

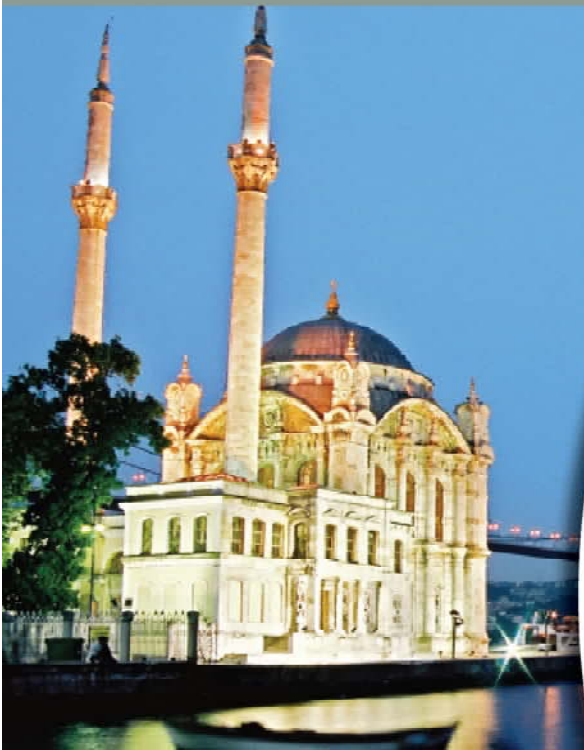
THE INTERNATIONAL



**ISLAMIC FINANCE
FORUM**

New Markets

The Growth Imperative



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UM Financial

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Çırağan Palace Kempinski Hotel
Istanbul, Turkey

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UM Financial Today

- Has received close to \$120 million in commercial funding from a Canadian Financial Institution to fund Canadian Muslim residential households
- Designed, marketed and distributed Shariah compliant mortgages and deposit accounts in Canada
- Had a branch network of 8 retail locations
- Launch of a \$100 million Canadian real estate investment fund
- UM is listed in The Banker magazine's Top 500 Islamic Financial Institutions listing
- UM is a member of IFSB and AAOIFI

Canada's Muslim Demographics

- Statistics Canada Census Muslim Population

1991 – 256,000	0.9% Canada Population
2001 – 597,000	2.0% Canada Population
2006 – 930,600 (Projection)	2.9% Canada Population
2017 – 1,784,300 (Projection)	4.9% Canada Population

Muslim population is doubling every 10 years (86% live in 6 cities)

- 2001 Census Mississauga 6.9% (1 in 14) Toronto 5.5% (1 in 18)

- Canada's Muslim population driven by Immigration. Canada is resource rich ie. Oil Sand Tars in Alberta have a oil reserve 6 times that of Saudi Arabia
- Islamic Finance in Canada started 25 years ago within Co-operatives with pooled funds funding homes. Limited resources and growth
- Islamic Mutual Funds started almost 10 years ago but have not surpassed \$6 Million. Current Islamic Mutual fund is at \$3 Million.

Islamic Finance Retail in the N. America

- In Canada **Royal Bank of Canada** launched a Link note investment Islamic retail product in 2003. **Dynamic Mutual Fund** launched an Islamic Mutual Fund. In 6 years it had only \$6 Million in assets. Both were discontinued due to failure to penetrate in Muslim community largely due to misconceptions.
- **Guidance Financial** recently surpassed \$1 billion in residential mortgages in the US market. Two regional conventional banks have Islamic windows (**Devon Bank** in Chicago and **University bank** in Detroit). They are primarily funded by a facility setup by Freddie Mac that is approaching \$2 Billion. **HSBC NY and United Bank of Kuwait** offered Shariah compliant products but discontinued.

UM Financial Timeline

- **2004** Incorporation and Product Development Stage
- **2005** First home financing arranged
- **2006** Reached \$100 Million plateau in 18 months. Launch Investment fund using community funds for high ratio mortgages.
- **2007** Launch Shariah Compliant Deposit products and UM Real Estate Investment Fund
- **2008** Launch of our UM banking products partnered with international banks. Secured a \$100 Million term sheet with an option for up to \$1 Billion

UM Islamic Mortgages vs Conventional

- Interest based loans are forbidden in the Islamic faith but commercial trade is encouraged
- Shariah compliant mortgages are based on partnership (trade) with proportional profit/rent payments vs. loan with interest payments
- Kosher /Halal meat options vs. conventional meat. Require Shariah board approval, end product very little different, distributed through conventional and Muslim stores
- As an Islamic organizations we practice social justice where we have financed clients whom we provided short term interest free loans and in some cases with clients waived our fees completely.

Structure of Home Financing

- Commercial Financing Facility setup from a Canadian Institutions structured as a Mudarabah.
- **Conventional Mortgage** 5 Year Term \$200,000 funds released. Mortgage security \$200,000 registered at 6.1%
- **UM Mortgage** 5 Year Rent Term \$200,000 funds released. Mortgage security \$200,000 + 30,500 Rent/Profit registered at 0%. Principal + Rent/Profit
- Monthly collections are shared back with the Canadian institution at a 97% and 3% ratio
- Client obtains a home with no documents having interest and UM Financial having legal equity ownership

Shariah Mortgages Portfolio

- Clientele have low debt burden with average TDS and GDS being 30%
- Clientele is mostly A grade with credit scores average of 750
- Clientele has a down payment average of 31%
- Network of 8 branches to educate community on structured Islamic Finance Products
- Product approval have gone through all the regulators OSFI, FSCO, OSC, CMHC, Ministry of Finance

UM Shariah Mortgages Today

- Registered database of 5,000 Muslim households; who either registered online, met at offices or registered at one of sponsored community events
- Majority of potential clients have conventional mortgages with major banks and are willing to transfer due to a Shariah compliant mortgage structure
- We estimate a total of 200,000 Muslim households today.
- UMF is planning to finance at a minimum (conservatively) 2.5% of the Muslim households
 - i.e. 5,000 mortgages @ avg. mortgage \$200,000 per within the next two years, which should result in a potential mortgage portfolio of \$1 billion.
 - Studies: LloydsTSB 75%, E&Y Bahrain 90% Market

Shariah Deposit Product

- \$120 Million Funding facility was from a Canadian Institutions client deposit base who were non-Muslims
- Working with the Credit Union structuring five Shariah compliant bank accounts for clients
- Funds on deposit are re-invested in Shariah mortgages where profits are channeled back to the Credit Union which in turn shares the profits with depositor
- Returns to clients are acceptable under Islamic practices as the underlying investment is Shariah approved

Institutions that are community originated

- Successful business model when compared to other financial institutions and Shariah compliant products
 - ie: Failure of RBC Linked Note Investment Product 2003 and Dynamic Mutual Fund
 - Ie; Success of community based initiatives in the US such as Amana Mutual Funds and Guidance Financial of \$1 Billion+
- Islamic Finance is new to most Muslim and is best communicated with community based organizations that are customer driven not profit driven
- Giving funds is always easier then taking funds. Home financing is key driver
- Islamic finance is similar to Halal/Kosher meat. Either your practice or one does not

Current Projects

- UM Real Estate Investment a \$100 Million fund that invests in Canadian residential and commercial properties
- UM Realty Services Inc. independent Real Estate brokerage; UM Development to facilitate development projects
- Final launch of a Islamic mortgage product with \$100 Million and option for \$1 Billion
- Retained by new mortgage operations in **Saudi Arabia** and **Bangladesh** to share our success and expertise in other markets. Actively looking at acquisition in the US market to expand our operations North American wide.

Conclusion

The same way today majority of Muslims eat Halal meat, the majority of Muslims will maintain financing in a Shariah compliant manner. The industry to grow has to educate our own community and provide quality products and services which have strong Islamic traits.

Thank you. Questions?



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