



# ISLAMIC BANKING 2.0

FUTURE-PROOFING ISLAMIC BANKS FOR THE DIGITAL AGE

JANUARY 2022

QUINLAN  
& ASSOCIATES

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## SECTION 1

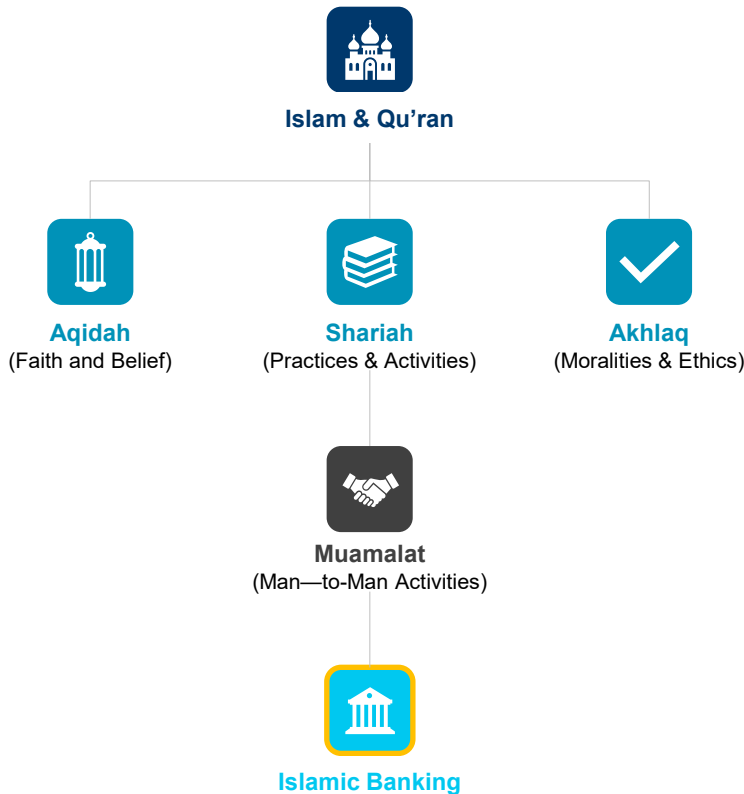
# ISLAMIC BANKING PRINCIPLES

# ISLAMIC BANKING OVERVIEW

Islamic banking is guided by – and operated under – Islamic principles defined by Qu’ran which, at its core, prohibits the charging of interest

## Islamic Banking

Theoretical Framework



## Core Islamic Banking Principles

Illustrative

- 1**  
RIBA  
Lending with interest payments is considered an exploitative practice that favours the lender at the expense of the borrower
- 2**  
MAISIR  
Any form of speculation or gambling is prohibited, and thus there cannot be any involvement in contracts depending on an uncertain event
- 3**  
GHARAR  
Participation in contracts with excessive risk and/or uncertainty is prohibited, including derivative contracts and short-selling
- 4**  
FINALITY  
Each Transaction must be related to a real underlying economic transaction (i.e. a tangible commodity should be exchanged)
- 5**  
ZAKAT  
Islamic banks are obliged to pay 'Zakat' (i.e. a charitable sum), and may also function as zakat collection centres
- 6**  
HARAM  
Certain activities\* are considered 'Haram' or forbidden, and investing in such activities is likewise forbidden

Key Defining Principle / Notable Difference with Conventional Banking

Note: Activities may include tobacco, alcohol, firearms, gambling, adult entertainment, etc.

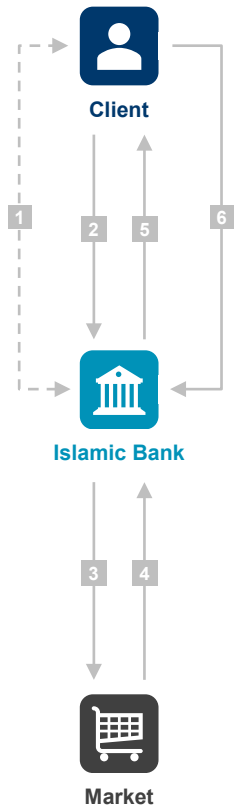
Source: Universiti Malaysia Pahang, Islamic Financial Services Board, Quinlan & Associates analysis

# ESSENTIAL ISLAMIC BANKING CONCEPTS (1/2) – MURABAHAH

Two essential concepts: (1) Mudarabah; and (2) Murabahah, serve as an essential foundation for most Islamic banking product offerings, including Murabahah...

## Murabahah

Value Chain



- 1** An Islamic bank and a customer sign a contract for Murabahah transaction
- 2** The client makes a request to Islamic bank to help purchase specific product(s)
- 3** The bank purchases the requested asset from the market on the client's behalf
- 4** The bank acquires, owns, and bears the risks of the assets on its own
- 5** The bank resells the good to the client with at an agreed profit mark-up
- 6** The client repays the amount owed to the bank via lump sum / instalments

Murabahah, in essence, is a **cost-plus financing agreement**

## Applications

Illustrative

### Types

### Description



**Deposit Account**  
*(Tawarruq Account)*

A client can deposit money and opt-in to a murabahah by tawarruq account, which allows the bank to use the deposit for economic activities to generate return for the client



**Advanced Cash / Credit**  
*(Tawarruq)*

Tawarruq is an arrangement between a client and an Islamic bank in which the client receives shariah-compliant cash through a series of sale transactions



**Invoice Financing**  
*(Bai' al-Dayn)*

Widely known as receivable finance, Bai' al-Dayn is an arrangement where the creditor sells an invoice to a third party to manage its working capital



**Deferred Payment**  
*(Bai' Bithaman Ajil)*

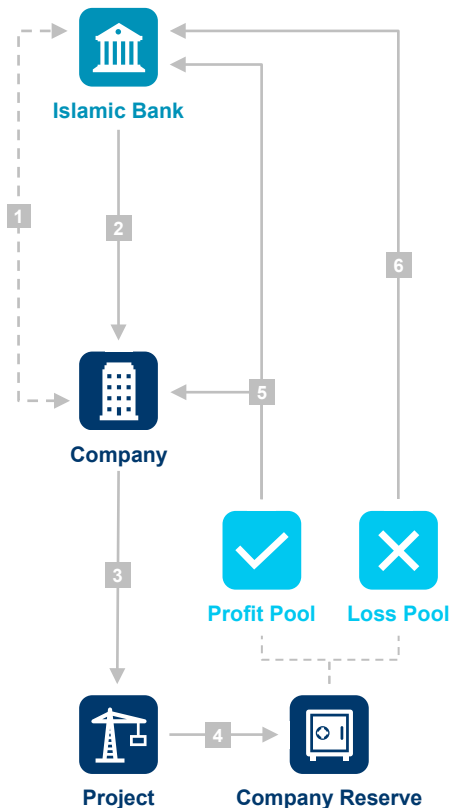
BBA is an arrangement between a client and an Islamic bank in which the client receives the requested asset and makes a deferred payment to the bank

# ESSENTIAL ISLAMIC BANKING CONCEPTS (2/2) – MUDARABAH

...as well as Mudarabah

## Mudarabah

Value Chain



**1** The Islamic bank and customer (company) sign a bilateral contract

**2** The bank (“Rabbul Mal”) provides capital to the company (“Mudarib”)

**3** The company finances a project using the capital provided by the bank

**4** The project generates revenue, which is channelled to the company reserve

**5** The profit is distributed based on an agreed profit sharing ratio

**6** Any economic loss from the project is borne by the bank alone

Mudarabah, in essence, is a **profit sharing agreement**

## Application

Illustrative

### Types

### Description



**Investment Account**  
*(Wakalah Bi Al-istithmar)*

A principal (“muwakkil”) appoints an agent (“wakeel”) to make an investment on his / her behalf to generate a return and share the profit between the two parties



**Joint Venture**  
*(Musarakah)*

An institutional client could set up a joint investment entity with the Islamic bank to share both profit and loss when launching and operating a business initiative



**Insurance\***  
*(Mudarabah Takaful)*

A participant can subscribe to Takaful Mudarabah, managed by a Mudarib, to get additional returns from contributions post deduction of operational costs

Note: Insurance could be linked to investment with profit-sharing arrangement

Source: Institute of Islamic Banking and Finance, Islamic banks disclosures, Quinlan & Associates analysis

# ISLAMIC FINANCE PRODUCTS

A wide variety of Shariah-compliant financial products are commonly offered by Islamic banks to serve both retail / corporate clients

## Products offered by Islamic Banks in Malaysia



Islamic Concepts / Products*	Traditional Equivalent	Description
<b>Savings Account</b> Qard Account Murabahah via Tawarruq Account	<b>Savings Account</b> Savings Account Savings Account with Return	<b>An account that allows a customer to deposit, withdraw, and transfer money</b> A savings account that only protects the asset against external threats, without generating any return A savings account that allows banks to leverage deposits to gain additional returns, and share profits with the client
<b>Tawarruq</b>	<b>Credit Service / Cash Advances</b>	<b>An arrangement between a client and the bank where the client receives cash through a series of sale transactions</b>
<b>Bai' al-Dayn</b>	<b>Sales of Debt / Factoring</b>	<b>An arrangement whereby two parties agree to buy or sell debt securities with a set of predefined conditions</b>
<b>Bai' Bithaman Ajil ("BBA")</b> Home Financing Vehicle Financing Equipment Financing	<b>Deferred Payment</b> Mortgage Vehicle Financing Asset Financing	<b>A financing arrangement where the bank provides credit to a customer through a tripartite arrangement</b> BBA (Murabahah in practice) concept applied to home financing BBA (Murabahah in practice) concept applied to vehicle financing BBA (Murabahah in practice) concept applied to equipment financing
<b>Wakalah bi al-Istithmar</b>	<b>Investment Account</b>	<b>A shariah compliant investment arrangement between a principal and an agent</b>
<b>Musyarakah</b>	<b>Joint Venture</b>	<b>A joint venture arrangement between the bank and the business</b>
<b>Al-Ijarah Thumma Al-Bai' / AITAB</b> Home Financing Vehicle Financing Equipment Financing	<b>Lease Agreements</b> Mortgage / Home Leasing Vehicle Financing / Leasing Asset Financing / Leasing	<b>An arrangement where one party purchases and leases an asset to another party, with agreed ownership transfer</b> Ijarah / AITAB concept applied to home financing Ijarah / AITAB concept applied to vehicle financing Ijarah / AITAB concept applied to equipment financing
<b>Istisna'</b>	<b>Project Financing</b>	<b>Project financing, particularly for large-scale projects such as construction, infrastructure, and industrial projects</b>
<b>Takaful</b> General Takaful Takaful Mudarabah	<b>Mutual Protection</b> General Insurance Product Investment Linked Insurance	<b>A Shariah compliant insurance based on a concept that individuals are responsible to protect one another</b> Non-investment linked takaful product that only provides protection against the specified risk to the takaful participants Investment-linked takaful product that invests and shares the returns to the certificate holders

Note: There may be a discrepancy in the naming protocol and the legality of Islamic banking products by each Islamic jurisdictions (due to a difference in religious interpretations)

Source: Islamic Financial Services Board, Zico, Quinlan & Associates analysais

## SECTION 2

## MACRO OVERVIEW

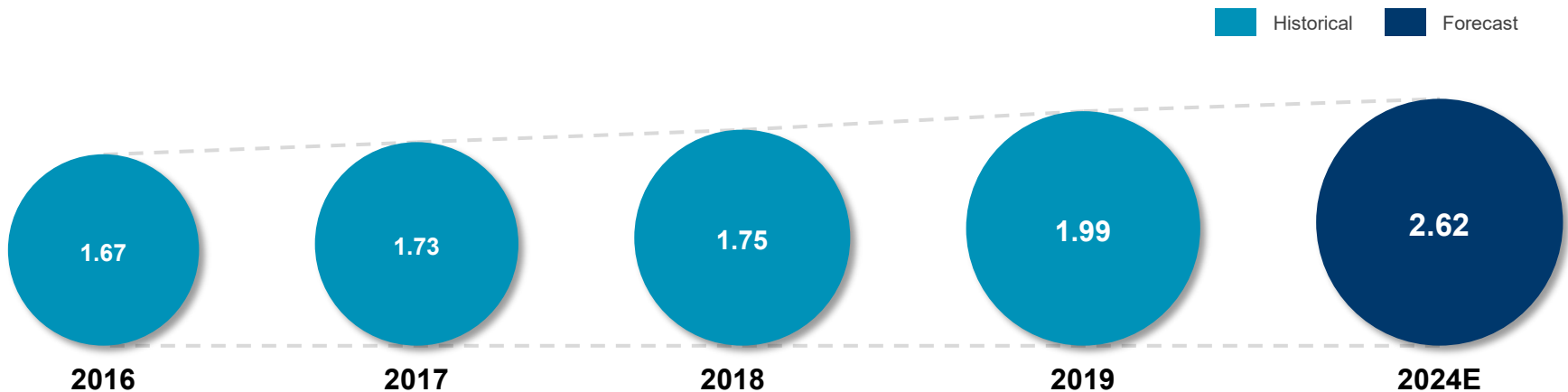


## GROWTH OF ISLAMIC BANKING

Supported by numerous favourable tailwinds, the Islamic banking industry is forecast to experience tremendous growth, with total assets reaching USD 2.62 trillion by 2024

### Global Islamic Banking Asset Size

2016-24E, USD trillion



### Rapid Population Growth

The Muslim population is experiencing significant growth at a CAGR of almost 2x the global average



### Historical Credibility

Compared to conventional banking, Islamic banking is considered to be a more credible alternative



### Growing Appeal of ESG\*

The growing interest in ESG and sustainable investing has increased the global appeal for Islamic banking

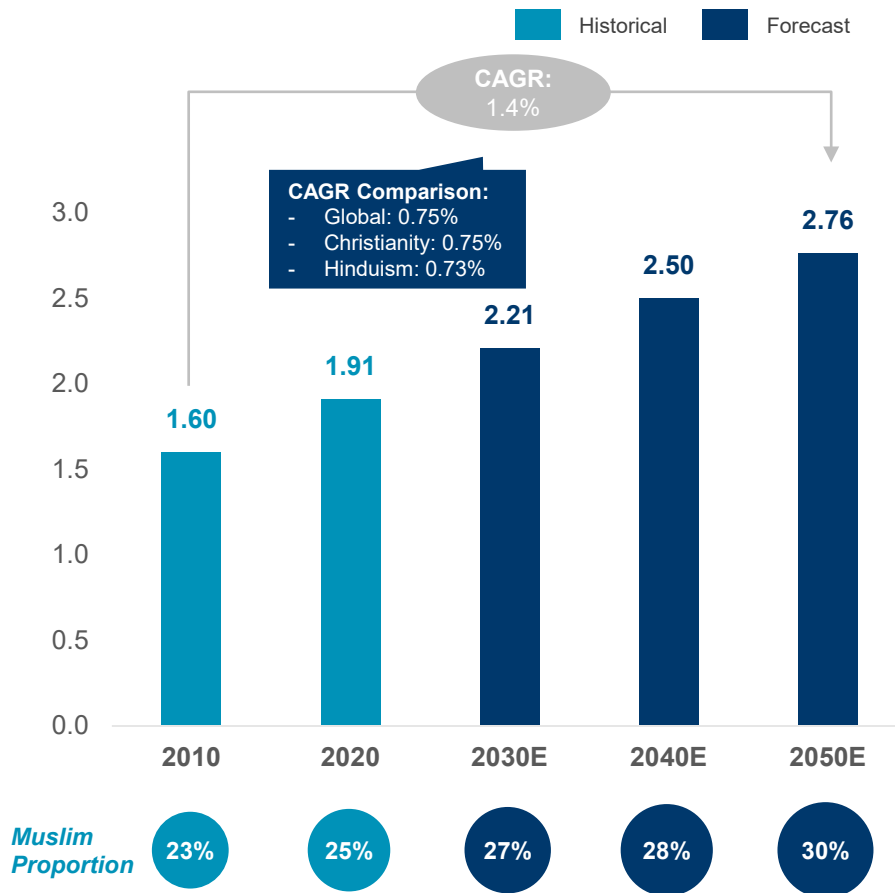
\*ESG = Environmental, Social, and Governance  
Source: ICD, Refinitiv, Quinlan & Associates analysis

## GROWTH DRIVERS (1/3) – RAPID POPULATION GROWTH

The global Muslim population is expected to reach 2.8 billion by 2050, propelled by: (1) high fertility rates; and (2) increased life expectancy

### Global Muslim Population

2010-50E, # billion



### Key Drivers

Illustrative



#### HIGH FERTILITY

Muslims have the highest fertility rate of 3.1 children per woman, well above the replacement level of 2.1



#### LIFE EXPECTANCY

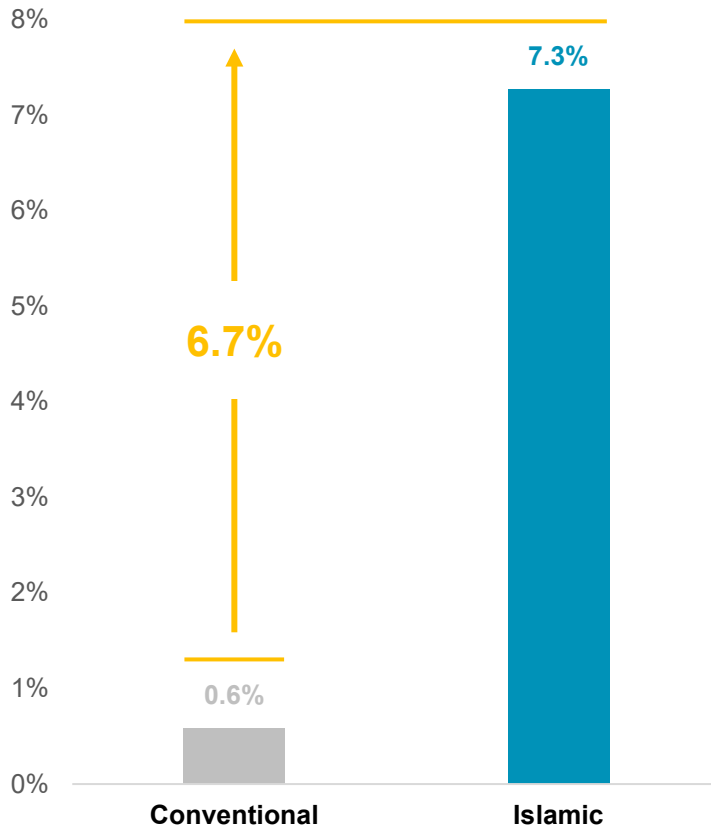
The average life expectancy in Muslim-majority countries is expected to reach 68 years by 2030-2035

## GROWTH DRIVERS (2/3) – HISTORICAL CREDIBILITY

Islamic banks' prioritisation of social welfare, justice, and sustainability, has seen them deliver significantly more robust financial performance metrics than their non-Islamic peers

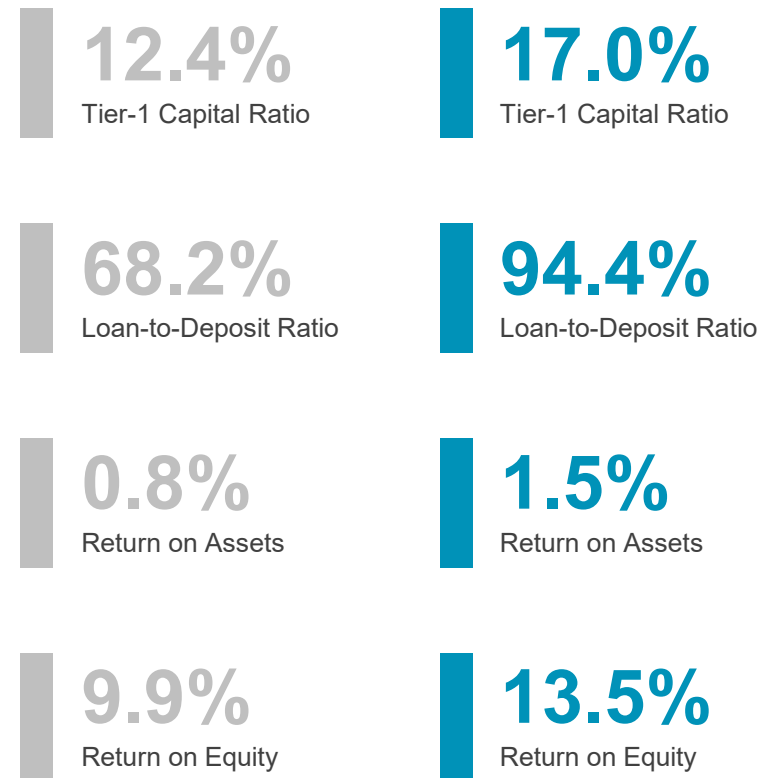
### Revenue Growth Rate\*

2015-2020, %, n = 16



### Financial Highlight

2020, Conventional Banks & Islamic Banks %



Note: Average YOY revenue growth rate per year of top conventional and Islamic banks with the highest asset values

(Conventional Banks: Bank of America, HSBC, Wells Fargo, etc., Islamic Banks: Al Rajhi Bank, Dubai Islamic Bank, Kuwait Finance House, etc.)

Source: Bloomberg, Quinlan & Associates analysis

## GROWTH DRIVERS (3/3) – GROWING APPEAL OF ESG

With rising global interest in ESG and sustainable investments, Islamic finance and Shariah-compliant investments are rapidly becoming more appealing to global investors

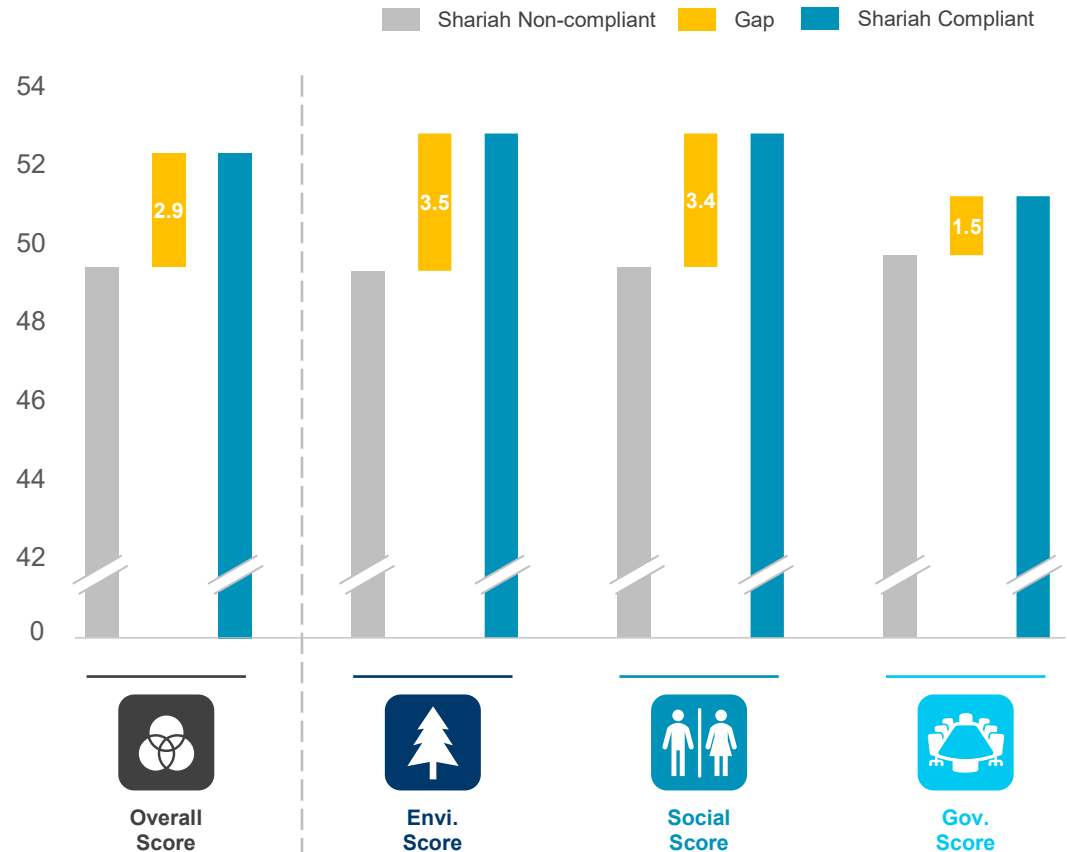
### ESG Investment

Institutional vs Retail Investors



### ESG Scores

Shariah Non-compliant vs Shariah Compliant Companies (N= 5,000)



## SECTION 3

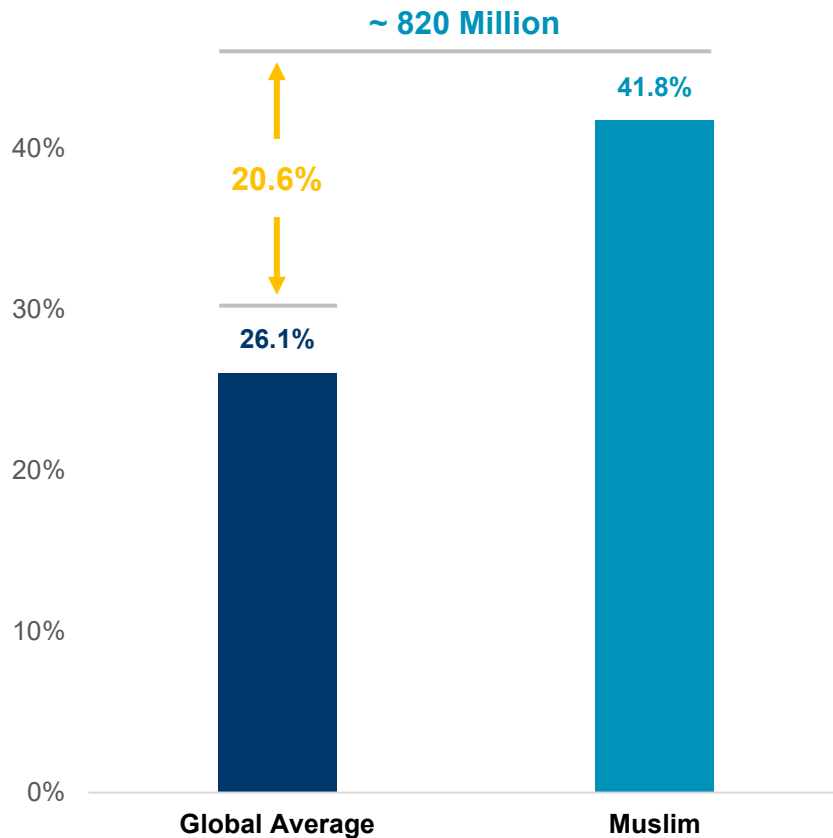
## AN UNTAPPED MARKET

# UN(DER)BANKED POPULATION

Despite strong growth potential, there are still ~820 million unbanked Muslims globally, reflecting: (1) physical inaccessibility; (2) entry barriers; and (3) financial illiteracy




## Unbanked Population

2020, %



## Underlying Cause for being Unbanked

Illustrative

- 1** 
**PHYSICAL INACCESSIBILITY**  
 Due to the scarcity of branches in rural areas, many Muslims have struggled to access branch banking services
- 2** 
**ENTRY BARRIERS**  
 Many Islamic banks require stringent account-opening documentation to be completed via physical branch visits
- 3** 
**FINANCIAL ILLITERACY**  
 Financially Illiterate consumers lack a solid understanding about banking and the benefits of financial services

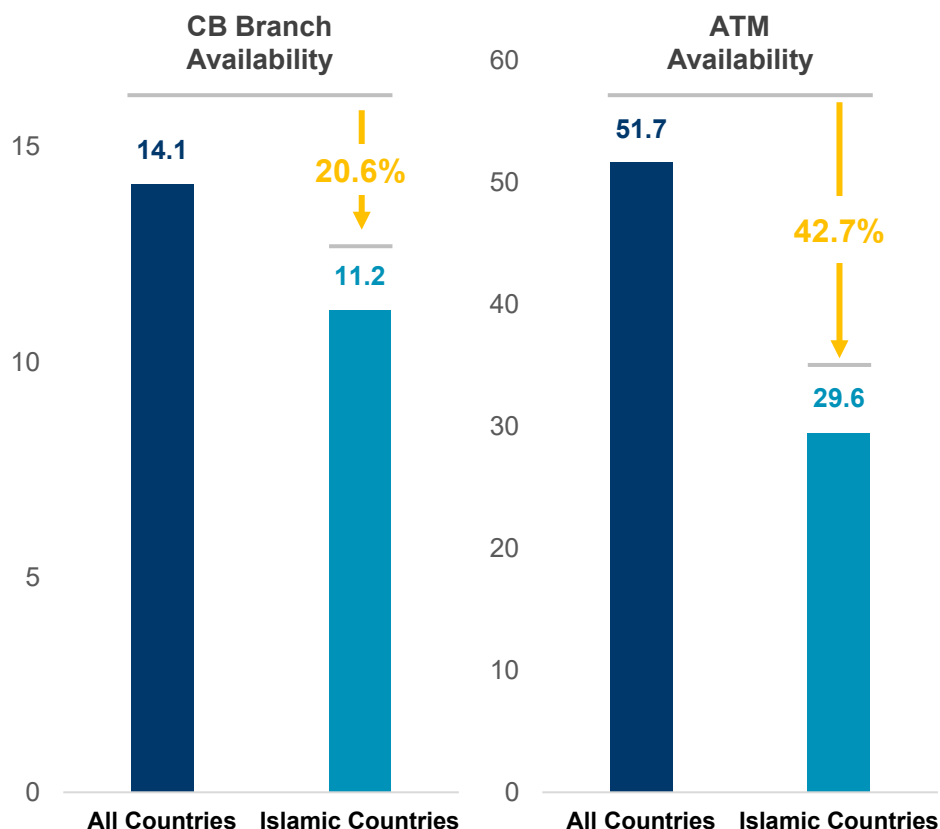
 Key Causes

## UN(DER)BANKED DRIVERS (1/2) – PHYSICAL INACCESSIBILITY

Physical inaccessibility remains a key issue in many Islamic countries, with below average availability of commercial banks and ATMs

### Banking Service Accessibility

Number of CB<sup>1</sup> Branch / ATM<sup>2</sup> per 100,000 adults



### Commercial Bank & ATM Availability

Notable Islamic Countries, Ranked by CB Branches

Rank	Countries (#)	CB Branches (per 100,000)	ATMs (per 100,000)
1	Kazakhstan	2.5	85.9
2	Iraq	3.7	4.1
3	Nigeria	4.1	16.9
4	Algeria	5.2	9.6
5	Egypt	7.9	20.1
6	Saudi Arabia	8.0	73.3
7	United Arab Emirates	8.6	60.9
8	Bangladesh	9.0	9.4
9	Malaysia	10.0	44.7
10	Pakistan	10.5	10.8
11	Qatar	11.1	54.8
12	Indonesia	15.3	53.4
13	Turkey	15.6	84.0
14	Morocco	24.4	28.6
15	Iran	33.9	88.4

Note: 1. CB = Commercial Bank, 2. ATM = Automated Teller Machine, 3. Ranked based on CB accessibility (1 = least accessible, 15 = most accessible)

Source: World Bank, Euromonitor, Quinlan & Associates analysis

## UN(DER)BANKED DRIVERS (2/3) – ENTRY BARRIERS

Moreover, stringent documentation requirements need to be fulfilled in-person via physical branch visits, impeding the customer onboarding and product application process

### Retail Customers

Account Opening Requirements (Malaysia)



Requirements	Citizen	Foreigner
Identification Card	✓	✓
Driving Licence	✓	✓
Utility Bills	✓	✓
Birth Certificate	✓	✓
Occupation	✓	✓
Tax Residency	✓	✓
Politically Exposed Person Status	✓	✓
Personal Data Protection Act	✓	✓
Work / Study Permit	✗	✓
Passport	✗	✓
Letter of Appointment	✗	✓
Provident Fund Statement	-	-

### SME Customers

Account Opening Requirements (Malaysia)



Requirements	SMEs
Certification of Registration	✓
Certification of Incorporation	✓
Authorised / Paid-up Capital	✓
Office Registration Details	✓
Particulars of Key Personnel	✓
Letter of Guarantee	✓
Collateral (e.g. Deposit / Property)	✓
Memorandum	✓
Corporate Profile	✓
Financial Background	-

✓ Applicable
 - Dependent
 ✗ Inapplicable



## UN(DER)BANKED DRIVERS (3/3) – ENTRY BARRIERS

There continue to remain significant access barriers, especially with lending-style products (such as credit cards and personal/SME financing), given minimum threshold requirements

										
RETAIL CUSTOMERS	Savings Account	Minimum Initial Deposit	RM20	RM20	RM100	RM20	RM20	RM250	RM20	RM20
		Minimum Account Balance	-	RM10	RM10	RM20	RM20	RM20	RM20	RM10
	Debit Card	Issuance Fee	RM8	-	RM8	RM10	RM15	×	RM8	×
		Annual Fee	RM8	RM8	RM8	RM10	RM15	RM8	×	RM8
	Credit Card	Minimum Annual Income	N/A	RM24,000	N/A	RM24,000	RM24,000	RM24,000	N/A	RM24,000
		Annual Fee	N/A	×	N/A	RM130	×	RM150	N/A	×
	Bank Takaful	Minimum Annual Contribution	-	RM1,200	RM1,000	-	RM2,400	RM8,000	-	-
		Processing Fee	-	-	-	-	6%	5%	-	RM10
	Unit Trust	Minimum Initial Investment	RM1,000	-	-	-	RM1,000	-	RM100	RM10
		Minimum Subseq <sup>1</sup> Investment	-	-	-	-	RM1,000	-	-	RM1
Personal Financing	Minimum Annual Income	RM24,000	RM36,000	RM24,000	RM24,000	RM9,600	RM36,000	RM36,000	RM18,000	
	Security Deposit / Advance	-	-	-	✓	-	×	-	-	
	Minimum Ticket Size	RM5,000	RM2,000	RM10,000	RM10,000	RM3,000	RM5,000	RM5,000	RM5,000	
SME CUSTOMERS	Current Account	Minimum Initial Deposit	RM500	RM3,000	RM2,000	RM500	RM1,000	RM3,000	RM500	RM500
		Minimum Account Balance	-	-	×	×	RM10	×	-	×
	SME Financing	Minimum Ticket Size	-	RM100,000	RM10,000	RM100,000	-	RM100,000	RM50,000	-
		Minimum Annual Turnover	RM500,000	-	-	-	-	-	RM500,000	-
		Time Since Establishment	3 Years	2 Years	-	3 Years	3 Years	-	3 Years	-
Collateral / Guarantee	-	✓	✓	✓	×	-	×	-		





  Underserved Segment    
 ✓ Applicable    
 - Dependent    
 × Inapplicable    
 N/A Not Provided

# REGULATORY PUSH FOR FINANCIAL INCLUSION

Recognising such structural problems, governments of various Islamic countries have been pushing for increased financial inclusion as an overarching policy objective

## Regulatory Development

Illustrative

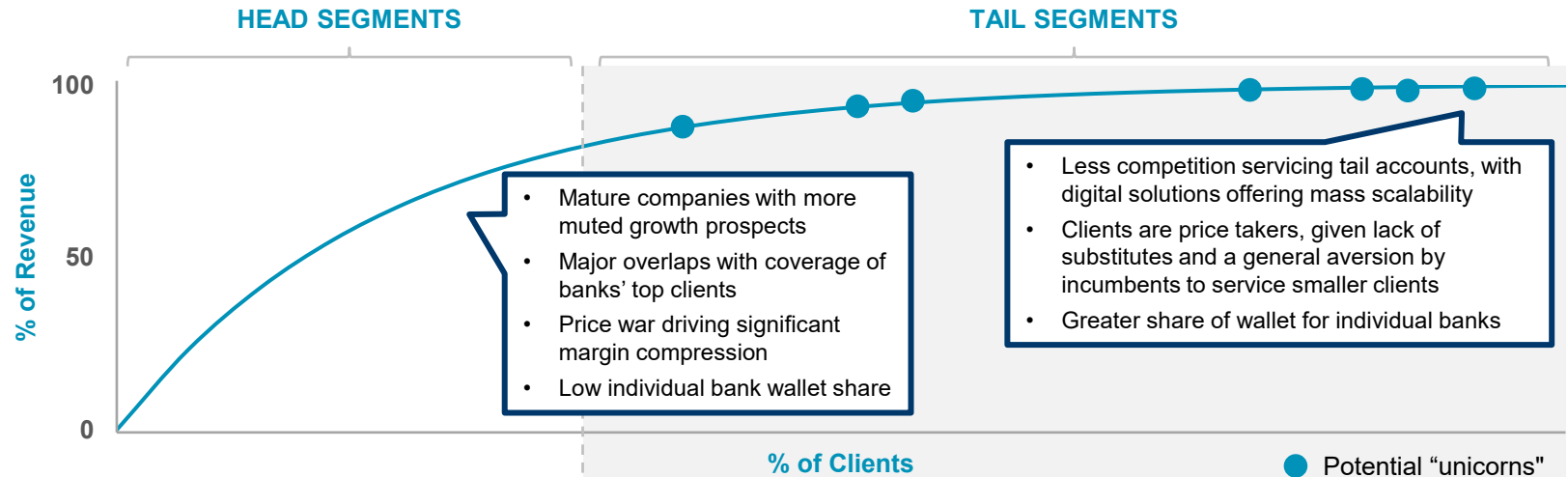
				
<b>Country</b>	<b>Pakistan</b>	<b>Malaysia</b>	<b>Indonesia</b>	<b>Saudi Arabia</b>
<b>Regulator</b>	State Bank of Pakistan	Bank Negara Malaysia	Bank Indonesia	Saudi Central Bank
<b>Programme</b>	FI <sup>1</sup> Programme	Financial Sector Blueprint	FI Development Policy	Open Banking <sup>2</sup>
<b>Description</b>	<ul style="list-style-type: none"> <li>• Provision of microfinance and small enterprises financing</li> <li>• Explore interventions in rural financing and Islamic Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of flexible micro-financing and micro-saving products</li> <li>• Implement new channels such as agent banking and mobile banking</li> </ul>	<ul style="list-style-type: none"> <li>• Enforce financial education to be a part of the curriculum for pilot project schools</li> <li>• Establish guiding principle to support the implementation of branchless banking</li> </ul>	<ul style="list-style-type: none"> <li>• Provide third parties with access to banks' systems and customer data</li> <li>• Expand access to credit for a larger portion of individuals by developing new products</li> </ul>
<b>Impact</b>	Achieved its 2020 target of 50.0% financial inclusion by 2018	Achieved one of the highest levels of financial inclusion in Southeast Asia	FI rate stood at 76.1%, <sup>3</sup> marking a huge increase from 50.0% in 2017	Significantly lowered the barriers to entry for FinTech startups

Note: 1. FI = Financial Inclusion, 2. Launching in 2022, 3. 2019 figure

Source: State Bank of Pakistan, Bank Negara Malaysia, Bank Indonesia, Saudi Central Bank, Quinlan & Associates analysis

# THE LONG TAIL: GROWING MARKET POTENTIAL

Rapidly evolving market and competitive dynamics are also creating a more attractive coverage proposition for Islamic banks to cover long tail clients



CLIENTS	HEAD CLIENTS OUTLOOK	TAIL CLIENTS OUTLOOK
<b>RETAIL</b>	<ul style="list-style-type: none"> <li>* Developed markets are well-penetrated, with a slower rate of population growth</li> </ul>	<ul style="list-style-type: none"> <li>✓ Significant growth in bankable population in frontier and emerging markets</li> <li>✓ Strong growth in middle-class (including rising mobile/online penetration rates), driving demand for retail banking products (e.g. lending, payments)</li> <li>✓ Strong growth in digital literacy creating</li> </ul>
<b>HNWIs &amp; UHNWIs</b>	<ul style="list-style-type: none"> <li>* Tempered growth in HNWI and UHNWI population</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strong economic fundamentals driving emerging market wealth creation</li> <li>✓ Significant growth in number of tech-savvy, second-generation HNWIs</li> </ul>
<b>CORPORATES</b>	<ul style="list-style-type: none"> <li>* Considerable bookrunner/ advisor saturation on large deals</li> </ul>	<ul style="list-style-type: none"> <li>✓ Growing sophistication of emerging market corporates (e.g. CFOs/treasurers)</li> <li>✓ Explosive growth in start-up space, particularly tech firm (IPOs and M&amp;A)</li> </ul>
<b>FINANCIAL INSTITUTIONS</b>	<ul style="list-style-type: none"> <li>* Fund manager consolidation</li> <li>* Heavy cost-cutting by banks and AMs stemming from greater regulatory scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>✓ Ongoing institutionalisation of savings driving growth in pension funds</li> <li>✓ Strong growth in emerging market hedge funds and private equity firms</li> <li>✓ Rapid offshore expansion of regional banks and AMs (e.g. Chinese banks)</li> </ul>

**Outlook:** ✓ Favourable    \* Unfavourable

## RISING INTERNET ACCESSIBILITY

Moreover, growing broadband connectivity in many Islamic countries is providing a key channel for Islamic banks to access long tail customers

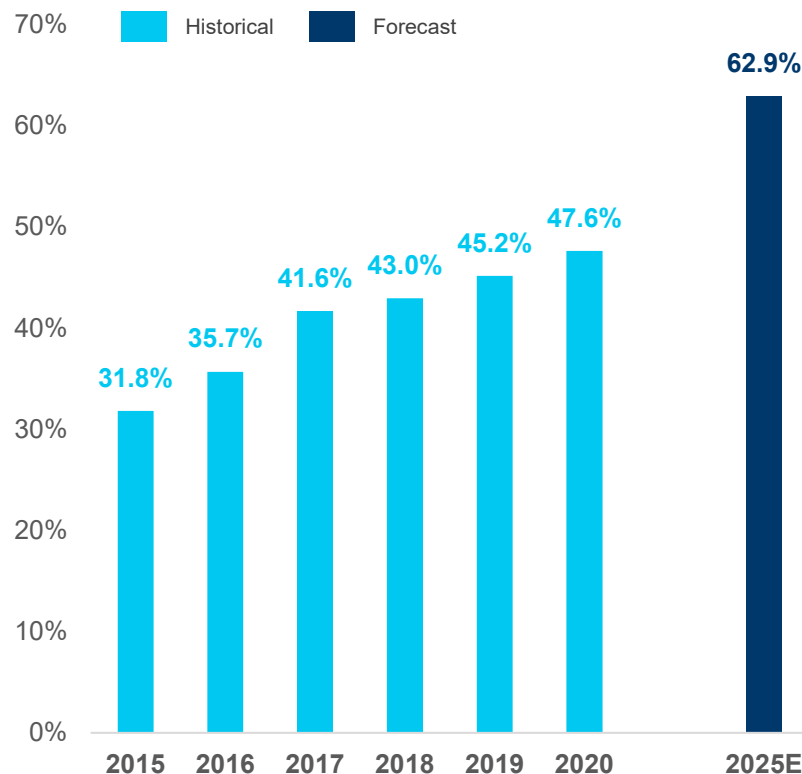
### Countries in Scope

2020, Top 40 Islamic Countries\*

Ranking (#, GDP)	Country (Islamic only)	Muslim (% Total)	GDP (in USD million)
1	Indonesia	87.2%	1,058,424
2	Iran	99.4%	812,308
3	Turkey	99.2%	718,495
4	Saudi Arabia	97.1%	700,118
5	Nigeria	49.6%	432,900
6	United Arab Emirates	76.0%	379,783
7	Egypt	92.4%	369,572
8	Malaysia	61.3%	336,911
9	Bangladesh	90.4%	326,960
10	Pakistan	96.5%	257,129
11	Iraq	95.7%	171,947
12	Kazakhstan	70.2%	171,240
13	Algeria	99.0%	153,280
14	Qatar	77.5%	146,373
15	Morocco	99.0%	114,788
	⋮		
40	Maldives	98.4%	3,762

### Internet Accessibility

2015-25E, Top 40 Islamic Countries\*



Note: Defined as countries with >50% of Muslim Population

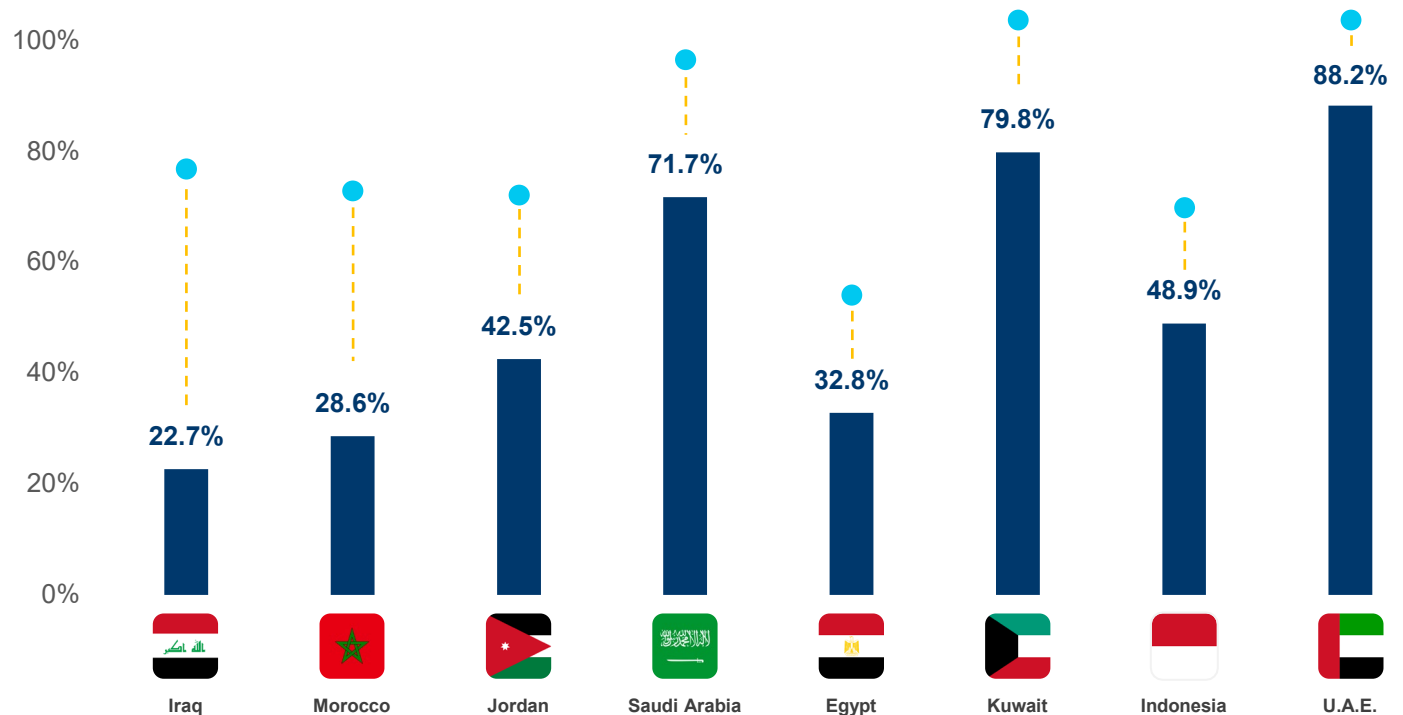
Source: Quinlan & Associates analysis

## THE DIGITAL WHITE SPACE

The gap between unbanked population vs. internet accessibility rates indicates a large pool of potential customers that could be captured by implementing the right digital solutions

### Potential Reach

Long-tail Segment



<b>Banked Population</b> (# of Banked Pop. / Total Pop.)	22.7%	28.6%	42.5%	71.7%	32.8%	79.8%	48.9%	88.2%
<b>Internet Accessibility</b> (# of Pop. with the Access / Total Pop.)	75.0%	69.0%	67.0%	93.0%	54.0%	99.0%	64.0%	99.0%
<b>Potential Demand Gap</b> (Banked Pop. – Internet Accessibility)	52.3%	40.4%	24.5%	21.3%	21.2%	19.2%	15.1%	10.8%

# GROWING CUSTOMER PREFERENCE TOWARDS DIGITAL

In fact, for basic banking services, mobile banking has been the preferred banking channel in Islamic countries compared to branch banking

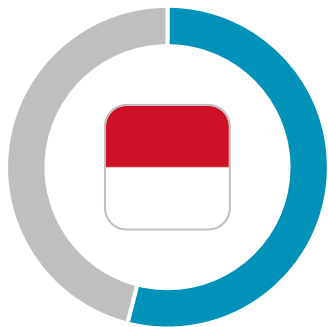
## Mobile Banking Survey

2021, Indonesia



**40%**

... of customers stated that "having everything on their mobile is a priority"

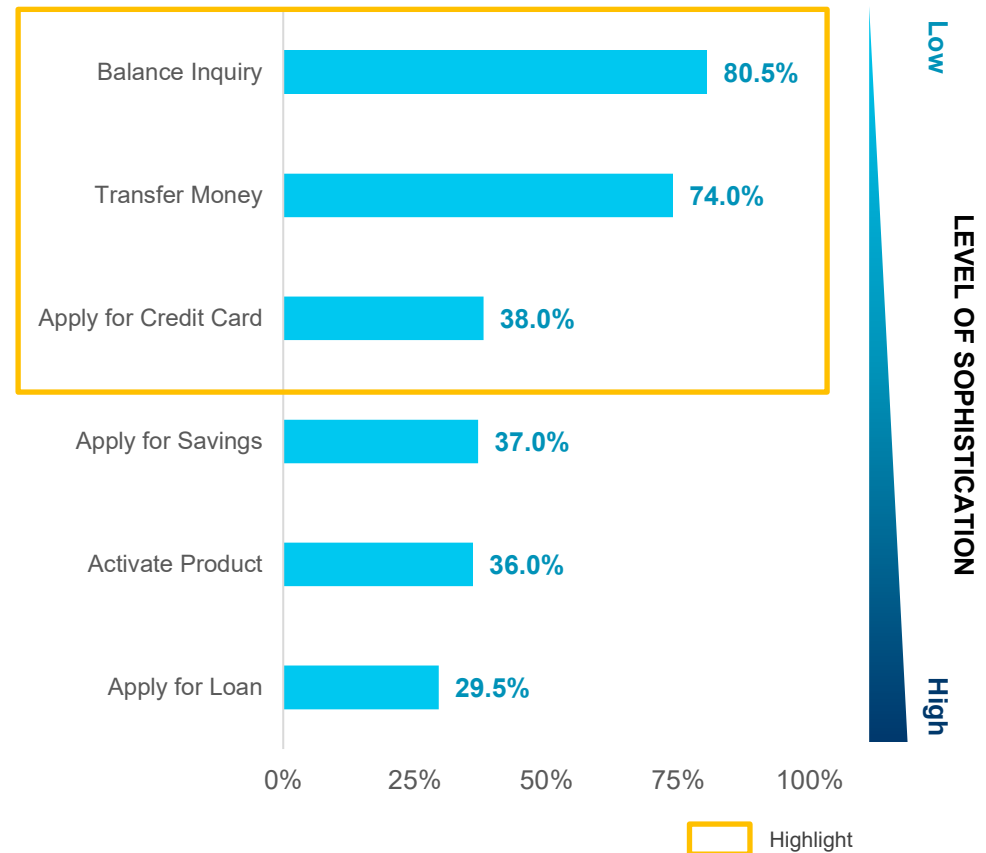


**54%** ...

... of customers prefer to use digital channels to engage with their bank<sup>1</sup>

## Mobile Banking Activities









Islamic Countries, %



1. During financial hardships  
Source: PR Newswire, Statista, Quinlan & Associates estimates

# LEGACY BANK MOBILE APP OFFERINGS

However, Islamic bank mobile apps continue to have significant gaps vs. their non-Islamic peers, especially with regards to SME customers, online account opening, etc.

									
<b>APP SCORE<sup>1</sup></b>	Apple App Store	2.8/5.0	4.3/5.0	3.4/5.0	4.7/5.0	3.1/5.0	3.2/5.0	4.7/5.0	4.6/5.0
	Google Play Store	4.2/5.0	4.4/5.0	4.3/5.0	4.7/5.0	4.4/5.0	4.1/5.0	4.4/5.0	4.2/5.0
<b>FOCUS AREA SCORE<sup>1</sup></b>	Retail Customers	✓	✓	✓	✓	✓	✓	✓	✓
	SME Customers	✗	✗	✗	✗	✗	✗	✗	✗
<b>BANK ACCOUNT</b>	Acc. Opening Application	✓	✗	✓	✗	✗	✓	✗	✗
	Facial / Biometric Login	✓	✓	✓	✓	✓	✓	✓	✓
	Summary Overview	✓	✓	✓	✓	✓	✓	✓	✓
<b>PAYMENT SERVICES</b>	Funds Transfer	✓	✓	✓	✓	✓	✓	✓	✓
	Bill Payment	✓	✓	✓	✓	✓	✓	✓	✓
	Scheduled Payments	-	-	-	✓	✓	✓	-	✓
	QR-code Payments	✓	✓	✓	✓	-	-	✗	✗
	Prepaid Mobile Reload	✓	-	✓	-	✗	✗	✗	-
<b>PRODUCT OFFERINGS</b>	Fixed / Term Deposits	✓	✓	✓	✗	✓	✓	-	-
	Expense Tracking / Budgeting	✓	✓	✓	✓	✓	✓	✓	✓
	Financing Application	✓	-	✗	✗	-	-	✓	-
	Credit / Debit Card Services	✓	✓	✓	✓	✓	✓	✗	✓
	FX	✓	✓	✓	✗	✗	✗	✗	✗
	Takaful	✓	✗	✗	✗	✗	✗	✗	✗
	Investments	✓	✓	✗	✗	✗	✗	✗	✗
	Donations	✗	✗	✗	✗	✗	✗	✗	✗
<b>ADDITIONAL FEATURES</b>	ATM / Branch Locator	✗	✗	✓	✗	✗	✓	✓	✓
	ATM Withdrawal	✓	✗	✓	✗	✗	✓	✗	✗
	Multilingual User Interface	✗	✗	✓	✗	✗	✗	✗	-
	Live Chat Support	✓	-	-	✗	✗	✗	✗	✗

1. As of October 2021

Source: App Store, Google Play Store, Company Websites, Quinlan & Associates analysis




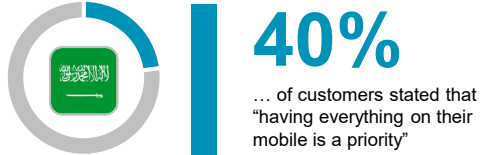





✓ Applicable
 - Unspecified
 ✗ Inapplicable

# DIGITALISATION OF BANKING SOLUTIONS

Understanding the demand for digital banking solutions, a number of Islamic banks have been launching their own spin-off version of virtual banks

## Notable Trend

Islamic Countries

Customer Preference	Virtual Bank	BANKING SERVICES				Parent Company
		Savings	Bill PMT	Cards	Loan	
 <p><b>80%</b> ... of customers demands banking services / products to be accessible on mobile</p>	 Founded in 2017	✓	✓	✓	✓	 mashreq
 <p><b>40%</b> ... of customers stated that "having everything on their mobile is a priority"</p>	 Founded in 2017	✓	✓	✓	✓	 GiB
 <p><b>54%...</b> ... of customers prefer to use digital channels to engage with their bank<sup>1</sup></p>	 Founded in 2017	✓	✓	✓	-	 bank btpn

✓ Applicable   
 - Dependent   
 ✗ Inapplicable

1. During financial hardships  
 Source: PR Newswire, The National News, Bank websites Quinlan & Associates estimates



## IMPORTANCE OF MICROSERVICES

In particular, the ability to offer microservice products is critical for Islamic banks looking to tap into the long-tail retail and SME segment

### Value Add Services

Retail

Offered Services	Description
<b>Monthly Investment Plan</b>	An automatic, recurring investment made on a monthly basis
<b>Personal Finance Advisory</b>	Financial planning advice for helping retail customers achieve their financial goals
<b>eCommerce</b>	Create an eCommerce marketplace for customers to purchase goods directly from
<b>Prepaid Reload</b>	Allow customers to reload their mobile balance via online payment
<b>Buy-now-pay-later</b>	A deferred payment model for financing purchase of consumer goods
<b>Budgeting Tools</b>	A summarised view of expenditures, categorised into buckets
<b>Auto Sweep Facility</b>	Automatic shifting funds to / from a fixed / term or savings account
<b>Auto Invest Facility</b>	A micro investing option for customers to round-up transactions and invest the diff.
<b>Discount Scheme Aggregator</b>	Aggregator for online deals offering (e.g. discounts etc.), to help save money
<b>Bill Splitting</b>	Division of a bill amongst a group of people based on individual expenses

### Value Add Services

MSME

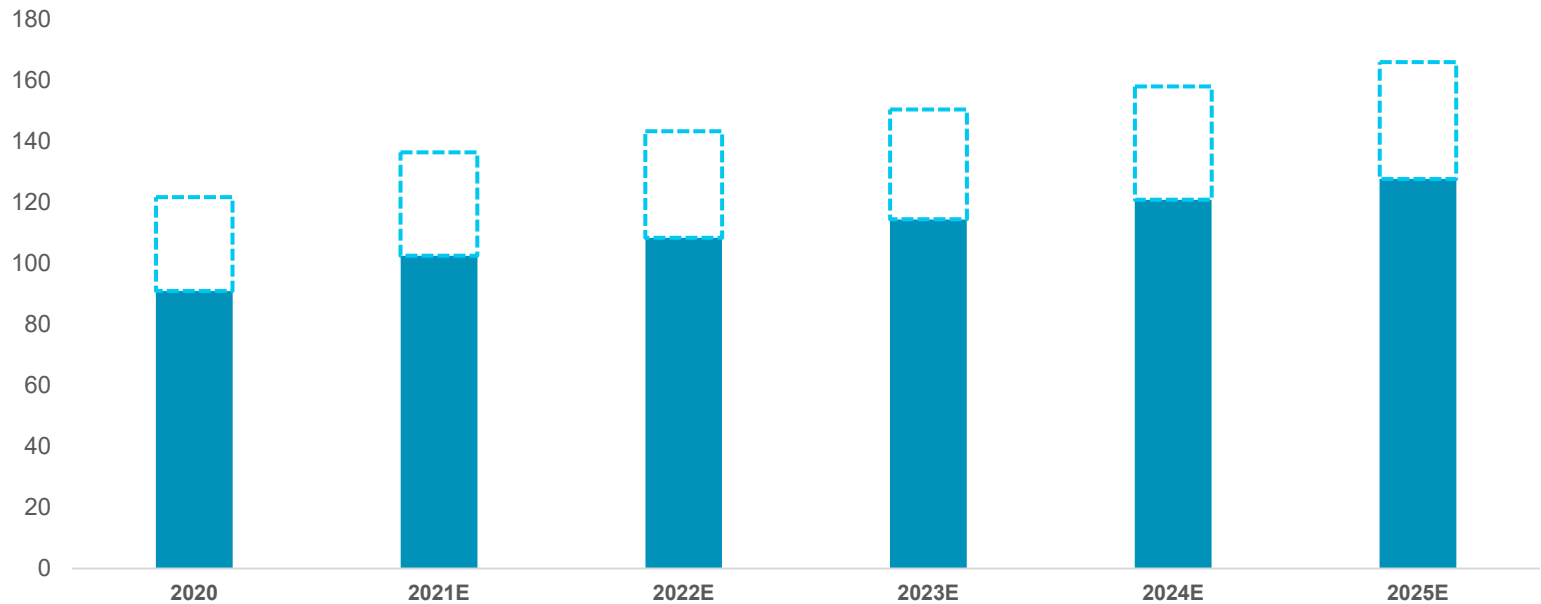
Offered Services	Description
<b>Business &amp; Financial Advice</b>	Intuitive and professional business and financial advice to help guide MSMEs
<b>Analytics Dashboard</b>	A dashboard providing a holistic and visualised overview of business mgmt.
<b>Book Keeping and Reporting</b>	Integrated online accounting tools and services for management of finances
<b>Cashflow Management Tools</b>	Help keep track of sales and manage cashflow in an efficient manner
<b>Automation of Payroll</b>	Automate payroll responsibilities to enhance operations / resource efficiency
<b>Multi-Payment Channels</b>	Enhance flexibility in making payments, by offering multiple payment channels
<b>Marketplace Access</b>	Extend merchant services through a digital marketplace
<b>Logistics Support</b>	Provide extensive logistics support in the form of procurement, warehousing, etc.
<b>CRM Support</b>	Support leads generation, sales conversion, and customer retention
<b>Digital Marketing Support</b>	Provide online marketing campaign management to build brand awareness

## REVENUE POTENTIAL

We project a global retail wallet opportunity of over USD 38 billion that could be captured by Islamic banks at the forefront of digital by 2025

### Global Islamic Banking Market Size

2020-2025E, USD Billion



	2020	2021E	2022E	2023E	2024E	2025E
<b>Tail Segment</b> (Potential Revenue)	30.8	33.9	34.9	36.0	37.1	38.3
<b>Head Segment</b> (Actual Revenue)	91.0	102.6	108.4	114.5	121.0	127.8
<b>Addressable Market</b> (Total Potential Revenue)	121.8	136.5	143.3	150.5	158.1	166.1

## SECTION 4

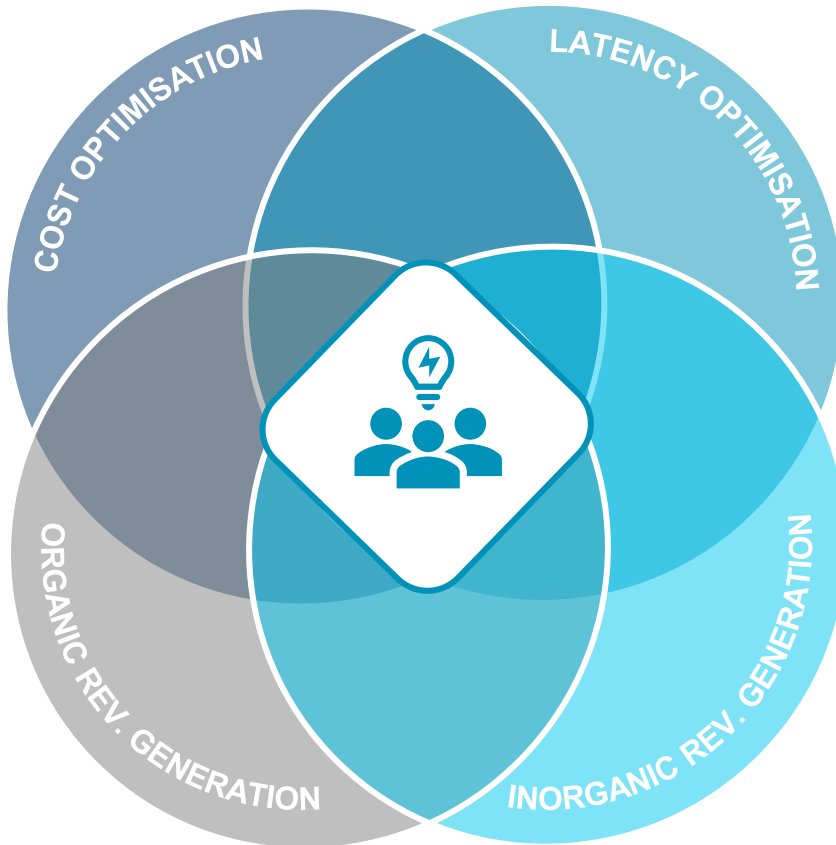
## CAPABILITY REQUIREMENTS

# DIGITAL TRANSFORMATION

To capture this untapped market, Islamic banks need to drive carefully crafted digitalisation initiatives across their front-to-back operations

## Transformation Drivers

Illustrative



### Cost Optimisation

Reduce company resources relating to manpower, time, and effort regarding data usage within an organisation



### Latency Optimisation

Facilitate faster decision-making by streamlining the data collection and insight generation process



### Inorganic Revenue Generation

Create and validate a business strategy via the support of a data system, which comes before organic revenue generation



### Organic Revenue Generation<sup>2</sup>

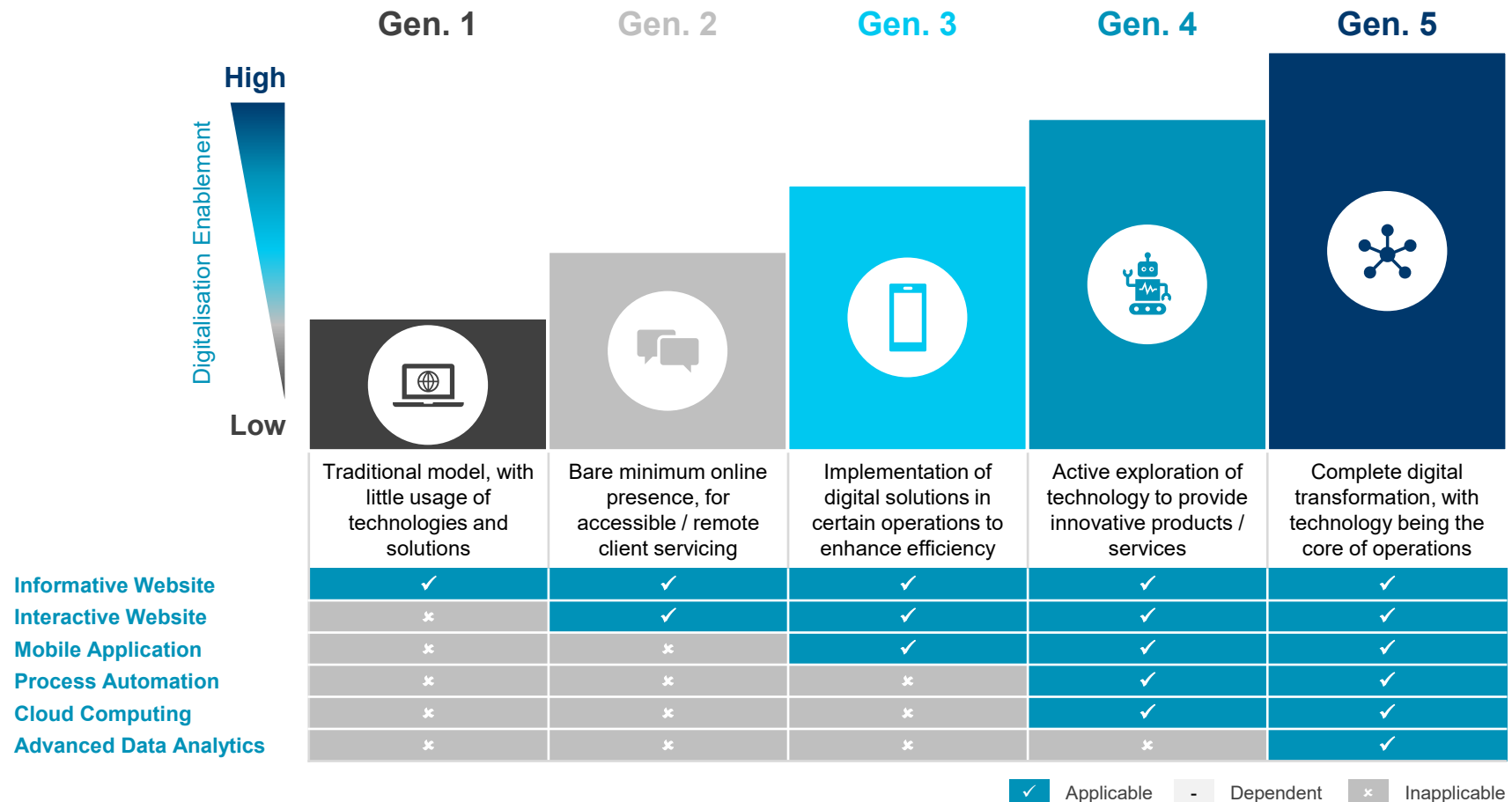
Robust data collected upon attainment of an ideal data system and value chain ultimately informs business strategy

# STAGES OF DIGITAL TRANSFORMATION

To unlock the full market potential, Islamic banks should consider implementing technological solutions for their core banking operations

## Digital Transformation

Key Stages



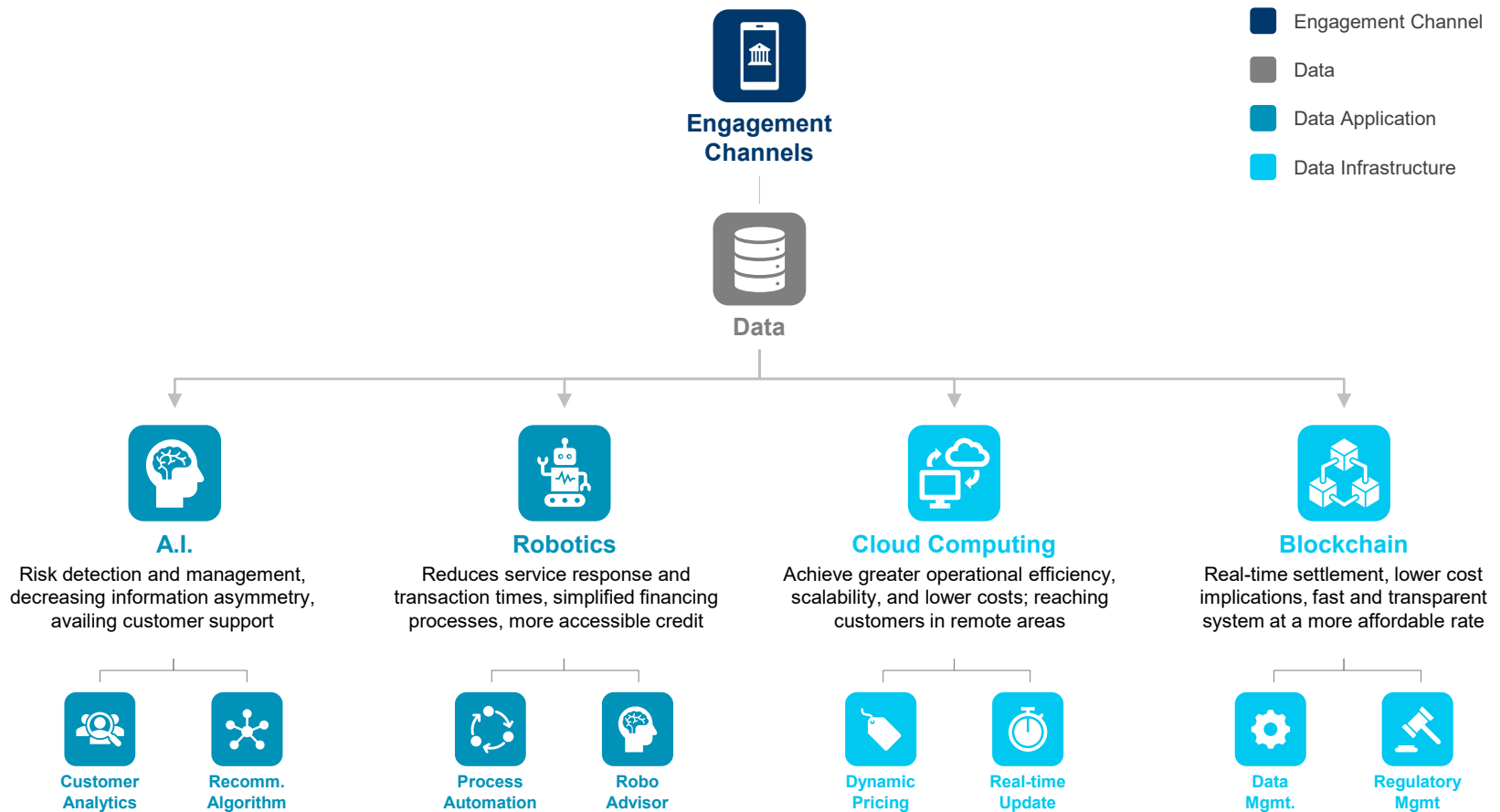
✓ Applicable    - Dependent    ✗ Inapplicable

# TECHNOLOGY PILLARS

To set up an alternative banking channel, there are four technology pillars that Islamic banks should consider: (1) A.I., (2) Robotics, (3), Cloud Computing, and (4) Blockchain

## Digital Solutions

Technology Supporting Digital Transformation



# TECHNOLOGY PILLARS: HONG KONG'S VIRTUAL BANKS

Leading virtual banks have deployed innovative technologies across the entire customer journey, servicing long tail customers in a cost-effective, scalable manner

## Customer Journey

Hong Kong Virtual Banks

		RETAIL FOCUSED				RETAIL SKEWED		SME SKEWED	
		mox	li vi	WeLab Bank	FusionBank	z	airstar	PAObank	ANTBANK
ACQUIRE	Prospecting / Marketing	Social Media	✓	✓	✓	✓	✓	✓	✓
		Targeted Ads	✓	✓	✓	✓	✓	-	×
		SEO / ASO	✓	✓	✓	✓	✓	✓	✓
SERVE	Customer Onboarding	OCR	✓	✓	✓	✓	✓	✓	✓
		Facial Recognition	✓	✓	✓	✓	✓	✓	✓
		Data Verification	✓	✓	✓	✓	✓	✓	✓
SERVE	Product Development	Financial Data	✓	✓	✓	✓	✓	✓	✓
		App Usage Data	✓	✓	✓	✓	✓	✓	✓
		Third-Party Data	✓	✓	✓	✓	✓	✓	✓
SERVE	Product / Service Recommending	Budgeting Tools	✓	×	×	×	×	×	×
		Gamification	✓	-	×	×	✓	×	×
		Credit Scoring	-	-	✓	✓	✓	✓	✓
MAINTAIN	Maintenance and Servicing	Chatbot	×	×	✓	×	✓	×	×
		Live Chat	×	✓	-	✓	×	×	×
		24/7 Hotline	✓	✓	✓	✓	✓	✓	✓
MAINTAIN	Data Management	Cloud	✓	✓	✓	✓	✓	✓	✓
		Cybersecurity	✓	✓	✓	✓	✓	✓	✓
		Fraud Detection	✓	✓	✓	✓	✓	✓	-

Complete mobile onboarding in just a few minutes
 
✓ Applicable
 - Unspecified
 × Inapplicable

## DIGITAL MODEL BENEFITS – FASTER & BETTER

Other than being able to access the long-tail segment through digital channels (e.g. apps), digitalisation can enable a faster and more streamlined customer journey

### Estimated Time

Traditional Model vs. Digital Model

	Traditional Model	Estimated Time		Digital Model	Estimated Time
<b>Visit</b>	A client queues up at a physical branch to talk to a teller	60 minutes	<b>Download</b>	A user downloads the digital banking app available on the app store	3 minutes
<b>Consult</b>	The client asks questions to select the most suitable account	30 minutes	<b>Register</b>	The user creates an account by providing relevant information	5 minutes
<b>Submit</b>	The client drafts the application and attaches supporting documents	30 minutes	<b>Identify</b>	The user navigates through the options to select the most suitable product	5 minutes
<b>Review / Approve</b>	The Islamic bank conducts a manual KYC process for approval	7 working days	<b>Review</b>	The user submits supporting documents as part of an application	10 minutes
<b>Collect</b>	The client visits a physical branch to collect the ATM card	30 minutes	<b>Approve</b>	The bank performs a KYC process through more advanced means	1 working day
<b>Activate</b>	The client asks the responsible officer to activate the account	30 minutes	<b>Collect / Activate</b>	The active digital bank account is available immediately post-approval	1 minutes

**171 hours**

Minimum required hours

**24 hours**

Minimum required hours



## CASE STUDIES (1/2) – GLOBAL INCUMBENTS

Various global incumbents have initiated their digital transformation journeys in order to improve: (1) revenue enhancement; (2) customer experience; and (3) cost optimisation

### Digital Transformation

Global Incumbents




			
<b>Type</b>	<b>Revenue Enhancement</b>	<b>Customer Experience</b>	<b>Cost Optimisation</b>
<b>Problem Statement</b>	<p><b>Deep-rooted Stereotype</b></p> <ul style="list-style-type: none"> <li>Widespread stereotype that HSBC was for the older, wealthier audience was deep-rooted</li> </ul>	<p><b>Heightened Expectations</b></p> <ul style="list-style-type: none"> <li>Due to heightened expectations and inadequate consumer service, customer experience continues to be a shortfall</li> </ul>	<p><b>High Expenses</b></p> <ul style="list-style-type: none"> <li>Cost-cutting remains a challenge, with expenses much higher than peers (e.g. Citigroup, Bank of America)</li> </ul>
<b>Transformation Initiative</b>	<p><b>Digital Marketing</b></p> <ul style="list-style-type: none"> <li>Focused on digital marketing and social media promotion to acquire Millennial customers</li> </ul>	<p><b>Virtual Assistant</b></p> <ul style="list-style-type: none"> <li>Developed a chatbot, Erica, that can resolve simple banking tasks and answer basic customer queries</li> </ul>	<p><b>Operational Efficiency</b></p> <ul style="list-style-type: none"> <li>Developed 300+ automations and expanded RPA team to improve process execution and operational efficiency</li> </ul>
<b>Technology Deployed</b>	<p><b>Artificial Intelligence</b></p> <ul style="list-style-type: none"> <li>Utilised AI to understand clients' behaviours and identify their most-used social media channels</li> </ul>	<p><b>Natural Language Processing</b></p> <ul style="list-style-type: none"> <li>Used NLP software for text mining in order to search for account information and past transactions on request</li> </ul>	<p><b>Robotics Process Automation</b></p> <ul style="list-style-type: none"> <li>Utilised software to automate routine financial and banking operations quickly and consistently</li> </ul>
<b>Business Impact</b>	<p><b>Global Presence</b></p> <ul style="list-style-type: none"> <li>HSBC is active on a range of social media channels in more than 20 countries and territories</li> </ul>	<p><b>Improve Efficacy</b></p> <ul style="list-style-type: none"> <li>Erica reported 19.5 million users, over 100 million interactions, and 90% efficacy for useful answers</li> </ul>	<p><b>Target Fulfilment</b></p> <ul style="list-style-type: none"> <li>The firm is expected to cut USD 4.6 billion in expenses in 2021, down nearly 8% vs. 2020</li> </ul>

## CASE STUDIES (2/2) – ISLAMIC INCUMBENTS

We are seeing a number of leading Islamic banks follow suit, though progress appears to be lagging vs. global incumbents

### Digital Transformation

Notable Islamic Banks

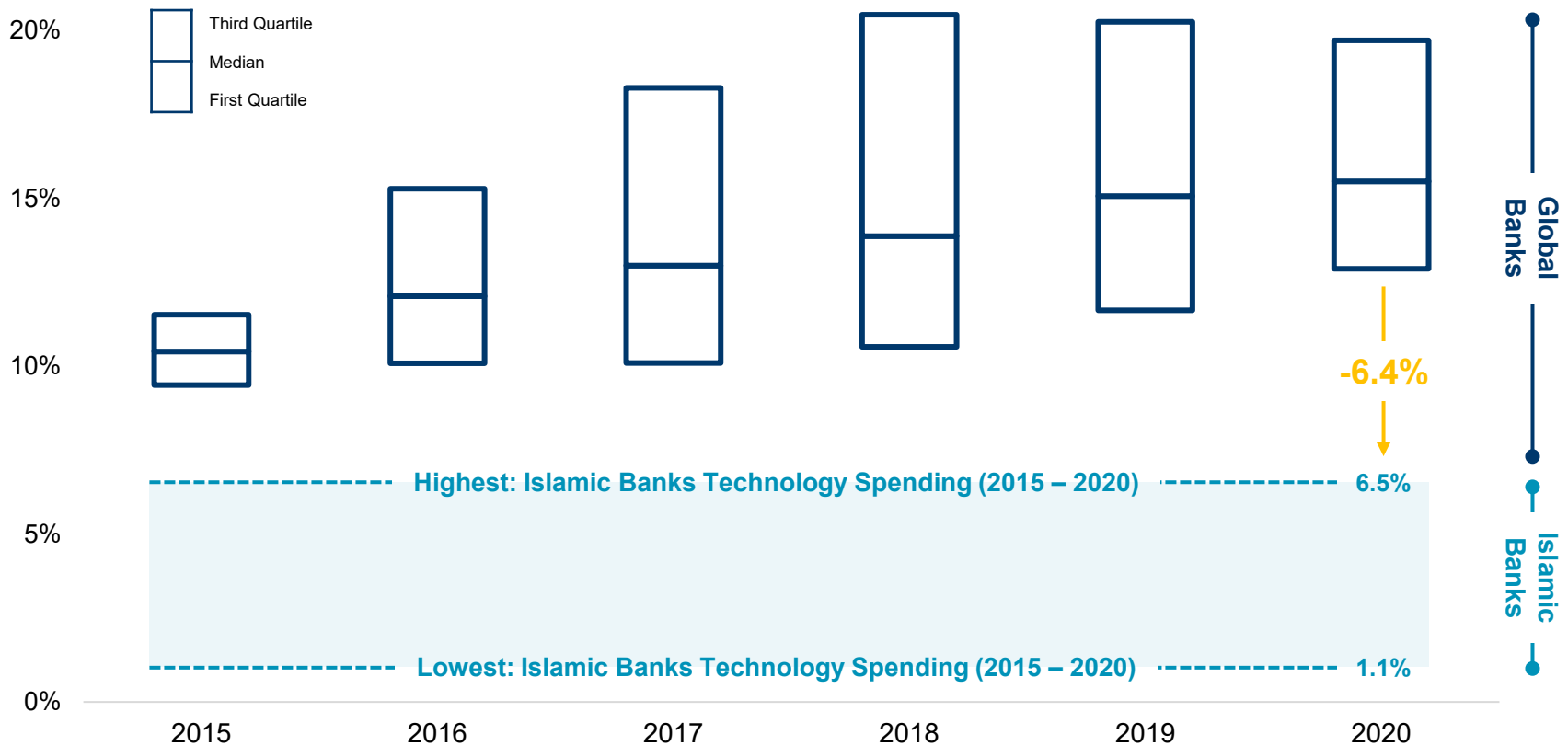
	 <p>مصرف الراجحي Al Rajhi Bank</p>	 <p>BANK ISLAM</p>	 <p>بيت التمويل الكويتي Kuwait Finance House</p>
<b>Type</b>	<b>Customer Acquisition</b>	<b>Customer Experience</b>	<b>Cost Optimisation</b>
<b>Problem Statement</b>	<p><b>Lack Strategic Clarity</b></p> <ul style="list-style-type: none"> <li>No clear strategy to acquire tech-savvy customers, especially Millennials and Gen Z</li> </ul>	<p><b>Competitive Landscape</b></p> <ul style="list-style-type: none"> <li>Competitive banking landscape has prompted Bank Islam to find new ways to improve customer experience</li> </ul>	<p><b>Global Pandemic</b></p> <ul style="list-style-type: none"> <li>The global pandemic outbreak created an immediate pressure for KFH to improve its overall cost efficiency</li> </ul>
<b>Transformation Initiative</b>	<p><b>Digital Marketing</b></p> <ul style="list-style-type: none"> <li>Differentiated and focused digital marketing approach across all segments served</li> </ul>	<p><b>Mobile On-boarding</b></p> <ul style="list-style-type: none"> <li>Became the first Malaysian Bank to deploy a mobile on-boarding channel for retail customers</li> </ul>	<p><b>Loan Application</b></p> <ul style="list-style-type: none"> <li>Facilitated customer loan applications without manual effort to reduce workload for staff members</li> </ul>
<b>Technology Deployed</b>	<p><b>Search Engine Optimisation</b></p> <ul style="list-style-type: none"> <li>Increased the quality and quantity of website traffic through search engine optimisation</li> </ul>	<p><b>Biometric Identification</b></p> <ul style="list-style-type: none"> <li>Captured biometric data such as facial features and fingerprint(s) from users to authenticate their identity</li> </ul>	<p><b>Robotics Process Automation</b></p> <ul style="list-style-type: none"> <li>Employed a robot assistant to create credit reports and review for applicants autonomously</li> </ul>
<b>Business Impact</b>	<p><b>Huge Following Base</b></p> <ul style="list-style-type: none"> <li>One of the largest groups of social media followers of any bank within the Kingdom</li> </ul>	<p><b>Improve Efficacy</b></p> <ul style="list-style-type: none"> <li>With MOB, it only takes 6 minutes to open an account, compared with more than an hour via non-digital means</li> </ul>	<p><b>Target Fulfillment</b></p> <ul style="list-style-type: none"> <li>The delivered a significant reduction in staff expenses, which fell by 5.6% in 2020 when compared with 2019</li> </ul>

## IT EXPENDITURE COMPARISON

This can be clearly seen with technology spending, with Islamic banks only investing 1.1-6.5% of their total expenditure in IT, far less than their global counterparts

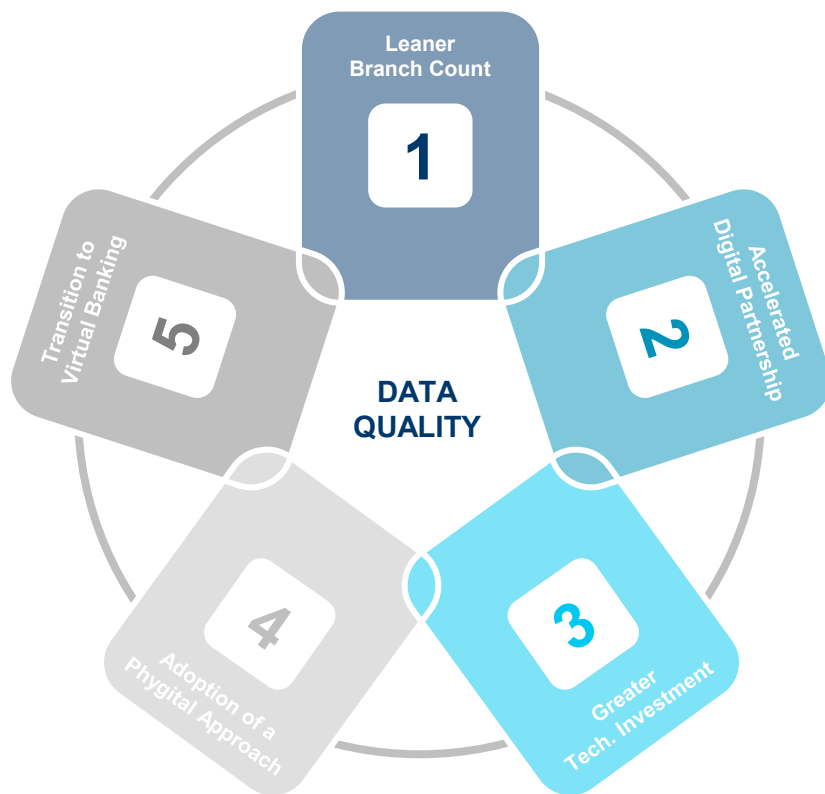
### IT Expenditure

2015-2020, Global Banks vs Islamic Banks, % Total Expenditure



# FUTURE POSITIONING

As traditional banking models disappear, we expect to see a variety of adaptations by incumbents to cope with the drastically changing landscape



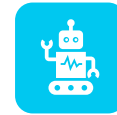
## Leaner Branch Count

Reducing the number of physical branches to cut operational costs and spread locations out more strategically



## Accelerated Digital Partnerships

Closing gaps in technological expertise through increased partnerships with third-party FinTech companies



## Greater Technology Investments

Increased investments in research and development of new technology areas, such as machine learning, A.I., Big Data, etc.



## Adoption of a Phygital Approach

Combining online presence and physical approach to create a unique customer experience and differentiated competitive edge



## Transition into Virtual Banking

Investing in / buying out / merging with established / newly formed virtual banks for a smoother transition into the digital banking arena

## **SECTION 5**

## DIGITAL TRANSFORMATION JOURNEY

# DIGITAL TRANSFORMATION PROJECT (1/2) – OVERVIEW

To create an effective digital transformation strategy, traditional Islamic banks will need to consider various key steps along their digital transformation journey



## PROJECT CONSIDERATIONS



### Impact to Business

Based on the overall impact of the data solution and stated goals of the firm



### Resources

Based on financial feasibility and manpower to accomplish projects



### Time

Based on how mission critical systems are and if downtime is acceptable



### Infrastructure

Based on the salvageability of existing systems and operations

## PROJECT TYPES



### Strategic

Large-scale projects that steer an entire business



### Tactical

Projects that aim to fulfil higher strategic goals



### Operational

Projects that are designed to optimise existing processes

## PROJECT FRAMEWORK

### BUSINESS, APPLICATION, INFO, TECH

(Project Perspective)

A framework within a data strategy project that lays out steps, from formulation to execution, with details and components



### CHANGE MANAGEMENT

(Impact Perspective)




A unifying strategy that ties together appropriate policies and incentives to develop a data-centric culture

## DIGITAL TRANSFORMATION PROJECT (2/2) – FRAMEWORKS

The BAIT framework can be used to guide this journey, supported by a robust change management framework to ensure successful project delivery

### Digital Transformation Frameworks

Based on Perspectives

	BAIT (Project Perspective)				CHANGE MANAGEMENT (Impact Perspective)	
	Business Identify the objectives and limitations that will shape future steps	Applications Translate business requirements and convert them into technical specs	Information Design schematics on data models, quality, and platform designs	Technology Enabling the previous stages' requirements through technology	Culture Crafting a data-centric culture via incentives and frameworks	Governance Creation of a clear communications strategy to champion change
 <b>STRATEGIC PROJECTS</b>	✓	✓	✓	✓	✓	✓
 <b>TACTICAL PROJECTS</b>	✗	✓	✓	✓	-	-
 <b>OPERATIONAL PROJECTS</b>	✗	✓	✓	✓	-	-

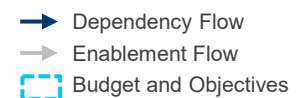
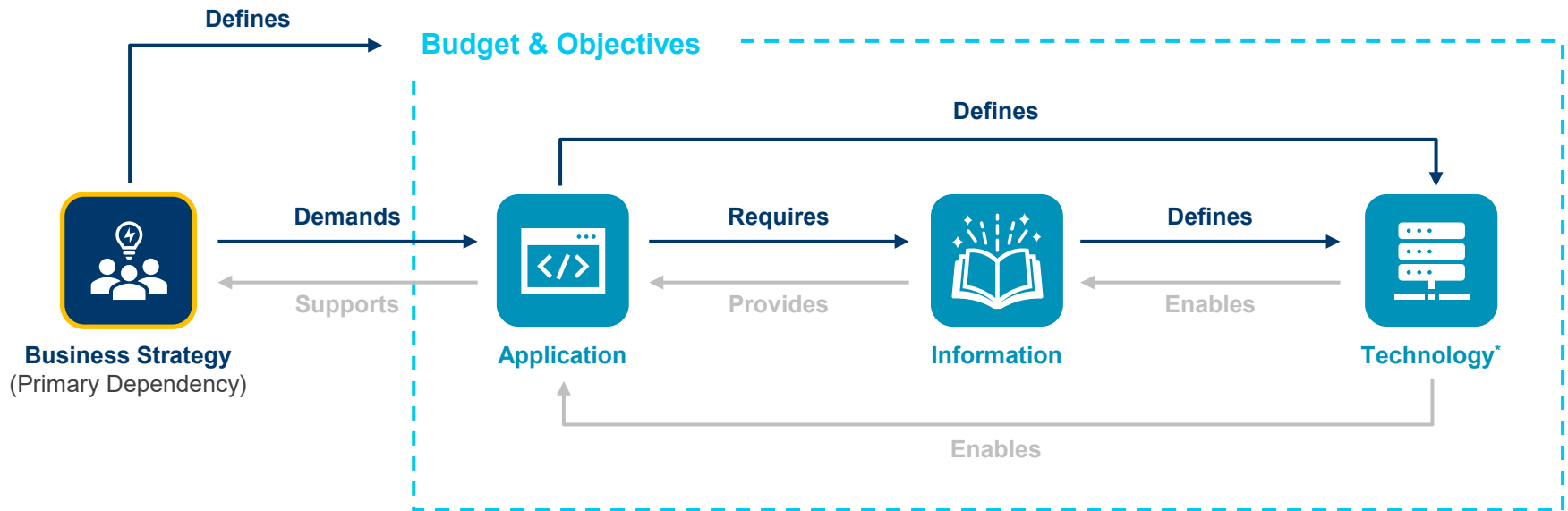
 Applicable
  Dependent
  Inapplicable

## BAIT FRAMEWORK (1/3) – DEPENDENCIES

Every pillar of BAIT framework is interdependent and supports one another, though business strategy remains the linchpin (i.e. primary dependency) of success

### Pillars Dependencies

BAIT Framework



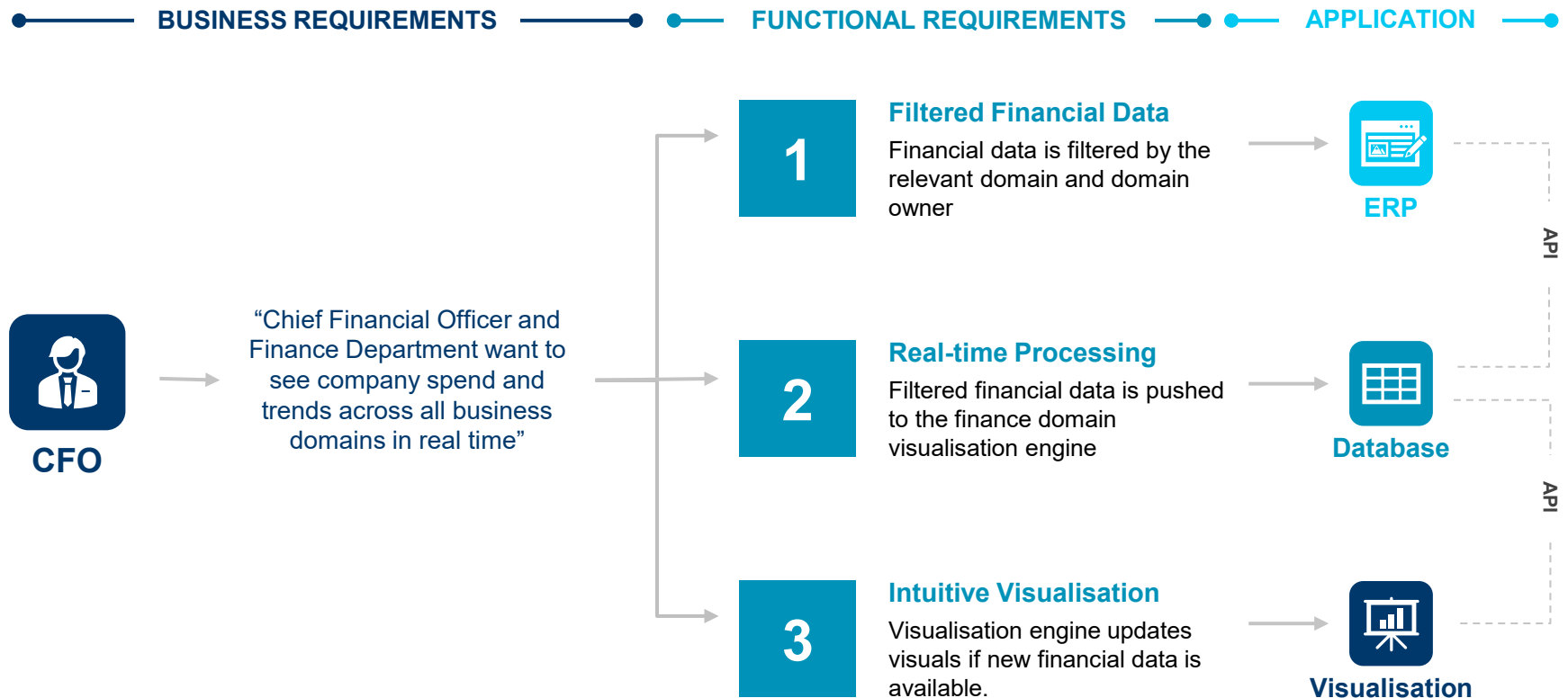


## BAIT FRAMEWORK (2/3) – APPLICATION MAPPING

For example, tools and APIs that are not mapped to relevant business / functional requirements will be considered as a deadweight cost for companies

### Business / Functional Mapping

BAIT Framework, Application Stage



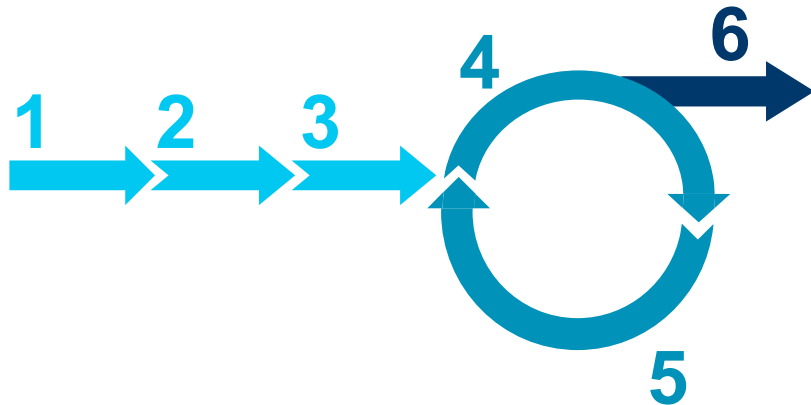
## BAIT FRAMEWORK (3/3) – BUSINESS STRATEGY DEVELOPMENT

As such, developing a robust business strategy that helps define a clear project objective is a crucial first step in shaping the direction of any digital transformation project

Business Considerations	Description	Scope	
 <p>AMBITIONS</p>	<p><b>Objective:</b> Identify business ambitions and high-level objectives for the company</p> <p><b>Implication:</b> Determines the direction of data strategy project through workshopping</p>	Wide	
 <p>BY-LAWS</p>	<p><b>Objective:</b> Imposes regulatory limits on ambitions and objectives to avoid legal consequences</p> <p><b>Implication:</b> Determines legal constraints through evaluating international and local laws</p>		
 <p>COSTS</p>	<p><b>Objective:</b> Imposes feasibility limits on ambitions via benchmarking available resources</p> <p><b>Implication:</b> Determines the investment constraints by ballparking cost of implementation</p>		Narrow

## CHANGE MANAGEMENT (1/3) – IMPLEMENTATION

With a clear business objective and corresponding functional requirements, the product development cycle continues until fully functional products are formed and implemented



- 1 Determine Value Proposition**  
 Determining the exact value that would be derived from a new application
- 2 Map User Flow**  
 Designing high-level user interaction flow from front to back processes
- 3 Prioritize MVP Features**  
 Prioritizing functionalities of the MVP with high-dependency systems first
- 4 Build / Explore**  
 Building out core functionalities / Exploring 3<sup>rd</sup> party application providers
- 5 Review & Repeat**  
 Consolidating user feedback and incorporating it, repeat steps 4 and 5
- 6 Launch & Integrate**  
 Set aside the approved final application of product for subsequent integration



### Initiation

Map out business requirements that will determine core functional requirements of the MVP



### Development

Decide on building in-house vs. seeking a 3<sup>rd</sup> party provider to build an application and test it out to end users for evaluation



### Implementation








Integrate the product into either planned or existing data architecture upon approval of final application

## CHANGE MANAGEMENT (2/3) – INNOVATION BARRIERS

However, many traditional banks continue to face as a major internal roadblocks to bring meaningful change following technology implementation, which must be overcome

### Innovation Barriers

By Firm Size

		INNOVATION BARRIERS			
		Large Firm (e.g. Global Bank)	Medium Firm (e.g. Regional Bank)	Small Firm (e.g. Local Bank)	Description
	<b>Innovation Process</b>	■ ■ ■ ■ ■	■ ■ ■ ■ □ □	■ □ □ □ □	<ul style="list-style-type: none"> <li>Large firms find it much more difficult to identify underlying problems, and typically have a chaotic and poorly designed innovation process</li> </ul>
	<b>Firm-Wide Buy-in</b>	■ ■ ■ ■ ■	■ ■ ■ ■ □	■ ■ ■ □ □	<ul style="list-style-type: none"> <li>Bureaucracy at large firms hampers firm-wide buy-in, given competing interests, though small firms may be hamstrung by key personalities</li> </ul>
	<b>Governance</b>	■ ■ ■ ■ ■	■ ■ ■ ■ □	■ ■ ■ □ □	<ul style="list-style-type: none"> <li>Large firms typically outsource innovation efforts to an Innovation Lab, while smaller firms usually lack centralised ownership of innovation</li> </ul>
	<b>Incentives</b>	■ ■ ■ ■ ■	■ ■ ■ ■ □	■ ■ ■ ■ □	<ul style="list-style-type: none"> <li>Most firms have no meaningful incentive structures to drive innovation efforts, largely reflected in an absence of relevant KPIs</li> </ul>
	<b>Communication</b>	■ ■ ■ ■ ■	■ ■ ■ ■ □	■ ■ ■ □ □	<ul style="list-style-type: none"> <li>Communication remains a challenge across most organisations, especially at large firms, with most efforts focused on marketing</li> </ul>
	<b>Systems</b>	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ □ □	<ul style="list-style-type: none"> <li>Large firms are plagued by problems with legacy systems and challenges around integrating with complex IT / data architecture</li> </ul>
	<b>Budget / Resources</b>	■ □ □ □ □	■ ■ ■ □ □	■ ■ ■ ■ ■	<ul style="list-style-type: none"> <li>Most small firms face considerable budget constraints to drive major their innovation efforts, though they typically have fewer needs</li> </ul>

Key Barriers
  Internal Processes
  Organisational Culture
  Financial Capacity
 Low





High

# CHANGE MANAGEMENT (3/3) – CULTURAL GOVERNANCE FRAMEWORK

Without an appropriate culture that nurtures employee mindsets to embrace data-driven decisions from management, many technological investments will be worthless

## Culture Pyramid

Illustrative



## SECTION 6

## HOW CAN WE HELP

## HOW CAN WE HELP

Our consultants have extensive experience working with Islamic financial institutions, supporting them across their full strategy and implementation needs, including:

### STEP 1

#### EVALUATE

- In-depth global / regional / local industry and competitive mapping
- Detailed gap analysis and competitive benchmarking (e.g. products, clients, channels, process, etc.)
- Market sizing and client wallet analysis
- Detailed internal capabilities review to understand capacity to affect change (e.g. legacy systems, data availability and accuracy, IT expertise / talent)

### STEP 2

#### DEVELOP

- Strategy and business case development at the group, business unit, and product level
- Define end-to-end target-state architecture and operating model
- Identify the appropriate option(s) for executing specific digital initiatives (i.e. build, partner, or acquire), against existing capabilities, risk profile, etc.
- Formulate appropriate solutions to address potential roadblocks (e.g. governance structures / KPIs)

### STEP 3

#### IMPLEMENT

- Establish and work with an appropriate PMO team to oversee the digital change programme
- Develop overall execution plan (e.g. key workstreams, rollout prioritisation, project owners / sponsors, project deliverables / milestones)
- Connect to our network of FinTech start-ups / partners to explore the adaptation of third-party solutions via tangible use cases and POCs

## SECTION 7

## ABOUT QUINLAN & ASSOCIATES



## OUR OFFERING

Quinlan & Associates is a leading independent strategy consulting firm specialising in the financial services industry, offering a truly unique end-to-end service proposition

# QUINLAN &ASSOCIATES

SHAPE YOUR STRATEGY

DRIVE YOUR OUTCOMES

BRAINSTORM

DEVELOP

ENDORSE

IMPLEMENT

TRACK

PROMOTE

MOBILISE

MONETISE

### STRATEGY WORKSHOPS

Strategy workshops for senior executives and next-generation company leaders:

- Workshop agenda development
- Preparation of workshop material (e.g. slide deck, group exercises)
- Facilitation of interactive and targeted group discussions and activities

### STRATEGY CONSULTING

Full suite of strategy consulting services across a broad range of topics, including:

- New market entry
- Digital Transformation
- Product development
- Sales strategy
- Organisational design
- Process re-engineering

### BUSINESS CASE DEVELOPMENT

Developing strategic business cases for senior management sign-off / approval:

- Organic expansion (e.g. new hires)
- IT investment
- M&A (e.g. strategic due diligence)
- Market entry
- Cost cutting
- New product launch
- Joint ventures

### STRATEGY EXECUTION

Professional project management team to support with project implementation:

- Review of target operating model
- Creating relevant PMO structure
- Developing workstreams
- Establishing milestones and project timelines
- Monitoring ongoing project delivery

### MANAGEMENT REPORTING

Preparation of reporting templates / packs and tailored management dashboards:

- Identification of most appropriate KPIs and metrics
- Visualisation of relevant data to identify key trends and implications
- Balanced scorecard and data strategy
- Insightful analysis and commentary

### STRATEGY COMMUNICATION

Producing internal and external communication presentations for key company stakeholders:

- Annual company strategy briefings
- Periodic employee town halls
- Investor relations presentations
- Shareholder updates

### CORPORATE TRAINING

Delivery of world-class corporate training programs across key topics, including:

- Leadership
- Communication
- Negotiation
- Personal branding
- Innovation
- Strategic thinking
- Project Management

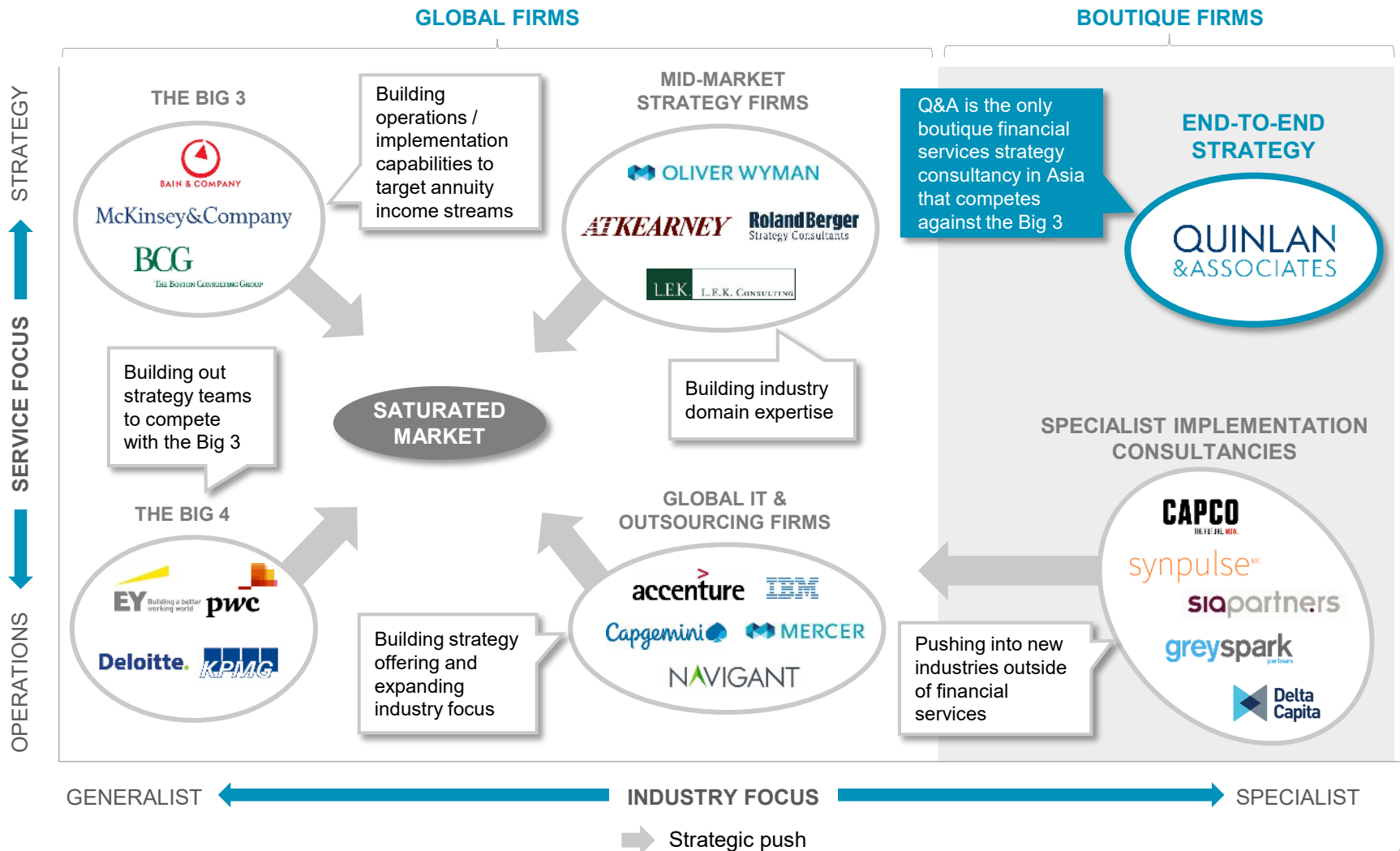
### STRATEGIC PITCHES

Creation of product and deal-specific pitches and company marketing collateral:

- Commissioned research reports
- Strategic pitches
- New product launches
- Transaction pitchbooks
- Company marketing decks

# STRATEGY WITH A DIFFERENCE

We are the only specialist financial services strategy consultancy in Asia that competes directly with the “Big 3” on large-scale, C-suite projects



## OUR APPROACH

We provide unbiased, independent advice that is tailored uniquely to each and every client and supported by robust, data-driven analysis

### STEP 1



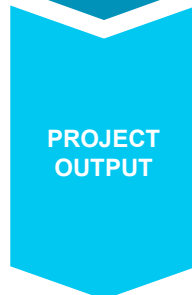
PROJECT  
ORIGATION

### STEP 2



PROJECT  
EXECUTION

### STEP 3



PROJECT  
OUTPUT

#### GLOBAL CONSULTING FIRMS

- Initial client meeting to discuss related global marketing collateral
- Consulting firm proposes their ingoing hypotheses about the client's problem
- Project proposal is built around upfront hypotheses and typically based on the outcomes a previous comparable project

- Junior team staffed on project
- Relevant macro/industry research from a related project is recycled for the client
- Client information is repackaged and delivered back to them as a considerable part of the project deliverables
- Field work and interviews are designed to reinforce ingoing hypotheses

- A considerable amount of 'blue sky thinking' and 30,000 feet ideas that lack any tangible action points, which can represent up to 80% of project output
- Minimal or non-existent post-project support around business case development, execution, reporting, and communication, which is left to the client

#### QUINLAN &ASSOCIATES

- ✓ Initial meeting focused on discussing specific strategic issues facing the client
- ✓ Client problems and objectives are reviewed in detail using our experience and insights on the subject matter
- ✓ Project proposal tailor-made to address the client-specific problem in question

- ✓ Senior team staffed on project
- ✓ All macro/industry research is built specifically around the client's situation
- ✓ Client information is analysed in detail to draw out key value-add insights
- ✓ Fieldwork and interviews are designed to validate insights from data analysis

- ✓ Output remains focused on addressing the specific client problem in question
- ✓ Tangible action items are developed around relevant project conclusions
- ✓ Client is provided with upfront execution support; and can also engage Quinlan & Associates for all other services along the entire strategic value chain

## OUR DIFFERENCE

We are not your typical strategy consulting firm; our distinctive approach differentiates us from our global competitors across ten key dimensions

CRITERIA	GLOBAL CONSULTING FIRMS	QUINLAN &ASSOCIATES
1 OFFERING	<ul style="list-style-type: none"> <li>Narrow service offering focused on a single aspect of the strategy value chain (e.g. strategy development)</li> </ul>	<ul style="list-style-type: none"> <li>✓ End-to-end service offering across the entire strategy value chain, from development to execution</li> </ul>
2 METHODOLOGY	<ul style="list-style-type: none"> <li>Hypothesis-led inductive reasoning: upfront conclusions that are validated over the course of a project</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fact-based deductive reasoning: in-depth, data-driven analysis to arrive at appropriate conclusions</li> </ul>
3 OBJECTIVITY	<ul style="list-style-type: none"> <li>Advice is often tailored to suit senior management agendas, rendering projects a rubber-stamping exercise</li> </ul>	<ul style="list-style-type: none"> <li>✓ Advice remains objective and unbiased; we will tell you what you don't want to hear if it's the right advice for you</li> </ul>
4 RELEVANCE	<ul style="list-style-type: none"> <li>'30,000 feet' content in excessively long decks, which are expensive and lack concrete deliverables</li> </ul>	<ul style="list-style-type: none"> <li>✓ Output is clear and to the point; we provide actionable advice supported by tangible execution plans</li> </ul>
5 MEASURABILITY	<ul style="list-style-type: none"> <li>Results are often hard to quantify, with project 'success' difficult to both isolate and measure</li> </ul>	<ul style="list-style-type: none"> <li>✓ We deliver results that you can actively measure and track (e.g. identify KPIs, build implementation trackers)</li> </ul>
6 EXPERTISE	<ul style="list-style-type: none"> <li>Staffed with generalist career consultants who lack sector expertise or industry experience</li> </ul>	<ul style="list-style-type: none"> <li>✓ Projects are led by seasoned consultants with extensive financial services and top-tier consulting experience</li> </ul>
7 ENGAGEMENT	<ul style="list-style-type: none"> <li>Project work and client contact led by a junior team, with minimal Partner contact</li> </ul>	<ul style="list-style-type: none"> <li>✓ Projects led by a senior and highly experienced team, with extensive Partner contact</li> </ul>
8 STEWARDSHIP	<ul style="list-style-type: none"> <li>A significant amount of proprietary and competitor data is manufactured for projects</li> </ul>	<ul style="list-style-type: none"> <li>✓ All proprietary data is extensively validated through our industry sources and all estimates are clearly explained</li> </ul>
9 CONTINUITY	<ul style="list-style-type: none"> <li>Advising you on a one-off project and walking away from your business when it's complete</li> </ul>	<ul style="list-style-type: none"> <li>✓ Developing long-term, strategic relationships with key clients across their growth / repositioning journey</li> </ul>
10 VALUE	<ul style="list-style-type: none"> <li>Projects usually start at USD 80,000 per week, driven by large company overheads</li> </ul>	<ul style="list-style-type: none"> <li>✓ Competitive pricing reflects minimal operational overheads and a strong focus on cost control</li> </ul>

## OUR EDGE

Unlike global consultancies, we also service much smaller clients (including FinTech start-ups and SMEs), which are typically not serviced by other consulting houses

	1	2	3
<b>CLIENT TYPE</b>	<b>Regular users of management consultants</b>	<b>Occasional users of management consultants</b>	<b>Little or no experience with management consultants</b>
<b>EXAMPLES</b>	<ul style="list-style-type: none"> <li>• Global investment banks</li> <li>• Top-tier asset managers</li> <li>• National stock exchanges</li> <li>• Multinational companies (MNCs)</li> </ul>	<ul style="list-style-type: none"> <li>• Hedge funds</li> <li>• Aspirant regional banks</li> <li>• Mid-market brokerages</li> <li>• Middle market enterprises (MMEs)</li> </ul>	<ul style="list-style-type: none"> <li>• Start-ups</li> <li>• Growth-stage FinTechs</li> <li>• Small-to-medium enterprises (SMEs)</li> </ul>
<b>OUR EDGE</b>	<i>Independent advice, deep industry expertise and readily-executable solutions with the ability to effectively measure and track results</i>	<i>Experience and extensive know-how of top-tier financial institutions using a more cost-effective approach than global consulting firms</i>	<i>Access to the thought processes, strategies, and operational best-practices of the world's leading organisations with immediate impact, with a flexible fee model</i>

 Critical “white space” not serviced by global consulting firms

# INTERNATIONAL CAPABILITIES

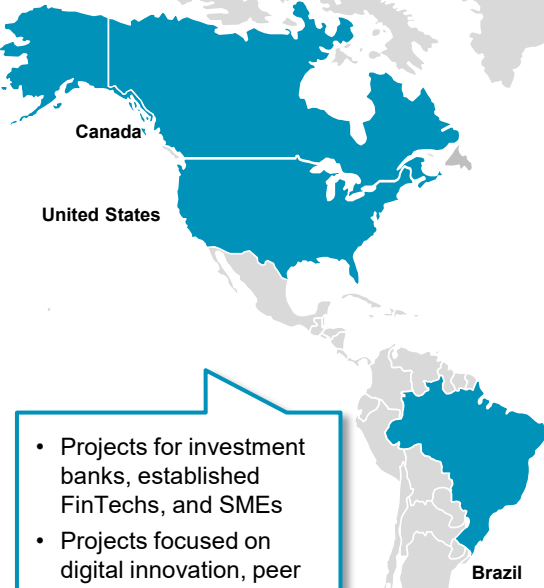
We combine global project experience with an in-depth understanding of the Asia Pacific region across developed, emerging, and frontier markets

## TEAM EXPERIENCE BY CLIENT REGION

- Led major projects for global financial institutions and leading startups
- Projects focused on regulatory, business unit, and international growth strategies

- Led over 40 projects for multinationals, MMEs, and SMEs
- Expert working knowledge of local jurisdictions and regulatory frameworks
- Intimate understanding of the regional economic landscape, financial markets, and domestic operating environments
- Strong appreciation of local corporate culture and working styles

**THE AMERICAS**



Canada  
United States  
Brazil

- Projects for investment banks, established FinTechs, and SMEs
- Projects focused on digital innovation, peer benchmarking, and offshore growth strategy

**EMEA**



UK  
France  
Spain  
Germany  
Switzerland  
Italy  
Israel  
Senegal  
Nigeria  
Uganda  
Kenya

**ASIA PACIFIC**



China  
Japan  
Korea  
Taiwan  
Hong Kong  
Vietnam  
Philippines  
Thailand  
India  
Singapore  
Malaysia  
Indonesia  
Australia  
New Zealand

# OUR EXPERIENCE

Our team has considerable experience advising many of the world's leading multinationals, SMEs, and innovative startups on a variety of high-profile engagements

## Tier-1 Global Banks



- Group strategy
- Digital transformation
- Market entry (JV and inorganic strategies)
- Operating model
- Process optimisation
- Regulatory strategy
- Data strategy
- HR / talent strategy
- Cultural transformation
- Organisational design
- Cross-business collaboration
- Coverage optimisation
- Cost minimisation
- Corporate training

## Regional Brokers & Bancassurers



- Group strategy
- Long-term strategic growth planning (organic / inorganic),
- Digital enablement and innovation
- Data strategy
- Organisational / HR strategy and cultural transformation
- Developing company vision statements
- Enhancing cross-business synergies

## Market Infrastructure & Corp. Services



- 'Go-to-market' strategy
- Product development
- Partnerships and ecosystems
- Pricing strategy
- Corporate training
- Sales strategy
- Data strategy (optimising internal workflows and new revenue capture)

## FinTech Companies



- Industry validation
- B2B strategy development
- USP development and branding strategies
- Thought leadership
- Operating model design
- Strategic due diligence
- White-labelled pitches
- Peer benchmarking
- New market entry
- Corporate training
- Licence applications

## Asset Managers / Family Offices / VCs



- Fund Strategy
- Digital build-out / transformation
- Industry / competitor intelligence
- Commercial due diligence
- Operating / pricing model validation
- Portfolio company strategy
- Front-end UI design

## Other



- Development of group-level strategy
- New market entry
- Open innovation and digital transformation
- Customer engagement
- Industry and market research
- Brand building / market awareness
- Employee enablement (i.e. corporate training)

Note: various client logos cannot be provided due to client confidentiality; includes both in-house roles and consulting projects with Q&A and former employers

# INDUSTRY INSIGHTS

We are widely recognised as a global thought leader in the financial services industry and are the only consulting firm to have our research distributed on Bloomberg terminals

**Bloomberg**

INTERNATIONAL DISTRIBUTION



OFFICIAL CONSULTING PARTNER

**150,000+**

REPORT DOWNLOADS





## TRACK RECORD

We have a strong track record of correctly predicting a number of trends in the financial services industry, including being the world's most accurate Bitcoin price forecaster in 2018

DATE	DECLINING GLOBAL RESEARCH WALLET	OPENING OF CHINA SECURITIES MARKET	PROLIFERATION OF IRPs & ORMs	ALTERNATIVE DATA TO GO MAINSTREAM	GREATER SCRUTINY ON RISK CULTURE	BURSTING OF THE CRYPTO BUBBLE
<b>PREDICTION</b>	<p><b>August 2016</b></p> <ul style="list-style-type: none"> <li>In <i>Research In An Unbundled World</i>, we forecast a decline in global research spend of up to 30% by 2020 in response to MiFID II regulations</li> </ul>	<p><b>September 2016</b></p> <ul style="list-style-type: none"> <li>In <i>Sino-Foreign Securities JVs</i>, we predicted a wave of foreign banks to accelerate their onshore securities build-outs on the back of regulatory liberalisation</li> </ul>	<p><b>March 2017</b></p> <ul style="list-style-type: none"> <li>In <i>Research.com</i>, we saw strong growth in online research marketplaces (ORMs) and independent research providers (IRPs) on the back of MiFID II</li> </ul>	<p><b>September 2017</b></p> <ul style="list-style-type: none"> <li>In <i>Alternative Alpha</i>, in the face of massive fund outflows to passive funds due to poor performance, we saw active managers turning to new data sets</li> </ul>	<p><b>October 2017</b></p> <ul style="list-style-type: none"> <li>In <i>Value At Risk</i>, we highlighted the risk culture as the key ingredient in addressing growing fines, penalties, and losses, rather than compliance and audit spend</li> </ul>	<p><b>January 2018</b></p> <ul style="list-style-type: none"> <li>In <i>Fool's Gold?</i>, we projected the crypto market to unwind in 2018, with the market cap to fall to USD 223bn (and Bitcoin to hit USD 1,800) by Dec 2018, with a 2019 rebound</li> </ul>
<b>CURRENT SITUATION</b>	<ul style="list-style-type: none"> <li>✓ European fund managers cut their 2018 investment research budgets by 20-30% in response to MiFID II, with further declines expected in 2019/20</li> </ul>	<ul style="list-style-type: none"> <li>✓ In November 2017, major liberalisation measures were announced, with many foreign banks planning to set up a JV or expand their JV ownership / business scope</li> </ul>	<ul style="list-style-type: none"> <li>✓ The investment research industry has seen strong growth in ORMs (such as RSCHXchange, Smartkarma) and specialised IRPs (such as Autonomous)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Active managers have been actively looking to source unique data sets in an effort to generate new investment ideas and drive performance, spawning a huge alt data market</li> </ul>	<ul style="list-style-type: none"> <li>✓ Risk culture is becoming a key focus areas for global regulators (e.g. the 2018 Australian Royal Commission into Banking Misconduct points to heavy cultural scrutiny)</li> </ul>	<ul style="list-style-type: none"> <li>✓ The global crypto industry fell by ~80% from its peak of USD 830bn to USD 100bn in 2018, with the price of Bitcoin reaching USD 3,200, with a 2019 rebound</li> </ul>

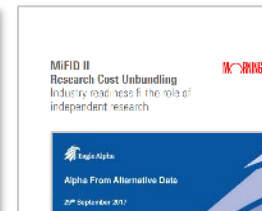
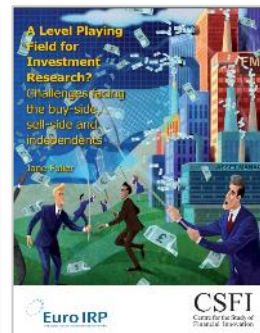
# THIRD-PARTY PUBLICATIONS

Our work is regularly cited by third-party publications of leading international banks, think tanks, research houses, consultancies, professional associations, and industry bodies

70+

## THIRD-PARTY PUBLICATIONS SELECT CITATIONS

THIRD-PARTY PUBLICATIONS

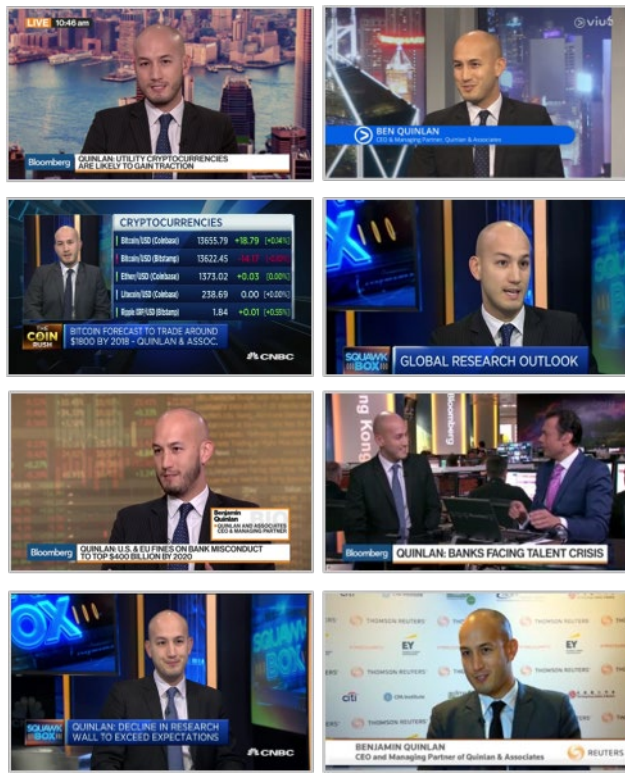


## IN THE MEDIA

We are one of the most widely quoted strategy consultancies in the world across all leading financial and mainstream media publications

40+

TELEVISION / RADIO INTERVIEWS



Includes Bloomberg, CNBC Squawk Box, Thomson Reuters, CNA, and ViuTV

1,500+

GLOBAL PRESS CITATIONS



# INDUSTRY CONFERENCES

Our Partners are regularly invited to present our insights during keynote speeches and panel discussions at leading industry conferences across the globe

# 200+

SPEAKING ENGAGEMENTS

## INDUSTRY CONFERENCES SELECT EVENTS



## TEAM (1/4) – PARTNERS

Partners at Quinlan & Associates are highly experienced industry professionals, combining best-practice strategic thinking with deep commercial acumen



**BENJAMIN QUINLAN**  
CEO & MANAGING PARTNER

Benjamin is the CEO and Managing Partner of Quinlan & Associates. He is also the Chairman of the FinTech Association of Hong Kong, an Adjunct Professor at the AIT School of Management, a Conference Ambassador for the Hong Kong Tourism Board, and sits on various Advisory and Steering Committees for HKTDC, HKSTP, AustCham, and HKGCC. He is a Senior Advisor for a number of leading startups, a Mentor for PingAn's Cloud Accelerator, a Guest Contributor for eFinancialCareers and Regulation Asia, and is recognised as a key FinTech influencer in Asia.

Prior to founding Quinlan & Associates, Benjamin was the Head of Strategy for Deutsche Bank's Equities business in Asia Pacific and its Investment Bank in Greater China. He also worked as a strategy consultant at Oliver Wyman, in Group Strategy and Client Coverage roles at UBS, and as an M&A Tax Consultant at PwC.

Benjamin holds a combined Bachelor of Commerce / Bachelor of Laws (Honours) and a First-Class Honours Degree in Economics (on scholarship) from Macquarie University, Sydney.



**YVETTE KWAN**  
COO & PARTNER

Yvette has over 20 years of experience in corporate strategy and investment banking. Prior to joining Quinlan & Associates, Yvette was the Regional Operating Officer (COO) for UBS AG's Corporate Client Services division in APAC. Before this, she was an Executive Director in UBS's Group Strategy and M&A departments in Zurich, Sydney, and Hong Kong.

Before joining UBS, Yvette worked in the Greater China and Corporate Finance team at Credit Suisse First Boston in Hong Kong. She began her career in Emerging Business Services and Corporate Tax at PwC in Sydney.

Yvette holds an MBA from the Australian Graduate School of Management and a BCom (with merit) from UNSW.



**MICHAEL CAMPION**  
HEAD OF TRAINING & PARTNER

Michael has over 10 years of experience as a professional speaker and emcee, regularly invited to speak in front of audiences of 500+. He has shared the stage with numerous CEOs and celebrities on behalf of blue-chip corporates, schools and not-for-profits. Previously, Michael worked in global banking and markets at Royal Bank of Scotland in Edinburgh.

Michael has extensive media experience, having been interviewed live by BBC World, SCMP, RTHK, and worked on live TV as a sports commentator. He is also a former professional athlete, playing football at international level.

Michael holds a Master degree in Business Management from the University of Edinburgh Business School. He also holds a Bachelor of Arts (Honours) from The University of Durham.

## TEAM (2/4) – CONSULTANTS

All of our Consultants have extensive experience working on strategy consulting engagements across a broad spectrum of industries, subject matters and geographies



**HUGO CHENG**  
ENGAGEMENT MANAGER

Hugo has worked with various global financial institutions, SMEs, and startups on a wide range of corporate strategy projects. He has also authored numerous research reports on various FinTech topics. Prior to Q&A, Hugo interned at DBS and eHarmony.

Hugo holds Master's in Management (Distinction) from Imperial College Business School and an MA (Mathematics) from the University of Cambridge.



**JUSTIN CHUNG**  
SENIOR ASSOCIATE

Justin has wide-ranging experience from corporate strategy to project execution. Prior to Q&A, he worked at JPMorgan, executing data analytics and management projects across Asia Pacific, and at a boutique blockchain advisory firm, heading corporate structuring and business development.

Justin holds a First-Class Honours Degree in Global Business from Hong Kong University of Science and Technology ("HKUST").



**EASHAN TREHAN**  
ASSOCIATE

Eashan has worked on a number of strategy projects for various startups and SMEs. He previously interned at JPMorgan, Deutsche Bank and Eureka Consulting Group, where he completed various consulting projects for MNCs and Asian corporates.

Eashan holds a Bachelor's in Engineering (Honours) majoring in Finance and Computer Science from the University of Hong Kong ("HKU").



**CHARLES YAU**  
SENIOR CONSULTANT

Charles previously worked in Deloitte's FinTech Practice on strategy, implementation, and proof-of-concept projects for financial institutions, eSports operators, and tech firms. Prior to this, he developed a cybersecurity practice in Singapore specialising in managed security services.

Charles holds a Bachelor's in Global Business & Information Systems (Hons) from Hong Kong University of Science and Technology ("HKUST").

## TEAM (3/4) – CONSULTANTS

All of our Consultants have extensive experience working on strategy consulting engagements across a broad spectrum of industries, subject matters and geographies



**JEANNY ANG**  
CONSULTANT

Jeanny previously worked at Bank of America, where she participated in regional projects to streamline internal operational processes. She was also a Director of a student-led organisation, Change-Makers Network, where she led the first youth-empowerment programme in Indonesia.

Jeanny holds a Bachelor's degree in Economics and Finance (Honours) from the University of Hong Kong ("HKU").



**ALISON HU**  
CONSULTANT

Alison previously worked at UniCredit Corporate & Investment Bank, covering institutional clients across global markets. She also interned at Guotai Junan investment bank, conducting pre-IPO industry analysis and valuation of A-share companies.

Alison holds a Bachelor's degree in Finance and Economics (First Class Honours) from the University of Hong Kong ("HKU").



**JONATHAN PUN**  
CONSULTANT

Jonathan previously worked at Ernst & Young with Financial Services Risk Management division and Deloitte & Touche with cyber risk management team, where he supported and participated in on-site projects for multinational companies.

Jonathan holds a Master's degree in Finance from Imperial College and a Bachelor's in Economics and Statistics (First Class Honours) from UCL.



**KAYNAT AKHTAR**  
BUSINESS DEVELOPMENT ASSOCIATE

Kaynat is responsible for Business Development at Q&A. She previously worked at a global financial derivatives brokerage firm in business development strategy, as well as a Spanish fashion house, where she was responsible for the firm's social media strategy.

Kaynat holds a Bachelor of Business Administration (Honours) majoring in Finance and minoring in Marketing from Lingnan University.

## TEAM (4/4) – SUBJECT MATTER EXPERTS

Our Subject Matter Experts are financial services industry veterans across different practices, such as investment banking, private equity, and corporate strategy



### VIPPY WONG

Vippy has extensive experience in the financial services industry, having spent over a decade working in top-tier investment banks (RBS, ABN Amro, UBS), exchanges (HK Mercantile Exchange), technology providers (Thomson Reuters), and management consultancies (Oliver Wyman).

Vippy holds a joint EMBA from Columbia / LBS / HKU and a Bachelor of Engineering from Princeton.



### JONG LEE

Jong is the Chairman and Managing Director of RGL Holdings, Ltd, a privately-owned VC fund. His areas of focus in Hong Kong include over a dozen early-stage technology companies, social enterprises, education initiatives, and business turnarounds.

Jong holds a JD from Columbia University and graduated with honours from the University of Pennsylvania in Bioengineering and Political Science.



### EVAN SCHNIDMAN

Evan is the Founder and Managing Partner of EAS Innovation Consulting, a boutique data and technology consulting firm. Prior tot this, Evan was the Founder and CEO of Prattle, the Head of Data Innovation at Liquidnet, and a noted academic at Brown University.

Evan holds a Ph.D. in Political Economy from Harvard University, an MPA in Political Economy from Washington University in St. Louis, and a BA (Summa Cum Laude) from Washington University in St. Louis.



### LOUISA ROBB

Louisa is the Founder and Managing Director of Lucella, a professional coaching and consulting firm based in Switzerland. Prior to this, she served as a Managing Director of UBS, covering various leadership role such as Global Chief of Staff for UBS's Legal & Compliance Department and the Head of Strategy for UBS in Asia Pacific.

Louisa holds a Bachelor of Commerce (Economics and Finance) from the University of Melbourne.



### BRUCE SALZER

Bruce Salzer a proven business leader with an accomplished background across the US, Japan, and Hong Kong. He was previously a Managing Director and Head of Corporate Access & Client Management (Asia Pacific) for Jeffries, Standard Chartered, and JPMorgan

Bruce holds an MBA (Finance & Marketing) from the University of Texas at Austin and a BA (Economics & Business) from Vanderbilt University.



### MARCUS CONSOLINI

Marcus has over 25 years of experience in FinTech, Investment Banking, and private equity. He was the Asian Head of Trading, Electronic Execution and Cross Asset Execution JPMorgan, Macquarie, and SocGen.

Marcus holds a Masters degree in Finance and Operations from the University of Ottawa, and a Bachelor of Arts in Political Science and Analytical Statistics from Lehigh University



## CONTACT US

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QUINLAN  
&ASSOCIATES

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STRATEGY WITH A DIFFERENCE