n.a.	n.a.	n.a.	n.a.	2.32	3.39	2.12	3.21
n.a.	n.a.	n.a.	n.a.	3.63	3.06	3.17	2.82
14.66	n.a.	14.35	n.a.	2.37	n.a.	1.98	n.a.
n.a.	39.34	n.a.	35.30	2.73	3.10	2.28	2.66
10.00	n.a.	9.53	n.a.	3.65	n.a.	3.21	n.a.
12.33	n.a.	11.65	n.a.	2.87	3.49	2.24	3.12
n.a.	n.a.	n.a.	n.a.	6.14	5.98	3.31	3.24
9.38	7.63	9.15	7.34	5.46	6.95	5.12	6.20
n.a.	n.a.	n.a.	n.a.	2.11	1.96	1.67	1.39
n.a.	n.a.	n.a.	n.a.	0.47	n.a.	0.35	n.a.
n.a.	n.a.	n.a.	n.a.	-4.03	-9.26	-3.67	-7.91
n.a.	n.a.	n.a.	n.a.	1.46	3.56	1.12	2.62
n.a.	n.a.	n.a.	n.a.	2.45	-2.11	1.81	-0.99
n.a.	n.a.	n.a.	n.a.	3.85	n.a.	3.06	n.a.
n.a.	n.a.	n.a.	n.a.	0.69	2.25	0.50	1.77
n.a.	n.a.	n.a.	n.a.	2.28	1.99	1.76	1.60
n.a.	n.a.	n.a.	n.a.	-4.75	-3.82	-3.59	-2.98
n.a.	n.a.	n.a.	n.a.	6.24	3.84	5.02	2.96
n.a.	n.a.	n.a.	n.a.	4.54	n.a.	3.71	n.a.
n.a.	n.a.	n.a.	n.a.	0.73	1.94	0.64	1.76
n.a.	n.a.	n.a.	n.a.	4.69	3.82	3.52	3.53
n.a.	n.a.	n.a.	n.a.	3.79	4.16	3.26	3.77
n.a.	n.a.	n.a.	n.a.	6.61	7.32	5.19	5.78
15.54	16.49	13.77	14.30	2.91	3.21	2.43	2.75
n.a.	n.a.	n.a.	n.a.	3.39	2.99	3.05	2.70
n.a.	n.a.	n.a.	n.a.	3.45	n.a.	3.31	n.a.
6.40	n.a.	6.33	n.a.	2.19	n.a.	1.68	n.a.
7.83	4.85	7.69	4.76	2.35	2.78	1.97	2.18
n.a.	n.a.	n.a.	n.a.	3.30	n.a.	2.96	n.a.
12.16	n.a.	10.64	n.a.	2.97	n.a.	2.56	n.a.
n.a.	n.a.	n.a.	n.a.	3.22	n.a.	2.55	n.a.
n.a.	n.a.	n.a.	n.a.	1.97	n.a.	1.56	n.a.
8.35	n.a.	8.07	n.a.	2.09	n.a.	1.86	n.a.
12.14	n.a.	12.01	n.a.	2.46	n.a.	2.11	n.a.
n.a.	24.10	n.a.	21.88	2.95	3.29	2.68	3.04
n.a.	n.a.	n.a.	n.a.	2.78	5.85	2.63	5.56
n.a.	n.a.	n.a.	n.a.	3.03	3.81	2.82	3.52
n.a.	n.a.	n.a.	n.a.	4.11	5.84	3.54	5.14
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	3.33	3.77	2.91	3.26
14.25	17.52	12.75	16.15	4.94	5.78	3.99	4.55
13.27	n.a.	12.53	n.a.	4.18	4.72	3.26	3.91
n.a.	n.a.	n.a.	n.a.	4.92	n.a.	4.02	n.a.
13.70	11.75	12.63	11.29	5.01	4.83	4.24	4.27

Appendix Table Large Islamic Banks (with asset base \$5 billion and above)

Country	Non Int Exp / Avg Assets %	Non Int Exp / Avg Assets %	Net Loans / Tot Assets %	Net Loans / Tot Assets %	Net Loans / Dep & ST Funding %	Net Loans / Dep & ST Funding %	Net Loans / Tot Dep & Bor %
	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr	Year - 3	Last avail. yr
UAE	2.46	2.35	49.49	63.61	68.64	84.25	66.35
	2.58	2.94	59.86	63.72	75.53	83.53	71.50
	3.16	2.34	54.52	44.66	74.24	52.36	71.59
	2.21	2.52	70.03	59.39	86.43	66.49	81.40
Bangladesh	2.10	5.27	61.96	68.59	72.36	78.33	72.36
	2.53	2.05	57.61	57.92	94.79	87.32	75.86
Bahrain	2.06	n.a.	73.33	n.a.	84.23	n.a.	84.23
	2.77	2.77	61.77	63.24	72.99	74.00	71.64
Brunei Darassalam	1.84	2.06	43.34	47.22	54.12	59.59	n.a.
Indonesia	5.40	6.21	76.09	70.61	85.14	78.75	84.91
	3.60	3.15	59.35	50.11	65.21	63.53	n.a.
Iran	0.32	6.78	61.54	52.32	72.82	90.99	68.91
	7.69	2.16	84.74	81.96	104.10	94.80	94.95
	5.29	4.96	56.96	59.40	69.10	77.21	65.83
	2.52	2.82	58.40	5.76	69.97	7.56	n.a.
	1.45	n.a.	65.40	n.a.	74.53	n.a.	n.a.
	4.14	3.80	62.06	66.84	69.59	80.61	n.a.
	4.74	2.29	51.80	57.25	73.67	66.37	n.a.
	5.96	6.76	64.04	66.24	73.36	77.35	73.36
	5.25	3.07	69.82	67.20	123.13	134.90	n.a.
	2.57	n.a.	75.98	n.a.	85.37	n.a.	n.a.
	14.42	3.19	57.28	68.99	64.06	79.36	n.a.
	4.63	4.25	68.23	67.72	78.09	76.54	n.a.
	2.59	1.35	58.92	64.03	85.11	130.91	n.a.
	1.85	1.68	58.79	60.12	74.50	69.78	n.a.
Kuwait	3.63	3.25	52.29	54.34	67.12	71.61	67.01
	2.38	3.13	67.46	62.65	78.10	77.65	n.a.
Malaysia	3.03	n.a.	65.17	n.a.	78.74	n.a.	n.a.
	0.81	n.a.	68.88	n.a.	74.01	n.a.	73.46
	1.44	1.17	70.96	62.22	77.87	66.34	77.13
	1.96	n.a.	55.46	n.a.	61.23	n.a.	61.21
	1.69	n.a.	67.64	n.a.	85.50	n.a.	77.56
	1.14	n.a.	66.44	n.a.	73.44	n.a.	72.28
	1.08	n.a.	62.49	n.a.	73.11	n.a.	68.47
	0.62	n.a.	61.45	n.a.	68.72	n.a.	68.65
Qatar	1.65	n.a.	59.32	n.a.	67.12	n.a.	67.10
	1.26	1.16	60.94	56.58	82.91	75.96	75.67
	0.61	0.81	62.27	72.27	75.21	92.77	75.21
	0.78	1.04	55.26	50.49	72.92	64.93	66.44
Saudi Arabia	2.17	2.75	66.85	65.12	79.54	81.07	n.a.
	n.a.	n.a.	71.31	n.a.	104.56	n.a.	n.a.
Turkey	3.56	4.98	64.46	58.20	77.84	70.98	n.a.
	5.35	5.15	74.13	75.44	93.45	95.08	90.11
	3.45	4.41	63.78	72.51	75.98	87.37	73.21
	2.68	n.a.	72.67	n.a.	100.77	n.a.	86.27
	2.81	3.52	69.63	74.91	85.11	86.78	81.50

Part 8

Net Loans / Tot Dep & Bor % Year - 3	Liquid Assets / Dep & ST Funding % Last avail. yr	Liquid Assets / Dep & ST Funding % Year - 3	Liquid Assets / Tot Dep & Bor % Last avail. yr	Liquid Assets / Tot Dep & Bor % Year - 3	Customer Deposits - Current th USD Last avail. yr	Customer Deposits - Current th USD Year - 3	Total Customer Deposits th USD Last avail. yr	Total Customer Deposits th USD Year - 3
79.37	33.33	14.45	32.22	13.61	5,610,919	4,108,264	21,527,733	17,276,269
76.30	29.25	37.39	27.69	34.16	5,696,528	3,440,517	20,564,656	15,371,627
50.40	47.83	6.54	46.12	6.30	2,726,018	1,017,481	7,867,365	6,595,752
n.a.	19.20	28.65	18.09	n.a.	6,207,406	408,986	7,672,784	4,931,082
n.a.	26.45	19.00	26.45	n.a.	4,443,921	735,766	5,081,960	3,488,169
81.25	40.34	37.68	32.28	35.06	1,210,865	711,749	3,240,572	2,825,895
n.a.	12.18	n.a.	12.18	n.a.	2,344,403	n.a.	6,019,193	n.a.
n.a.	13.73	23.53	13.48	n.a.	16,648,600	13,146,300	16,648,600	13,146,300
n.a.	54.09	50.28	n.a.	n.a.	801,150	708,591	3,610,652	2,814,628
78.75	19.88	19.71	19.83	19.71	615,915	437,117	747,833	3,189,964
n.a.	25.92	39.94	n.a.	n.a.	28,353,222	12,431,520	67,383,034	35,658,709
62.45	20.42	45.76	19.32	31.41	12,808,394	11,024,730	37,074,265	17,813,060
n.a.	6.73	8.30	6.14	n.a.	1,989,792	1,456,412	16,277,425	11,395,468
68.53	26.45	19.19	25.20	17.03	10,295,106	7,076,280	33,442,740	25,758,364
n.a.	22.52	19.94	n.a.	n.a.	10,971,419	8,375,930	37,416,133	24,282,579
n.a.	15.37	n.a.	n.a.	n.a.	1,422,400	n.a.	23,633,500	n.a.
n.a.	22.30	25.84	n.a.	n.a.	5,068,752	3,730,940	22,146,109	15,496,370
n.a.	25.65	13.20	n.a.	n.a.	1,420,579	472,470	17,097,643	10,218,970
n.a.	18.48	14.57	18.48	n.a.	5,516,446	3,607,713	15,479,171	10,378,916
n.a.	15.64	33.99	n.a.	n.a.	2,398,532	784,550	3,086,248	1,182,510
n.a.	18.03	n.a.	n.a.	n.a.	470,546	n.a.	9,360,687	n.a.
n.a.	34.22	21.96	n.a.	n.a.	1,057,865	272,365	7,995,726	3,890,641
n.a.	19.42	25.79	n.a.	n.a.	2,946,808	2,506,766	8,048,448	5,030,157
n.a.	37.71	46.00	n.a.	n.a.	1,216,199	659,940	3,188,214	1,420,770
69.02	21.81	12.66	n.a.	12.52	193,606	134,820	4,025,125	2,764,376
69.15	27.86	21.48	27.81	20.74	35,829,786	27,259,801	35,829,786	27,259,801
n.a.	26.96	34.41	n.a.	n.a.	5,877,305	n.a.	5,877,305	n.a.
n.a.	31.19	n.a.	n.a.	n.a.	3,330,851	n.a.	3,330,851	n.a.
n.a.	15.66	n.a.	15.54	n.a.	5,265,245	n.a.	25,298,676	n.a.
65.95	22.90	32.67	22.69	32.48	2,464,283	1,439,581	11,722,345	7,354,615
n.a.	12.76	n.a.	12.76	n.a.	3,040,104	n.a.	11,349,993	n.a.
n.a.	24.52	n.a.	22.24	n.a.	6,613,696	n.a.	7,515,363	n.a.
n.a.	27.24	n.a.	26.81	n.a.	930,520	n.a.	8,654,792	n.a.
n.a.	24.25	n.a.	22.72	n.a.	764,739	n.a.	5,665,468	n.a.
n.a.	25.77	n.a.	25.74	n.a.	689,696	n.a.	5,426,963	n.a.
n.a.	6.69	n.a.	6.69	n.a.	1,069,512	n.a.	5,393,667	n.a.
70.97	13.71	33.83	12.51	31.61	4,680,138	3,544,478	13,835,990	8,305,193
n.a.	10.88	21.23	10.88	n.a.	1,662,857	1,018,050	13,277,830	7,422,143
n.a.	21.05	38.78	19.18	n.a.	1,616,539	779,148	6,782,967	3,855,467
n.a.	13.74	16.08	n.a.	n.a.	56,230,936	34,907,468	61,757,097	38,150,402
n.a.	23.40	n.a.	n.a.	n.a.	5,939,840	n.a.	11,403,361	n.a.
n.a.	28.47	31.99	n.a.	n.a.	6,208,720	3,704,134	7,762,054	4,515,307
94.19	19.32	19.90	18.62	19.71	8,380,147	n.a.	8,380,147	7,184,571
85.53	16.66	17.00	16.06	16.65	7,967,358	n.a.	7,995,055	4,852,581
n.a.	10.40	n.a.	8.91	n.a.	1,604,860	n.a.	6,936,907	n.a.
86.78	26.03	19.80	24.92	19.80	5,626,153	n.a.	5,626,153	4,285,212

Statistical Appendix A .3 Basic Financial Values in Islamic Banking by Countries.					Part 1
		Total Assets mil USD Last Avail. yr	Net Income Billion USD Last Avail. yr	Equity Billion USD Last Avail. yr	Gross Loans Billion USD Last Avail. yr
Saudi Arabia	3	101.10	2.45	16.10	69.6
Bahrain	18	42.5	0.42	8.7	19.7
Kuwait	9	78.7	6.2	10.8	41.1
UAE	9	100.3	1.14	13.56	62.5
Qatar	5	70.6	1.4	12.2	43
Syria	2	1.4	0.022	0.25	0.165
Iraq	7	2.7	0.1	1	0.32
Turkey	4	43.3	0.5	4.1	31.1
Jordan	3	6.77	0.087	0.666	4.45
Sudan	13	6.8	0.178	1.23	2.4
Pakistan	9	9.36	0.042	0.49	2.68
Bangladesh	6	14.2	0.129	0.971	10.5
Malaysia	17	130.7	1.1	8.8	85.1
Indonesia	10	13.7	0.165	1.22	10.2

Statistical Appendix A .3 Basic Financial Values in Islamic Banking by Countries.

Part 2

	Customer deposits Total	Equity/Total Assets (%)	Net Income/ Total Equity (%) Last Avail. yr	Net Income/ Total Assets (%)	Loans/Customer deposits (%)
Saudi Arabia	80.9	15.9	15.22	2.42	63.03
Bahrain	24.2	20.5	4.83	0.99	81.40
Kuwait	48.8	13.7	57.41	7.88	84.22
UAE	70.4	13.5	8.41	1.14	88.78
Qatar	47.7	17.3	11.48	1.98	90.15
Syria	0.279	17.9	8.80	1.57	59.14
Iraq	1.07	37.0	10.00	3.70	29.91
Turkey	28.2	9.47	12.20	1.15	110.28
Jordan	5.61	9.84	13.06	1.29	79.32
Sudan	2.75	18.09	14.47	2.62	87.27
Pakistan	5.02	5.24	8.57	0.45	53.39
Bangladesh	11.7	6.84	13.29	0.91	89.74
Malaysia	96.1	6.73	12.5	0.84	88.55
Indonesia	8.35	8.91	13.52	1.20	122.16

Statistical Appendix A .3 Basic Financial Values in Islamic Banking by Countries.
Part 3

		Total Assets mil USD Last Avail. yr	Net Income Billion USD Last Avail. yr	Equity Billion USD Last Avail. yr	Gross Loans Billion USD Last Avail. yr
Brunei	1	5.00	0.09	0.89	2.28
Singapore	1	0.366	0.011	0.265	0.199
Egypt	2	9.2	0.12	0.58	1.19
Tunisia	1	0.76	0.0066	0.096	0.284
Mauritania	2	0.16	0.002	0.054	0.044
Gambia	1	0.018	-0.0007	0.0026	0.000565
Maldives	1	0.032	0.00038	0.01	0.000552
Lebanon	3	0.456	(-) 0.009	0.142	0.09
Palestine	2	0.8	0.006	0.115	0.384
Yemen	4	3.24	0.013	0.384	0.45
Oman	1	0.39	-0.01	0.38	n.a.
Iran	19	545.2	4.76	34.4	264.4
Great Britain	3	3.05	-0.013	0.83	1.42

Statistical Appendix A .3 Basic Financial Values in Islamic Banking by Countries.

Part 4

	Customer deposits Total	Equity/Total Assets (%)	Net Income/ Total Equity (%) Last Avail. yr	Net Income/ Total Assets (%)	Loans/Customer deposits (%)
Brunei	3.61	17.80	10.11	1.80	36.16
Singapore	0.035	72.40	4.15	3.01	568.57
Egypt	2.28	6.30	20.69	1.30	52.19
Tunisia	0.481	12.63	6.88	0.87	59.04
Mauritania	0.095	33.75	3.70	1.25	46.32
Gambia	0.000334	14.44	-26.92	-3.89	169.16
Maldives	0.0215	31.25	3.80	1.19	2.57
Lebanon	0.218	31.14	negative	negative	41.28
Palestine	0.621	14.38	5.22	0.75	61.84
Yemen	2.17	11.85	3.39	0.40	20.74
Oman	0.94	97.44	negative	-2.56	n.a.
Iran	280.1	7.57	13.84	1.05	94.39
Great Britain	0.91	27.21	-1.57	-0.43	156.04

