



General Council
for Islamic Banks
And Financial Institutions

ISLAMIC FINANCE IN THE GCC 2010

*Analytical Report on Islamic Banks
& Financial Companies*



Islamic Finance in The GCC

Islamic Banks, Investment & Financial Companies In The GCC

Editorial

In its third edition, the IF GCC report has focused on financial data of 79 Islamic banks, investment and financial companies (herein called Islamic Financial Institutions or IFIs) implemented in the GCC countries (Saudi Arabia, Kuwait, Bahrain, Qatar and UAE).

The year 2009 was one of the hardest years in the gulf financial markets with defaults of some big companies such as Saad and Gosaibi Groups, and local crisis such as Dubai's crisis. In this tightening market, IFIs as well as conventional financial institutions has highly suffered from the crisis.

Frozen liquidity market, the fall in the real estate market where IFIs investments are highly concentrated were the main reasons behind the deterioration of assets value, the increase in the provisions and thus poor earnings and even losses.

After aggregating data from CIBAFI database, total GCC assets for the year 2009 have reached USD 240.3 billion with an increase of 3.1% over 2008. Aggregated income of IFIs gives a profit of USD 623.3 Million for 2009.

This edition consists of high level analysis to the most important financial indicators of IFIs during the period 2003 – 2008, with the focus of the last year findings. We add rankings of the financial institution in term of assets and income.

A special thanks for Mr. Ahmed Fakih who conducted the analysis and converted the row data into valuable information.

Dr. Ezzedine Khoja
Secretary General

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Secretary General

Dr.Ezzedine Khoja

Editor

Ahmed Fakih

Editorial Assistant

Mona A.Rahman

Eman Al-Dhaen

Design & Layout

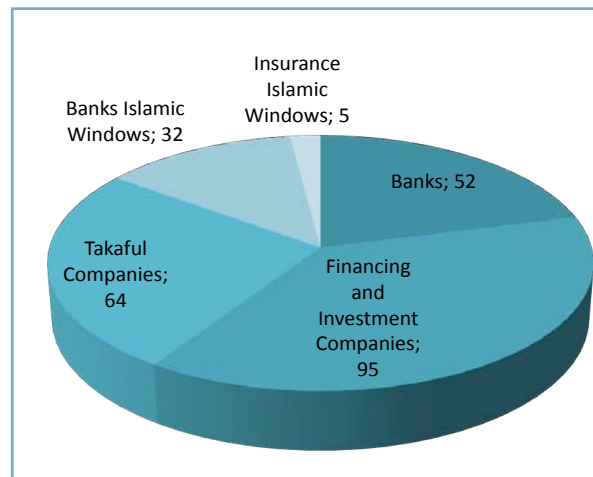
Jihen M.Ben Brahim

Mariam Ali Al-daqqaq

1. Number of Islamic Financial Institutions in the GCC

Total number of Islamic financial institutions (here after IFIs) in the GCC has reached 211 institutions for the year 2009. This number counts only fully fledged Islamic companies (Banks, investment and financing companies and Takaful companies). If we consider Islamic windows and institutions with Islamic activity the number will be 248.

Figure 1: Institutions by category



Financing and investment companies represent the biggest part of IFIs in the GCC with 38% of the total institutions, next we have Takaful companies with 26%, followed by banks which count for 21%. Finally Islamic windows represent 15% of the total IFIs.

Kuwait has the highest number of IFIs in the GCC with 74 institutions which represents 30% of the total GCC, mainly composed by Financing and investment companies (54 institutions from a total of 74 or 73%). Saudi Arabia follows with 65 institutions. In the third place we have Bahrain which represents 21% of the total GCC IFIs with 52 institutions; Bahrain has the highest number of Islamic banks with 27 Islamic Banks in 2010 which represents the half of the Islamic banks in the GCC. With 35 institutions, UAE comes in the fourth place followed finally by Qatar with 22 institutions or 9%.

Table 1: Repartition of IFIs and conventional institutions with Islamic financial services

	Islamic Banks	Financing and Investment Companies	Banks Islamic Windows	Takaful Companies	Insurance Islamic Windows	Total	%
Bahrain	27	5	10	10	0	52	21%
Saudi Arabia	6	21	8	28	2	65	26%
Kuwait	5	54	2	12	1	74	30%
Qatar	6	5	5	4	2	22	9%
UAE	8	10	7	10	0	35	14%
Total	52	95	32	64	5	248	
%	21%	38%	13%	26%	2%		100%

The report covers 79 institutions based on the GCC countries (Saudi Arabia, Kuwait, Qatar, Bahrain and United Arab Emirates). The institutions include Islamic banks, Islamic Financing and Investment companies and Islamic windows. In the coming parts of the report we have considered only Islamic banks and Islamic Financing and Investment companies. The following table details the complete list of the institutions.

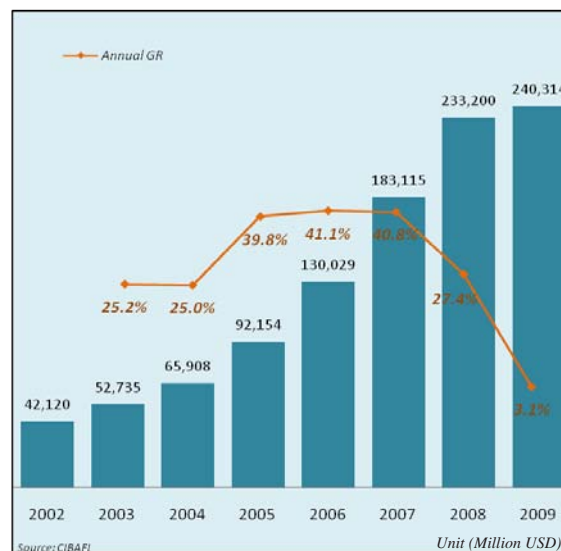
Table 2: List of the institutions studied in the report

Nb.	Institution Name	Country	Nb.	Institution Name	Country
1	ABC Islamic Bank	Bahrain	41	Beyoo Finance and Investment Co.	Kuwait
2	Al Amin (2007 merged with Al Baraka)	Bahrain	42	Al Ritaj Investment	Kuwait
3	Al Baraka Islamic Bank	Bahrain	43	Al Safat Investment Company	Kuwait
4	Al Salam Bank	Bahrain	44	Al-Manar Financing & Leasing Company	Kuwait
5	Arcapita Bank B.S.C.	Bahrain	45	Al Madina for Finance & Investment	Kuwait
6	Bahrain Islamic Bank	Bahrain	46	Al Aman Investment	Kuwait
7	CAPIVEST	Bahrain	47	Al-Fanar Investment Company	Kuwait
8	Citi Islamic	Bahrain	48	Rasameel	Kuwait
9	Elaf Bank	Bahrain	49	Ossoul	Kuwait
10	First Energy Bank	Bahrain	50	The International Leasing company	Kuwait
11	First Investment Bank	Bahrain	51	Invest. Dar	Kuwait
12	Global Banking Corporation	Bahrain	52	Kuwait Finance House	Kuwait
13	Gulf Finance House	Bahrain	53	Kuwait International Bank	Kuwait

14	Inovent	Bahrain	54	Boubyan Islamic Bank	Kuwait
15	International Investment Bank	Bahrain	55	Al Rajhi Bank	Saudi Arabia
16	Investors Bank	Bahrain	56	Bank Al -Jazira	Saudi Arabia
17	Khaleeji Commercial Bank	Bahrain	57	Bank Al Bilad	Saudi Arabia
18	Kuwait Finance House (Bahrain)	Bahrain	58	Al Inma Bank	Saudi Arabia
19	Liquidity Management Centre	Bahrain	59	Al Tawfeek Co.	Saudi Arabia
20	Seera Investment Bank	Bahrain	60	Jadwa Investment	Saudi Arabia
21	Ithmaar Bank (Merged with Shamil bank of Bahrain)	Bahrain	61	Qatar Islamic Bank	Qatar
22	Unicorn Investment Bank	Bahrain	62	International Islamic	Qatar
23	Venture Capital Bank	Bahrain	63	Masraf Al Rayan	Qatar
24	Capital Management House	Bahrain	64	QInvest LLC	Qatar
25	Capinnova Investment Bank	Bahrain	65	First Finance	Qatar
26	Tadhamon Capital	Bahrain	66	Investment House	Qatar
27	The Securities House	Kuwait	67	The First Investor	Qatar
28	International Investment Group	Kuwait	68	Qatar Finance House	Qatar
29	Al Imtiaz Investment	Kuwait	69	Al-Safa Islamic Banking (Islamic window)	Qatar
30	Manafae Investment Company	Kuwait	70	QNB Al Isalmi (Islamic Window)	Qatar
31	Al Muthanna Investment Company	Kuwait	71	Doha Islamic Bank (Islamic Window)	Qatar
32	A'Ayan Leasing & Investment Co	Kuwait	72	Abu Dhabi Islamic Bank	UAE
33	First Investment	Kuwait	73	Dubai Islamic Bank	UAE
34	The International Investor	Kuwait	74	Sharjah Islamic Bank	UAE
35	Orient Investment Company	Kuwait	75	Emirates Islamic Bank	UAE
36	Aref Investment Group	Kuwait	76	Dubai Bank	UAE
37	Gulf Investment House	Kuwait	77	Mawarid Finance	UAE
38	Al-Madar Financing and Investment Co	Kuwait	78	Amlak Finance	UAE
39	Al Masar Leasing & Investment	Kuwait	79	Tamweel	UAE
40	Sabaek Leasing & Investment Company	Kuwait			

2. Assets Highlights

Figure 2: GCC IFIs Assets



Total IFIs assets in the GCC have reached USD 240.3 billion for 2009 compared to USD 233.2 billion 2008. Despite a slowdown in the growth, assets have increased in 2009 by 3.1%. This drop in the growth rate is due to the global crisis which has impacted many sectors and especially the real estate to which Islamic financial institutions are highly linked in their investments. In fact 39% of the institutions have registered a decrease in their assets values with some institutions having reached more than 50% decrease. Gulf finance house is one of the banks that have registered a big decrease in its assets value to USD 1,642.3 million in 2009 compared to USD 3,485.1 million in 2008 a 53% decrease. In Qatar, Amlak finance has lost USD 435 millions in its assets value in 2009.

In the other part, 61% have registered an increase in their assets such as Masraf Al Rayan which has registered an increase of 44.1% to USD 6,627.4 Million and Abu Dhabi Islamic Bank which assets have increased by USD 3,514.1 Million in 2009 to reach USD 17,449.2 Million.

3. Assets Repartition by country

Kuwait, Saudi Arabia and UAE have almost 26.5% each in the total assets of the GCC. Kuwait is still leading in term of assets size with USD 64.344 Million with a share of 26.8% compared to 28.6% in 2008. In the fourth place we have Bahrain with 10.6%. Qatar has the smallest part of Islamic assets in the GCC with only 9.9%.

Over the past three years, Kuwait had the highest share in GCC Islamic assets, followed by UAE then Saudi Arabia. However this domination is shrinking due to the bad results of some of its big financial institutions such as The Investment Dar and The International Leasing & Investment Company. Qatar over the same period has almost doubled his share to reach 9.9% in 2009 compared to 5.0% in 2005.

Figure 3: 2009 Assets Repartition

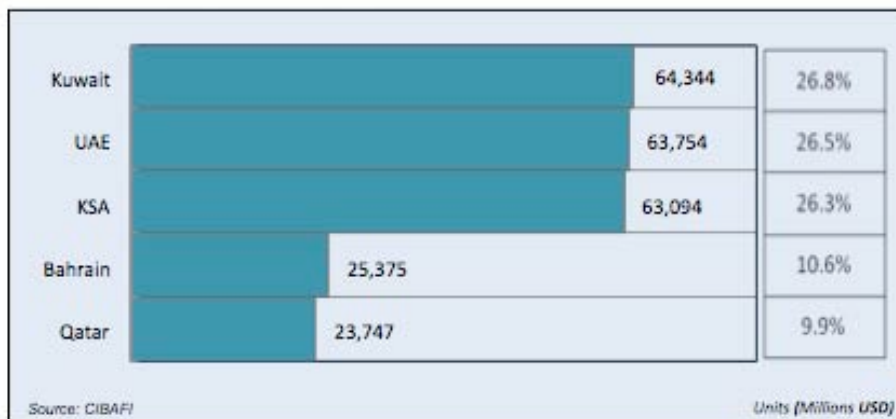
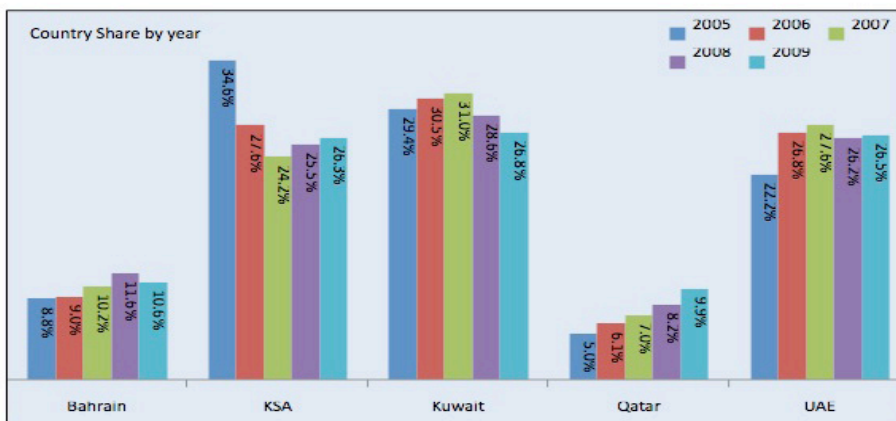


Figure 4: 2005-09 Assets Repartition

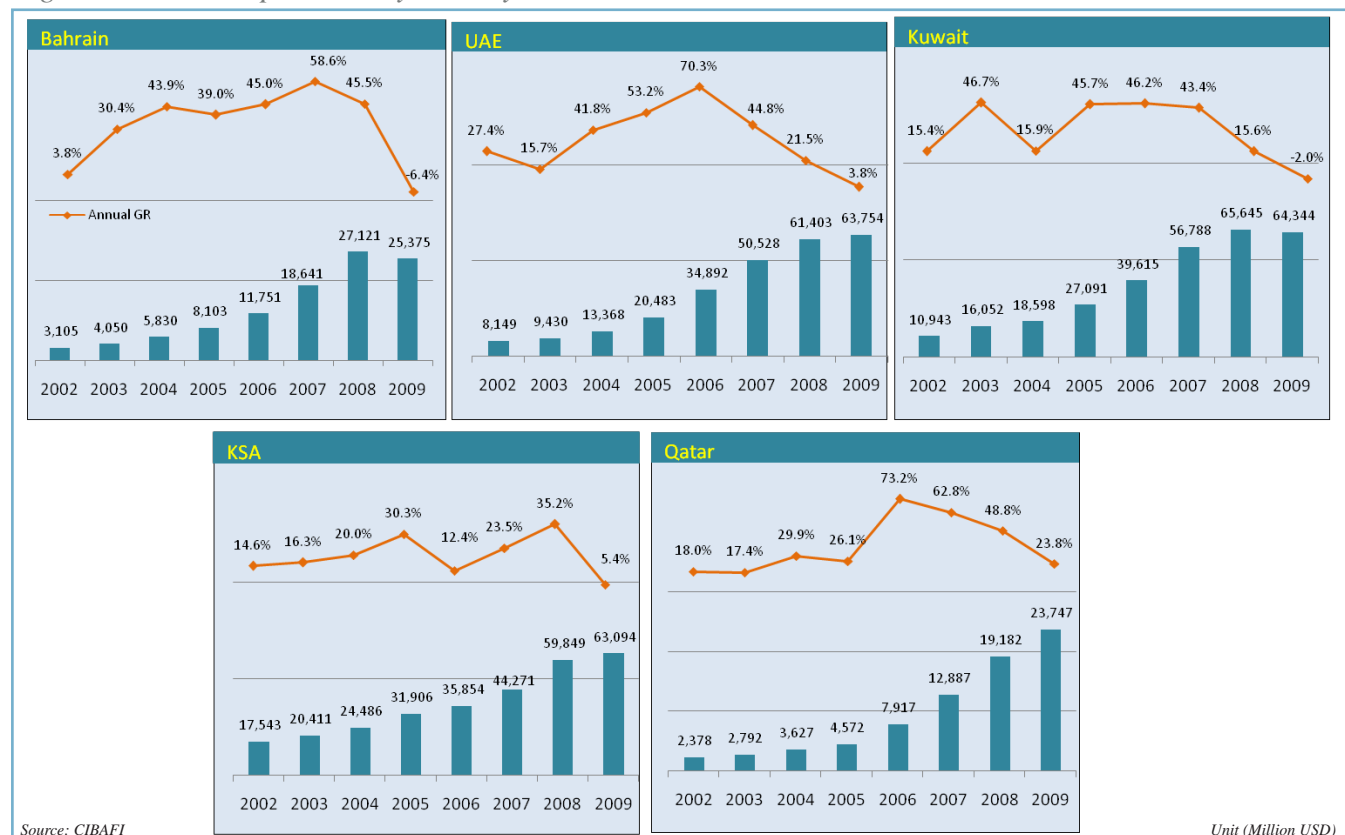


4. Assets Highlights by country

During the year 2009, Qatar has registered the highest increase in assets with a growth rate of 23.8% equal to USD 4,564.9 Million, driven by Masraf Al Rayan and International Islamic with USD 2,028.8 Million and USD 1,025.2 Million respectively. Even if this growth rate is lower than the previous years (over 60% average growth rate for the period 2006-08), it is still a high rate considering tightening market conditions in 2009. Saudi Arabia and UAE have also registered positive growths in their assets values with an increase of 5.4% and 3.8% respectively. However, the same decreasing trend is observed in these countries where the growth rates in 2008 were 35.2% in Saudi Arabia and 21.5% in the UAE.

But the highest decreases were observed in Bahrain and Kuwait where assets have switched from their increasing trend to a decrease in assets value. During 2009, assets in Kuwait have decreased to USD 64.3 billion compared to 65.6 billion in 2008. In fact most of the Kuwaiti institutions have witnessed a drop in their assets value except for Kuwaiti Islamic banks (Kuwait Finance House, Boubyan Islamic Bank and Kuwait International Bank) and some financing companies. Bahrain also has registered a difficult year 2009, where its Islamic assets have decreased by 6.4% or USD 1.7 billion. This drop was mainly due to Gulf Financial House bad results in 2009. In fact GFH assets have decreased by 53% and lost USD 1.8 billion in value.

Figure 5: Assets Repartition by country



5. Islamic Banking in the total sector

With a share of 16.8%, Islamic banking assets in the total sector during 2009 has not varied from 2008 level. Kuwait has the highest part of Islamic assets in its banking sector with 33.2%, followed by Qatar with 17.9%. Saudian Islamic banks represent 17.2% of the country sector. In the fourth position we have UAE which 13.6% of its banking assets come from Islamic banks. Finally, Bahraini Islamic banks represent 11.2% from the total sector, despite the high number of Islamic banks incorporated in the country.

The part of Islamic banks in the total sector is expected to increase in the coming years. In fact the growth of Islamic assets is higher than conventional ones. We can see in the figure (7) that except for Bahrain, Islamic banks assets are growing faster than the total sector growth.

Figure 6: Part of Islamic Assets in the Total Banking Sector

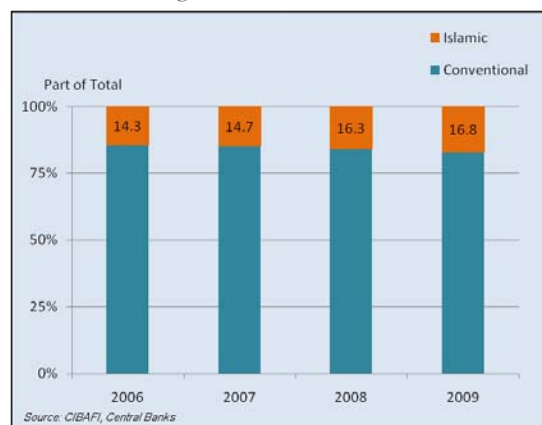
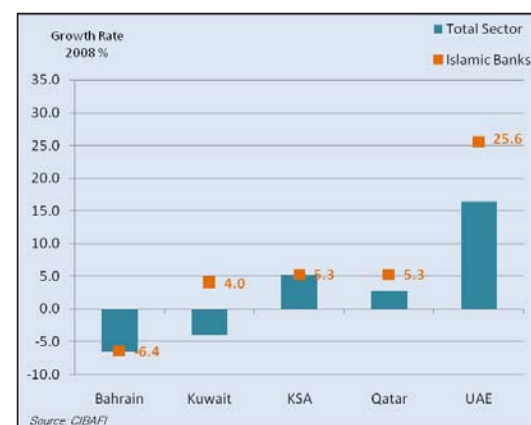


Figure 7: Growth of Islamic Banks Assets

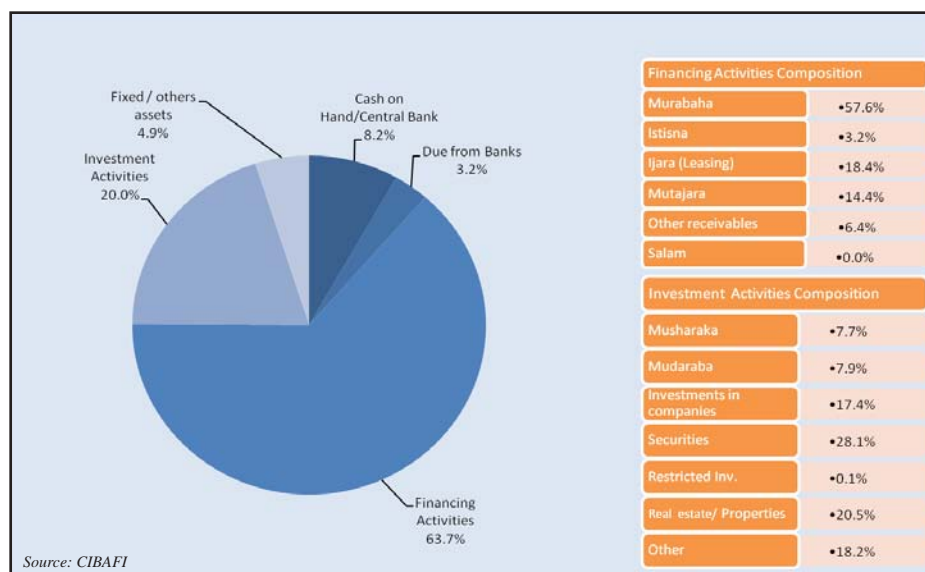


6. Assets Composition

Assets are mainly composed by the financing activities which count for 63.7% of the total assets with a total of USD 146.0 billion. Then 20.0% of the assets are composed by investment activities. The remaining 16.4% are composed by cash, fixed / other assets and due from banks. Financing activities are composed in their major part by Murabaha which represents 58% of the financing activities and 36.5% from total assets.

Investment activities are composed mainly by investment in securities for 28%, investment in real estate for 21% and Investments in companies for 17%.

Figure 8: IFIs Assets Composition



If we analyze the strategies adopted by the Islamic banks to use their resources to the operations over the period 2000-09, we can see that during the first years, Islamic banks have focused on financing activities by concentrating mainly on Murabaha contracts. In a second phase, Investment activities part in the total assets composition has gradually increased (from 2003 to 2007). But with the financial crisis, banks returned to their basic strategies. In fact during 2008 and 2009, financing activities have renewed with their high part in the assets composition, and have reached 76.2% and 70.4% in 2009 and 2008 respectively compared to 47.9% in 2007 and 54.7% in 2006.

Figure 9: Financing and Investment activities growth



7. GCC IFIs Assets Top 50

Table 3: IFIs Assets Top 50

	Country	Company Name	2009	2008	2007
1	Saudi Arabia	Al Rajhi Bank	45,527,928	43,901,673	33,194,627
2	Kuwait	Kuwait Finance House	39,241,951	37,867,271	32,062,377
3	UAE	Dubai Islamic Bank	22,954,929	23,138,410	22,791,018
4	UAE	Abu Dhabi Islamic Bank	17,449,220	13,935,126	11,986,876
5	Qatar	Qatar Islamic Bank	10,789,203	9,198,576	5,845,224
6	Saudi Arabia	Bank Al -Jazira	7,993,761	7,325,305	5,731,673
7	UAE	Emirates Islamic Bank	6,886,031	7,184,011	4,614,313
8	Qatar	Masraf Al Rayan	6,627,418	4,598,602	2,792,092
9	Qatar	QNB Al Isalmi	6,037,448	3,563,903	1,963,757
10	UAE	Dubai Bank	4,736,473	5,032,387	2,971,347
11	Saudi Arabia	Bank Al Bilad	4,642,985	4,272,729	4,421,779
12	Saudi Arabia	Al Inma Bank	4,615,038	4,140,861	0
13	Qatar	International Islamic	4,546,963	3,521,803	2,726,284
14	Bahrain	Arcapita Bank B.S.C.	4,372,288	5,137,355	3,805,486
15	UAE	Sharjah Islamic Bank	4,349,656	4,227,577	2,962,144
16	Kuwait	Kuwait International Bank	3,963,353	3,888,831	3,453,678
17	UAE	Amlak Finance	3,876,463	4,312,092	2,575,693
18	Kuwait	The Investment Dar*	3,725,812	4,172,569	4,672,895
19	Bahrain	Kuwait Finance House (Bahrain)	3,652,604	3,378,945	1,922,329
20	Kuwait	Boubyan Islamic Bank	3,353,187	3,018,355	2,718,397
21	UAE	Tamweel	3,166,838	3,230,949	2,317,165
22	Bahrain	Shamil bank of Bahrain	2,761,957	2,884,923	2,045,691
23	Bahrain	Bahrain Islamic Bank	2,425,399	2,298,703	1,722,795
24	Kuwait	Aref Investment Group	2,285,011	2,698,161	1,716,730
25	Kuwait	Al Imtiaz Investment	2,192,675	2,364,670	1,851,912
26	Bahrain	Al Salam Bank	2,090,251	1,458,392	1,039,937
27	Kuwait	A'Ayan Leasing & Investment Co*	1,866,053	2,153,217	2,031,514
28	Bahrain	Gulf Finance House	1,642,336	3,485,047	2,245,067
29	Bahrain	ABC Islamic Bank	1,318,402	1,461,345	1,364,882
30	Bahrain	Khaleeji Commercial Bank	1,259,585	1,223,022	704,604
31	Bahrain	First Energy Bank	1,233,919	1,021,191	0
32	Kuwait	The International Leasing & Investment Company*	1,144,215	1,484,141	682,955
33	Qatar	QInvest LLC	1,045,726	988,398	934,214
34	Bahrain	Unicorn Investment Bank	1,033,619	978,770	446,669

35	Qatar	Al-Safa Islamic Banking	970,443	1,114,896	465,307
36	Bahrain	Al Baraka Islamic Bank	932,367	1,001,461	1,045,430
37	Kuwait	The Securities House	834,208	1,133,803	1,030,909
38	Qatar	Doha Islamic Bank	826,146	903,625	641,344
39	Kuwait	First Investment	807,664	899,813	785,730
40	Kuwait	Al Safat Investment Company*	647,953	749,366	676,921
41	Qatar	First Finance	574,439	720,155	463,142
42	Kuwait	Al Madina for Finance & Investment	568,424	865,989	756,585
43	Kuwait	Al Muthanna Investment Company*	550,567	476,269	386,737
44	Kuwait	Al-Madar Financing and Investment Co	439,634	554,893	622,456
45	Bahrain	Inovent	428,520	527,572	209,461
46	Kuwait	Al-Manar Financing & Leasing Company*	404,297	424,682	406,341
47	Kuwait	The International Investor	383,802	519,022	689,193
48	Kuwait	International Investment Group*	372,087	541,218	632,107
49	Kuwait	Gulf Investment House	361,774	436,287	376,218
50	Bahrain	Venture Capital Bank	356,001	243,595	222,006

Source : CIBAFI
* Estimated

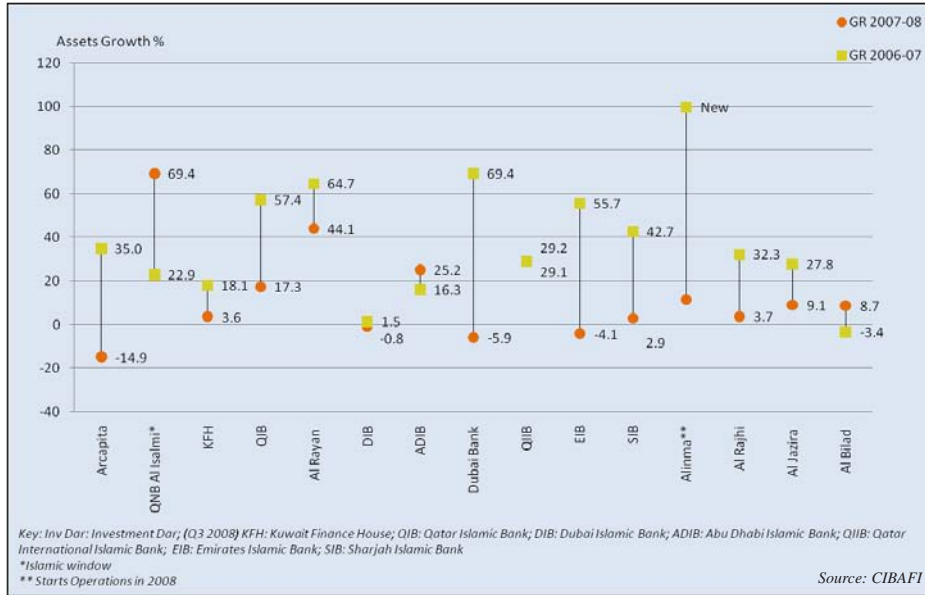
Unit (000's USD)

8. Top 15 Growth

Over the top 15 financial institutions in term of assets, 4 have registered a decrease for the year 2009. Arcapita has the highest decrease with -14.9%. In the other side, QNB Alislami the Islamic window of Qatar National Bank has registered the highest growth with 69.4% increase in 2009.

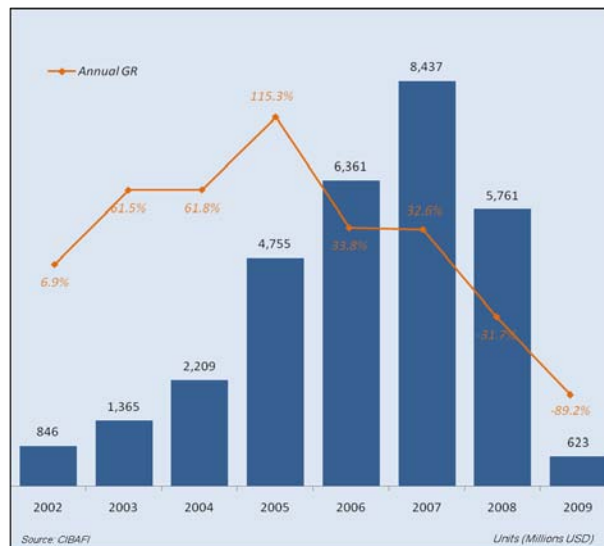
In general, it appears from the figure (10) that, except 2 institutions, the growth in assets for the top 15 IFIs has decreased in the year 2009. But it is still a positive YoY variation.

Figure 10: Top 15 Assets Growth



9. Income Highlights

Figure 11: GCC IFIs Income



Year 2009 has registered a huge fall in IFIs income due to the global crisis. The difficult credit market, the high exposure to the real estate market, the poor diversification in investment portfolios lead to deterioration in the value of assets. Consequently many banks have significantly increased their provisions or have made fair value adjustments. For the two years 2008 and 2009, provisions have increased by 133.9% and 37.1% respectively.

As a result, total income for IFIs in the GCC has decreased by 89.2% in 2009 to reach USD 623.3 million profit in 2009 compared to a profit of USD 5,761.0 Million in 2008. Islamic financial institutions in Kuwait are the highest impacted by the crisis. In fact the Islamic financial sector in Kuwait has registered a net loss of USD 1,857 Million in 2009. Most of the companies have net losses; others are under restructuring and have not yet published their results. Only few companies have escaped the downturn such as Kuwait Finance House which has registered a profit of USD 249.6 Million during 2009.

Also with a negative aggregated income for 2009, Bahrain has registered a loss of USD 921.9 Million, a 180% decrease. The loss is mainly related to Gulf Financial House results which represents 79% from the total country loss. GFH bad result was due to the deterioration of its assets value. Arcapita has the second highest loss in Bahrain with a result of USD -87.9 Million.

In the other part, Saudi Arabia and Qatar have aggregated profit of USD 1,916.6 Million and USD 1,178.3 Million respectively. In Saudi Arabia, Al Rajhi is the leading institution by excellence with a profit of USD 1,804.6 which represents 94% from the country total income. In Qatar, banks such Qatar Islamic Bank and Masraf Al Rayyan are pulling the country to a positive result with USD 495.9 Million and USD 214.9 Million profit respectively.

In the UAE, the total result for 2009 is USD 307.4 Million compared to USD 1,125.3 Million in 2008. While banks have registered profits in the country such as Dubai Islamic Bank and Sharjah Islamic Bank (USD 330.1 Million and USD 70.8 Million profit respectively) Islamic financing companies have registered losses such as Amlak Finance and Mawarid Finance (USD 42.4 Million and USD 14.1 Million loss respectively).

Figure 12: 2009 Income Repartition

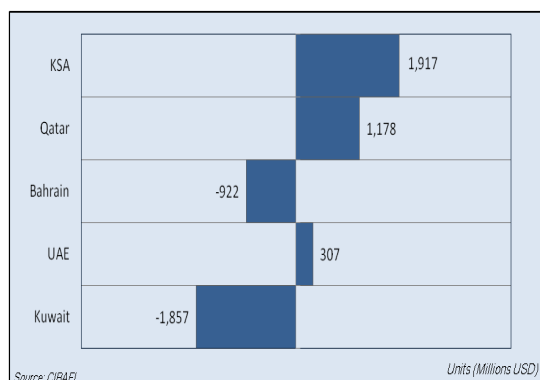
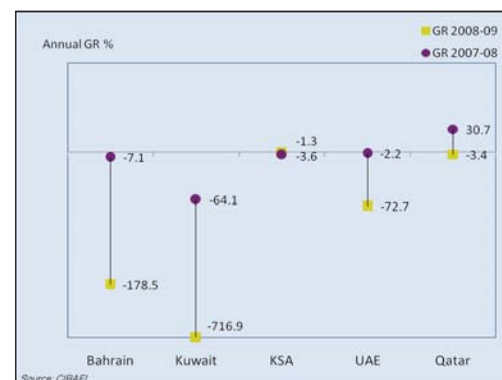


Figure 13: Income Growth by country



10. GCC IFIs Income Top 30

Table 4: IFIs Income Top 30

	Country	Company Name	2009	2008	2007
1	Saudi Arabia	Al Rajhi Bank	1,804,594	1,736,745	1,714,308
2	Qatar	Qatar Islamic Bank	495,901	574,069	343,935
3	Qatar	Masraf Al Rayan	361,913	321,408	373,124
4	UAE	Dubai Islamic Bank	330,088	470,841	515,936
5	Kuwait	Kuwait Finance House	249,618	627,229	1,185,842
6	Qatar	International Islamic	214,895	193,496	185,755
7	Saudi Arabia	Al Inma Bank	161,424	103,807	0
8	Qatar	QNB Al Isalmi	115,466	90,859	40,641
9	Qatar	QInvest LLC	84,086	75,077	67,033
10	UAE	Sharjah Islamic Bank	70,831	63,017	82,151
11	Kuwait	Al Imtiaz Investment	53,258	105,098	121,065
12	Qatar	Al-Safa Islamic Banking	45,894	48,555	19,285
13	Bahrain	Al Salam Bank	37,134	67,182	60,784
14	UAE	Emirates Islamic Bank	35,613	109,005	64,921
15	Qatar	Doha Islamic Bank	35,388	45,594	40,946
16	Bahrain	Tadhamon Capital	28,640	0	0
17	UAE	Abu Dhabi Islamic Bank	21,245	231,586	209,309
18	Bahrain	First Energy Bank	14,200	42	0
19	Qatar	The First Investor	13,269	10,463	8,251
20	Bahrain	Inovent	11,328	91,161	45,196
21	Bahrain	Venture Capital Bank	11,004	47,041	32,336
22	Kuwait	Al Muthanna Investment Company	10,688	26,856	14,439
23	Bahrain	ABC Islamic Bank	10,114	25,580	50,878
24	Saudi Arabia	Jadwa Investment	9,495	8,028	27,726
25	Bahrain	Kuwait Finance House (Bahrain)	8,410	101,089	85,412
26	Bahrain	Khaleeji Commercial Bank	8,245	71,815	54,473
27	Qatar	First Finance	8,217	39,644	28,454
28	Saudi Arabia	Bank Al -Jazira	7,348	59,041	214,022
29	Bahrain	Liquidity Management Centre	3,201	1,042	11,120
30	Bahrain	Unicorn Investment Bank	2,235	35,011	49,591

Source: CIBAFI

Unit (000's USD)



**GENERAL COUNCIL FOR ISLAMIC BANKS
AND FINANCIAL INSTITUTIONS**

P.O.Box 24456, Road No 2843, Block 228, Building 2886

Manama - Kingdom of Bahrain

Tel: 00973 - 17357300 / Fax: 00973 - 17324902

email: cibafi@cibafi.org / cibafi@gmail.com

Website: www.cibafi.org

**GENERAL COUNCIL FOR ISLAMIC BANKS
AND FINANCIAL INSTITUTIONS**

P.O.Box 24456, Road No 2843, Block 228, Building 2886
Manama - Kingdom of Bahrain

Tel: 00973 - 17357300 / Fax: 00973 – 17324902

email: cibafi@cibafi.org / cibafi@gmail.com

Website: www.cibafi.org

