
Maybank Philippines, Inc.
Islamic Finance in the Philippines
26 June 2025
Humanising
Financial Services
Maybank

What is Islamic Finance?

- Islamic Finance is a finance system that complies with the **Shari'ah Law (Islamic Law)**.
- Islamic Finance operates alongside the conventional financial system which includes Commercial Banks, Investment Banks, Insurance Companies, Asset Management Companies, etc.
- Islamic Finance offers a full suite of Shari'ah-compliant products & services such as **financing, deposits, investments, treasury, asset management, wealth management and Takaful products**, as well as **fund raising through capital markets**.



What are the key values of Islamic Finance?



Fairness for all



Mutual risk and profit sharing between parties



Prohibition of interest; transactions must be based on an underlying asset or business activity



Prohibition of excessive uncertainty & speculation



Prohibition of involvement in unethical activities such as liquor, gambling, tobacco and weaponry.

Major Prohibitions of Islamic Banking



Riba
(Interest)

Loan with interest charged and compounding factor on interest charged.



Maysir
(Gambling)

A game of chance where there is material loss to the loser; lucky draw contest in which the prizes are funded by the participants' contribution (customers).



Gharar
(Uncertainty)

Sale of item that has unknown value, existence or deliverability, deceitful or ambiguous terms; selling of goods without knowing its sale price.



Haram
(Impermissible Activities)

All forms of inequity, injustice, exploitation and wrongdoings; involvement of intoxicants such as illicit drugs and alcohol.

Misconceptions of Islamic Banking



For MUSLIMs only

There is NO prohibition for non-Muslims to subscribe to Islamic Banking products or own an institution offering Islamic Banking services.





REPLICA of Conventional Banking

Islamic Banking is often misunderstood as merely mirroring conventional banking due to similar economic objectives, but it operates on distinct principles including prohibitions against riba, maisir, gharar, and haram.

Islamic Banking vs Conventional Banking

CHARACTERISTICS	ISLAMIC BANKING	CONVENTIONAL BANKING
Prohibited Elements 	◦ Not allowed to participate in businesses, activities and transactions that involve elements of interest, uncertainty, gambling, and other impermissible (haram) activities/businesses.	◦ No prohibited elements.
Banking Business Contract 	◦ All financing and deposit transactions are supported by Islamic contracts. ◦ Requirement of an underlying asset	◦ Lending contract for both loan & deposit products.
Treatment of Money	◦ As a medium of exchange.	◦ The subject matter of loan and deposit transactions.

Islamic Banking vs Conventional Banking

CHARACTERISTICS	ISLAMIC BANKING	CONVENTIONAL BANKING
Income/ Return 	◦ Profit-based (profit earned in exchange of goods & services). ◦ Dividend-based (dividends earned from investment). ◦ Fee-based (fees earned from services provided - Ujrah).	◦ Interest-based (income earned in a loan transaction). ◦ Fee-based (fees earned from services provided).
Penalty on Default Payment	◦ Charges ta'widh (compensation fee) ◦ Charges Gharamah (penalty) ◦ No compounding element	◦ Charges penalty interest ◦ Has compounding of interest
Shari'ah Advisory Council 	◦ Compulsory for each Islamic Bank / Unit to ensure Shari'ah compliance in line with bank activities.	◦ Not required.

Islamic Banking vs Conventional Banking

CHARACTERISTICS	ISLAMIC BANKING	CONVENTIONAL BANKING
Customer – Bank Relationship 	◦ Seller & Buyer (Murabahah) ◦ Lessor & Lessee (Ijarah) ◦ Principal & Agent (Wakalah)	◦ Debtor & Creditor or Lender & Borrower (loan/lending contract) ◦ Principal & Agent
Zakat* Payment 	◦ Payment of Zakat is compulsory.	◦ Payment of Zakat is not required; concept is not applicable.

* ***Zakat*** - The word zakat means "purification" or "growth" in Arabic. It reflects the idea that wealth is purified when a portion is given to those in need, and it ensures the wealth of the giver is blessed and increases. It is one of the Five Pillars of Islam, signifying a critical act of worship and social responsibility for Muslims. It is a mandatory charitable contribution designed to purify wealth, support those in need, and foster economic equality. (Source: American Halal Foundation, "What is Zakat?", https://halalfoundation.org/what-is-zakat/)

Philippine Islamic Finance Landscape

Geographic and Demographic Factors



Key Highlights

- **Population:** PHP119.1 million in 2024, with a growth rate of 1.53% and a median age of 26 years.
- **Religion:** Predominantly Christian, Islam is the second most followed religion, with about 7 million, or ~11% of the population.
- **Muslims Habitation:** Mainly Mindanao region, especially the BARMM, where 91% of the 4.9 million are Muslim. 29% of cities and municipalities in the Philippines remain unbanked, with BARMM as the most unbanked region (92% or 110 out of 119 cities and municipalities).
- **Presence of Islamic Banks/Islamic Banking Units:** Only three Islamic banking players in the country.

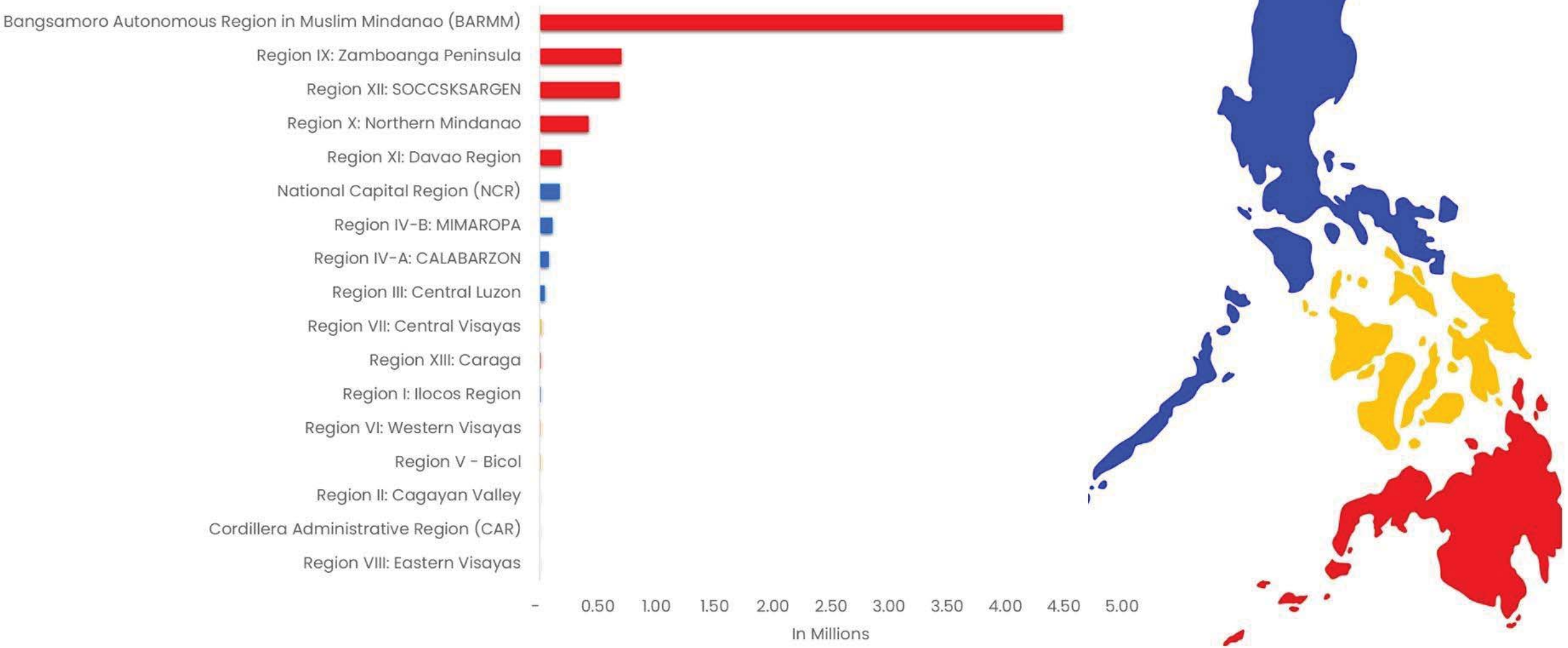
Implications

- For introducing Islamic finance into the Philippines, understanding these geographic and demographic factors is crucial.
- The significant Muslim population in the BARMM and its concentration in specific provinces highlight the potential for growth and acceptance of Islamic finance in these areas.
- The geographical spread and the demographic distribution suggest that targeted initiatives in these regions could effectively address the needs of the local Muslim population.

Source: Unlocking the Potential of Islamic Finance in the Philippines: A Market Analysis and Landscape Report. October 2024

Philippine Islamic Finance Landscape

Philippine Statistics Authority: Religious Affiliation in the Philippines

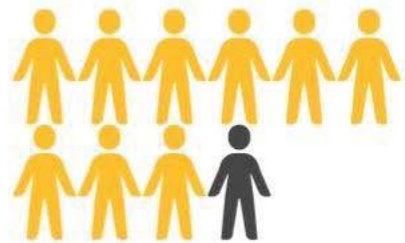


Religious Affiliation in the Philippines (2020 Census of Population and Housing) | Philippine Statistics Authority | Republic of the Philippines (https://psa.gov.ph/content/religious-affiliation-philippines-2020-census-population-and-housing)

Philippine Islamic Finance Landscape

Asian Development Bank: Potential for Islamic Finance

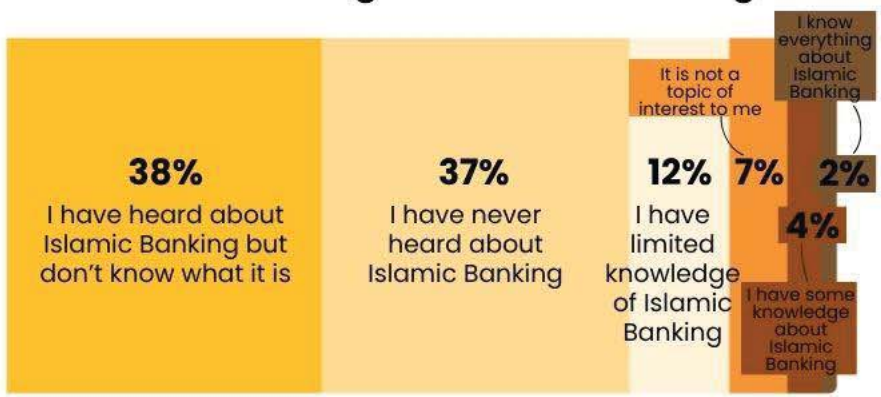
Respondents



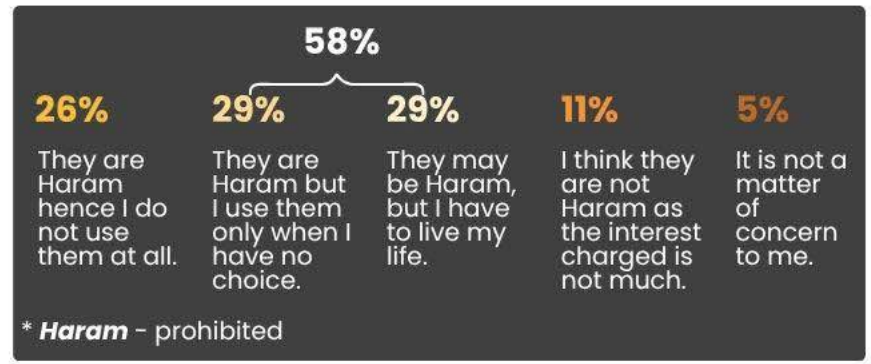
Individuals

Business Owner / Decision-makers

Individual Knowledge on Islamic Banking



Attitudes towards Interest-Based Products



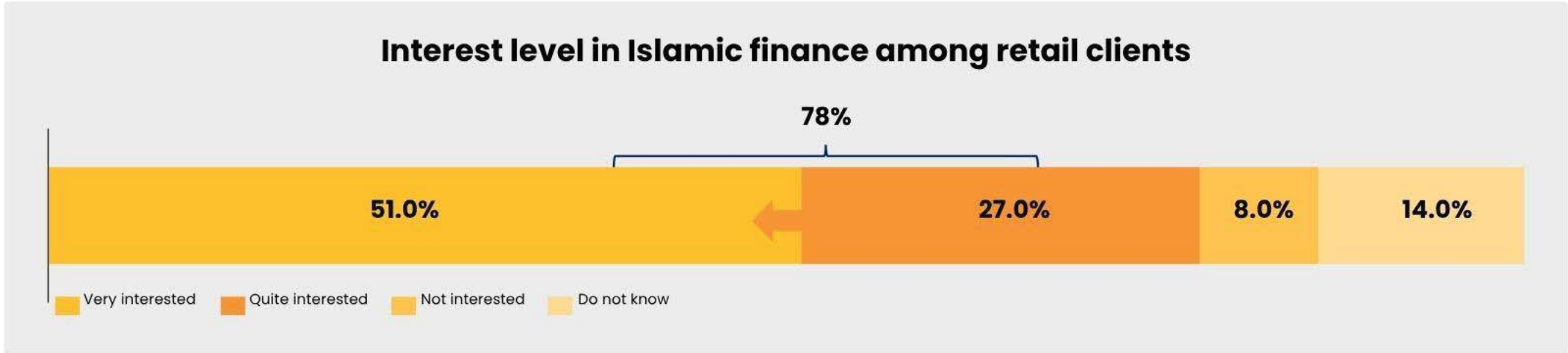
Key Highlights:

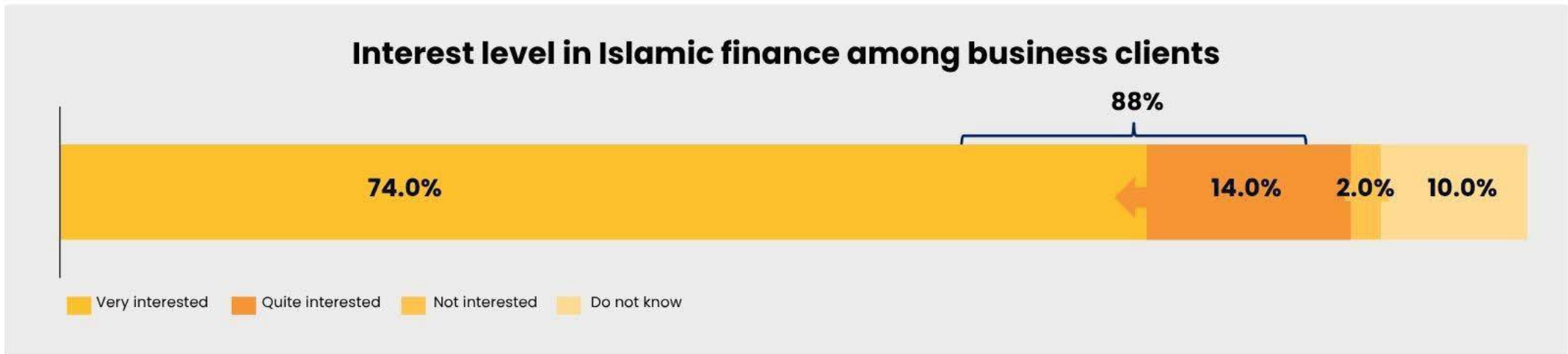
- 70% of respondents felt compelled to use interest-based products due to limited access to non-interest based financial solutions, and would prefer to utilize Islamic financial services
- A significant portion of the respondents were aware of Islamic banking, with 38% having heard of it but lacking understanding, and 37% completely unaware of it
- 52% of respondents has interest-based products that is driven by necessity rather than disregard for religious beliefs.
- The reluctance to use interest-based products is counterbalanced by the need for financial services and the lack of viable alternatives, presenting a unique opportunity for Islamic banks to offer Shari'ah-compliant products.

Source: Unlocking the Potential of Islamic Finance in the Philippines: A Market Analysis and Landscape Report. October 2024

Philippine Islamic Finance Landscape

Asian Development Bank: Interest Levels in Islamic Finance: Retail vs. Business Clients



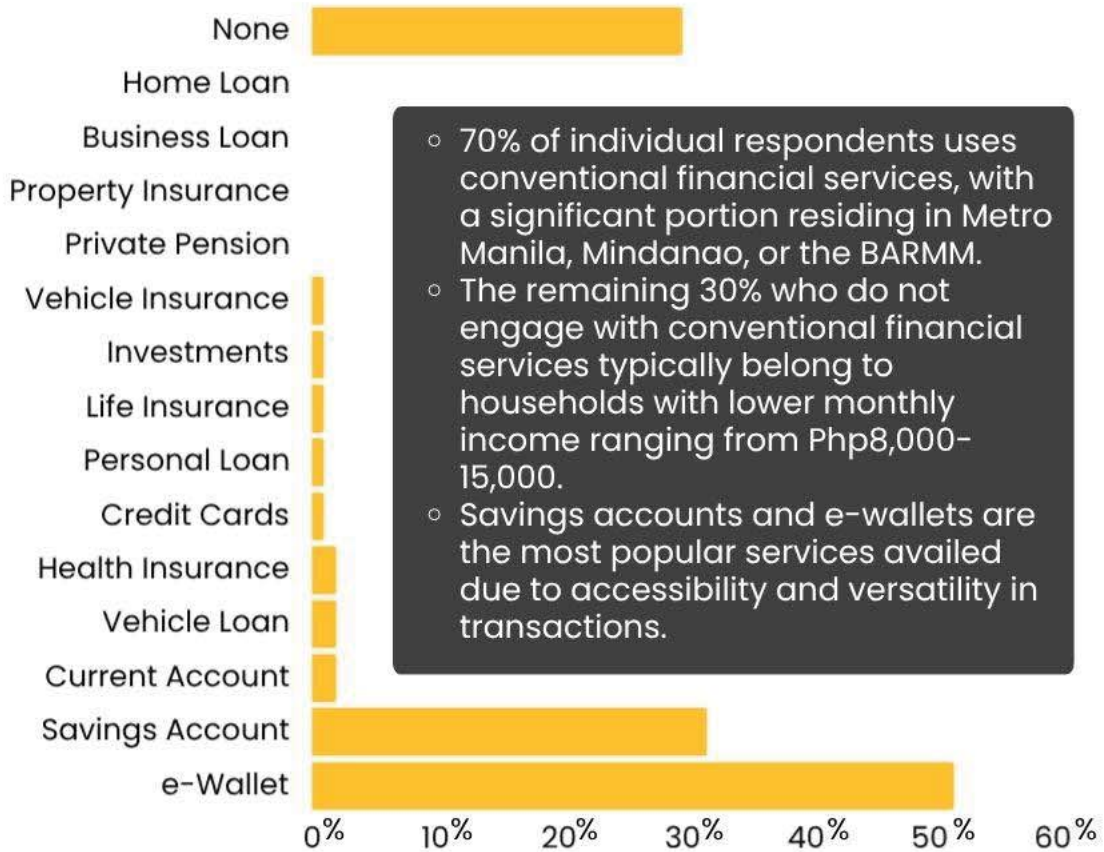


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Philippine Islamic Finance Landscape

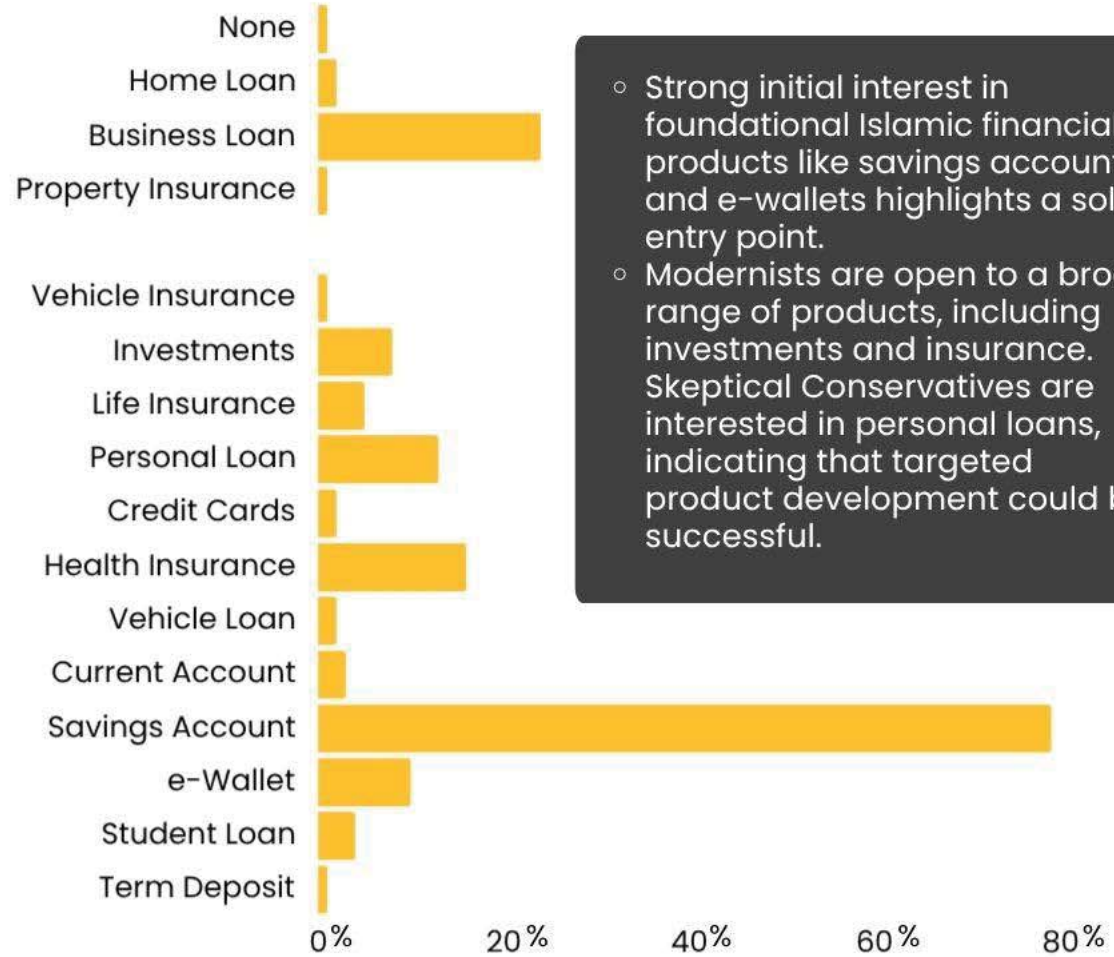
Asian Development Bank: Availed and Preferred Financial Services (Individuals)

Availed Conventional Financial Services



- 70% of individual respondents uses conventional financial services, with a significant portion residing in Metro Manila, Mindanao, or the BARMM.
- The remaining 30% who do not engage with conventional financial services typically belong to households with lower monthly income ranging from Php8,000-15,000.
- Savings accounts and e-wallets are the most popular services availed due to accessibility and versatility in transactions.

Preferred Islamic Financial Services



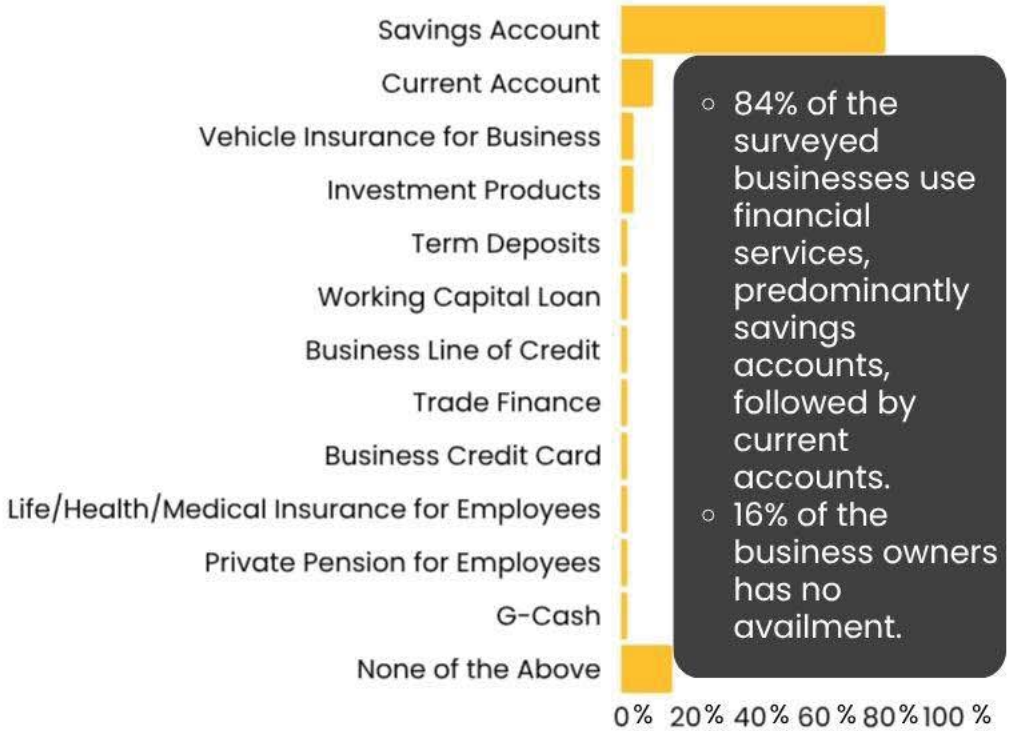
- Strong initial interest in foundational Islamic financial products like savings accounts and e-wallets highlights a solid entry point.
- Modernists are open to a broad range of products, including investments and insurance. Skeptical Conservatives are interested in personal loans, indicating that targeted product development could be successful.

Source: Unlocking the Potential of Islamic Finance in the Philippines: A Market Analysis and Landscape Report. October 2024

Philippine Islamic Finance Landscape

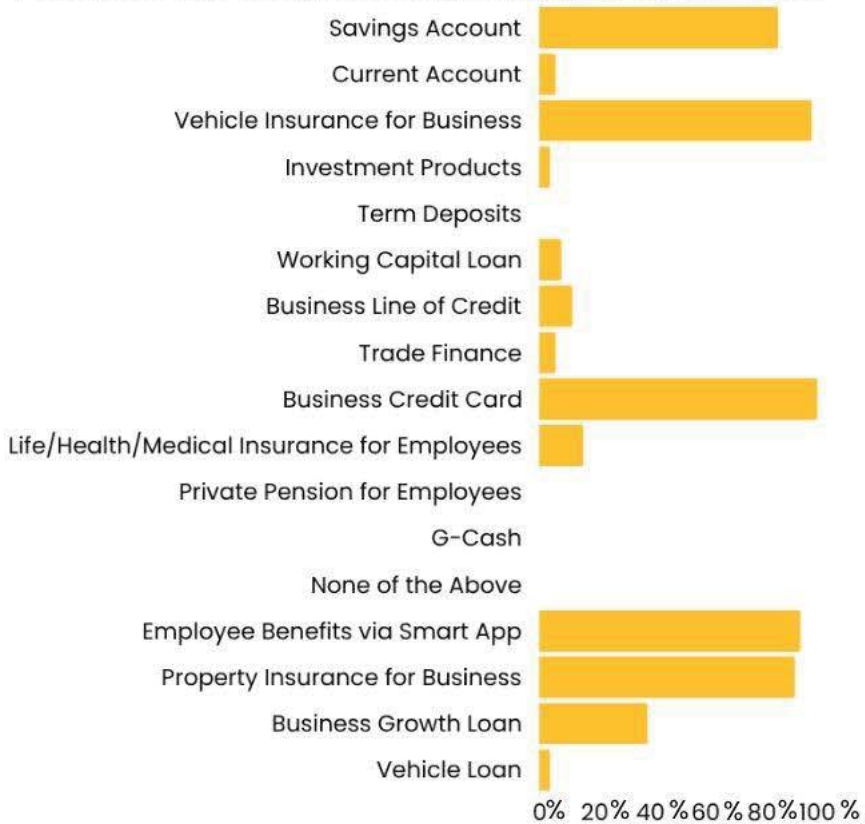
Asian Development Bank: Availed and Preferred Financial Services (Business Owners)

Availed Conventional Financial Services



- 84% of the surveyed businesses use financial services, predominantly savings accounts, followed by current accounts.
- 16% of the business owners has no availment.

Preferred Islamic Financial Services



- 100% interest in business credit cards suggests a significant opportunity.
- High interest in Islamic vehicle and property insurance among businesses indicates a strong potential market for Takaful products.
- While 86% of businesses are interested in basic services like savings accounts, there is considerable interest in specialized products like business loans (39%) and lines of credit (12%). These insights reveal a diverse demand for Islamic financial services.
- The lack of familiarity with Islamic banks and limited branch accessibility are cited as barriers.

Source: Unlocking the Potential of Islamic Finance in the Philippines: A Market Analysis and Landscape Report. October 2024

Philippine Islamic Finance Ecosystem

Whole-of-Government Approach



BSP's Single Regulatory Framework

Conventional regulations apply to Islamic banks.



Regulations are adjusted and supplemented to address unique features of Islamic banking.

The objective is to create an enabling environment where Islamic banks and Islamic banking units can operate alongside conventional banks.

Source: Unlocking the Potential of Islamic Finance in the Philippines: A Market Analysis and Landscape Report. October 2024

MPI's Journey: Key Milestones & Achievements

2019

- The Islamic Banking Law under Republic Act No. 11439 was enacted, providing a framework for the establishment and operation of Islamic Banks in the Philippines.

2021

- The BSP's Islamic Banking Supervision Group was formed.

2022

- BSP issued the guidelines for reporting Islamic banking and finance transactions/ arrangements was issued under Circular No. 1139.
- The Philippine Deposit Insurance Corporation (PDIC) amended insurance coverage of Islamic bank deposits.

2023

- BSP issued Circular No. 1173 on the modified minimum capitalization of conventional banks with Islamic Banking Unit.
- **MPI starts business case for establishing and operating an Islamic Banking Unit.**

Q1' 2024

- **The MPI Board of Directors approved the business case for MPI's Islamic Banking Unit.**

Q2' 2024

- **The Group Executive Committee granted approval for MPI's Islamic Banking Unit.**
- **Renovation work began at the Zamboanga Branch.**
- **The MPI Board of Director and Maybank Islamic Berhad's Shariah Council approved the first Islamic CASA product offerings.**

Q3' 2024

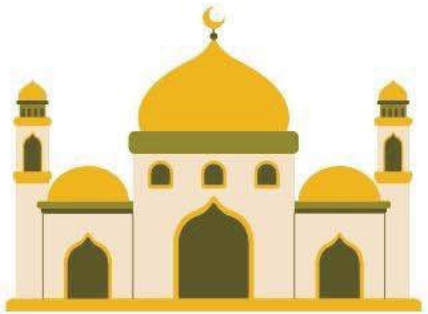
- **The Bangko Sentral ng Pilipinas (BSP) granted MPI the license to operate an Islamic Banking Unit.**
- **Representatives from Maybank Group Islamic conducted training for MPI IB Champions.**
- **All technical and operational requirements were completed.**
- The Philippine Deposit Insurance Company (PDIC) approved coverage for Islamic deposit accounts.
- **MPI inaugurated the first commercial Islamic Banking Unit in the country.**

Q4' 2024

- **The Zamboanga IBW ended the year with 140% achievement rate on Islamic CASA deposit level.**



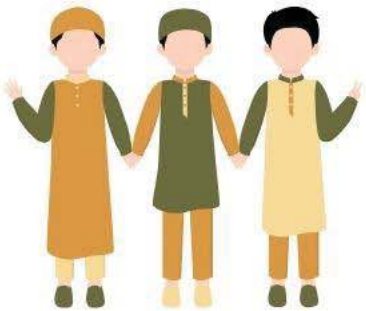
Implementation Strategy in the Philippines



Focus on high-potential Muslim communities.



Establish relationships with religious and community leaders.



Generate referrals through networks.



Tap government agencies, trader associations, Islamic cooperatives, Halal businesses, etc.

Islamic Banking Windows

As of June 16, 2025



1 Zamboanga Branch

- *Butuan Branch*
- *Cagayan de Oro Business Center*

2 Main Office Branch

- *Commercial Business District*
- *South Luzon Branches*

3 Greenhills Branch

- *North Metro Branches*
- *North Luzon Branches*

4 Cebu Business Center

- *Bacolod*
- *Cebu Downtown*
- *Cebu Mandaue*
- *Dumaguete*
- *Iloilo*
- *Iloilo Jaro*

5 Davao Business Center

- *Davao Lanang*
- *Davao Monteverde*

Taguig Market: Targeting Embassy Markets for Corporate & HNWI Referrals

HNWI and Corporations

- Embassies located within the City of Taguig:
  - Embassy of the State of Qatar (BGC, Taguig)
  - Oman Embassy (BGC, Taguig)
  - United Arab Emirates Embassy (BGC, Taguig)
- Embassies located within the City of Makati:
  - Royal Embassy of Saudi Arabia in Philippines (Makati)
  - Embassy of The State of Kuwait (Makati)
  - Embassy of The Republic of Iran (Makati)
  - Turkish Embassy (Makati)
  - Malaysian Embassy (Makati)
  - Indonesian Embassy (Makati)



Opportunities

- MOB has existing relationships with Embassies of Qatar, Saudi Arabia, Kuwait, and Indonesia, and can leverage on these relationships to acquire corporate accounts and HNWI referrals.
- Other embassies of Muslim-dominated countries will be tapped as well.

Taguig Market: Retail Mass Market

Retail Mass Market

- Maharlika Village is one of the 28 barangays of Taguig. It has an area of 54 hectares (130 acres) and has the biggest Muslim community in Metro Manila with a population of 18,406. (https://www.taguigeno.com › maharlika-village.html; July 27, 2023)
- Residents are from lower income families.
- Location of the Blue Mosque, but no commercial institutions (fast food, banks, etc.)





Opportunities

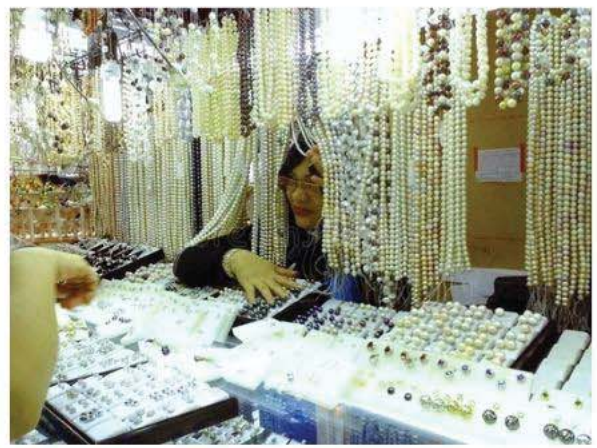
- Area can be serviced for reach/financial inclusion through MPI's online platform M2U.

Greenhills Market: High Potential for Retail Deposits, Retail & Business Financing

Mass Market, Affluent and RSME

- Strong Muslim Business Presence:
  - Approx. 80% of establishments in the Greenhills area are Muslim-owned.
  - The Greenhills Traders Association accounts for at least 1,000 businesses, primarily trading in retail merchandise, jewelries, and gadgets.
  - Location of the Greenhills Mosque.
- Capital Base:
  - Businesses have working capital ranging from PHP 3-5 million for retail traders to over PHP 100 million for high-value traders (jewelry and electronics).





Opportunities

- According to the president of the Greenhills Traders Association, they only bank with the local banks because of the unavailability of an Islamic bank. Al-Amanah, although in Greenhills, has no ATMs so funds are inaccessible. It would be helpful if the Maybank branch is located within the mall, to avoid robbery during transportation of cash which has happened several times before.

Cebu as Central Hub: Emerging Market for Retail Deposits and RSME Financing

Mass Market, Affluent and RSME

- Muslim Community Presence:
  - 43% of Muslims residing in the Visayas are in Central Visayas region. It is a small but active community, mostly found in urban centers like Cebu City and Iloilo City.
- Strong Muslim RSME Activity:
  - Businesses owned by Muslims are growing particularly in Cebu City. Businesses include Halal restaurants and trading hubs.
  - Halal certification is processed in Metro Manila.
  - There is untapped potential for Islamic deposits, Islamic RSME financing, and Halal trade support.



Opportunities

- There are no other Islamic banks/units in the Visayas region.
- Growth potential in Halal trade support.

Davao Market: High Potential for Retail Deposits, Retail & Business Financing

Mass Market, Affluent and RSME

- Muslim Community Presence:
  - Davao is home to a large and active Muslim population.
  - Muslim-owned businesses are mostly in retail and trading, Halal food services, and agricultural trade.
  - This is the location of the Davao Islamic Center and Madrasahs.
- Strong Muslim RSME Activity:
  - There is untapped potential for Islamic deposits, Islamic RSME financing, and Halal trade support.



Opportunities

- There are no other Islamic banks/units in the Visayas region.
- Growth potential in Halal trade support.

Davao Islamic Banking Forum and Launch of Davao IBW at Davao Business Centre

May 15-16, 2025













- Event sponsored by the Consul General of Malaysia
- Event attended by Davao City Muslim Affairs, Davao City Economic Enterprise, Davao City Information Office, Deputy Mayors of the Muslim Tribes

Launch of Metro Manila IBWs: Main Office Branch and Greenhills Branch

May 30, 2025













- Event attended by the Greenhills Traders Association.
- Event attended by Embassies of Malaysia, Morocco, Saudi Arabia, UAE, and Qatar, Department of Trade and Industry, Bangko Sentral ng Pilipinas (BSP), and Malaysian Chamber of Commerce

Cebu Islamic Banking Forum and Launch of Cebu IBW at Cebu Business Centre

June 16, 2025

Event attended by:

- BSP Visayas Regional Office
- Department of Trade and Industry
- Philippine Retailer Association Cebu Chapter
- National Commission on Muslim Filipinos
- Office of the Muslim Affairs and Indigenous Cultural Communities
- Cebu Filipino-Chinese Chamber of Commerce
- Cebu Muslim Brotherhood







SOON TO LAUNCH



Islamic Cash Management Services

- *Payroll*
- *Collection*
- *Disbursement*
- *Corporate Banking*

Q3 2025



Islamic Credit Card

Q2 2026



Islamic Auto Financing

- *Motor Takaful*

2026



Islamic Mortgage Financing

2026



Islamic SME Financing

2026



Digital Islamic Account

2026



Islamic finance in the Philippines remains in its early stages, requiring greater market education and clearer distinction from conventional banking. Yet, demand is steadily growing. Promoting broader understanding of its universal principles—such as ethical investing, risk-sharing, and financial inclusion—is essential, as Islamic finance is not exclusive to Muslims but supports inclusive economic participation and serves as a key pillar in developing the necessary ecosystem that will enable the growth of the Halal economy in the Philippines.

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