

FUSION ISLAMIC PROFIT DISTRIBUTION

Automated Profit Calculation and Distribution for Improved Efficiency and Greater Customer Satisfaction



Islamic banks are lagging behind conventional banks: While the banking industry is averaging a 15% ROE, Islamic banks average just 12.6%.”

PwC, 'Voice of the Customer' Survey

Islamic banking assets have passed \$1.7 trillion worldwide, with annual growth of over 17%. Islamic banking is a key growth area, but how to stay ahead of competition, differentiate your bank and gain market share?

Growth in assets held by Islamic banks is strong, but consumer confidence and loyalty is waning. According to research by PwC, 23% of Muslims aged 18-24 use non-Islamic products, but for those aged between 45-64 this soars to 58% using non-Islamic products. And as the 'silver economy' is expected to expand towards 2050, this presents both a challenge and opportunity to Islamic banks. How will banks win back the older generation to Islamic banking?

Islamic banks need to match the service levels of conventional banks—but to win new customers, they will need to offer something more, something better.

Accelerate time-to-market. The complexity of Islamic banking products results in a slow and costly product launch process—from design, through to Shari'ah Board approval and final release. In order to remain competitive and out-innovate your competitors, it is essential that you can accelerate this process.

Drive profitable growth. Post the global financial crisis, banks have struggled to recover pre-crisis Return on Equity (ROE) levels. Islamic banks in particular are running at lower-than-average ROE, due in part to higher-than-average administrative and operational costs. Now they must innovate and use technology to automate, find new efficiencies and profitability.

Manage obligations to be Shari'ah-compliant. Only 52% of Islamic banks' customers believe their provider 'is a true Islamic bank and follows Islamic Shari'ah' (PwC). This consumer distrust is diluting the value of Islamic banking at its essence. Banks need to not only better manage their Shari'ah obligations, they need to demonstrate this publicly to their customers.

Capitalize on the Many Opportunities Offered by Islamic Banking

There will be no success without technology modernization. To attract and keep next generation customers requires a truly next-generation technology underpinning your service offering.



Estimated 40% process time reduction for calculation, review and distribution of profit.”

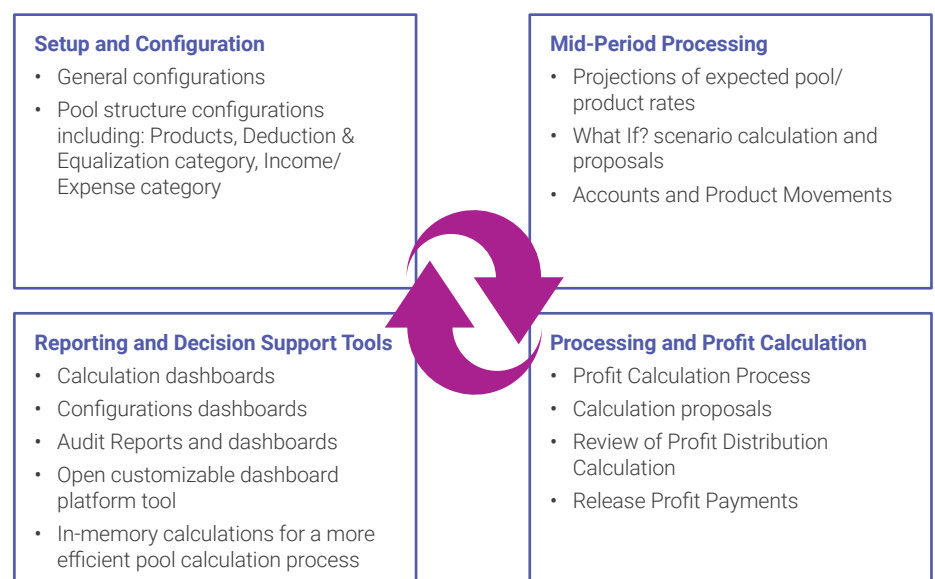
The prohibition of interest payments to customer deposits requires Islamic banks to ensure profit payouts are conducted in accordance with Shariah principles. This process of calculating actual profit generated and efficiently managing the distribution without automated tools poses several challenges to Islamic banks.

Key Profit Calculation Challenges

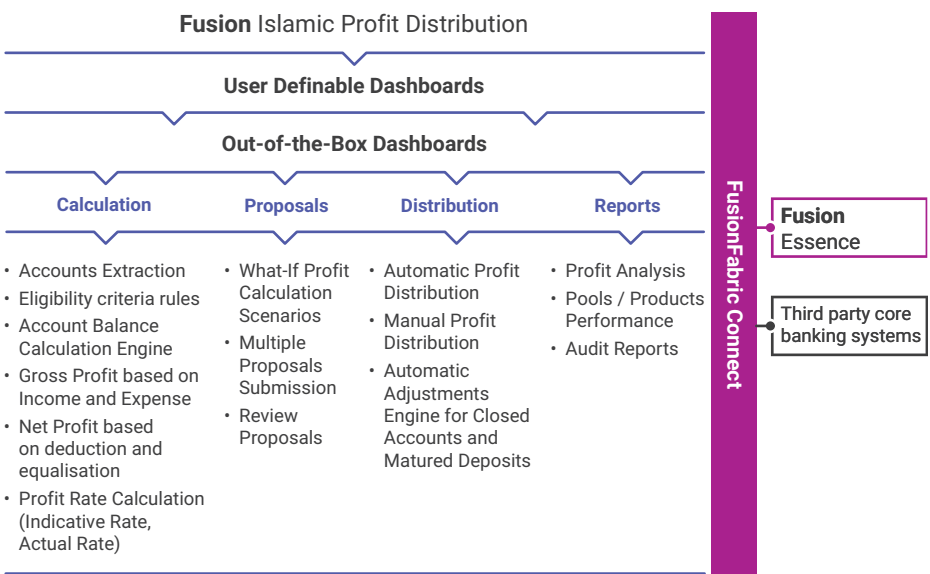
- **Data Accuracy**
Manual calculations and posting increases the risk of calculation and posting errors.
- **Administrative Overheads**
Increased administrative overheads manually managing the calculations through spreadsheets.

- **Time to Distribute Profit**
Increased time required to identify the correct profit rates/amounts for distribution post profit period.
- **Decision Support**
Income / expense monitoring and historical data comparisons are hard to visualize.

Profit calculation and distribution is a regular process requiring complex calculations and financial postings which, if not automated, become a stressful and error-prone activity. Utilizing an automated solution allows banks to effectively manage this critical business area in a more structured manner.



Automatic Islamic Profit Distribution for Greater Efficiency



Solution Components

Fusion Essence Islamic Profit Distribution makes profit distributions highly efficient. With Fusion Islamic you are able to compete with both Islamic banks and conventional banking methods of interest pay-outs, in both rates and customer satisfaction, reducing time-to-market both for new products and the distribution of profits. All profit rate adjustments are made within the confines of Sharia compliance and handled automatically by the system.

Fusion Islamic Profit Distribution is able to:

- Provide each bank with facilities to tailor profit calculations according to the product set
- Define pool structures that reflect the income and expenses for finance and investment transactions funded by each pool

- Based on Shari’a-compliant Balance Sheet and Profit and Loss formats, the profit allocation model allows banks to specify the rules for splitting profits

Fusion Islamic Profit Distribution solution provides end-to-end capabilities to manage the entire profit calculation and distribution cycle.

The process automation coupled with a complete set of dashboard data analytics capabilities gives decision makers of Islamic banks the tools to make accurate decisions. These decisions include innovative pool structures and profit distribution rates to ensure customer satisfaction is maximized in accordance with Shariah principles.

Key Solution Benefits

Key Benefits

Fusion Islamic Profit Distribution provides a provision of innovative liability product offerings, enabled by definition of granular restricted pools with a more focused customer profit rate. In-memory technology results in efficient payment process with prompt payments of profit.

- Islamic Profit Distribution provides reduced operational risk due to a high automation level of calculation, review and distribution of profit.
- Islamic Profit Distribution adopts data analytics capabilities to efficiently perform complex pool profit calculations in seconds. The on-screen dashboards provide insight into the

relevant information allowing CFO's to take the best actions and decisions to benefit their investors/customers within the confines of Sharia principles.

- By having the right information, Islamic banks can maximize revenues by structuring specific pools and profit calculation methods that maximize revenue for their investors
- The streamlined process allows banks to target a shorten the timeframe to calculate, approve and distribute profit to their customers, increasing their competitiveness with both Islamic and conventional banks.



Maximize revenue opportunities



Increase competitiveness



Improve customer service



Minimize operational risk



Leverage existing investment in banking technology



Ensure compliance with rules and guidelines

About Finastra

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