

# Expansion drive in Germany's Islamic banking sector



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**In 2018, the outstanding growth course of the Islamic banking sector in Germany has been supported by a variety of factors, including the introduction of new, leading-edge products and services, the establishment of a scientific base as well as market movement and advanced digitization. KT Bank, the first and only bank in Germany and in the Eurozone with Islamic financial products and services, has maintained its progress following a five-year financing and deposit business target plan.**

With a current balance sheet total of more than EUR300 million (US\$339.01 million), KT Bank's performance remains dynamic in volume and in the growth of a sustainable client base in the retail, corporate and institutional area. Half of the Islamic banking clients in Germany to date are estimated to be of Turkish descent, among them many heads of SMEs on the corporate side, while around one-third of clients are Arabic. A compelling effect of the acknowledgement of the universally ethical SRI standards of Islamic banking in the German market is an increase of the non-Muslim client market share.

The main pillar of the successful market establishment, from the beginning of its Islamic banking operations in Germany in 2015 until today, is a unique, state-of-the-art and permanently updated Islamic banking product and service portfolio which saw major advancements in 2018.

## Review of 2018

The highlight of the 2018 product extension from the Islamic side in Germany was the introduction of a new, pioneer payment solution named Jetzz Card. The automated instalment payment method with easy and time-saving fund utilization which substantially simplifies instalment shopping is based on the Debit Mastercard. The innovative solution comes with ethical standards in line with the interest-free and value-based Islamic business model. Whereas conventional overdraft facilities and revolving credit cards are not Islamic-compliant, Jetzz Card functions by fixed financing instead of interest rates according to Murabahah financing for moveable goods and Tawaruq for the purchase of services like flight tickets. Jetzz Card focuses on unexpected expenses whilst offering an attractive alternative to a conventional instalment credit – not only for Muslims, but for all clients interested in a cost-effective and flexible solution.

Another focal point in the efforts for sustainable profitability in 2018 was the ongoing investment of the Islamic banking sector into efficient digitization as fintechs, digital banks, and platform providers were increasing the challenges for traditional banks by disrupting their value chains, including a new Shariah compliant fintech. As KT Bank had always been embracing the strive for digital maturity based on the innovation-led approach of its mother bank Kuveyt Turk, in 2018, it started a cooperation with a German fintech to establish new investment products. Last year the bank launched its mobile banking app.

2018 also saw an intensified cooperation with KT Bank's mother group. As Germany's only fully-fledged bank in the Islamic sector which is also wholly owned by a participation bank in Turkey, Kuveyt Turk Participation Bank, whose main shareholder is Kuwait Finance House, one of the leading Islamic banks in the world, this strong background serves as an opportunity for transnational client



services and enhances the Islamic position in the German and eurozone market. Among the services launched in 2018 were euro account services for institutional clients as well as remittances to accounts at the mother bank in Turkey for a service charge of only EUR1 (US\$1.13).

Due to the upward trend of the Islamic finance models and their market share in Germany, the growing public, economic and scientific demand for information on Islamic banking theories are on the rise as well. In order to provide Islamic banking in a European context with a scientific base for the first time, KT Bank contributed to the organization of an interdisciplinary forum in May 2018. At the 1<sup>st</sup> International Conference on Faith & Finance in Germany, an international elite of scientists and economic experts, Muslim and Christian economic representatives, globally renowned professors and bankers, legal professionals, ethics experts, as well as entrepreneurs and representatives of regulatory authorities discussed the latest developments in the faith-based banking sector. The main topic was its enormous potential to foster the balance of profit motive and social responsibilities to shape an alternative future of finance.

## Preview of 2019

Pursuing its steady growth course in 2019, the Islamic banking sector in Germany will continue to further advance its portfolio, branch services and digital environment, like the enhancement of the online direct banking structure. Product-wise, a new savings account for monthly sums on the basis of the participation account is to be introduced. Moreover, the Jetzz Card instalment payment solution will be further developed whilst the mother group synergies will be extended by the development of investment products for the German market that resemble successful products of Kuveyt Turk and Kuwait Finance House. By the same token, the gold banking expertise that was transferred into the German market in 2018 by KT Bank's mother bank Kuveyt Turk will result in a significant focus being placed on gold savings plans according to German national regulations.

## Conclusion

In 2019, like in the years before, KT Bank, as a key player in the Islamic eurozone sector, will sustain its efforts as a first mover in an increasingly important market share, cultivating a universally ethical alternative to the conventional banking sector that can attract Muslim and German SRI target audiences alike. (👍)