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LEADING INSTITUTIONS IN ISLAMIC BANKING AND FINANCE

Islamic finance has exhibited an exciting development over the last three decades, indicating one of the fastest growing sectors in the global financial system. To date, total global financial assets of the Islamic financial industry is estimated to be around US$2.293 trillion. The active and dynamic role manifested by various institutions in promoting the development of Islamic financial market in their respective countries is one of the main drivers in widening the outreach of the Islamic financial services industry. Islamic financial institutions, for example, are providing an increasingly broad range of many financial services, such as fund mobilisation, asset allocation, payment and exchange settlement services, and risk transformation and mitigation. Over the years, many have developed, refined and market innovative Islamic financial instruments as part of their expansion strategies. This chapter highlights the top 10 most prominent and leading institutions in Islamic banking and finance. Their pioneering and developmental roles have immensely contributed to the development of Islamic finance in their respective markets as well as the global Islamic financial industry.

ISLAMIC DEVELOPMENT BANK GROUP

YEAR OF ESTABLISHMENT: 1975	COUNTRY OF DOMICILE: SAUDI ARABIA
MEMBER COUNTRIES: 57	AUTHORISED CAPITAL: US$141 BILLION

The Islamic Development Bank Group (IDB Group) is a multilateral development finance institution established to provide assistance to member countries and Muslim communities in non-member countries through fostering the economic development and social progress in accordance with the principles of Shari'a. To fulfil its objective IDB Group is engaged in a wide range of activities including (but not limited to) project financing in the public and private sectors, development assistance for poverty alleviation, technical assistance for capacity-building, economic and trade cooperation among member countries, direct equity investment in Islamic financial institutions, research and training programmes in Islamic economics and banking, awqaf investment and financing and advisory services for public and private entities in member countries.

The IDB Group is located in Jeddah, Kingdom of Saudi Arabia, with four regional offices in Morocco, Malaysia, Kazakhstan and Senegal, and 15 field representatives in selected member countries. It has 57 member countries with the following geographical distribution: Africa (27), the Middle East (16), Asia & Europe (13) and Latin America (1). The IDB Group comprises of five entities, namely, Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), Islamic Corporation for the Development of the Private Sector (ICD), and International Islamic Trade Finance Corporation (ITFC).

The commitment of the governments of Muslim countries to the Group has been crucial for its success, as it has been involved in countries where initially there was much scepticism about the viability of Islamic finance.[1] Today the authorised capital of the IDB Group is US$141 billion, and it has approved trade financing arrangements worth over US$54 billion and project finance valued at more than US$47 billion, as well as 1,308 technical assistance operations.

The IDB Group has played pivotal role in establishing and strengthening the global Islamic financial industry. The IDB Group has assisted countries all over the world in developing the enabling environment for Islamic banking, capital markets (sukuk), and takaful. As a supranational entity, the IDB Group has an influential role in promoting and setting standards for Islamic finance. It has helped many of its 57 members to introduce the necessary legislation for the issuance of sovereign sukuk and to develop the regulatory and legal framework for Islamic banking. Furthermore, the Group has launched several investment funds, played a leading role in establishing and promoting Islamic infrastructure institutions, and it has a dedicated research and training arm in the area of Islamic finance.

1. Wilson, R. (n.d.) The evolution of the Islamic financial system. Retrieved from www.sc.com.my

The IDB Group is undoubtedly a leading Islamic financial institution. The IDB Group fulfils its developmental mission through Shari'a-compliant methods of financing. Furthermore, given its close relation with the Organisation of Islamic Cooperation (OIC) and its Fiqh Academy of Islamic Jurists, the Group's activities carry a high level of technical legitimacy in Islamic finance. As part of its advocacy role in the development of Islamic finance, the Group has been proactive in encouraging governments of its member states to pass legislation to allow Islamic commercial banks to operate, and has advised about regulatory issues and the use of Islamic financial instruments. The Group's significant achievements mainly include:

- Supportive role in the development of Islamic financial architecture through the establishment of infrastructural organisations such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), General Council of Islamic Banks and Financial Institutions (CIBAFI), International Islamic Financial Market (IIFM), Islamic International Rating Agency (IIRA) and International Islamic Liquidity Management Corporation (IILMC), etc. The IDB Group provides various assistance including providing technical assistance and financing the development and implementation of standards and documentation.

- The IBD Group provides technical assistance to member countries in the development of legislation, regulations, Shari'a governance mechanism, and supervisory framework for Islamic banks, sukuk and takaful. The aim is to create an enabling environment for the development of Islamic finance.

- Equity investment for establishing more than 30 Islamic banks and Islamic financial institutions across various jurisdictions.

- The IDB Group is one of the largest issuers of sukuk. Except for its debut sukuk issued in 2003, at present all IDB Group's sukuk are issued under its Medium Term Note (MTN) programme, which was established in 2005. The US$1 billion Medium Term Note (MTN) Programme was set up to tap the global capital market resources in a more regular and organised basis. The programme allows IDB Group to issue sukuk in various currency denominations. Most recently, the Group issued a US$1.5 billion sukuk in March 2016. Sukuk instruments accounted for 46% of IDB Group's funding position.

- The IDB Group launched the IDB Microfinance Development Program (IDB-MDP), which aims to provide technical assistance to develop the Islamic microfinance sector, assist in establishing or strengthening Islamic microfinance institutions by way of equity participation and developing regulations for improving the enabling environment for Islamic microfinance. Amongst the unique features of the programme is the use of innovative tools of zakat and waqf in microfinance for the ultra-poor/destitute. At present, eight countries are benefiting under the programme including Bangladesh, Indonesia, Sudan, Senegal, Tunisia, Egypt, Pakistan and Tajikistan.

TABUNG HAJI

YEAR OF ESTABLISHMENT: 1963	COUNTRY OF DOMICILE: MALAYSIA
ASSETS UNDER MANAGEMENT: US$14.6 BILLION	NUMBER OF DEPOSITORS: 8.8 MILLION
RETURN ON EQUITY: 17.1%	RETURN ON ASSETS: 1.4%

Tabung Haji (Pilgrim Fund Board) is the oldest example of success of an Islamic financial institution. Commenced operations in 1963 with the objective to facilitate Malaysian Muslims to perform Hajj by pooling and investing their savings, this institution can rightly be called a pioneering and successful experience in the field of Islamic finance and banking. Tabung Haji is governed by the Tabung Haji Act 1995 (which has replaced the Lembaga Urusan Tabung Haji Act 1969). What started as a savings corporation for Muslims soon evolved into a non-banking financial institution. Since then, Tabung Haji has emerged as an influential player in the Islamic financial services industry, with significant shareholdings in Bank Islam Malaysia, a number of other Islamic financial institutions, technology companies, plantations, real estate, halal food and global services. Main goals of Tabung Haji are:

- To enable Muslims to save in order to provide their expenses for performing the pilgrimage (Hajj) or for other expenses beneficial to them;
- To enable Muslims through their savings to participate in investment, industry, commerce and plantations as well as in real estate, according to Islamic principles; and
- To provide for the protection, control and welfare of Muslims while on pilgrimage through various facilities and services of Tabung Haji.

Hence, to achieve these goals Tabung Haji is assigned to collect savings through its branch offices and other agencies such as post offices and appointed banks and to invest the depositors' savings in accordance with the investment principles and tenets of Islam. From a modest start with 1,281 depositors in 1963 and a total of US$12,000 in deposits collected through its three branch offices, Tabung Haji has now grown into a big corporate body with almost 8.8 million depositors and more than US$14.09 billion deposits. Since its establishment in 1963, Tabung Haji has played a critical role in mobilising the savings of the Muslim community in the country and eventually helped build the scale to spur demand for Shari'a-compliant assets.

Today, it is one of the biggest institutional investors in Malaysia with a mandate to invest only in a Shari'a-compliant manner and is the country's largest Islamic fund manager with a network of 119 branches with more than 6,000 touch-points nationwide. It also makes its presence globally by operating an office in Jeddah, Saudi Arabia.[2] The number of account holders (46%) when seen in proportion to the total Malaysian Muslim population of 19 million, is an indicator of how popular and successful Tabung Haji is as a non-bank Islamic financial institution.

2. Chachi, A. and Belaufi, A. (2014). Islamic Finance in the United Kingdom: Factors Behind its Development and Growth. Islamic Economic Studies Vol. 22, No. 1, p. 37-78.

Tabung Haji operates as an alternative financial institution providing Shari'a-compliant investment opportunities to Malaysian Muslim depositors. In this regards, its functions can be classified in three major categories: Haj services, deposits and investments. As a financial institution, Tabung Haji works as a savings and investment institution. It operates on the principle of al wakalah al mutlaqah (absolute power of attorney) through which the depositors give their consent to Tabung Haji to manage their deposits for purposes of investment.[3] Several schemes are employed to attract deposits - direct deposits, deposits through branches and post offices, deposits through appointed banks, salary deduction schemes, children's saving scheme, etc. For making investments in accordance with the Islamic principles, Tabung Haji uses mudaraba and musharaka as modes of investments. Investments made by Tabung Haji are mainly in four forms: investment in shares, in subsidiary companies, in land and buildings and short term investment. In 2015, the investment made by Tabung Haji stood at RM12.1 billion with investment portfolio composition of 47% equity, 23% fixed-income, 11% properties and the remaining 19% cash.

Of its equity investments, one of the most important ones is its participation in Bank Islam Malaysia, where Tabung Haji holds 54.4% effective stake in the bank through BIMB Holdings Berhad (BIMB), the Tabung Haji's flagship banking group, following the completion of BIMB's acquisition of all the remaining Bank Islam shares (it had not owned) from Dubai Financial Group and Tabung Haji on 19 December 2013. The RM2.9 billion purchase of additional Bank Islam shares by BIMB had been funded by a RM1.8 billion rights issue and a 10-year RM1.7 billion sukuk, which had been fully subscribed for by Tabung Haji.

The two entities enjoy close ties; Tabung Haji consistently places sizeable deposits with Bank Islam Malaysia while some of its branches have been converted to Bank Islam Malaysia branches. The Bank is also regarded as Tabung Haji's preferred bank for its investee companies in corporate advisory work, in areas such as IPOs and merger and acquisitions. As such, Bank Islam's operations are regarded as an extension of Tabung Haji's function as a non-bank savings institution for Muslims, complementing its operations with an array of Shari'a-compliant banking services.

3. Ahmad, A. Towards an Islamic financial market: A study of Islamic banking and finance in Malaysia. IRTI Research Paper No. 45.

AL BARAKA BANKING GROUP

YEAR OF ESTABLISHMENT: 1978	COUNTRY OF DOMICILE: BAHRAIN
AUTHORISED CAPITAL: US$1.5 BILLION	TOTAL ASSETS: US$23.4 BILLION
TOTAL FINANCING AND INVESTMENTS: US$17.5 BILLION	RETURN ON EQUITY: 13%
RETURN ON ASSETS: 1.1%	CAPITAL ADEQUACY RATIO: 15.49%

The Al Baraka Banking Group is one of the largest international Islamic financial institutions in the world. It has been a pioneer in leading innovation and growth in the industry across all 15 countries in which it operates and is providing Islamic banking and finance to around 1 billion people. This includes the Islamic markets of the GCC and broader MENA region as well as Southeast Asia. It has pioneered many new products, while also extensively supporting the development of the Islamic banking sector as a whole. In 2016, the Group's total operating income rose 7% to US$1.1 billion ($1.0 billion in 2015) and with growth in income generation recorded across all its business units. Total assets in 2016 for the group were US$23.4 billion while total financings and investments were US$17.5 billion.

The Al Baraka Banking Group was founded by Sheikh Saleh Abdullah Kamel, a well-known and highly respected international businessman and a pioneer of Islamic banking. He also serves as chairman of the banking group. Sheikh Saleh Abdullah Kamel, who is also the founder and chairman of Dalla Al Baraka Group is regarded as a renowned expert in the field of Islamic banking. Dalla Al Baraka is one of Saudi Arabia's largest and most diversified conglomerates, spanning across 40 countries with interests in Islamic banking, real estate development and food production.

Although the Al Baraka Banking Group itself is about 15 years old, its antecedents go back to almost 39 years when one of the oldest Islamic banks in the world, the Jordan Islamic Bank, was formed in 1978. The group came about as a result of the consolidation of various interests of Sheikh Saleh Abdullah Kamel in 10 Islamic banks with the objective of adding strength and purpose to his vision of creating a global Islamic banking group. Following its establishment in 2002, the group achieved a combined private placement and public issue in 2006. This was designed to draw the attention of investors and the market at large as well as raise additional capital to strengthen its subsidiaries and position them for expansion in their home territories. It was also meant to enable the group to commence its wider geographic expansion. The successful flotation on the NASDAQ Dubai Stock Exchange and the Bahrain Bourse set the stage as a precursor to further expansion worldwide.

Since 2006, the Al Baraka Banking Group has witnessed impressive and steady growth and has strengthened its presence in its existing markets through organic development as well as venturing into new markets. The Group has a global influence in Islamic finance due to its wide geographical presence around the world in the form of subsidiary banking units and representative offices worldwide. The Group operates in 3 continents through its 697 branches located locally and internationally and has international subsidiaries in Turkey, Jordan, Egypt, Algeria, Tunisia, Sudan, Bahrain, Pakistan, South Africa, Lebanon, Syria, Iraq and Saudi Arabia, as well as two representative offices in Indonesia and Libya. Recently, Al Baraka had obtained the approval of the Bank Al Maghrib (the central bank of Morocco) to establish a new bank in Morocco. With this, the Group is now represented in all countries in the Maghreb.[4] The entrance into the Moroccan market is a very important achievement as Morocco is considered one of the major markets in the Maghreb and Africa.

As a strong promoter of Islamic banking and finance, Al Baraka Banking Group has been instrumental in introducing Islamic banking in new jurisdictions where Islamic banking and finance has yet to have any significant presence. For example, the first Islamic bank to open its doors in Algeria was Banque Al Baraka d'Alge´rie in 1991. Al Baraka Bank has been in South Africa for 27 years and was the first Islamic bank in the country. Al Baraka Bank Tunisia was also the first Islamic bank established in Tunisia in 1983 to provide financing in agricultural, industrial, tourism and export industries. The Group's pioneering and leadership role in Islamic banking and finance has won its several awards including the Global Islamic Finance Award 2016 conferred to Al Baraka Islamic Bank Bahrain for Best Islamic Bank for Treasury Management 2016. Commenting on the winning, Mohamed Isa Al Mutaweh, board member and Chief Executive Officer of Al Baraka Islamic Bank said: "This award is a cherish certificate of our high-quality and innovative Shari'a-compliant products and services. We are delighted to see the status of the bank and its reputation enhanced not only in the region but across the Islamic countries in all continents of the world."

4. The Maghreb, or the Greater Maghreb, is usually defined as much or most of the region of western North Africa or Northwest Africa, west of Egypt.

DUBAI ISLAMIC BANK

YEAR OF ESTABLISHMENT: 1975	COUNTRY OF DOMICILE: DUBAI, UAE
MARKET CAPITALISATION: US$7 BILLION	TOTAL ASSETS: US$47.6 BILLION
NET FINANCING ASSETS: US$31 BILLION	SUKUK INVESTMENT: US$6.7 BILLION
RETURN ON EQUITY: 17.2%	RETURN ON ASSETS: 2.43%
CAPITAL ADEQUACY RATIO: 18.1%	

The Dubai Islamic Bank (DIB), established in 1975, is the pioneer in Islamic banking that has seen a phenomenal growth and has established itself as the undisputed leader in its field, setting the standards for others to follow. DIB's principal activities are focused on retail and business banking, corporate banking, real estate and contracting finance, investment banking and treasury. The Group has assets of about US$47.6 billion and a market capitalisation of US$7 billion. Currently, DIB has presence across all emirates in the UAE with growing international operations in Asia, Middle East and Africa, making DIB well-placed to continue its global expansion and maintain its leadership in transforming the global Islamic finance industry.

Despite global economic and political volatility, DIB achieved a number of important milestones to further strengthen its position as a market leader in 2016. In the last three years, the bank's profitability has grown by nearly two and a half times, and its financing portfolio has more than doubled. Living up to its reputation as the leading performer in the UAE, in 2016, DIB reported a net profit of US$1.1 billion, a significant increase of 6% compared to US$1.03 billion in 2015. It was DIB's highest ever profit, depicting robust profitability growth despite a challenging economic environment. Through a focus on innovation and excellence, DIB has gone from a pioneer of Islamic finance to attaining the status of the UAE's largest Islamic bank with a 90-strong branch network across the country and has one of the largest consumer bases in the country with over 1.7 million customers. The bank's domestic expansion accelerated in the year 2000 when DIB became a public joint stock company with its shares listed on the Dubai Financial Market.

Committed to the progression and penetration of Islamic banking and finance in the UAE and beyond, DIB has witnessed significant growth on an international level. The bank's expansion strategy based on partnerships and alliances started with the establishment of DIB Pakistan Limited, a wholly owned subsidiary of DIB, which has a network of 243 branches across 62 major cities in Pakistan. It also started operations in Jordan, with the establishment of Jordan Dubai Islamic Bank. In 2015, it received the regulatory approval to increase its shareholding in PT Bank Panin Syariah in Indonesia to 40%, which has now been rebranded to Panin Dubai Syariah Bank (PDSB), marking DIB's first entry into the Asia-Pacific region.

As a global pioneer in Shari'a-compliant wealth management and in promoting Islamic financing solutions, DIB has shown its outstanding capabilities by arranging two of the world's largest-ever sukuk. The bank was appointed to provide specialist financial solutions for the Dubai Ports, Customs and Free Zone Corporation's US$3.5 billion sukuk, and the Dubai Department of Civil Aviation's US$1 billion sukuk issue for the second phase of the expansion of Dubai International Airport. The DIB also launched Emirates REIT, Dubai's first real estate investment trust, and was an arranger in the first fully UAE Islamic bank aircraft financing deal for the purchase of an A340-500 by Emirates Airline.

In 2017, DIB issued a 5-year US$1 billion sukuk under DIB's US$5 billion Sukuk Programme. This was the largest senior sukuk issuance by a financial institution globally. With this issuance, the total value of DIB's current sukuk listings on Nasdaq Dubai is now US$4.25 billion, more than any other UAE issuer. Beyond the UAE, DIB has also extended its expertise in other jurisdictions including the 2015 Garuda Airlines' structuring for its US$500 million five year sukuk offering. This sukuk issuance was a significant milestone for the development of Islamic finance capital markets and re-enforced investors confidence in the Indonesian market.

Keeping in pace with technology and consistent with product innovation and unparalleled customer service, DIB rolled out its Smart Bank concept in line with the Smart City initiative of Government of Dubai. With Smart Bank, new customers are able to complete their account opening formalities and walk out with their instantly issued ATM cards and cheque books within 15 to 20 minutes. This is because system integration with the Emirates Identity Authority enables uploading of customer information directly from the Emirates ID cards into the Bank's systems. In addition, customer transactions can now be completed without filling forms through the use of handheld electronic devices with digital signatures taken for secure and efficient processing. For its contribution to both the banking industry and the wider community, DIB has earned the respect of its peers around the world.

The bank's leading position has been reaffirmed by the more than 140 local, regional and international accolades that it has won since 2004. DIB has won awards across diversified areas, including retail, corporate and investment banking, as well as CSR and consultancy services. The bank's most recent recognition was at the Global Islamic Finance Awards (GIFA) 2016 when the Bank was named GIFA Market Leader after being recognised as Best Islamic Bank 2015 in the previous year's GIFA.

KHAZANAH NASIONAL

YEAR OF ESTABLISHMENT: 1993	REALISABLE ASSET VALUE (RAV): US$32.71 BILLION
NET WORTH ADJUSTED (NWA): US$22.97 BILLION	

Khazanah Nasional (Khazanah) is a government-owned investment organisation that manages the sovereign wealth fund for the Government of Malaysia. With investments in over 50 major companies, both in Malaysia and abroad, Khazanah is involved in a broad spectrum of industries ranging from finance, media and communications, utilities, information technology and transportation industries. Khazanah has been instrumental in promoting Islamic banking and finance in the country as well as outside Malaysia. Its pioneering and leadership role in sukuk structuring and sukuk issuance has earned Khazanah a spot amongst the leading institutions in Islamic finance.

Since the launch of the first government guaranteed sukuk in Malaysia in 2006, Khazanah has been at the forefront of sukuk innovation. In the same year, Khazanah issued another innovative sukuk structure - the world's first Shari'a-compliant exchangeable sukuk, which has been emulated by issuers in the Middle East. The 5-year exchangeable sukuk was on Telekom Malaysia with an issue size of US$750 million and was six times over-subscription from the initial size of US$500 million. By giving investors the option of exchanging the sukuk for equity shares in a Shari'a-compliant company, the deal attracted both conventional and Islamic investors from Europe, Middle East, Asia and U.S. offshore. This exchangeable sukuk issue heralded the beginning of a new generation of Islamic financial products.

In 2007, Khazanah issued the PLUS Exchangeable Sukuk of US$850 million, the largest equity-linked issue out of Malaysia and third largest equity-linked issue out of Asia-Pacific excluding Japan/Australia at that time. The sukuk was 13 times over-subscribed and priced at the tightest end of the range amidst an environment of volatile interest rates. Another milestone was achieved in 2008 when Khazanah issued the first sukuk that offered investors exposure to China's retail consumption growth. The Parkson Exchangeable Sukuk raised US$550 million and was notable for being over-subscribed by 11 times, attracting more than 200 investors.

Another landmark issuance was the inaugural Singapore dollar sukuk of SGD1.5 billion in 2010. This transaction created a few firsts; it was the largest sukuk issuance in Singapore, the largest Singapore dollar issuance by a foreign issuer and the longest-tenured Singapore sukuk. With this latest sukuk issuance, it was clear that Khazanah is fully committed to widening the appeal of Islamic financing not just in Malaysia but also regionally. In 2011, Khazanah issued the world's first Renmimbi-denominated sukuk of RMB500 million. It drew a demand of 3.6 times book size which actually enabled Khazanah to upsize the deal from an initially planned RMB300 million size to RMB500 million. Adding to the many firsts in sukuk origination is the Parkson Exchangeable sukuk issue in 2012, which was the world's first sukuk to be priced at a negative yield. This issuance demonstrated the broadening demand for sukuk globally as 49% and 39% of the issuance size were taken up by a diverse group of European-based and Asian-based investors respectively.

A year later, Khazanah issued the first exchangeable sukuk denominated in Singapore dollars. The sukuk, which was upsized to SG$600 million from the initial size of SG$500 million, is exchangeable into ordinary shares of IHH Healthcare, one of the largest healthcare providers in the world by market capitalisation. The sixth exchangeable sukuk – Tenaga Exchangeable Sukuk, was issued in 2014. This was the first exchangeable sukuk structured based on the Islamic principles of mudaraba and murabaha as past issuances were based on musharaka and wakala structures. Continuing innovation in structured Islamic financial products, Khazanah launched the first ringgit-denominated sustainable and responsible investment sukuk in 2015 to raise funds for its Trust Schools Programme. The issuance raised funds worth of RM100 million with a periodic distribution rate of 4.3% per annum and 7 year tenure. The proceeds of the issuance are channelled to Yayasan AMIR, a non-profit organisation initiated by Khazanah, to manage its cash flow for the deployment of the Trust Schools Programme for schools identified.

The social impact of this "Pay-for-Success" structure is measured using a set of predetermined Key Performance Indicators ("KPIs") which are assessed over a five-year observation timeframe. If at maturity, the KPIs are met, the sukuk holders will forego a pre-agreed percentage of the nominal amount due under the SRI sukuk as part of their social obligation in recognising the positive social impact generated by the Trust Schools Programme. On the other hand, if the KPIs are not met, the sukuk holders will be entitled to the nominal amount due under the SRI Sukuk in full. Another unique feature of this sukuk is that it allows sukukholders to convert their investment in the sukuk into a donation at any point during the tenure.

Khazanah's long-term commitment in Islamic finance is driven by the key philosophy of creating stronger links between real economic and financial activities. Hence, the initiatives on Islamic finance are also undertaken by Khazanah's investee companies. Companies like PLUS Expressways, Telekom Malaysia, Axiata and Tenaga have launched various sukuk transactions in the local capital markets. It also has significant shareholdings in national and international Islamic financial institutions, which allows Khazanah to strengthen its investments in the Islamic finance both locally and globally. These institutions are Jadwa Investment, Fajr Capital, ACR Re Takaful, CIMB Islamic, CIMB Niaga and Bank Muamalat. In the sphere of education and capacity building in Islamic finance, Khazanah has collaborated with Oxford Centre for Islamic Studies and the University of Cambridge to offer the Khazanah-OCIS Merdeka Scholarship Programme and the Khazanah-Cambridge Scholarship Programme to outstanding Malaysian students to pursue their further studies in the United Kingdom. In recognition for its leadership role in promoting and advancing Islamic finance, Khazanah was awarded the Best Islamic Finance Advocacy Award 2015 (Institution Category) by the Global Islamic Finance Awards. Going forward, Khazanah is committed to develop more innovative Islamic products or structures in pushing the boundaries of Islamic finance in line with Malaysia's standing as a hub of Islamic finance.

KUWAIT FINANCE HOUSE

YEAR OF ESTABLISHMENT: 1977	COUNTRY OF DOMICILE: KUWAIT
TOTAL ASSETS: US$54 BILLION	TOTAL FINANCING: US$26.8 BILLION
TOTAL DEPOSITS: US$35 BILLION	RETURN ON EQUITY: 9.2%
RETURN ON ASSETS: 1%	CAPITAL ADEQUACY RATIO: 17.88%

The Kuwait Finance House (KFH) was established in the year 1977 as the pioneer Islamic bank in Kuwait and remained the only Islamic bank in Kuwait for many decades. The KFH was set up under a special Amiri decree to exempt it from any provisions of the existing legislation that contradict and may restrict its activities. Regulated initially by the Ministry of Finance, KFH was brought under the regulatory purview of the Central Bank of Kuwait when the Central Bank Law No. 32 was amended in 2003, allowing Islamic financial institutions to operate in the same financial environment as conventional banks. Today, it is one of the leading Islamic finance institutions in the global Islamic finance market, with total assets of US$54 billion by the end 2016. The KFH holds about 62% of the Islamic banking market share in Kuwait and 27% of the overall banking system.

The KFH's Group banking network spans across seven regions worldwide, with 446 branches. Since the 1980s, KFH has successfully established independent banks located in Malaysia, Bahrain, Turkey and Germany and several subsidiaries in the GCC, Asian region and Europe. The KFH made its inroad into Asia with the establishment of Kuwait Finance House (Malaysia) Berhad in 2005, which was the first foreign Islamic bank to be granted licence by the central bank. A hallmark of Islamic banking and finance in Europe was the establishment and operations of KT Bank AG (Kuveyt Turk Bank) in 2015, Germany's first and only full-fledged Shari'a-compliant bank in the country. KT Bank AG is a 100% subsidiary of Kuveyt Türk Katılım Bankası A.Ş. Istanbul, and its main shareholder is KFH Group. Other subsidiaries and affiliates are Saudi Kuwait Finance House, Kuwait Turkish Participation Bank – Dubai, "Baitak" Real Estate Company and Takhteet and Namaa Real Estate Company.

In 2007, KFH Research Ltd set up as the world's first Islamic investment research arm to be established by an Islamic bank. A direct subsidiary of KFH and based in Malaysia, KFH Research plays a crucial role in linking the GCC countries with the rest of Asia and other emerging Islamic financial markets. KFH has also been at the forefront of sukuk issuance. KFH volume traded in the sukuk market reached US$11.4 billion for the year 2016, making KFH Group a primary dealer and a global sukuk market maker. Such volume of trading has contributed significantly to the increase in liquidity and to the support of Islamic finance regionally and globally.

AL RAJHI BANKING GROUP

YEAR OF ESTABLISHMENT: 1988	COUNTRY OF DOMICILE: SAUDI ARABIA
MARKET CAPITALISATION: US$22.7 BILLION	TOTAL ASSETS: US$90.7 BILLION
TOTAL FINANCING: US$68 BILLION	TOTAL DEPOSITS: US$72.8 BILLION
RETURN ON EQUITY: 16.5%	RETURN ON ASSETS: 2.5%
CAPITAL ADEQUACY RATIO: 21.98%	

With origins going back to 1957, Al Rajhi Bank was formally incorporated in 1988 by the patriarch of the Al Rajhi family. Long before Islamic finance gained prominence in the Middle East and beyond, Riyadh-based Al Rajhi had been catering for the needs of the predominantly ultraconservative Muslim population. The Saudi Al Rajhi brothers started their business in the 1930s by changing money for pilgrims visiting the holy Islamic sites in Mecca and Medina. Later on, they diversified into other sectors including real estate and construction. The various individual establishments under the Al Rajhi name were merged into the umbrella Al Rajhi Trading and Exchange Corporation in 1987 and it was in the following year that the bank was also established as a Saudi share holding company. Starting out as a small money exchange service, the bank has evolved into the largest Islamic bank in the world (outside Iran) with total assets of US$90.7 billion and a paid up capital of US$4.33 billion. With an established base in Riyadh, Al Rajhi Bank has a vast network of over 600 branches with over 118 branches dedicated for women with the first ladies branch opened in AlShmaisi.

The four main business segment of the group are retail, corporate, treasury and investment services, and brokerage. As at end of 2015, retail banking was Al Rajhi's primary driver of revenue, accounting for 57.3% of the Group net income and 52.6% of total assets. Instalment sale accounts for 99.4% of retail and 71.5% of Group net financing portfolio respectively. Corporate banking accounted for 13.8% of Group net income with corporate mutajara accounted for 66.5% and 18.7% of corporate and Group net financing portfolio respectively. Treasury, on the hand, accounted for 22.4% of Group net income.

The investment banking, advisory services, brokerage and asset management are provided through Al Rajhi Capital (ARC), which is the investment arm of Al Rajhi Bank. This business segment accounted for 6.5% of Group net income. The ARC is one of the largest investment firms in Saudi Arabia and a major player in the brokerage market in the Kingdom with 19 offices across the Kingdom. Al Rajhi remains a leader for remittance in the region with over 24 million transactions per month dealing with over 40 currencies. Leveraging on its established principles and operations in the Middle East, Al Rajhi Bank ventured out as an international Islamic bank by setting up its overseas operations in Malaysia, Kuwait, and Jordan. Malaysia marked the bank's first foray into the South East Asian banking scene, whereby the core banking products are introduced to the Asian market providing a whole new Islamic banking experience.

QATAR ISLAMIC BANK

YEAR OF ESTABLISHMENT: 1982	COUNTRY OF DOMICILE: QATAR
MARKET CAPITALISATION: US$6.5 BILLION	TOTAL ASSETS: US$38.3 BILLION
TOTAL FINANCING: US$27 BILLION	TOTAL DEPOSITS: US$26.2 BILLION
RETURN ON EQUITY: 15%	RETURN ON ASSETS: 1.6%
CAPITAL ADEQUACY RATIO: 16.7%	

The Qatar Islamic Bank (QIB) was established in 1982 and is the largest Islamic financial institution in Qatar. The QIB controls more than 43.5% of the Islamic banking market share in Qatar and 11.5% of the overall market. As of end 2016, the total shareholders' equity of the bank amounted to US$3.89 billion with total assets reaching US$38.3 billion. The QIB conducts its domestic business through a modern branch network of 32 branches. The QIB Group has a stake in a number of Qatari Shari'a-compliant financial services companies. These include QInvest, its investment banking subsidiary, and its affiliates Beema (Takaful solutions provider) as well as Al Jazeera Finance (consumer finance company). The Group has established its international presence in key markets so as to be able to serve the cross border needs of its customers as well as to develop a focused presence in geographies with high interest in Islamic banking services.

For more than 10 years, QIB has been expanding its overseas interests. For instance, in 2004 QIB established the Arab Finance House in Beirut, the first fully fledged Islamic bank in Lebanon. In 2007, the Asian Finance Bank was inaugurated in Malaysia, with QIB taking a 60% stake. Asian Finance Bank was considered QIB's gateway to the lucrative Asian market. It specialises in investments and corporate financing in Malaysia and in neighbouring countries which have investment links with GCC countries. The following year, QIB UK was established in London. QIB Sudan opened in July 2013, as QIB's first overseas fully owned branch. With a start up capital of US$50 million, it provides Shari'a-compliant corporate finance and trade finance solutions to major corporates.

The QIB's growth strategy is closely tied with Qatar's National Vision 2030 and the government's commitment to investments in the country's infrastructure, the diversification of the economy and the development of a strong private sector. In order to support its business growth and enhance the bank's capital adequacy ratios, QIB issued a US$549 million Additional Tier 1 perpetual sukuk in 2016. This followed a steady pipeline of sukuk issuance since 2010 worth a total of US$3 billion. In the recent Annual General Meeting (AGM), the AGM agreed to increase the limit of the perpetual Sukuk "Additional Tier 1 Capital (AT1) Sukuk" from QAR5 billion to QAR7.5 billion.

BANK ISLAM MALAYSIA BERHAD

YEAR OF ESTABLISHMENT: 1983	COUNTRY OF DOMICILE: MALAYSIA
AUTHORISED CAPITAL: US$779 MILLION	TOTAL ASSETS: US$11.24 BILLION
TOTAL FINANCING: US$8.36 BILLION	TOTAL DEPOSITS AND INVESTMENT ACCOUNTS: US$9.69 BILLION
RETURN ON EQUITY: 16.9%	RETURN ON ASSETS: 1.5%
CAPITAL ADEQUACY RATIO: 15.1%	

Bank Islam Malaysia Berhad (Bank Islam) began its operations in 1983 under the Islamic Banking Act 1983. As the pioneer Islamic bank in Malaysia and Southeast Asia, Bank Islam continues to play a leading role in the development of the nation's Islamic banking industry. When it was first established, Bank Islam was awarded a monopolistic position until 1993 when three commercial banks – Maybank, Bank Bumiputra and United Malayan Banking Corporation - were allowed to operate Islamic windows under the Islamic Banking Scheme. The establishment of Bank Islam marked a major milestone in the development of the Islamic financial system in Malaysia. Entrusted with the responsibility of advancing Islamic banking, Bank Islam was set to capitalise on the Malaysian government's incentives to strengthen the country's position as an international Islamic financial centre.

It was originally established with the sole purpose of assisting with the financial needs of the Muslim population of Malaysia. However, over the years, Bank Islam has extended its services to the wider, non-Muslim, population and currently provides a comprehensive range of Shari'a-compliant banking services with more than 70 innovative and sophisticated Islamic banking products and services, comparable to those offered by its conventional counterparts, including mobile banking, card services and traditional banking solutions.

The bank was initially founded with an amount of authorised capital of US$153 million and paid-up capital of US$25 million. Since then, it has expanded considerably. As of 31 December 2016, its authorised and paid-up capital stood at US$779 million and US$705 million respectively. It is primarily a retail bank with consumer banking constituting more than 70% of total financing. As the first Islamic bank in Malaysia, Bank Islam has the advantage of having a strong brand name and franchise that significantly differentiates it from its competitors – creating an appealing image of being the purest Islamic bank that has attracted and continues to attract a growing, loyal customer base.

As market dynamics are changing, Bank Islam recognises the need to improve the bank's strategic positioning and operational efficiency. Moreover, as demand grows over the next few years, it will be important that Islamic finance is better understood and initiatives must be put in place to drive education and promote awareness of Islamic finance services for Muslims and non-Muslims. On the back of this development, Bank Islam reinforced the significance of educating the public on Islamic finance by adopting "Enhancing Shariah Capabilities" as one of the main thrusts of the bank's latest 3-year Corporate Master Plan (Hijrah to Excellence (H2E) 2013-2015). The thrust aims to develop resources and infrastructure to ensure it continues as a centre of reference for Islamic banking and eventually becomes a "Knowledge Centre" for applied Islamic finance.

With the implementation of Islamic Financial Services Act (IFSA) 2013, Bank Islam has geared more focus on promoting inclusiveness in the financial system and differentiating Islamic finance through responsible banking. Equally important is the shift towards strong customer orientation, which is crucial for Bank Islam, especially in the wake of intense competition and high customer expectations. Seen as the "true blue" Islamic bank, Bank Islam was the first bank to launch Investment Account (IA) products developed in accordance to the IFSA 2013. Three IA products were launched on 1 June 2015 namely the Special Investment Account – Mudharabah, Waheed Investment Account – Wakalah and Al-Awfar Investment Account. Under the IFSA 2013, Islamic banks are required to distinguish between deposits and investment accounts while the decision to place funds in either product depends on the investor and his risk appetite.

As a leader in the country's Islamic banking industry, Bank Islam's innovative product offerings have contributed immensely to the development of Islamic banking and finance. The Bank was the first to innovate and market new Islamic offerings such as the Transact at Palm or TAP Mobile Banking-i service in 2010, making Bank Islam the first bank in Malaysia to offer mobile banking services without internet requirement. This mobile app (an enhanced version of SMS banking) allows customers to perform various banking transactions including bill payments, prepaid airtime reload, interbank GIRO, interbank (fund transfers), balance inquiries and SMS alerts. All these transactions can be done even without using a smartphone. This 'banking on the move' service reflects the bank's strategy to penetrate the growing segment of young customers. Since its launch, the service has attracted more than 600,000 subscribers who are mostly from the young generation of banking consumers.

FAJR CAPITAL

YEAR OF ESTABLISHMENT: 2008	COUNTRY OF DOMICILE: DUBAI, UAE
ASSETS UNDER MANAGEMENT: US$1.2 BILLION (2014)	

Fajr Capital is a sovereign-backed investment firm with offices in Dubai and London. In collaboration with world-class partners, Fajr Capital invests in and brings new businesses and technologies to key Muslim markets especially in high-growth sectors in key Organisation of Islamic Cooperation markets. Fajr Capital is backed by prominent GCC and ASEAN institutional investors, such as Abu Dhabi Investment Council, Government of Brunei Darussalam, Brunei Investment Agency, Khazanah Nasional (the investment arm of the Government of Malaysia), the Saudi-based Al Subeaei Group, and private investors from the GCC and beyond. Fajr Capital is spearheaded by Iqbal Khan who serves as the Chief Executive Officer. Iqbal Khan, a renowned figure in Islamic finance, is the recipient of the 2012 Royal Award for Islamic Finance for his prominent role in developing and promoting Islamic finance on a global scale.

Together with its portfolio companies, Fajr Capital has presence across the Middle East, North Africa and wider Asia – including operations in the GCC markets, Algeria, Brunei, Egypt, Indonesia, Malaysia and Turkey. To date, Fajr Capital has invested in high-growth companies operating across a range of strategic, demographic-driven sectors, such as financial services, education, food and beverage, infrastructure, renewable energy, and industrial manufacturing, among others. Its investments include:

- Bank Islam Brunei Darussalam – Brunei's largest bank and flagship Islamic financial institution.
- Cravia – One of the most successful and fastest-growing food and beverage companies in the Middle East.
- GEMS Education is the world's largest provider of K-12 private education, operating more than 50 schools, across 19 markets in the Middle East, North America, Europe, Asia and Africa.
- MENA Infrastructure – Dedicated infrastructure asset manager focusing on the MENA region and Turkey.
- National Petroleum Services – one of the largest regionally owned oilfield service companies, with approximately 1,300 employees.
- Tamar Energy – a pioneering renewable energy company focusing on anaerobic digestion and offering a range of composting services.

Recognised for its extensive and growing economic impact, Fajr Capital was awarded the 2016 Islamic Economy Awards by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.