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음응 운홓



**Denotes significance at the $5 \%$ level for the difference on mean value.

 from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked
before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., I998). ENTRY is the sum

 the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is
 assets, and measured over each 5 -year period. ISLAMICDUMMY is a dummy variable set to I if a bank is an Islamic expressed as a percentage of average total assets, and measured over each 5 -year period. COMPINCOMEVOL is LIQUIDITY is liquid assets scaled by total assets. INCOMEVOL is firm-specific standard deviation of annual income MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample,
 sharing investment deposits for Islamic banks in each country. SIZE is the natural logarithm of ( $1+$ total assets) of conventional banks, and to 0 otherwise. MUSLIMBROTHER is dummy variable set to 1 if Muslim Brotherhood is a
part in the legislative body of a country, and to 0 otherwise. RATEOFRETURN is the rate of returns on profit-loss conventional banks, and to 0 otherwise. MUSLIMBROTHER is dummy variable set to 1 if Muslim Brotherhood is a
 deposits. RELIGION is dummy variable that is set to I if an Islamic bank located in a country with Islam as a
primary religion, practiced by the largest fraction of the population, and to 0 otherwise. REGULATORYSUPPORT is
 for the Islamic sample of 882 yearly observations, the conventional banks sample of 5,879 yearly observations, and
the entire sample of 6,761 observations over the period $2000-2012$. LNPLS is the natural logarithm of profit-loss for the Islamic sample of 882 yearly observations, the conventional banks sample of 5,879 yearly observations, and


Supplemental Table 2. Correlation.

| Variable | LNPLS | LN( $\Delta P L S$ ) | RELIGION | REGULATORYSUPPORT | MUSLIMBROTHER | RATEOFRETURN | ISLAMICINDEX | HHI | SIZE | INFLATION | GDP_CAPITA | MENA |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| LNPLS | 1.000 |  |  |  |  |  |  |  |  |  |  |  |
| LN( $\triangle$ PLS) | . 028 | 1.000 |  |  |  |  |  |  |  |  |  |  |
| RELIGION | . 132 | . 061 | 1.000 |  |  |  |  |  |  |  |  |  |
| REGULATORYSUPPORT | . 087 | . 163 | . 675 | 1.000 |  |  |  |  |  |  |  |  |
| MUSLIMBROTHER | . 109 | . 089 | . 549 | . 287 | 1.000 |  |  |  |  |  |  |  |
| RATEOFRETURN | $-.050$ | . 049 | . 057 | $-.048$ | $-.090$ | 1.000 |  |  |  |  |  |  |
| ISLAMICINDEX | -. 005 | . 774 | . 777 | -. 459 | . 379 | . 120 | 1.000 |  |  |  |  |  |
| HHI | . 385 | . 270 | . 238 | -. 337 | -. 124 | $-.080$ | . 037 | 1.000 |  |  |  |  |
| SIZE | . 074 | -. 226 | -. 210 | . 153 | $-.030$ | $-.196$ | -. 292 | $-.097$ | 1.000 |  |  |  |
| INFLATION | -. 001 | -. 046 | . 311 | -. 194 | . 099 | . 041 | . 406 | . 073 | -. 083 | 1.000 |  |  |
| GDP_CAPITA | $-.107$ | . 015 | -. 824 | . 509 | -. 642 | $-.057$ | -. 768 | $-.105$ | . 402 | -. 213 | 1.000 |  |
| MENA | $-.170$ | $-.166$ | -. 307 | . 173 | -. 478 | . 131 | $-.187$ | . 078 | . 162 | -. 063 | . 496 | 1.000 |

Note. This table presents Pearson's correlations between the main variables. All correlations are with the sample of 882 observations for Islamic banks. LNPLS is the natural logarithm of profit-loss sharing deposits to total assets. $L N(\Delta P L S)$ is the natural logarithm of the percentage change of profit-loss sharing deposits. RELIGION is dummy variable set to $I$ if Muslims are higher than $90 \%$ of a country's populations, 0 otherwise. Data from World Data Survey. MUSLIMBROTHER is dummy variable set to I if Muslim Brotherhood is a part in the legislative body of a country, and to 0 otherwise. REGULATORYSUPPORT is dummy variable set to $I$ if a country has a comprehensive law that regulates Islamic banks separate from that of conventional banks, and to 0 otherwise. SIZE is the natural logarithm of (I + total assets) of each bank. RATEOFRETURN is the rate of returns on profit-loss sharing investment deposits for Islamic banks in each country. ISLAMICINDEX is an index that ranks the self-declared Islamic nations by the degree that their policies, achievements, and realities are in accordance to a set of Islamic economic principles. The higher the value, the lower the Islamic value in the country, as explained by Rehman and Askari (20I0). HHI is Hirschman-Herfindahl Index as a proxy for bank concentration. INFLATION is the change of customer price index (CPI) from year to year. GDP_CAPITA is gross domestic product divided by midyear population, in current U.S. dollars. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. Bold text indicates significance at the .05 level or higher.

Supplemental Table 2. (continued)
Panel B: Correlation for Variables Relating to Capital Buffer and Performance—Equation 2.

| Variable | LNCAP | LIQUIDITY | INCOMEVOL | COMPINCOMEVOL | ISLAMICDUMMY | SIZE | REALESTLOAN | ROA | OVER- <br> HEAD | DIVERSIFICATION | RLAW | SRIGHT | ENTRY | DEPINS | GDPGR | INFLATION | MENA |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| LNCAP | 1.000 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| LIQUIDITY | . 163 | 1.000 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| INCOMEVOL | . 182 | -. 062 | 1.000 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| COMPINCOMEVOL | . 174 | -. 058 | . 997 | 1.000 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ISLAMICDUMMY | . 344 | -. 002 | . 105 | . 105 | 1.000 |  |  |  |  |  |  |  |  |  |  |  |  |
| SIZE | -. 268 | -. 037 | $-.180$ | -. 174 | -. 120 | 1.000 |  |  |  |  |  |  |  |  |  |  |  |
| REALESTLOAN | -. 246 | -. 175 | -. 157 | -. 153 | -. 003 | . 226 | 1.000 |  |  |  |  |  |  |  |  |  |  |
| ROA | . 002 | . 021 | -. 001 | -. 005 | . 011 | . 035 | . 075 | 1.000 |  |  |  |  |  |  |  |  |  |
| OVERHEAD | -.214 | . 040 | . 200 | . 196 | . 045 | $-.138$ | -. 056 | . 044 | 1.000 |  |  |  |  |  |  |  |  |
| DIVERSIFICATION | . 230 | . 122 | . 154 | . 150 | . 017 | . 031 | -. 113 | . 059 | . 464 | 1.000 |  |  |  |  |  |  |  |
| RLAW | . 258 | . 170 | . 049 | . 047 | . 029 | . 220 | $-.107$ | . 026 | . 051 | . 124 | 1.000 |  |  |  |  |  |  |
| SRIGHT | -. 205 | . 091 | . 028 | . 020 | -. 154 | . 072 | -. 118 | . 098 | . 164 | . 064 | . 199 | 1.000 |  |  |  |  |  |
| ENTRY | . 166 | . 052 | -. 002 | -. 009 | $-.170$ | $-.119$ | $-.088$ | $-.055$ | . 061 | . 177 | . 009 | . 022 | 1.000 |  |  |  |  |
| DEPINS | -. 095 | . 008 | . 039 | . 034 | . 142 | $-.029$ | -. 055 | $-.047$ | . 077 | -. 044 | . 024 | . 311 | . 181 | 1.000 |  |  |  |
| GDPGR | . 062 | . 062 | -. 003 | -. 004 | . 006 | . 034 | -. 006 | -. 085 | . 026 | -. 022 | . 142 | . 024 | -. 068 | -. 034 | 1.000 |  |  |
| INFLATION | $-.034$ | . 071 | -. 002 | . 004 | -. 040 | $-.054$ | -. 010 | -. 005 | -. 081 | -.111 | $-.065$ | -. 392 | . 063 | -. 118 | . 057 | 1.000 |  |
| MENA | . 079 | -. 109 | $-.073$ | $-.062$ | . 140 | . 056 | $-.026$ | . 061 | $-.162$ | $-.050$ | . 155 | -. 609 | -.101 | -. 401 | $-.060$ | . 278 | 1.000 |

Note. This table presents Pearson's correlations between the main variables. All correlations are within the entire sample of 6,761 observations. LNCAP is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. LIQUIDITY is liquid assets scaled by total assets. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5 -year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5 -year period. ISLAMICDUMMY is a dummy variable set to I if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of ( $I+$ total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., I998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). DEPINS is an indicator variable set to I if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North indicates significance at the .05 level or higher.
＊Denotes significance at the $10 \%$ level．$* *$ Denotes significance at the $5 \%$ level．$* * *$ Denotes significance at the $1 \%$ level Turkey，Tunisia，Lebanon，and Egypt．The model includes country fixed－effects and year fixed－effects．Robust
statistics adjusted for firm－level clustering are reported in brackets． otherwise．In the sample，MENA includes Saudi Arabia，Bahrain，Qatar，Kuwait，Emirates，Jordan，Yemen，Syria year to year．GDP＿CAPITA is gross domestic product divided by midyear population，in current U．S．dollars．MENA
is an indicator variable set to I when Islamic banks are in the Middle East and North Africa（MENA），and to 0 Herfindahl Index as a proxy for bank concentration．INFLATION is the change of customer price index（CPI）from the lower the Islamic value in the country，as explained by Rehman and Askari（2010）．HHI is Hirschman－

 separate from that of conventional banks，and to 0 otherwise．SIZE is the natural logarithm of（ $1+$ total assets ）of set to I if Muslim Brotherhood is a part in the legislative body of a country，and to 0 otherwise．
REGULATORYSUPPORT is dummy variable set to $I$ if a country has a comprehensive law that regulates Islamic banks
 иецว ләч宀ิ！ deposits to total assets．In Columns 4 to 6 ，the dependent variable $L N(\triangle P L S)$ is the natural logarithm of the Note．This table presents regression of profit sharing ratio on variables relating to the clientele for a sample of
Islamic banks．In Columns｜to 3，the dependent variable LNPLS is the natural logarithm of profit－loss sharing

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Independent variable LNPLS



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Supplemental Table 3．Determinants of Profit－Loss Sharing（PLS）Intensity in Islamic Banks．

Supplemental Table 4. The Performance of Islamic Versus Conventional Banks.
Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
| Independent variable | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| INCOMEVOL | 0.680*** |  | 0.294*** |  | 0.214 |  | 0.171 |  |
|  | [3.05] |  | [3.72] |  | [0.95] |  | [0.74] |  |
| COMPINCOMEVOL |  | 0.797*** |  | 0.284*** |  | 0.564** |  | 0.141 |
|  |  | [3.07] |  | [3.58] |  | [2.01] |  | [0.62] |
| ISLAMICDUMMY |  |  |  |  | 0.056*** | 0.076*** | 0.056* | 0.04 ${ }^{*}$ |
|  |  |  |  |  | [2.98] | [3.89] | [1.56] | [1.54] |
| INCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  | 0.274** |  | 0.197* |  |
|  |  |  |  |  | [2.17] |  | [1.66] |  |
| COMPINCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  |  | 0.255** |  | 0.199* |
|  |  |  |  |  |  | [2.04] |  | [1.66] |
| SIZE | -0.190** | -0.189** | $-0.036 * * *$ | $-0.036 * * *$ | $-0.038^{* * *}$ | $-0.171 * *$ | $-0.037 * * *$ | $-0.037 * * *$ |
|  | [-2.48] | [-2.04] | [-10.54] | [-10.57] | [-10.54] | [-2.11] | [-9.76] | [-9.86] |
| REALESTLOAN | -0.021 | -0.027 | -0.092*** | -0.092*** | -0.076** | -0.148*** | -0.102*** | -0.103*** |
|  | [-0.29] | [-0.38] | [-2.94] | [-2.94] | [-2.29] | [-4.45] | [-2.91] | [-2.93] |
| ROA | 0.853*** | 0.945*** | 0.302* | 0.301* | 0.666*** | 0.794*** | 0.569*** | 0.569*** |
|  | [3.18] | [3.45] | [1.78] | [1.77] | [4.09] | [4.65] | [2.94] | [2.94] |
| OVERHEAD | 0.206 | 0.237 | 0.091 | 0.093 | 0.006 | 0.165 | 0.053 | 0.060 |
|  | [0.69] | [0.78] | [0.81] | [0.82] | [0.05] | [1.37] | [0.40] | [0.45] |
| DIVERSIFICATION | 0.040 | 0.048 | 0.067*** | 0.067*** | 0.076*** | 0.026 | 0.071*** | 0.071*** |
|  | [1.08] | [1.28] | [2.87] | [2.87] | [3.75] | [1.27] | [3.25] | [3.24] |
| RLAW | 0.034** | 0.032* | 0.034*** | 0.034*** | 0.055*** | 0.047*** | 0.054*** | 0.054*** |
|  | [1.99] | [1.84] | [6.35] | [6.36] | [6.85] | [5.99] | [6.64] | [6.63] |
| SRIGHT | 0.015 | 0.005 | $-0.037 * * *$ | $-0.037 * * *$ | $-0.032^{* * *}$ | -0.024** | $-0.03 \mathrm{I}^{* * *}$ | $-0.031 * * *$ |
|  | [1.12] | [0.32] | [-4.56] | [-4.55] | [-3.20] | [-2.38] | [-3.09] | [-3.09] |
| ENTRY | 0.024 | 0.023 | 0.029*** | 0.029*** | 0.048*** | 0.046*** | 0.048*** | 0.048*** |

Supplemental Table 4. (continued)
Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

| Independent variable | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
|  | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| DEPINS | [1.15] | [1.08] | [3.07] | [3.07] | [4.84] | [4.39] | [4.31] | [4.31] |
|  | -0.196*** | $-0.238^{* * *}$ | $-0.160^{* * *}$ | $-0.160^{* * *}$ | $-0.124^{* *}$ | -0.105** | $-0.131 * * *$ | $-0.131 * * *$ |
|  | [-3.00] | [-3.82] | [-4.30] | [-4.32] | [-2.56] | [-2.24] | [-2.69] | [-2.69] |
| GDPGR | 0.003 | 0.005 | 0.012*** | 0.012*** | 0.013*** | 0.015*** | 0.014*** | 0.014*** |
|  | [0.35] | [0.60] | [2.94] | [2.95] | [2.95] | [3.52] | [2.96] | [2.97] |
| INFLATION | 0.004** | 0.004** | -0.000 | -0.000 | -0.001 | -0.001 | -0.001 | -0.001 |
|  | [2.22] | [2.11] | [-0.66] | [-0.67] | [-0.93] | [-0.85] | [-1.23] | [-1.22] |
| MENA | 0.150** | 0.204*** | $0.322^{* * *}$ | 0.324*** | 0.127* | 0.176** | 0.150** | 0.151** |
|  | [2.24] | [3.08] | [3.06] | [3.10] | [1.75] | [2.46] | [2.03] | [2.04] |
| SIZE $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.024** | -0.024** |
|  |  |  |  |  |  |  | [-2.10] | [-2.10] |
| REALESTLOAN $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.205** | 0.206** |
|  |  |  |  |  |  |  | [2.39] | [2.40] |
| ROA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.221 | 0.221 |
|  |  |  |  |  |  |  | [0.55] | [0.55] |
| OVERHEAD $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.231 | 0.226 |
|  |  |  |  |  |  |  | [0.59] | [0.58] |
| DIVERSIFICATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.011 | 0.011 |
|  |  |  |  |  |  |  | [0.23] | [0.25] |
| RLAW $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.003 | -0.003 |
|  |  |  |  |  |  |  | [-0.27] | [-0.29] |
| SRIGHT $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.006 | -0.006 |
|  |  |  |  |  |  |  | [-0.44] | [-0.44] |
| ENTRY $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.006 | 0.005 |
|  |  |  |  |  |  |  | [0.34] | [0.31] |

Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

| Independent variable | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
|  | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| DEPINS $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.029 | 0.030 |
|  |  |  |  |  |  |  | [0.79] | [0.82] |
| GDPGR $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.005 | -0.005 |
|  |  |  |  |  |  |  | [-0.42] | [-0.41] |
| INFLATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.003* | 0.003* |
|  |  |  |  |  |  |  | [1.94] | [1.94] |
| MENA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.162*** | 0.163*** |
|  |  |  |  |  |  |  | [3.86] | [3.88] |
| Country fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Time fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Constant | 0.183 | 0.263 | 0.549*** | 0.549*** | 0.081 | -0.061 | 0.108 | 0.109 |
|  | [0.90] | [1.29] | [6.70] | [6.70] | [0.99] | [-0.71] | [1.18] | [1.19] |
| Observations | 882 | 882 | 5,879 | 5,879 | 6,761 | 6,761 | 6,761 | 6,761 |
| Adjusted $\mathrm{R}^{2}$ | . 461 | . 459 | . 384 | . 384 | . 395 | . 353 | . 404 | . 403 |

Note. This table presents regression of capital buffer on asset risk and control variables for the sample of Islamic and conventional banks. The dependent variable LNCAP is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5 -year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5 -year period. ISLAMICDUMMY is an indicator variable set to I if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of ( $1+$ total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from I to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., I998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (200I). DEPINS is an indicator variable set to $I$ if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüc--Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust $t$ statistics adjusted for firm-level clustering are reported in brackets.
*Denotes significance at the $10 \%$ level. ${ }^{* *}$ Denotes significance at the $5 \%$ level. ${ }^{* * *}$ Denotes significance at the $\mathrm{I} \%$ level.

○ Supplemental Table 4. (continued)
Panel B: Performance of Islamic Banks Compared With Conventional Banks in Terms of Liquidity.

| Independent variable | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
|  | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| INCOMEVOL | 0.801*** |  | 0.380*** |  | 0.435** |  | 0.434** |  |
|  | [2.80] |  | [3.33] |  | [2.33] |  | [2.38] |  |
| COMPINCOMEVOL |  | 0.799*** |  | 0.372*** |  | 0.415** |  | 0.419** |
|  |  | [2.82] |  | [3.30] |  | [2.31] |  | [2.39] |
| ISLAMICDUMMY |  |  |  |  | 0.004 | 0.004 | 0.029 | 0.031 |
|  |  |  |  |  | [0.39] | [0.43] | [0.25] | [0.27] |
| INCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  | 0.277*** |  | 0.210** |  |
|  |  |  |  |  | [2.66] |  | [2.39] |  |
| COMPINCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  |  | 0.262*** |  | 0.189** |
|  |  |  |  |  |  | [2.73] |  | [2.28] |
| SIZE | -0.007 | -0.007 | -0.015** | -0.015** | -0.004 | -0.004 | -0.005 | -0.005 |
|  | [-0.20] | [-0.20] | [-2.07] | [-2.08] | [-0.92] | [-0.96] | [-1.11] | [-1.15] |
| REALESTLOAN | -0.106 | -0.105 | -0.132** | $-0.132^{* *}$ | -0.047 | -0.047 | -0.056 | -0.056 |
|  | [-0.66] | [-0.65] | [-2.11] | [-2.11] | [-1.40] | [-1.39] | [-1.49] | [-1.49] |
| ROA | 0.87I** | 0.872** | 0.816* | 0.814* | 0.374 | 0.374** | 0.445** | 0.444** |
|  | [2.16] | [2.17] | [1.89] | [1.88] | [2.23] | [2.22] | [2.07] | [2.05] |
| OVERHEAD | 0.933** | 0.932** | 0.231 | 0.233 | -0.038 | -0.039 | 0.009 | 0.008 |
|  | [2.33] | [2.33] | [0.97] | [0.97] | [-0.29] | [-0.29] | [0.06] | [0.06] |
| DIVERSIFICATION | 0.158*** | 0.158*** | 0.029 | 0.029 | 0.014 | 0.014 | 0.008 | 0.008 |
|  | [2.79] | [2.79] | [0.90] | [0.90] | [0.81] | [0.82] | [0.40] | [0.41] |
| RLAW | 0.047*** | 0.046*** | 0.004 | 0.004 | -0.004 | -0.005 | -0.004 | -0.004 |
|  | [3.01] | [3.00] | [0.33] | [0.34] | [-0.82] | [-0.83] | [-0.68] | [-0.70] |
| SRIGHT | $-0.068^{* * *}$ | $-0.068^{* * *}$ | $-0.058 * * *$ | $-0.058^{* * *}$ | -0.040*** | -0.040*** | $-0.038^{* * *}$ | $-0.038^{* * *}$ |
|  | [-3.10] | [-3.09] | [-3.42] | [-3.42] | [-3.27] | [-3.27] | [-2.99] | [-2.99] |
| ENTRY | 0.036 | 0.037 | 0.004 | 0.004 | 0.000 | 0.000 | -0.001 | -0.001 |
|  | [1.55] | [1.58] | [0.49] | [0.49] | [0.13] | [0.08] | [-0.22] | [-0.23] |

Supplemental Table 4. (continued)
Panel B: Performance of Islamic Banks Compared With Conventional Banks in Terms of Liquidity.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
| Independent variable | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| DEPINS | $\begin{aligned} & -0.204 * * * \\ & {[-3.49]} \end{aligned}$ | $\begin{aligned} & -0.204 * * * \\ & {[-3.48]} \end{aligned}$ | $\begin{aligned} & -0.195 * * * \\ & {[-5.36]} \end{aligned}$ | $\begin{aligned} & -0.195 * * * \\ & {[-5.36]} \end{aligned}$ | $\begin{gathered} -0.132 * * * \\ {[-4.14]} \end{gathered}$ | $\begin{aligned} & 0.149 * * * \\ & {[5.99]} \end{aligned}$ | $\begin{aligned} & -0.132 * * * \\ & {[-4.07]} \end{aligned}$ | $\begin{aligned} & 0.150 * * * \\ & {[5.69]} \end{aligned}$ |
| GDPGR | -0.008 | -0.008 | 0.012* | 0.012* | 0.000 | 0.001 | 0.000 | 0.000 |
|  | [-0.75] | [-0.74] | [1.69] | [1.70] | [0.10] | [0.14] | [0.08] | [0.1 I] |
| INFLATION | -0.001 | -0.001 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | [-0.58] | [-0.58] | [0.41] | [0.39] | [0.61] | [0.56] | [0.79] | [0.72] |
| MENA | $0.142$ | 0.145* | $0.240^{* * *}$ | 0.243*** | $0.169 * * *$ | $0.171 * * *$ | 0.162*** | 0.165*** |
|  | [1.62] | [1.66] | [7.46] | [7.48] | [4.23] | [4.30] | [3.98] | [4.04] |
| SIZE $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.013 | 0.013 |
|  |  |  |  |  |  |  | [1.02] | [1.04] |
| REALESTLOAN $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.023 | $0.023$ |
|  |  |  |  |  |  |  | [0.47] | [0.49] |
| ROA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.287 | -0.282 |
|  |  |  |  |  |  |  | [-1.23] | [-1.21] |
| OVERHEAD $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.210 | -0.211 |
|  |  |  |  |  |  |  | [-0.84] | [-0.84] |
| DIVERSIFICATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.019 | 0.018 |
|  |  |  |  |  |  |  | [0.49] | [0.47] |
| RLAW $\times$ ISLAMICDUMMY |  |  |  |  |  |  | $-0.016^{* * *}$ | $-0.016^{* * *}$ |
|  |  |  |  |  |  |  | $[-3.20]$ | $[-3.22]$ |
| SRIGHT $\times$ ISLAMICDUMMY |  |  |  |  |  |  | $-0.008$ | $-0.008$ |
|  |  |  |  |  |  |  | [-0.92] | [-0.94] |
| ENTRY $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.001 | -0.002 |
|  |  |  |  |  |  |  | [-0.19] | [-0.29] |
|  |  |  |  |  |  |  |  | (continued) |

Panel B: Performance of Islamic Banks Compared With Conventional Banks in Terms of Liquidity.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire sample | Entire sample | Entire sample | Entire sample |
| Independent variable | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| DEPINS $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.000 | 0.000 |
|  |  |  |  |  |  |  | [0.01] | [0.00] |
| GDPGR $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.002 | 0.002 |
|  |  |  |  |  |  |  | [0.35] | [0.34] |
| INFLATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.000 | -0.000 |
|  |  |  |  |  |  |  | [-0.75] | [-0.68] |
| MENA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.000 | 0.001 |
|  |  |  |  |  |  |  | [0.02] | [0.05] |
| Country fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Time fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Constant | 0.855*** | 0.855*** | 0.341** | 0.341** | 0.256*** | 0.259*** | 0.263*** | 0.266*** |
|  | [3.34] | [3.35] | [2.39] | [2.39] | [3.42] | [3.46] | [3.43] | [3.47] |
|  | 882 | 882 | 5,879 | 5,879 | 6,761 | 6,761 | 6,761 | 6,761 |
| Adjusted $R^{2}$ | . 374 | . 374 | . 236 | . 236 | . 336 | . 335 | . 349 | . 338 |

Note. This table presents regression of liquidity on asset risk and control variables for the sample of Islamic and conventional banks. The dependent variable LIQUIDITY is all liquid assets scaled by total asset. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5 year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5 -year period. ISLAMICDUMMY is an indicator variable set to I if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of (I + total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from I to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). DEPINS is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust $t$ statistics adjusted for firm- level clustering are reported in brackets.
*Denotes significance at the $10 \%$ level. **Denotes significance at the $5 \%$ level. ${ }^{* * *}$ Denotes significance at the $\mathrm{I} \%$ level.

Supplemental Table 5. The Performance of Islamic Versus Conventional Banks Excluding Hybrid Banks.
Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
| Independent variable | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| INCOMEVOL | 0.677*** |  | 0.423*** |  | 0.451*** |  | 0.272*** |  |
|  | [3.12] |  | [4.51] |  | [4.01] |  | [3.39] |  |
| COMPINCOMEVOL |  | 0.566*** |  | 0.281*** |  | 0.287*** |  | 0.120*** |
|  |  | [3.00] |  | [4.12] |  | [3.67] |  | [3.04] |
| ISLAMICDUMMY |  |  |  |  | 0.036*** | 0.036*** | 0.149 | 0.149 |
|  |  |  |  |  | [3.11] | [3.12] | [1.49] | [1.48] |
| INCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  | 0.376*** |  | 0.150* |  |
|  |  |  |  |  | [3.42] |  | [1.70] |  |
| COMPINCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  |  | 0.367*** |  | 0.149* |
|  |  |  |  |  |  | [3.30] |  | [1.64] |
| SIZE | $-0.202 * *$ | $-0.183 * *$ | -0.147*** | $-0.128^{* * *}$ | $-0.151^{* * *}$ | $-0.128^{* * *}$ | $-0.123^{* * *}$ | -0.102*** |
|  | [-2.57] | [-2.44] | [-4.66] | [-4.25] | [-3.99] | [-3.62] | [-3.35] | [-2.98] |
| REALESTLOAN | -0.043 | -0.040 | -0.146*** | -0.149*** | -0.137*** | -0.140*** | -0.133*** | -0.136*** |
|  | [-0.60] | [-0.57] | [-4.62] | [-4.71] | [-4.76] | [-4.86] | [-4.37] | [-4.47] |
| ROA | 0.492** | 0.491** | 0.237 | 0.237 | 0.263* | 0.256* | 0.286* | 0.277* |
|  | [2.24] | [2.24] | [1.45] | [1.40] | [1.92] | [1.87] | [1.78] | [1.73] |
| OVERHEAD | 0.357 | 0.361 | 0.308*** | 0.325*** | 0.332*** | 0.349*** | 0.288*** | 0.304*** |
|  | [1.37] | [1.39] | [3.05] | [3.19] | [3.63] | [3.81] | [2.88] | [3.02] |
| DIVERSIFICATION | 0.067** | 0.068** | 0.042** | 0.041** | 0.050*** | 0.049*** | 0.048** | 0.047** |
|  | [2.08] | [2.10] | [2.17] | [2.10] | [2.81] | [2.77] | [2.40] | [2.34] |
| RLAW | 0.037** | 0.037** | 0.020*** | 0.020*** | 0.045*** | 0.044*** | 0.048*** | 0.047*** |
|  | [2.39] | [2.41] | [3.32] | [3.31] | [5.53] | [5.40] | [5.33] | [5.25] |
| SRIGHT | 0.010 | 0.010 | $-0.036^{* * *}$ | $-0.037^{* * *}$ | 0.077** | 0.076** | 0.081** | 0.081** |
|  | [0.91] | [0.90] | [-4.78] | [-4.8I] | [2.18] | [2.14] | [2.30] | [2.27] |
| ENTRY | 0.023 | 0.022 | 0.044*** | 0.044*** | 0.032*** | 0.032*** | 0.045*** | 0.044*** |
|  | [1.08] | [1.04] | [3.08] | [3.01] | [3.05] | [2.91] | [3.19] | [3.09] |
| DEPINS | $-0.213 * * *$ | -0.219*** | $-0.225^{* * *}$ | -0.226*** | 0.074 | 0.068 | 0.078 | 0.073 |
|  | [-3.28] | [-3.39] | [-4.95] | [-4.94] | [0.76] | [0.70] | [0.80] | [0.75] |

I Supplemental Table 5. (continued)
Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
| Independent variable | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| GDPGR | 0.004 | 0.004 | 0.013*** | 0.013*** | 0.012*** | 0.013*** | 0.011*** | 0.011*** |
|  | [0.48] | [0.53] | [3.08] | [3.17] | [3.28] | [3.40] | [2.73] | [2.82] |
| INFLATION | 0.004** | 0.004** | -0.000 | -0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | [2.32] | [2.31] | [-0.11] | [-0.15] | [0.16] | [0.06] | [0.72] | [0.66] |
| MENA | $-0.182 * * *$ | -0.192*** | $-0.293 * * *$ | -0.304*** | 0.066 | 0.056 | 0.067 | 0.059 |
|  | [-2.76] | [-2.94] | [-4.8I] | [-4.92] | [0.55] | [0.46] | [0.55] | [0.48] |
| SIZE $\times$ ISLAMICDUMMY |  |  |  |  |  |  | $-0.029 * * *$ | $-0.030 * * *$ |
|  |  |  |  |  |  |  | [-5.39] | [-5.64] |
| REALESTLOAN $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.046 | 0.050 |
|  |  |  |  |  |  |  | [0.98] | [1.04] |
| ROA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.003 | 0.011 |
|  |  |  |  |  |  |  | [0.01] | [0.05] |
| OVERHEAD $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.014 | 0.011 |
|  |  |  |  |  |  |  | [0.09] | [0.07] |
| DIVERSIFICATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.019 | 0.021 |
|  |  |  |  |  |  |  | [0.78] | [0.87] |
| RLAW $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.006 | 0.006 |
|  |  |  |  |  |  |  | [0.91] | [0.93] |
| SRIGHT $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.004 | -0.004 |
|  |  |  |  |  |  |  | [-0.48] | [-0.44] |
| ENTRY $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.001 |  |
|  |  |  |  |  |  |  | [0.07] | [0.10] |
| DEPINS $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.019 | -0.018 |
|  |  |  |  |  |  |  | [-0.61] | [-0.56] |
| GDPGR $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.004 | 0.004 |
|  |  |  |  |  |  |  | [0.63] | [0.64] |
| INFLATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.001* | -0.001* |
|  |  |  |  |  |  |  | [-1.89] | [-1.88] |

Supplemental Table 5. (continued)
Panel A: Performance of Islamic Banks Compared With Conventional Banks in Managing Their Capital Buffers.

| Independent variable | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
|  | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP | LNCAP |
| MENA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.013 | 0.015 |
|  |  |  |  |  |  |  | [0.41] | [0.45] |
| Country fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Time fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Constant | 0.222 | 0.231 | 0.312*** | 0.316*** | -0.145 | -0.129 | -0.265 | -0.253 |
|  | [1.18] | [1.23] | [2.75] | [2.72] | [-0.75] | [-0.66] | [-1.28] | [-1.2I] |
| Observations | 882 | 882 | 5,084 | 5,084 | 5,966 | 5,966 | 5,966 | 5,966 |
| Adjusted $\mathrm{R}^{2}$ | . 456 | . 455 | . 322 | . 320 | . 347 | . 345 | . 360 | . 358 |

Note. This table presents regression of capital buffer on asset risk and control variables for the sample of Islamic and conventional banks excluding hybrid banks. The dependent variable LNCAP is the capital buffer calculated as logarithmic transform of Tier I regulatory capital to total assets. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5 -year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5 -year period. ISLAMICDUMMY is an indicator variable set to I if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of ( $1+$ total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from I to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (2001). DEPINS is an indicator variable set to 1 if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust $t$ statistics adjusted for firmlevel clustering are reported in brackets.
*Denotes significance at the $10 \%$ level. **Denotes significance at the $5 \%$ level. ***Denotes significance at the $1 \%$ level.

Supplemental Table 5. (continued)
Panel B: Performance of Islamic Banks Compared With Conventional Banks in Term of Liquidity.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
| Independent variable | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| INCOMEVOL | 0.410*** |  | 0.392** |  | 0.263*** |  | 0.140*** |  |
|  | [3.69] |  | [2.50] |  | [2.88] |  | [2.67] |  |
| COMPINCOMEVOL |  | 0.397*** |  | 0.339** |  | 0.186*** |  | 1.075*** |
|  |  | [3.74] |  | [2.49] |  | [2.88] |  | [2.69] |
| ISLAMICDUMMY |  |  |  |  | 0.020* | 0.020* | 0.090 | 0.090 |
|  |  |  |  |  | [1.70] | [1.70] | [0.80] | [0.79] |
| INCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  | 0.209** |  | 0.231** |  |
|  |  |  |  |  | [2.38] |  | [2.24] |  |
| COMPINCOMEVOL $\times$ ISLAMICDUMMY |  |  |  |  |  | 0.206** |  | 0.182** |
|  |  |  |  |  |  | [2.43] |  | [2.27] |
| SIZE | $-0.588 * * *$ | $-0.564^{* * *}$ | -0.079 | -0.071 | -0.117* | -0.106* | -0.098 | -0.088 |
|  | [-3.48] | [-3.51] | [-1.40] | [-1.33] | [-1.74] | [-1.67] | [-1.51] | [-1.45] |
| REALESTLOAN | -0.107 | -0.099 | -0.143** | -0.145** | -0.143*** | $-0.144^{* * *}$ | -0.132** | -0.134** |
|  | [-0.95] | [-0.86] | [-2.54] | [-2.56] | [-2.83] | [-2.86] | [-2.46] | [-2.50] |
| ROA | 0.869*** | 0.870*** | 0.764* | 0.759* | 0.821*** | 0.818*** | 0.799** | 0.794** |
|  | [2.74] | [2.75] | [1.91] | [1.90] | [2.87] | [2.85] | [2.09] | [2.08] |
| OVERHEAD | 0.834** | 0.832** | 0.148 | 0.156 | 0.251 | 0.260 | 0.121 | 0.130 |
|  | [2.60] | [2.60] | [0.69] | [0.73] | [1.32] | [1.37] | [0.57] | [0.61] |
| DIVERSIFICATION | 0.095** | 0.097** | 0.037 | 0.036 | 0.047 | 0.046 | 0.047 | 0.046 |
|  | [2.06] | [2.09] | [1.20] | [1.18] | [1.64] | [1.63] | [1.47] | [1.45] |
| RLAW | $-0.025 * *$ | -0.024** | 0.004 | 0.004 | 0.003 | 0.003 | 0.014 | 0.014 |
|  | [-2.23] | [-2.11] | [0.40] | [0.42] | [0.35] | [0.28] | [1.41] | [1.38] |
| SRIGHT | -0.056*** | -0.055*** | $-0.068^{* * *}$ | $-0.068^{* * *}$ | -0.029* | -0.030** | -0.029* | -0.030** |
|  | [-3.25] | [-3.17] | [-7.55] | [-7.56] | [-1.95] | [-2.01] | [-1.92] | [-1.97] |

Panel B: Performance of Islamic Banks Compared With Conventional Banks in Term of Liquidity.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
| Independent variable | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| ENTRY | -0.029 | -0.031 | 0.008 | 0.008 | -0.003 | -0.004 | -0.002 | -0.003 |
|  | [-1.25] | [-1.39] | [1.30] | [1.31] | [-0.37] | [-0.47] | [-0.20] | [-0.26] |
| DEPINS | -0.136** | -0.146** | 0.220*** | 0.220*** | -0.155*** | $-0.159^{* *}$ | -0.153*** | -0.156*** |
|  | [-2.21] | [-2.43] | [3.54] | [3.55] | [-4.21] | [-4.36] | [-4.25] | [-4.36] |
| GDPGR | -0.014 | -0.014 | 0.010 | 0.011 | 0.007 | 0.008 | 0.008 | 0.008 |
|  | [-1.66] | [-1.55] | [1.59] | [1.63] | [1.32] | [1.38] | [1.28] | [1.32] |
| INFLATION | 0.001 | 0.001 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
|  | [0.51] | [0.49] | [0.84] | [0.81] | [0.88] | [0.76] | [0.73] | [0.66] |
| MENA | -0.132* | -0.150** | $-0.298 * * *$ | $-0.306 * * *$ | $-0.163 * * *$ | $-0.171^{* * *}$ | -0.197*** | $-0.204^{* * *}$ |
|  | [-1.86] | [-2.22] | [-7.15] | [-7.32] | [-3.54] | [-3.72] | [-4.19] | [-4.33] |
| SIZE $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.013** | -0.013** |
|  |  |  |  |  |  |  | [-1.98] | [-2.06] |
| REALESTLOAN $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.024 | 0.026 |
|  |  |  |  |  |  |  | [0.34] | [0.37] |
| ROA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.123 | 0.129 |
|  |  |  |  |  |  |  | [0.29] | [0.30] |
| OVERHEAD $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.579** | 0.578** |
|  |  |  |  |  |  |  | [2.05] | [2.05] |
| DIVERSIFICATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.016 | 0.017 |
|  |  |  |  |  |  |  | [0.39] | [0.42] |
| RLAW $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.016** | -0.016** |
|  |  |  |  |  |  |  | [-2.56] | [-2.54] |
| SRIGHT $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.002 | 0.002 |
|  |  |  |  |  |  |  | [0.26] | [0.29] |
| ENTRY $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.002 | 0.002 |
|  |  |  |  |  |  |  | [0.17] | [0.19] |

Panel B: Performance of Islamic Banks Compared With Conventional Banks in Term of Liquidity.

|  | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Islamic banks | Islamic banks | Conventional banks | Conventional banks | Entire banks | Entire banks | Entire banks | Entire banks |
| Independent variable | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY | LIQUIDITY |
| DEPINS $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.005 | 0.005 |
|  |  |  |  |  |  |  | [0.15] | [0.18] |
| GDPGR $\times$ ISLAMICDUMMY |  |  |  |  |  |  | -0.001 | -0.001 |
|  |  |  |  |  |  |  | [-0.20] | [-0.18] |
| INFLATION $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.000 | 0.000 |
|  |  |  |  |  |  |  | [0.04] | [0.03] |
| MENA $\times$ ISLAMICDUMMY |  |  |  |  |  |  | 0.083** | 0.084** |
|  |  |  |  |  |  |  | [2.26] | [2.28] |
| Country fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Time fixed-effects | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Constant | 0.698*** | 0.711*** | 0.290*** | 0.293*** | 0.261** | 0.273** | 0.197 | 0.206 |
|  | [3.17] | [3.26] | [3.35] | [3.41] | [2.18] | [2.29] | [1.46] | [1.53] |
| Observations | 882 | 882 | 5,084 | 5,084 | 5,966 | 5,966 | 5,966 | 5,966 |
| Adjusted R ${ }^{2}$ | . 370 | . 369 | . 209 | . 208 | . 211 | . 210 | . 224 | . 224 |

Note. This table presents regression of liquidity on asset risk and control variables for the sample of Islamic and conventional banks excluding hybrid banks. The dependent variable LIQUIDITY is all liquid assets scaled by total asset. INCOMEVOL is firm-specific standard deviation of annual income, expressed as a percentage of average total assets, and measured over each 5 -year period. COMPINCOMEVOL is firm-specific standard deviation of annual comprehensive income, expressed as a percentage of average total assets, and measured over each 5 -year period. ISLAMICDUMMY is an indicator variable set to 1 if a bank is an Islamic bank, and to 0 otherwise. SIZE is the natural logarithm of ( $1+$ total assets) of each bank. REALESTLOAN is loans and leases divided by total assets. ROA is net income divided by the average total assets. OVERHEAD is non-interest expense divided by average total assets. DIVERSIFICATION is non-interest income divided by total operating income. RLAW is a scale from 1 to 10 to measure the quality of law enforcement in a country, produced by the risk-rating agency International Country Risk (ICR). SRIGHT is an index from I to 5 to aggregate the following shareholders' rights: one share-one vote, proxy by mail, shares blocked before meeting, cumulative voting, and oppressed minorities mechanism (La Porta et al., 1998). ENTRY is the sum of eight sub-indices related to administrative entry requirements imposed by supervisors, as further described in Barth et al. (200I). DEPINS is an indicator variable set to I if a country has an explicit deposit insurance, and to 0 otherwise (Demirgüç-Kunt et al., 2008). GDPGR is a country's annual percentage growth rate of gross domestic product at market prices based on constant local currency. INFLATION is the change of customer price index (CPI) from year to year. MENA is an indicator variable set to I when Islamic banks are in the Middle East and North Africa (MENA), and to 0 otherwise. In the sample, MENA includes Saudi Arabia, Bahrain, Qatar, Kuwait, Emirates, Jordan, Yemen, Syria, Turkey, Tunisia, Lebanon, and Egypt. All models include country fixed-effects and year fixed-effects. Robust $t$ statistics adjusted for firm-level clustering are reported in brackets.
*Denotes significance at the $10 \%$ level. **Denotes significance at the $5 \%$ level. ${ }^{* * *}$ Denotes significance at the $\mathrm{I} \%$ level.
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 produced by the risk－rating agency International Country Risk（ICR）．All models include country fixed－effects and （La Porta et al．，1998）．RLAW is a scale from I to 10 to measure the quality of law enforcement in a country， in Barth et al．（200I）．SRIGHT is an index from I to 5 to aggregate the following shareholders＇rights：one share－
one vote，proxy by mail，shares blocked before meeting，cumulative voting，and oppressed minorities mechanism sum of eight sub－indices related to administrative entry requirements imposed by supervisors，as further described Arabia，Bahrain，Qatar，Kuwait，Emirates，Jordan，Yemen，Syria，Turkey，Tunisia，Lebanon，and Egypt．ENTRY is the otherwise（Demirgüç－Kunt et al．，2008）．MENA is an indicator variable that sets to 1 when Islamic banks are
located in the Middle East and North Africa（MENA），and to 0 otherwise．In the sample，MENA includes Saudi to year．DEPINS is an indicator variable that sets to I if a country has an explicit deposit insurance，and to 0
otherwise（Demirgüç－Kunt et al．，2008）．MENA is an indicator variable that sets to $I$ when Islamic banks are at market prices based on constant local currency．INFLATION is change of customer price index（CPI）from year divided by total operating income．GDPGR is a country＇s annual percentage growth rate of gross domestic product
 bank．ROA is net income divided by the average total assets．REALESTLOAN is loans and leases divided by total set to $I$ if bank is an Islamic bank，and to 0 otherwise．SIZE is the natural logarithm of $(1+$ total assets $)$ of each regulatory capital to total assets．INCOMEVOL is firm－specific standard deviation of annual income，expressed as a residence．The dependent variable LNCAP is the capital buffer calculated as logarithmic transform of Tier Note．This table presents regression of capital buffer on asset risk and control variables for the sample of Islamic
banks and matched sample of conventional banks．The matched sample is based on bank size and country of


$\wedge W W \cap \square I W \forall 7 S I \times N O I \perp \forall 7 J N I$
GDPGR $\times I S L A M I C D U M M Y$
MENA $\times I S L A M I C D U M M Y$
$R L A W \times I S L A M I C D U M M Y$
SRIGHT $\times$ ISLAMICDUMMY
৯WWのロวIW $\forall 7 S I \times$ 久 $\searrow \perp N \exists$
AWWOOIWHTSI $\times$ SNIdヨO

Independent variable


