Agenda

• Executive summary
  • Islamic finance market
    - Growth trends 2006-2011 and forecast to 2020
    - Key takeaways
  • Islamic finance hubs
    - Key success factors and how hubs compare
    - Paris opportunities and challenges
    - Key takeaways

• About the Greater Paris Investment Agency and Bain & Company

• Contacts
The strong growth in the Islamic finance market over the past decade should continue in the following years

- The market for Islamic finance totaled approximately $1.4 trillion in assets in 2011, of which:
  - More than 75% were held as bank assets
  - More than 85% were invested or originated in the Middle East and Malaysia

- This market enjoyed an annual growth rate of 20% over the past decade, with expansion reaching across all business segments—banking, sukuk, funds and takaful. Despite the strong growth, still confirmed during 2012, Islamic finance assets represented less than 1% of global financial assets in 2011.

- Islamic finance—even in the current financial turmoil—should see its growth rate continue at a annual double digit pace through 2015 before slowing gradually to a sustained 7% pace through 2020.

- Growth should be fueled by a combination of population growth, the deepening penetration of Islamic finance, the opening of new markets and an increasing volume of investible liquid assets available for placement in Sharia-compliant instruments.

- As the market for Islamic finance expands, the share of activity conducted through hubs based outside the traditional centers of the Middle East and Asia (currently less than 5% of the total) is continuing to increase.

- Bain and GPIA conducted a study with the objective of identifying the key success factors influencing the development of the Islamic finance market and centers in the Middle East, Asia and Europe; at the same time identify which are key requirements for Paris to be an attractive financial center with enabled IF capabilities notably to support real economy and corporates/SMEs

- The study was based on extensive interviews with more than 66 executives at major Islamic finance institutions and other leading experts.
Study insights helped understanding of KSF for Islamic Finance development and how hubs have performed

• Countries that embrace a long-term vision of their futures as centers for Islamic finance appear to set a strong benchmark, building on a broader set of success factors.

• Successful development as a hub of Islamic finance also requires unwavering government support as the centerpiece of a consistent approach that:
  - Clearly articulates the targeted ambition for Islamic finance
  - Mobilizes the required parties (tax and legal environment, finance infrastructure and expertise)
  - Creates an action plan and promotion strategy

• Islamic finance hubs share common success factors and build on site-specific competitive advantages.

• There are three different types of Islamic finance hubs:
  - Niche hubs specialize in one or more related Islamic finance business segments (such as Singapore or Luxembourg)
  - Multi-business hubs have a well-developed and diversified Islamic finance ecosystem, covering most business segments (such as Doha, Istanbul or London)
  - Full-fledged hubs have a fully developed Islamic finance ecosystem (such as Kuala Lumpur or Jeddah)

• Paris is not yet among the leading emerging centers for Islamic finance, but it does enjoy several important differentiating strengths:
  - Large Muslim population and a high volume and quality of potentially Sharia-compliant assets
  - Strong expertise in banking and funds management
  - Access to the euro zone and unique positioning in French-speaking Africa
  - A regulatory environment that has reduced the major legal and taxations barriers to Islamic finance
We interviewed 66 senior-level professionals, officials and scholars from major Islamic finance institutions.

**BY GEOGRAPHY**

- **North America**
  - Canada
  - Pakistan
  - Hong Kong
  - Singapore
- **Asia**
  - Kuala Lumpur
  - Frankfurt
  - Turkey
  - Paris
  - Luxembourg
  - London
  - Lebanon
  - Jeddah
  - UAE
  - Bahrain
- **Middle East**
  - NY

**BY PROFESSIONAL AFFILIATION**

- **Industry**
  - Asset management
  - Private bank
  - Investment bank
  - Universal bank
  - Takaful company
  - Sovereign wealth fund
  - Regulator
  - Non profit
  - Rating agency
  - Advisory*
  - Academic

Notes: Interviewees selected principally from top 100 in each institution category, based on The Banker Top 500 Financial Islamic Institutions 2010; * Includes legal, accounting and Sharia advisory
Agenda

• Executive summary

• **Islamic finance market**
  - Growth trends 2006-2011 and forecast to 2020
  - Key takeaways

• Islamic finance hubs
  - Key success factors and how hubs compare
  - Paris opportunities and challenges
  - Key takeaways

• About the Greater Paris Investment Agency and Bain & Company

• Contacts
Sharia-compliant assets have grown at a 20% annual rate since 2006, outpacing total banking growth.

Sources: The Banker Top 500 Islamic Institutions 2010; IIFM; Ernst & Young; Zawya; literature search; Bain analysis.
Despite new hubs’ emergence, Middle East and Malaysia still account for more than 85% of Sharia-compliant assets.

Note: “Other” includes Jordan, Brunei, Yemen, Palestine, Syria, Algeria, Mauritania, Tunisia, Iraq, Lebanon, Bosnia-Herzegovina, Kenya, Azerbaijan, Gambia, Afghanistan, Senegal, Guinea, Niger, Djibouti, Oman, Kazakhstan, Cayman Islands, US, Luxembourg, Singapore, Thailand, Channel islands, Switzerland, South Africa, Canada, Mauritius, Japan, Australia, India, Sri Lanka, Germany, Philippines, France, China, Ireland, Botswana and Russia.

Sources: The Banker Top 500 Islamic Institutions 2010; IIFM; Ernst & Young; literature search; Bain analysis
The Islamic finance market is expected to increase by some 21% annually until 2015, then slow to about 7% through 2020.

Sources: The Banker Top 500 Islamic Financial Institutions 2010; IIFM; Ernst & Young; GIFR; Bain analysis
Powered by a dynamic retail segment, banking assets are expected to grow at 18% annual rate through 2015.

**Banking Assets (2011-2015E)**

<table>
<thead>
<tr>
<th>Islamic Banking Assets ($B)</th>
<th>2011</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1,122</td>
<td>2,192</td>
</tr>
<tr>
<td>Corporate Investment Bank</td>
<td>2,200</td>
<td>1,122</td>
</tr>
</tbody>
</table>

**CAGR (11-15E)**
- Retail: 23%
- Corporate Investment Bank: 16%
- Overall: 18%

**Quotes from Interviews**

- "Retail will be an important banking segment in the future, as many traditional countries are still underpenetrated."
  
  —CEO, Islamic Universal Bank, Asia

- "By 2030, one-quarter of world population will be Muslims. Consumer banking will one of the business driving development of Islamic banking."
  
  —CEO, Islamic Bank, Asia

- "The growth of Islamic finance is coming mostly from retail banking and very little from commercial and investment banking."
  
  —Division Head, Private Bank, Asia

Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; Bain analysis

© Greater Paris Investment Agency & Bain & Company
Sukuk issuances will continue to grow and new Islamic finance hubs will gain importance in this market

**SUUK ISSUANCES (2011-2015E)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sukuk issuances ($B)</th>
<th>CAGR (11-15E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>2015E</td>
<td>223</td>
<td>23%</td>
</tr>
</tbody>
</table>

**QUOTES FROM INTERVIEWS**

"Sukuk will be one of Islamic finance’s growth areas in the future, linked to the number of infrastructure projects in the Middle East."

—Former Senior Executive, Asset Management Company, Middle East

"Sukuk is very well accepted and can be issued by conventional institutions."

—CEO, Universal Bank, Asia

"Sukuk is the one area that is currently going well, pushed largely by the Malaysian government. Governments and major banks from Malaysia and GCC to the UK and China will drive sukuk growth in the future. Conventional banks in non-Muslim countries will issue more sukuk in the future."

—Division Head, Private Bank, Asia

"Relative to the huge volume of Islamic liquidity, there is a clear lack of sukuk offering at a global scale."

—Division Head, Universal Bank, Lebanon

Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; Bain analysis
Mutual fund assets should surpass the 2003-2011 growth rate over the coming years

**ISLAMIC FUND ASSETS (2011-2015E)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Islamic Fund Assets ($)B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>62</td>
</tr>
<tr>
<td>2015E</td>
<td>109</td>
</tr>
</tbody>
</table>

**CAGR (11-15E)**: 15%

**QUOTES FROM INTERVIEWS**

"The sukuk segment—and asset management more broadly—will grow as Islamic liquidity strongly increases."
—CEO, Universal Bank, UAE

"There are currently plenty of Sharia-compliant funds to be invested but a dearth of investment opportunities."
—Founder and Managing Director, Consulting Company, Europe

"Generally, Islamic funds invest in equity, fixed income and real estate, with equity dominating the portfolio. However, the shortage of offerings is a problem for asset managers."
—CEO, Asset-management Firm, Europe

"The Islamic finance fund industry is comparable in many respects to the non-Islamic fund industry, but with restrictive conditions (prohibitions, debt and cash-receivable levels among other things)."
—Head of Sharia Compliance, Bank, Middle East

Sources: Eurekahedge; IFIS; PricewaterhouseCoopers; Maybank Islamic; 2011 Bain & Company survey of leading Islamic finance stakeholders; Bain analysis
Takaful could see a nearly fivefold increase by 2015

TAKAFUL ASSETS (2011-2015E)

<table>
<thead>
<tr>
<th>Year</th>
<th>Takaful Assets ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>21</td>
</tr>
<tr>
<td>2015E</td>
<td>71</td>
</tr>
</tbody>
</table>

CAGR (11-15E) 35%

QUOTES FROM INTERVIEWS

“There are two markets for takaful at the moment—in Asia, particularly Malaysia, Brunei and Indonesia, and in the Middle East. Demand is also strong in the Mediterranean South, particularly in Tunisia, Algeria and Egypt.”

—CEO, Insurance Company, Middle East

“Takaful is easy to launch. Regulation can be readily adapted to all takaful products, which then only need a Halal placement.”

—CEO, Insurance Company, Middle East

“The takaful market is at a very early stage of development, and it will evolve significantly. The Middle East is the biggest market, North Africa is rapidly growing and countries with low insurance penetration have strong takaful growth potential.”

—Expert, Insurance Company, Malaysia

Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; Bain analysis
Islamic finance can be considered a part of the “socially responsible finance” market

### COMMON PRINCIPLES

- **Respect** the environment and future generations in one’s daily activities (including economic activities)

- **Asset-based investment or loan** must help finance real economy and create real activities

- **Profit and loss sharing**: Risk is shared between the lender and borrower, and performance only depends on economic results

- Various internal and external **audits** are required

---

Sources: Novethic; Management School of Strasbourg; interviews; Bain analysis
Key takeaways

• All segments of Islamic finance grew between 2006 and 2011. Sukuk and takaful saw the most dynamic growth, with assets increasing at a 28% and 29% annual rate, respectively.

• Banking activity dominates in all Islamic finance markets, with the exception of Malaysia where sukuk represent nearly half of total assets.

• The Islamic finance market, even within a international financial turmoil, should grow by 21% per year between 2011 and 2015, before leveling off to an 7% annual rate between 2015 and 2020.

• Despite a forecasted increase in takaful, sukuk and banking activity (retail, in particular) will power the growth of Islamic finance, based largely on the size of their respective markets.
Agenda

- Executive summary
- Islamic finance market
  - Growth trends 2006-2011 and forecast to 2020
  - Key takeaways
- **Islamic finance hubs**
  - *Key success factors and how hubs compare*
  - Paris opportunities and challenges
  - Key takeaways
- About the Greater Paris Investment Agency and Bain & Company
- Contacts
Newer Islamic finance centers in non-Muslim countries manage less than 5% of total Sharia-compliant assets.

**TOTAL ISLAMIC FINANCE MARKET**
- Total Sharia-compliant assets (2010, $B)
  - Pakistan
  - Bangladesh
  - Egypt
  - Indonesia
  - UK
  - Sudan
  - Others
  - Turkey
  - Qatar
  - Bahrain
  - Kuwait
  - UAE
  - Malaysia
  - Saudi Arabia
  - Iran

**ISLAMIC FINANCE IN NON-MUSLIM COUNTRIES**
- Total Sharia-compliant assets (2010, $B)
  - Others
  - Channel islands
  - Thailand
  - Singapore
  - Luxembourg
  - US
  - Cayman Islands
  - UK

Note: * No specific legal framework for Islamic finance

Sources: The Banker Top 500 Islamic Institutions 2010; Bain analysis

© Greater Paris Investment Agency & Bain & Company
Islamic finance hubs benefit from a combination of basic and site-specific key success factors

<table>
<thead>
<tr>
<th>Common to all hubs</th>
<th>Site specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Public authorities’ support; clear strategy and coordination</td>
<td></td>
</tr>
<tr>
<td>2 Strong conventional finance capabilities</td>
<td></td>
</tr>
<tr>
<td>3 Islamic finance capabilities and ecosystem*</td>
<td></td>
</tr>
<tr>
<td>4 Favorable tax policies and incentives</td>
<td></td>
</tr>
<tr>
<td>5 Significant Muslim population and cultural match</td>
<td></td>
</tr>
<tr>
<td>6 Integration with the local economy</td>
<td></td>
</tr>
<tr>
<td>7 Geographical bridge to other markets</td>
<td></td>
</tr>
<tr>
<td>8 Host to international Islamic finance organizations</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abu Dhabi/Dubai (UAE)</td>
</tr>
<tr>
<td>Bahrain</td>
</tr>
<tr>
<td>Doha</td>
</tr>
<tr>
<td>Jeddah</td>
</tr>
<tr>
<td>Kuwait City</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
</tr>
<tr>
<td>London</td>
</tr>
<tr>
<td>Luxembourg</td>
</tr>
</tbody>
</table>

Note: * includes the presence of Sharia scholars, professional services and expertise
Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; literature search; Bain analysis
Among the four major international financial centers in Asia and the Middle East, Kuala Lumpur seems to be the ultimate benchmark.
In Europe, London seems to remain the leader, benefitting from first-mover advantage, although stepping back lately

For investors

For operators

Sources: Bain & Company survey with top Islamic finance stakeholders, 2011; The Global Financial centers Index, March 2011; Bain analysis

Legend

(*) Criteria specific to Islamic finance

Least attractive → Most attractive
Islamic finance centers use advantages in geography and expertise to develop distinctive value propositions

<table>
<thead>
<tr>
<th>HUB</th>
<th>HUB declared positioning</th>
</tr>
</thead>
<tbody>
<tr>
<td>MiddleEast</td>
<td></td>
</tr>
<tr>
<td>Dubai</td>
<td>Entry point to the Middle East economy</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Center of expertise in Islamic finance in the Middle East</td>
</tr>
<tr>
<td>Doha</td>
<td>Strong Islamic finance operators present at international level; access to attractive domestic infrastructure projects</td>
</tr>
<tr>
<td>Kuwait City, Jeddah</td>
<td>Entry points to attractive domestic markets</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
</tr>
<tr>
<td>Kuala Lumpur</td>
<td>Strong Islamic finance and international expertise; favorable tax policies</td>
</tr>
<tr>
<td>Singapore</td>
<td>Off-shore gateway to Asian economies</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
</tr>
<tr>
<td>Istanbul</td>
<td>Entry point to an attractive domestic market, attempting to build a bridge to Europe</td>
</tr>
<tr>
<td>London</td>
<td>Entry point to Western finance, specialized in corporate investment banking and a major source of financial capabilities transfer</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Off-shore center, specializing as a domicile for funds and for sukuk listings</td>
</tr>
</tbody>
</table>

Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; literature search; Bain analysis
The relative position of Islamic finance hubs reflect their competitive advantages and approach

<table>
<thead>
<tr>
<th>Description</th>
<th>NICHE HUB</th>
<th>MULTI-BUSINESS HUB</th>
<th>FULL-FLEDGED HUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Specialized in one or more related Islamic finance business segments</td>
<td>• Well-developed and diversified Islamic finance ecosystem, covering most business segments</td>
<td>• Fully developed Islamic finance ecosystem, including banking, sukuk, takaful and funds</td>
<td></td>
</tr>
</tbody>
</table>

Examples – *not exhaustive of all Hub centers analyzed*

Sources: The Banker; Ernst & Young; IIFM; GIFR; Bain analysis
Developing a successful Islamic finance center requires a consistent approach over time

- Position and launch government-backed campaigns to promote domestic Islamic finance industry
- Design short-term initiatives and identify longer-term priorities for developing Islamic finance products, capabilities and processes
- Establish a clear vision and a long-term plan for developing the center’s activities
- Mobilize top business, regulatory, legal and academic stakeholders
- Ensure that regulatory procedures integrate requirements for Islamic finance products regarding licensing, reporting and auditing, and guarantee tax neutrality
- Set up institutions to develop a talent pipeline to fill a large pool of experts
- Develop infrastructure and expertise
- Adapt the tax and legal environment
- Mobilize key stakeholders
- Define action plan
- Roll out the promotion of the center

Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; literature search; Bain analysis
Malaysia proved to be a role model for developing Islamic finance

MARKET STRUCTURE

- **Islamic finance assets (2010)**
  - Sukuk*
  - Takaful
  - Retail and corporate banking
  - Market share of Islamic banks in local market: 21%

Positioning in global IF assets

- $210B
- #1
- #3
- #4

Islamic retail banking assets by client segment

- Muslim clients 39%
- Non-Muslim clients 61%
- Muslim clients 17%
- Non-Muslim clients 83%

KEY SUCCESS FACTORS

1. Strong public support and ecosystem of Islamic finance regulatory bodies
2. Robust regulatory framework for Islamic finance
3. Tax incentives favoring Islamic finance
4. Talent pool recognized globally
5. Developed network of professional services firms competent in Islamic finance

Notes: * Sukuk outstanding issued by local institutions; does not include sukuk of foreign institutions listed in KL

Sources: The Banker; Ernst & Young; Global Financial Centres Index 2011; Bank Negara Malaysia data; Malaysian banks’ annual reports; Euromonitor; Bain analysis
Islamic finance can become an important source of financing for economy

**Examples of project profiles**

<table>
<thead>
<tr>
<th>INFRASTRUCTURE PROJECTS</th>
<th>CORPORATE AND SME FINANCING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure</strong> projects (transportation, real estate, etc.)</td>
<td><strong>Industrial</strong> corporate projects (investments in equipment, manufacturing and trade financing, etc.)</td>
</tr>
<tr>
<td><strong>Real estate</strong> development</td>
<td><strong>Sukuk Ijara</strong> (leasing), <strong>Mousharaka (trade)</strong>, <strong>Istisna</strong> (construction/manufacturing)</td>
</tr>
<tr>
<td><strong>Sukuk Ijara</strong> (leasing), <strong>Mousharaka (trade)</strong>, <strong>Istisna</strong> (construction/manufacturing)</td>
<td><strong>Sukuk Ijara</strong> (leasing), <strong>Mousharaka (trade)</strong>, <strong>Istisna</strong> (construction/manufacturing)</td>
</tr>
<tr>
<td>Sharia-compliant <strong>private equity</strong> funds (most adapted for SMEs)</td>
<td></td>
</tr>
</tbody>
</table>

High-quality, tangible underlying assets are the key criteria for eligibility and attractiveness for investors that are sensitive to Islamic finance

**Sources:** Bain analysis
In particular, sukuk has recently gained popularity as an instrument for financing infrastructure projects.

Sources: KFHR; RBS; Project Finance International
Agenda

• Executive summary

• Islamic finance market
  - Growth trends 2006-2011 and forecast to 2020
  - Key takeaways

• Islamic finance hubs
  - Key success factors and how hubs compare
  - Paris opportunities and challenges
  - Key takeaways

• About the Greater Paris Investment Agency and Bain & Company

• Contacts
Paris is not yet top-of-mind for investors as an Islamic finance hub

**Perceived strengths in conventional finance**

- **Large domestic financial market** (No. 5 financial market globally*)
- Strong **banking expertise, especially on the most advanced products:**
  - French banks are leaders in structured finance and equity derivatives
  - French banks are leaders in project finance
  - French banks have strong reputation in risk management, marketing and service quality
- Expertise in **funds management** (No. 2 globally in terms of assets under management*)
- **Access to the euro zone and euro-denominated** products and financial instruments
- Unique positioning in **French-speaking Africa**
- Privileged **relations with Middle East** (in particular with Kuwait and Qatar)

**Perceived strengths specific to Islamic finance**

- **Large Muslim population** (at 4.7 million in 2010, it is the largest in the EU)
- **High volume and quality** of potentially Sharia-compliant **assets** in real estate, infrastructure projects, aerospace, renewable energy and other capital-intensive industries
- Leading center in continental Europe for **education and academic infrastructure in Islamic finance**: 12 French universities offer courses in Islamic finance
- **Recent support of the government to Islamic finance**, as demonstrated by initiatives introduced by Finance Minister Christine Lagarde between 2008 and 2010
- **Major legal and taxation barriers to Islamic finance have been addressed**

---

Note: *According to The Banker’s 2011 IFC rankings
Sources: 2011 Bain & Company survey of leading Islamic finance stakeholders; GPIA; Opinion Way; KPMG

© Greater Paris Investment Agency & Bain & Company
Greater Paris presents many assets for the development of Islamic finance

An attractive, high-quality investment offering in real economy

- Large and high-quality infrastructure projects, with high visibility
- A dynamic SME base, with significant and high-quality funding
- Large corporate base, with strong performance track record

A high-performance financial environment

- Leading-edge capabilities in IB/AM/PE
- Strong protection of investors’ rights
- Emerging ecosystem for Islamic finance

A diversification opportunity for investors

- Access to euro-based investments
- Access to French-speaking Africa

Source: Bain analysis
However, Paris will have to respond to some structural challenges in Islamic finance

<table>
<thead>
<tr>
<th>CHALLENGES PARIS HAS TO RESPOND TO</th>
<th>POTENTIAL ACTIONS/INITIATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. No local track record</strong> in Islamic finance</td>
<td>• Launch <strong>pilot projects</strong></td>
</tr>
<tr>
<td>Perception that the French <strong>government’s support</strong> of Islamic finance lacks <strong>consistency</strong></td>
<td>• <strong>Introduce an empowered public owner</strong> who is responsible for supporting the development of Islamic finance</td>
</tr>
<tr>
<td><strong>2. Lower returns on investments</strong> compared with developing economies</td>
<td>• <strong>Market</strong> as an opportunity for broader <strong>access to secure euro-based investments</strong>, allowing portfolio diversification</td>
</tr>
<tr>
<td><strong>3. High implementing costs</strong> for Islamic finance</td>
<td>• <strong>Invest in standardization</strong> of Sharia framework by, for example, creating replicable product structures, contract or project documentation, or investing in education of internal and external players</td>
</tr>
<tr>
<td>Perception of <strong>negative attitudes toward Islam</strong></td>
<td>• <strong>Label as “participative Sharia-compliant finance,”</strong> which seems to be well perceived by investors</td>
</tr>
<tr>
<td><strong>4. Legal “insecurity” and high government influence on business</strong></td>
<td>• <strong>Market</strong> Islamic finance development as <strong>support for economic growth</strong> for French and foreign stakeholders</td>
</tr>
<tr>
<td><strong>5. Legal “insecurity” and high government influence on business</strong></td>
<td>• Launch a campaign to show that <strong>France encourages investments into real economy</strong> and <strong>current changes are conjuncture-related</strong></td>
</tr>
</tbody>
</table>

Source: Bain survey with top Islamic finance stakeholders, 2011; literature search
At this stage, Paris should target niche positioning, specializing in investment management

<table>
<thead>
<tr>
<th>Paris positioning</th>
<th>LEVEL 1</th>
<th>LEVEL 2</th>
<th>LEVEL 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attract Sharia-compliant investments</td>
<td>&quot;Niche player in Islamic finance&quot; (including Africa, if needed)</td>
<td>Attract Sharia-compliant investments and develop full IF ecosystem</td>
</tr>
<tr>
<td>Addressed funding needs</td>
<td>•&quot;Attractive destination for Sharia-compliant investments&quot;</td>
<td>•Corporate Islamic finance hub&quot; (including Africa, if needed)</td>
<td>•Global Islamic finance hub&quot; (including Africa, if needed)</td>
</tr>
<tr>
<td>Addressed funding needs</td>
<td>•Large corporate, infrastructure, real estate projects</td>
<td>•All corporate, infrastructure, large real estate projects</td>
<td>•All corporate, infrastructure, large real estate projects</td>
</tr>
<tr>
<td>Addressed funding needs</td>
<td>•Large local authorities and innovative SMEs</td>
<td>•All local authorities and all SMEs</td>
<td>•All local authorities and SMEs</td>
</tr>
<tr>
<td>Addressed funding needs</td>
<td>•IB/project finance/PE/AM</td>
<td>•Full CIB (including asset-based finance and corporations), PE/AM</td>
<td>•AM/PE/CIB/retail/takaful</td>
</tr>
<tr>
<td>Local business segments</td>
<td>•No need for dedicated local IF institutions</td>
<td>•Attractive euro-based investment offering</td>
<td>•Attractive euro-based investment offering</td>
</tr>
<tr>
<td>Local business segments</td>
<td>•Conventional and IF capabilities in AM/IB</td>
<td>•Conventional and IF capabilities in AM/IB</td>
<td>•Attractive domestic market (largest Muslim population in Europe)</td>
</tr>
<tr>
<td>2020 ambition*</td>
<td>C1-2B i.e., &lt;0.1% of French 2020 real GDP</td>
<td>C5-10B For example, 0.2%-0.4% of French 2020 real GDP</td>
<td>&gt; C10B i.e., &gt;0.4% of French 2020 real GDP</td>
</tr>
<tr>
<td>Paris differentiation</td>
<td>•Attractive euro-based investment offering</td>
<td>•Attractive euro-based investment offering</td>
<td>•Attractive euro-based investment offering</td>
</tr>
</tbody>
</table>

* Annual flow
Source: Bain analysis
The action plan for France must be realistic, pragmatic and well paced

Objectives:

- Raise awareness and obtain buy-in from key stakeholders
- Prepare the launch of pilot projects
- Create track record of pilot projects
- Prepare industrialization of Islamic finance offerings
- Achieve critical mass of Sharia-compliant investments in infrastructure, real estate, corporate, local authorities and innovative SME projects in Paris
- Around that, develop supporting capabilities in Islamic AM/PE/IB
- From a longer-term perspective, reach out to continental Europe and French-speaking Africa

Actions:

- Share Paris ambition, obtain buy-in and mobilize relevant stakeholders
- Support preparation of 2-3 flagship pilot projects
- Establish IF governance (including Sharia council composed of internationally recognized as well as French scholars)
- Prepare potential partnership with IF hub (such as double listing of sukuk)
- Launch flagship pilot projects
- Identify missing expertise and prerequisites, fill gaps and stabilize IF governance
- Define approach to achieving industrialization of Islamic finance offerings
- Establish partnership with another IF hub
- Feed the pool of projects (facilitate deal sourcing)
- Establish a talent pool of teams in Paris to become a product engineering competency center in Islamic AM/PE/IB, recognized globally
- Develop and implement approach to integrating continental Europe and French-speaking Africa into French IF offerings

Source: Bain analysis
Key takeaways

• Through 2011, Islamic finance centers in non-Muslim countries represented only some 3% of all Islamic finance assets.

• Performance on key success factors varies widely among the established and nascent Islamic finance hubs, but they all share common traits: The support of government and regulators, a clear strategy and coordination, conventional finance capabilities and the presence of an Islamic finance ecosystem.

• A consistent, long-term approach is crucial to ensuring the successful development of Islamic finance.

• Paris is not yet top-of-mind for investors as an Islamic finance hub, but it has distinct strengths. At this stage, it should target niche positioning specializing in investment management.

• In the development of Islamic finance, France must have a realistic, pragmatic and well-paced plan. The focus should be on infrastructures, SMEs and corporate financing, leasing or real estate projects.
20 years of success

Greater Paris Investment Agency is a non-profit organization founded over twenty years ago by the Paris Chamber of Commerce and Industry to attract new international investors in Greater Paris and to bolster its attractiveness.

It is comprised of more than one hundred major French and multinational companies; they guarantee a total independence.

As Greater Paris Business Ambassador, our Agency is your privileged partner and advisor: linking governmental decision-makers and our prestigious business partners’ network.
Bain & Company—We are the consulting firm the world’s business leaders come to for results

Who we are

- Bain is one of the world’s top management consulting firms. Founded in 1973, we currently have 5,000 employees in 47 offices worldwide.

- We’ve worked with more than 4,600 companies, including more than two-thirds of the Global 500.

- We have consulted on half of the largest global private equity deals in the last decade.

- Our clients come back for more. 85% of our business comes from companies with whom we’ve worked before.

- We have deep industry expertise and broad practical experience.

- We help leaders in every industry make their most critical decisions on strategy, operations, organization, M&A and IT.

- This work has been based on secondary market research, analysis of financial information available or provided to Bain, and a range of interviews with customers, competitors and industry experts. Bain has not independently verified this information and makes no representation or warranty, express or implied, that such information is accurate or complete.

- Projected market and financial information, analyses and conclusions contained herein are based (unless sourced otherwise) on the information described above and Bain & Company’s judgment and should not be construed as definitive forecasts or guarantees of future performance or results.

- Neither Bain & Company nor any of this subsidiaries or their respective officers, directors, shareholders, employees or agents accept any responsibility or liability in respect of this document.

- This document is being provided on a strictly confidential basis. No part of this document may be copied or distributed without the prior approval of Bain & Company.
Contacts

• Greater Paris Investment Agency
  Chiara Corazza, Managing Director
  Address: 7 rue Balzac - 75008 Paris - France
  Phone: +33 1 55 65 74 80
  E-mail: contact@gp-investment-agency.com

  Press contact: Christophe Scheidhauer, Project Manager for Lobbying and Benchmarking
  Address: 7 rue Balzac - 75008 Paris - France
  Phone: +33 1 55 65 73 10
  E-mail: cscheidhauer@gp-investment-agency.com

• Bain & Company
  - Research contact: Ada Di Marzo, Partner
    Address: 50 avenue Montaigne - 75008 Paris - France
    Phone: +33 1 44 55 76 69
    E-mail: Ada.Dimarzo@Bain.com

  - Press contact: Caroline Detalle, Marketing and Communications Director
    Address: 50 avenue Montaigne - 75008 Paris - France
    Phone: +33 1 44 55 77 03
    E-mail: Caroline.Detalle@Bain.com Stephanie.herrmann@bain.com