

Halal Banking and Finance Global Opportunities

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NUR GLOBAL STRATEGIES

Agenda

- Overview of the current market
- An enabling environment
- Key growth drivers
- Opportunities
- Key constraints
- Islamic finance and Pakistan

Overview of the current market

- Total Islamic banking assets are estimated to be between US\$500B and US\$1T
- Islamic banking assets continue to grow at annualized rates of close to 20% per annum
- The total Islamic finance market is projected to have a potential to grow to over US\$ 4T
- Large Sukuk transactions continue to grow in both size and frequency, both in Islamic and non-Islamic countries
 - Planned Goldman Sachs US\$2bn global Sukuk issuance
- Shariah compliant asset and wealth management products are becoming standard elements in global financial portfolios
 - Continued growth and interest in Shariah tracker funds
 - Developing interest from Impact Investors

An enabling environment

- Islam is an important, and growing, aspect of the global landscape
 - Practiced by over 25% of the world's population (1.3B)
 - Dominant religion in more than 50 countries
 - Growing faster than world population
- Islamic countries are gaining significant economic influence
 - Islamic countries represent over 6% of world GDP
 - Islamic countries represent significant engines of economic growth, with annual real GDP growth of about 6%
 - Gulf-based sovereign funds are estimated to have over US\$3T, and continue to grow
 - 2007 GCC oil revenue estimated to be \$381B

Key growth drivers

- The current growth and development of the Islamic finance sector is being driven by a few key factors:
 1. The Muslim world is continuing to become a key source for global capital and funding (supply)
 2. The Muslim world is in need of new sources for sustainable and equitable economic growth and development (demand)
 3. There is widespread, global dissatisfaction with non-asset based, speculative finance (conventional finance)
 4. There is increasing interest and development of “impact investing,” which seeks to produce a positive social impact parallel to financial return

Key opportunities

- Additional development of Islamic finance products is vital
 - Current efforts in innovation of Islamic finance products is being targeted towards wealth and asset management
 - Additional resources, to include time and money, need to be directed towards the retail and commercial banking sectors
- Rebuilding the Islamic value proposition by refocusing Islamic finance on the “man of the street”
 - The overwhelming majority of people in the Muslim world and beyond are un-banked and under-banked, and are unable to access traditional financial avenues
 - Providing access to finance through partnership and risk sharing models can drive both individual and community wide financial well-being and economic development

Key Constraints

- There are a handful of key constraints that continue to limit the development of Islamic finance industry:
 1. Lack of Shariah standardization: local religious scholars and community leaders determine the Shariah acceptability of products, which creates barriers to the global and trans-national nature of executing financial transactions
 2. Lack of Shariah scholarship: there is a significant shortage of well-qualified Shariah scholars who both understand Shariah and finance, and who have the requisite expertise and market standing to support the industry
 3. Lack of consumer knowledge: both bankers and customers need to be better educated on products, and basic Islamic financial literacy programs need to be developed and implemented

Key Constraints *(continued)*

4. Lack of adequate and supportive regulatory framework: current regulations do not support the development of Islamic finance at the retail sector in many parts of the world, including the U.S.
5. Lack of an Islamic value proposition: current Islamic finance products and scholarship is focused purely on technical Shariah compliance, and largely ignores Islamic requirements that all financial transactions produce both economic and social value towards improving economic and social welfare

Islamic finance and Pakistan

- On the demand side:
 - Pakistan represents a significant market for retail and commercial Islamic finance banking
 - Pakistan also represents significant opportunity for the implementation of Islamic microfinance and other broader, Ummah focused Islamic finance products
- On the supply side:
 - Pakistan can develop as a key global source for supplying human capital for the Islamic finance industry, to include both Shariah scholars and Islamic finance bankers, as well as training and research centers and professionals
 - As Pakistan continues to grow to become a source and an investment destination for Islamic assets and investment

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