

Case Study Meezan Bank

Meezan Bank is managing rapid branch expansion with Temenos T24 core banking. It has developed a range of Islamic banking products for customers ranging from governments to individual consumers and is establishing a centre of excellence for Islamic banking.



Meezan Bank
The Premier Islamic Bank



Name
Meezan Bank

Headquarters
Karachi, Pakistan

Sector
Islamic Banking

Business Benefits

- Rapid rollout of comprehensive integrated core banking solution.
- Advanced architecture to provide performance to large branch network.
- Out-of-the-box Islamic banking functionality.
- Support from local partners and Temenos for development of Islamic banking products.

Numbers

- Profit after tax (2011): Rupees 3,391,000,000 (US\$36,075,000)
- Total assets (2011): Rupees 200,550,000,000 (US\$2,133,511,000)
- Return on average assets (2011): 1.91

Supporting Growth

Meezan Bank is the leading Islamic bank in Pakistan, and the fastest growing amongst both conventional and Islamic financial institutions.

Temenos T24 supports Meezan Bank's branch trading, from retail to trade finance, treasury, and all kinds of alternative distribution channels by integrating with the bank's middleware.

Meezan Bank was established in 2002 with four branches, now has 291 and plans to have more than 700 by 2017. The number of employees has doubled to more than 4,000 since 2007.

The initial procuring of T24 as its core banking system was in response to their management setting an ambitious branch opening target in its five-year plan. "Before T24, we had a decentralised service in all branches. The expansion policy of 2004/5 forced us to rethink and we decided to adopt for a centralised integrated application," explains Executive Vice President, IT, Iqbal Ahmad.

Ahmad heads up IT operations and is responsible for implementing T24 in all branches, for support and for development and enhancement of applications. "We evaluated a number of applications and chose T24 because of its ability to support this ambitious growth from a single integrated platform. Meezan Bank was of the view that implementation of T24 was the quickest and safest route to acquiring and embedding international best practices," says Ahmad. "T24 offered stringent controls which are critical, indeed inevitable, and the single platform helps with disaster recovery and business continuity issues."

Meezan Bank is currently using T24 Release 8 and the IT department's next big project is an upgrade to T24 Release 12 on the new Temenos Enterprise Frameworks Architecture (TEFA) platform. Ahmad advises that the new hardware has already been ordered for the bank's high performance purpose-built data centre in Karachi.

Islamic Banking

In Pakistan some 95-96% of the population are Muslims, and they don't want to use banking services that are based on *riba* (interest), and which therefore break the laws of their religion. These numbers are small, compared to other countries in the same region, currently using mainstream banking services.

"When people have an option to bank with an institution which offers banking in line with their beliefs, they'll do more banking. It's the main reason, I believe, that Meezan Bank is growing so quickly," says Farhan Usmani, Vice President for product development and Shariah compliance in the Shariah advisory division.

Meezan Bank offers its branch customers a wide range of financial products, all of which go through a no-compromise Shariah-compliance audit. A similar process takes place on the opening of a branch. A Shariah Supervisory Board – which is completely separate from the bank's operations – oversees compliance and the bank meets with its business customers and reviews their processes in order to offer Shariah-compliant financing solutions.

"This kind of banking is based on a different mindset," explains Usmani. "Whenever you do a transaction in Islamic banking, whether it's a trading transaction or an equity transaction, you don't lend or borrow money. Over many years we've developed various structures that conform to this mindset, to cover trading, deposit, rental and services. I believe it requires some time for IT developers to understand this different mindset."

Usmani's experience is that compliance with Shariah law is not a constraint but a discipline which can provide better results: "Some may consider banking in an Islamic manner complicated and therefore a hindrance but we view it as an opportunity. If you invest in a good product development wing and in research, it improves your business range. We've reacted to the challenge that we might not compete with conventional banks and have been able to offer more products than our conventional counterparts."

In retail banking, consumers can open deposit accounts, make payments and take advantage of finance products to help buy a house, a car or a laptop. "We have the largest product range of any bank in Pakistan, including our conventional rivals," says Usmani. Meezan Bank also competes in all channels, offering its customers SMS alerts, internet banking and a call centre.

"We evaluated a number of applications and chose T24 because of its ability to support this ambitious growth from a single integrated platform."

Iqbal Ahmad - Executive Vice President - Meezan Bank



Branch Service

The IT department's core role is as an internal service provider to the bank's business functions, with the aim of becoming a business enabler rather than a cost centre. "Our short-term goal is to run version 12 or above of T24 on the Temenos Enterprise Frameworks Architecture within the next 12 months," says Ahmad. "That's our next major milestone."

Meezan Bank first ran T24 Release 5 in 2006 to acquire the treasury functionality. Having signed an agreement with Temenos in March 2007, the bank implemented T24 Release 8 for core banking. "We conducted a business review and produced documentation and began working with the local implementation partner NDC," explains Ahmad. "We utilised the model bank approach. We did our best to use as much as we could and then got into vigorous testing."

"Our emphasis at the beginning was on testing and user training rather than on requests for major customisations," remembers Ahmad. "That was a key success factor and we were able to implement T24 retail and trade finance modules across the branch network."

The first branch went live in May 2009 and a staged roll-out followed, which took two years to complete. Most branches were connected by the end of 2011 and a final 23 branches have been rolled out in 2012. The bank has two types of branches. The first offers a full range of services, trade finance, treasury, financing and retail. The second services the deposit product alone. A new concept, the smart branch, is also being trialled. "The smart branch will have a lean staff team in the front office and will be equipped with very smart technology solutions such as interactive kiosks," explains Ahmad.

Initial performance issues encountered by the bank during the initial phase of the roll-out process were resolved in close coordination with NDC and Temenos' help-desk teams. "Following a continuous improvement process, T24 has now become quite stable and performs up to expectations," says Ahmad. He is looking forward to the impending implementation of Release 12 on new hardware to further improve performance.

"The Islamic Banking module is great but there is always opportunity for further improvement," says Ahmad. Meezan Bank is working with Temenos' product developers to come up with a roadmap and to develop applications such as Forex to suit Islamic banking. He believes that the TEFA platform is an opportunity for Temenos to develop generic functionality for Islamic banking.

"The implementation of TEMENOS T24 is a major milestone for Meezan Bank. We are confident that this will enable us to meet the demands of our rapidly growing branch network and also provide a stable and efficient technology platform to meet the challenges of a very competitive banking industry in Pakistan."

Mr. Ariful Islam - COO - Meezan Bank

Centre Of Excellence

Meezan Bank has worked with NDC and Temenos to develop Shariah-compliant financial products, including long-term capital, commercial and structural for large corporations and government, which were not available in the Islamic banking module.

"It's a fascinating challenge. We've been successful in creating a wide range of Islamic banking financial products," says Usmani. "We've developed the skillsets to offer these products and many scholars put us as market leaders." Usmani, a member of the Pakistan Chamber of Commerce, keeps in touch with the business community to understand its issues and help it use processes that are Shariah-compliant.

Meezan Bank's dedication to Islamic banking has made it a leader and it is being called upon to provide consulting services internationally. It is also entering into partnerships with banks in other countries that share the same vision of establishing a viable Islamic banking system.

"Information Technology is an integral part of every bank's day-to-day operations, and core banking forms the life blood of the bank. Keeping this in vision we have named our T24 implementation project in Meezan Bank as "Project AORTA". Aorta is the largest artery in the human body providing oxygenated blood to all parts of the body in the systemic circulation. Similarly with the help of T24 we were able to harness people, process and technology across MBL business and back office units."

Faiz ur Rehman - CIO - Meezan Bank

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