THE CHALLENGES OF DEVELOPING 3-5 YEAR STRATEGIC PLAN FOR ISLAMIC BANK IN MALAYSIA
ROUNDTABLE DISCUSSION

- **Bank Islam Malaysia Berhad**
  - Hizamuddin Jamalluddin
    Strategic Planning, Managing Director’s Office
  - Azrul Azwar Ahmad Tajuddin
    Chief Economist, Strategic Planning
  - Firdaus Mohamed
    International Venture, Strategic Planning

- **A.T. Kearney**
  - John Meinhold
    Principal, AT Kearney
  - Shirley Santoso
    Principal, AT Kearney
CORPORATE INFORMATION

- Bank Islam was incorporated on 1 March 1983 to become Malaysia’s pioneer bank to operate wholly according to Shariah principles.

- Bank Islam was licensed under Islamic Banking Act 1983.

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of Shares</th>
<th>Shareholdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIMB Holdings Berhad^</td>
<td>1,155,400,000</td>
<td>51%</td>
</tr>
<tr>
<td>Dubai Financial Group LLC</td>
<td>690,196,000</td>
<td>30.5%</td>
</tr>
<tr>
<td>Lembaga Tabung Haji</td>
<td>419,894,000</td>
<td>18.5%</td>
</tr>
<tr>
<td>Issued Share Capital</td>
<td>2,265,490,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

^ Lembaga Tabung Haji (Pilgrimage Funds Board) is deemed as the ultimate controlling shareholder of Bank Islam by virtue of its 51% controlling stake in BIMB Holdings Bhd
CORPORATE STRUCTURE

SHAREHOLDING STRUCTURE

- BIMB HOLDINGS BERHAD (51%)
- DUBAI FINANCIAL GROUP (30.5%)
- TABUNG HAJI (19.5%)
- Amana Bank Limited (20%)
- Farihan Corporation Sdn Bhd (80%)
- Al-Wakalah Nominees (Tempatan) Sdn Bhd (100%)
- BIMB Investment Management Berhad (100%)
- Bank Islam Trust Company (Labuan) Ltd (100%)
- BIMB Foreign Currency Clearing Agency Sdn Bhd (100%)
- BIMB Offshore Company Management Services Sdn Bhd (100%)
SSTs NETWORK – BY LOCATION TYPE

ATM - Automated Teller Machine
CDM - Cash Deposit Machine
CQM - Cheque Deposit Machine
SP - Statement Printer

By Type

<table>
<thead>
<tr>
<th>Type</th>
<th>ATM</th>
<th>CDM</th>
<th>CQM</th>
<th>SP</th>
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<tr>
<td>Branches</td>
<td>244</td>
<td>183</td>
<td>95</td>
<td>45</td>
<td>567</td>
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<tr>
<td>IPTA/IPTS</td>
<td>106</td>
<td>17</td>
<td>4</td>
<td>5</td>
<td>132</td>
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<td>Shopping Centres</td>
<td>86</td>
<td>13</td>
<td>6</td>
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<td>Corporate Offices</td>
<td>54</td>
<td>20</td>
<td>11</td>
<td>1</td>
<td>86</td>
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<tr>
<td>Others</td>
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<td>12</td>
<td>5</td>
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<td>Petrol Stations</td>
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<td><strong>TOTAL</strong></td>
<td><strong>600</strong></td>
<td><strong>270</strong></td>
<td><strong>121</strong></td>
<td><strong>54</strong></td>
<td><strong>1,045</strong></td>
</tr>
</tbody>
</table>
Fulfilling your needs is what we do best.

If you are looking for a bank that’s forward looking, innovative and all set to serve you, then Bank Islam, Malaysia’s pioneer Islamic bank is the answer. Recognised globally as a true-blue Islamic financial services provider as well as a key player in developing Malaysia into an international centre for Islamic finance, Bank Islam provides a wide spectrum of wholesome Shariah-based financial products and services to help you reach your goals.

At Bank Islam, we strive to lead with an impressively diversified offering of innovative financial solutions, customised to fit your needs, with the support from our highly esteemed Shariah Supervisory Council members and all stakeholders.

Now, if you are looking for the right business partner, Bank Islam is the perfect choice to help you find success. Find out more at www.bankislam.com.my
KEY OFFERINGS

**Consumer Banking**
- “Cradle to Grave”
- Personal Financing (Profit Rate - 4.99%)
- House Financing (Profit Rate : BFR-1.75%, FTV of about 80%)
- Vehicle Financing (Profit Rate - 3.6%)
- Bank Islam Card (Debit & Credit)
- Deposit Products (CA, SA, Al Awfar)
- Wealth Management (BancaTakafi, Will Writing, Structured Investment, Unit Trusts, etc.)
- Mobile Banking
- Bureau de Change

**Corporate Investment Banking**
- Term Financing
- Trade Financing
- Syndication Facility
- Debt Capital Market
- Corporate Finance & Advisory (i.e. IPOs, M&A, etc)

**Commercial Banking**
- Business Premises Financing
- Emerging Local Corporate
- Contract Financing
- SME/I Financing

**Treasury**
- Principal Dealer – Islamic PDS
- Corporate Deposits (GIA, SIA, Wakalah Deposit, Commodity Murabahah Deposits, NIDCs)
- Forex (FX Spot, Islamic FX Forward)
- Hedging Solutions (Wiqa Profit Rate Swap, Wiqa’ Forward Rate Agreement, Islamic Options)
CONSUMER OFFERINGS

Multifunctional card
The Bank Islam Visa Debit Card i allows you to experience the freedom of using only one card for all your daily needs from shopping, petrol, dining, bill payments and internet transactions. Do the smart switch and apply for one at your nearest Bank Islam branch to enjoy the benefits.

Deposit RM100 and you may get RM100,000!
AI-Awfar Savings Account-i & Investment Account-i
Ask us about it!

Skip 2 monthly instalments every year with Bank Islam
... That’s like a free holiday each year

TBH: TAP: Mobile Banking

10% discount on stamp duty for preparing the Bank’s Security Documentation
We lead the way...

in choice, variety and value

Driven by the desire to create new possibilities in Islamic financing, Bank Islam leads the way internationally with a dynamic range of Islamic treasury products and services. For those who think that Islamic banking is staid, undifferentiated and limited, we beg to differ. We are ready to serve you with a wide array of rewarding deposits, attractive investments, foreign exchange services and innovative hedging solutions - all backed by solid values of trust, strength and integrity.

Call or visit us today to expand your financial options in ways you never imagined possible.

Bank Islam - Pioneering Change

- Waqaf - Islamic Negotiable Instruments (NI) - Special Investment Account (SIA) - General Investment Account (GIA) - Commodity Murabahah Deposits - Islamic Negotiable Instruments of Deposit (NID) - Negotiable Islamic Debt Certificate (NIDC) - Floating Rate NIDC (FRNIDC) - An Najah NID - Ziyad NID - Islamic investment products on outright sale basis - Spot - Islamic FX Forward - Over The Counter transactions - Remittance to more than 100 countries - Wiqqa Forward Rate Agreement - Wiqqa Profit Rate Swap - Wiqqa Cross Currency Swap (WCCS) - Islamic Option - Yield Enhanced Investment.

Bank Islam Treasury • Deposits • Investment Products • Foreign Exchange • Hedging Solutions

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CORPORATE PLAN – MOVING FORWARD

PHASE 1
2006 - 2007
RECOVERY MODE
Moving out of crisis & return to the black

PHASE 2
2008 - 2009
STABLE MODE
Building solid foundation for a sustainable growth

PHASE 3
2010 - Onwards
HIGH GROWTH MODE
Operational excellence & market leader

TURNAROUND PLAN
(JUNE 2006 – JUNE 09)
✓ 1st pillar: Recapitalization & Balance Sheet Restructuring
✓ 2nd pillar: IT Infrastructure Revamp
✓ 3rd pillar: Transformation Program
✓ 4th pillar: Cost Rationalization
✓ 5th pillar: Human Capital Development

SUSTAINABLE GROWTH PLAN
✓ 1st pillar: Business innovation
✓ 2nd pillar: Robust risk management
✓ 3rd pillar: Strengthening enabling infrastructure
✓ 4th pillar: Building capability & capacity
✓ 5th pillar: Franchise development
✓ 6th pillar: Inorganic growth and corporate expansion
**SUSTAINABLE GROWTH PLAN - GOALS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Innovation</strong></td>
<td>• To continuously develop new financial solutions and product offerings that suit the ever-evolving customer needs (comprehensive, competitively priced and innovatively packaged) and benchmarked to international standards.</td>
</tr>
<tr>
<td><strong>Robust Risk Management</strong></td>
<td>• To build a solid foundation for sustainable revenue generation and resilient asset portfolio as well as efficient capital management.</td>
</tr>
<tr>
<td><strong>Strengthening Enabling Infrastructure</strong></td>
<td>• To provide an infrastructure that would improve operational efficiency, increase productivity and reduce transaction costs.</td>
</tr>
</tbody>
</table>
| **Building Capability & Capacity**          | • To attract, retain and build future human capital capabilities: to capture and retain best talents in Islamic finance  
• To ensure that employees are fully equipped with the right knowledge, capability and skills to excel and steer the Bank. |
| **Franchise Development**                   | • To establish an extensive network of branches and to expand electronic delivery channels that would enhance our reach to customers.  
• To enhance brand positioning that would drive business growth and sustain its competitive edges. |
| **Inorganic growth & Corporate Expansion**   | • To strengthen our market presence and stay ahead in an environment of heightened competition.  
• To tap the vast opportunities available in the South East Asian region. |
KEY STRENGTHS & COMPETITIVE ADVANTAGES

- “First Mover Advantage” (Sticky Depositors)
- Established Brand Equity (Trusted Brand)
- Largest Islamic Banking Franchise (118 branches & 1045 SST)
- Strong & Supportive Controlling Shareholder (LTH)
- Robust Capital Adequacy (RWCR >15%)
- Abundant Liquidity (CASA – 40%)
- Intensified Collection & Recovery Culture (Preventive Actions)
- Business Model – Salary Deduction from Source
- Competent & Experienced Team
OPPORTUNITIES

- Wholesale License
- Large Customer Base
- Improving Asset Quality
- Rising Affluent Market, Urbanization & Non Traditional Market
- Focus on Core Customers, Business & Markets (Harnessing Share of Wallet)
- Friendly & Supportive Government Policies
- Untapped & Underserved Ar Rahnu Market
- Domestic Market Consolidation (M&A)
- Regional Expansion (i.e. Indonesia)
Islamic Banking Assets - RM267.6 bil (excluding DFIs)
MARKET POSITIONING - DEPOSITS

Deposits
as at Dec 2010

17.0%
RM37.2 billion
Maybank Islamic

12.3%
RM26.9 billion
BANK ISLAM

11.4%
RM24.9 billion
CIMB ISLAMIC

7.0%
RM15.3 billion
PUBLIC BANK ISLAMIC

Islamic Banking Deposits - RM218.4 bil
(excluding DFIs)
KEY DEVELOPMENTS & CHALLENGES

- Heightened Competition (Irrational Market – erosion in profitable margin)
- Changing Regulatory Requirement
- Generation Shift in Competitive Landscape
- Diverse and fragmented markets
- Talent War
- Unresolved Industry Issues
ISLAMIC BANKING INDUSTRY IN MALAYSIA
The birth of Islamic banking in Malaysia was influenced by both external and internal factors. The external factors include the establishment of Islamic banks in the Middle East in the mid 1970s coupled with the establishment of the Islamic Development Bank in Saudi Arabia.

The idea for the establishment of an Islamic banking institution was discussed at a meeting held in Cairo in 1972 by the Conference of Foreign Ministers of Muslim Countries.

On the other hand, internal developments including the establishment of the Pilgrims Fund Board in 1963 and the calls from Malaysian Muslims for the need to establish an Islamic bank have prompted the government to respond accordingly.

Malaysia, having spearheaded and propelled the drive to establish the Islamic Development Bank in Jeddah, decided to form a steering committee in 1981 specifically for the purpose of making recommendations for the setting up of an Islamic bank in Malaysia. The study concluded that an Islamic bank would be a viable and profitable venture leading to the establishment of Bank Islam Malaysia Bhd, the first Islamic bank in Malaysia.

The Chairman of the National Steering Committee for the establishment of Islamic Bank, Raja Tun Mohar bin Raja Badiozaman wrote a letter to the then Prime Minister dated 1 July 1982 on the conclusion of the study attaching a detailed report on the religious, legal and operational aspects of the Islamic bank, based on the practices of Islamic banks in other countries and their own study.
1960S: Tabung Haji was established in 1969... *the journey begins*

1980s: First Islamic Bank i.e Bank Islam was set up in 1983, under Islamic Banking Act 1983

1993: Introduction of Interest Free Banking & Islamic Banking Window

1999: Arrival of new competitor, Bank Muamalat – 2\(^{nd}\) full fledged Islamic Bank

2004: Establishment of Islamic Banking Subsidiary for conventional bank

2005: Entrance of Kuwait Finance House, Al Rajhi & Asian Finance (a consortium of Qatar Islamic Bank, RUSD Investment Bank Inc. & Global Investment House).

2008: International Islamic Banking (IIB) licenses were issued to Unicorn International Islamic Bank, First Islamic Investment Bank Ltd (owned by PT. Bank Muamalat Indonesia) and Deutsche Bank Ag (2010), allow the bank to provide Islamic commercial and investment services denominated in foreign currencies. 2011 : IIB was issued to Elaf Bank

2011: Mega Islamic Bank (to be announced)
Section 2, IBA 1983:

“Islamic banking business” means banking business whose aims and operations do not involve any element which is not approved by the Religion of Islam.
Islamic Financial System

- Fairness / No Exploitation
- Materiality, Economic Purposes
- Sanctity of Contracts
- No Financing of Activities prohibited by Islam

Risk Sharing
Prohibition of Interest (Riba)
✓ Direct link to real economy
✓ Certainty - supported by underlying activities (avoidance of gharar - uncertainty)
✓ Prohibits excessive leveraging
✓ Money is not commodity

✓ Greater transparency & disclosure -
  ➢ additional Shariah governance
  ➢ unique risks
✓ Greater fiduciary duties & accountability
✓ Emphasis on clear documentation & contract add to soundness & stability

✓ Avoidance of unethical activities e.g. hoarding
✓ Avoidance of maisir (gambling) & riba (interest) & non-permissible goods & services
✓ Screening investment
✓ Forbearance for customers in difficulties

✓ Different contractual relationship
✓ Equity-based & risk-sharing transactions
✓ Clearly defined risk & profit-sharing characteristic serve as additional built-in mechanisms

‘...the traditional values of Islamic finance are growing in appeal for Western investors seeking safe haven from the current financial storms’ Source: Arthur D Little
GENERIC BUSINESS MODEL

VALUE PROPOSITIONS

- Competitive Pricing
- Excellent Services (Turnaround Time, Hassle Free)
- Innovative Offerings

ASSETS
- (Fixed vs Float Rates)

LIABILITIES
- (Profit Sharing vs CASA)

CUSTOMERS & ASSETS
- (Debt based Financing vs Equity based Financing)

Investors Vs Depositors

Revenue – Cost = Profit
Profit levels are dependent on the ability to manage risks and price according to expected returns.

Risk Sharing
Risks associated with the use of funds to finance customers or to invest in marketable securities. Risk premium should be factored into the price.

Support Functions
Product development and innovation will be key aspect in developing successful offerings.
ISLAMIC BANKING BALANCE SHEET

**ASSETS**
- **Inventory** (Real Estates, Automobiles, etc)
- **Asset-backed Transactions**
  - Murabahah (cost plus)/ Ijarah (leasing)/ Istisna’ (manufacture)/ Salam (forward delivery)
- **Profit Sharing Transactions**
  - Mudharabah (profit sharing & loss bearing) / Musharakah (profit & loss sharing)
- **Fee Based Services**
  - (Ujr, Sarf, Wakalah, etc) i.e. for Trade Financing

**LIABILITIES**
- **Current/Demand Deposits** (Wadiah (Safe Custody), Wakalah)
- **Unrestricted Investment Accounts** (Mudharabah-based GIA, SIA)
- **Restricted Investment Accounts** (Mudharabah PSIAs)
- **Profit Equalization Reserves**
- **Shareholders’ Equity**

**Return on Assets**
- Distinct characteristic - ownership of assets
- Akin to loans but legal position of lender and borrower is replaced by different contractual relationship

**Investment Returns**
- Distinct characteristic as prudential tools
- Partly used to set up infrastructure to undertake the business

**Return on Financing**

**Cost of Funds**
- Akin to demand deposit
- Akin to fixed deposit but uses profit sharing basis where return based on performance of assets
- Investor - entrepreneur relationship
ISLAMIC BANKING OPERATION IN A NUTSHELL

Sources of funds
- Non-mudharabah deposits
- Mudharabah deposits
- Shareholders’ Fund

Application of funds
- General Pool
- Specific account I
- Specific account II

Profit
- \( \Pi \)

Distribution of profit
- Depositors
- Bank
- Depositors
GOVERNANCE

Ensures compliance with Shariah rules & principles

Fiduciary duties in Islamic banking transaction

Normal Corporate Governance

Liabilities

- To safeguard interest of Investment Account Holders (IAH) – profit sharing contracts
  - IBI’s fiduciary responsibilities in protecting depositors (profit sharing investment account)
  - Sound investment & financing strategies – to align with IAH risk & return expectations
  - Proper disclosure & transparency

Assets

- To manage risks associated with Mudharabah (profit-sharing) & Musharakah (partnership) contracts: equity-based transactions
  - Board to ensure IBIs have sufficient expertise & capability
  - Allow appointment of Board representatives on entities involved in such transactions as monitoring mechanism
  - Establishment of dedicated oversight function e.g. in-house property development/research department for property investment & development activities

Strict compliance with corporate & Shariah governance promotes financial stability...
## PRODUCT OFFERINGS : CONVENTIONAL VS ISLAMIC

<table>
<thead>
<tr>
<th>Product Offerings</th>
<th>Conventional Banking</th>
<th>Islamic Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Savings &amp; Deposit</strong></td>
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<td>Current Account</td>
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<td>Time Deposit</td>
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<td><strong>Consumer Financing</strong></td>
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<td>Personal Financing</td>
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<td>Vehicle Financing</td>
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<td><strong>Wealth Management</strong></td>
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<td><strong>Commercial Banking</strong></td>
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<td><strong>Trade Finance</strong></td>
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<td>Bank Guarantee</td>
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<td>Latter of Credit</td>
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<td>Multi Trade</td>
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<td>Corporate Advisory</td>
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<td>Infrastructure Financing</td>
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<td>Corporate Debt Restructuring</td>
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<td>Debit &amp; Credit Card</td>
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<td>Internet Banking</td>
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<td>Mobile Banking</td>
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<td>SMS Banking</td>
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<td>Self Service Terminals</td>
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<td>Phone Banking</td>
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<td>Cash Management</td>
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<td>Bill Payments</td>
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<td>Hajj Services</td>
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<tr>
<td>Wakaf Services</td>
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</tbody>
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SHARIAH CONTRACT DEVELOPMENT MILESTONES

1983 - 1990
- Wadiah Current a/c
- Wadiah Savings a/c
- Mudharabah Investment a/c
- Mudharabah Financing
- Ijara Financing
- BBA Financing
- Murabahah LC
- Musharakah LC
- Wakalah LC
- Bai’ Dayn Trade Finance
- Murabahah Working Capital Financing

1991 - 2000
- Sarf Forex
- Mudharabah Interbank Investment
- Musharakah Financing
- Bai Inah Credit Card
- Ar Rahn
- Bai Dayn, Musharakah, Mudharabah ICDO
- Wadiah Debit Card
- Bai Inah Overdraft
- Bai Inah Commercial Credit Card
- Bai Inah Personal Financing
- Bai Inah Negotiable Instrument of Deposit (NID)

2001 - 2005
- Commodity Murabahah Profit Rate Swap
- Commodity Murabahah Forward Rate Agreement
- Ijarah Rental Swaps-I
- BBA Floating Rate
- Murabahah Floating Rate
- Istisna’ Floating Rate
- Mudharabah Capital Protected Structured Investment
- Bai Inah Floating Rate NID
- Mudharabah Savings Multiplier Deposit
- Tawarruq Banking
- Commodity Undertaking

2006 - 2008
- Tawarruq Business Financing
- Tawarruq Personal Financing
- Murabahah with Novation Agreement
- Istisna’ convertible to Ijarah
- Bai and Ijarah (Sale & Lease Back)
- Musharakah Mutanaqisah
- Istisna’ with Parallel Istisna’
- Wakalah Deposit
- Waqf
- Tawarruq Revolving Credit-I
- etc

Note – This listing is far from being exhaustive. Although they have been developed and/or approved, some products have yet to be rolled out at the time of publication of this document.
DEVELOPMENT LANDSCAPE

1983-1995

1995 - 2009

> 2010
ISLAMIC BANKING JOURNEY

Instituting Foundation
- “Alternative to Conventional Bank”

Institutional Building, Activity Generation & Market Vibrancy
- 1993-2005 (Deepen Islamic Banking, Create Critical Mass & Liberalization)
- “Greater Access to Islamic Finance”

Strategic Positioning & International Integration
- (2006 onwards)
- “Hub of International Islamic Finance”
INSTITUTING FOUNDATION

Strategic Intents:
- To fulfill the financial needs of the country’s Muslim community
- To mobilize funds for productive purposes, in particular for Muslim communities

“Tengku Razaleigh, the then Finance Minister described the Islamic bank as the: First step in the government's efforts to instill Islamic values into the country’s economic and financial systems as a replacement for the current Western-base economic system (NST 6 July 1982)”

Enabling Infrastructure:
- Islamic Banking Act, 1983 (Gave birth to the first Islamic bank, Bank Islam Malaysia Berhad. A wholesale/universal license)
- Government Investment Act, 1983 (Facilitate issuance of Government Investment certificates on an Islamic basis)
- Takaful Act 1984 and BNM’s Guidelines on Islamic Banking

Key Initiatives:
- Focus on developing banking infrastructure and familiarize pioneer staff with the relevant Shariah principles on banking & finance
- Disseminate information and familiarize the public with the Bank's various modes of operations in line with Shariah principles.

Landmark Development:
- 1969: Pilgrims Management Funds Board
- 1983: First Islamic bank licensed (Bank Islam)
- 1984: First Takaful licensed
- 1985: Cabinet approved Islamic Pawn-broking Program
- 1990: Introduced Islamic Capital Market

Achievements:
- Total Assets of RM1.66 bil (less than 2% of banking assets)
- Listed on the Main Board of KLSE (Jan 1992)
- Network of 31 branches
KEY CHALLENGES DURING 1st PHASE

- Slow Organic Growth
- Capital Intensity
- Limited Distribution Channel & Reach
- Plain Vanilla Products
- Inadequate Product Development Knowledge
- Lack of Product Differentiation
- Low Customer Awareness
- Brand Perception – “Banking for Malays”
**INSTITUTIONAL BUILDING, ACTIVITY GENERATION & MARKET VIBRANCY**

**Strategic Intents:**
- To create an Islamic banking system to function on a parallel basis with the conventional system – Dual Financial System. Three vital ingredients – A large number of Players (critical mass to hasten growth and greater access), A broad variety of instruments (not limited to basic and plain vanilla’s consumer or commercial offerings), An Islamic money market.
- An Islamic banking that reflects the socio-economic values of Islam.

**Enabling Infrastructure:**
- Successful implementation of Interest-free Banking Schemes via window concept (More effective and efficient approach for market penetration)
- Capital Market Master Plan – 13 recommendations were formulated, establishing Malaysia as international centre for Islamic capital market activities.

**Key Initiatives:**
- Entry of foreign Islamic bank
- Conversion of Islamic windows into independent subsidiary of conventional banks.
- Vision – target composition of 20% share of total banking system by 2010.
- Introduced Global Sukuk & Global Sovereign Sukuk

**Landmark Development:**
- 1993: First Islamic equity unit trust fund, Arab Malaysian Tabung Iltikal
- 1994: First full-fledged Islamic stock-broking, BIMB Sec.
- 1994: Islamic Interbank Money Market introduced
- 1994: First Islamic unit trust management company was set up, BIMB Invest
- 1997: Established National Shariah Advisory Council
- 2004: Development of the world first Islamic Equity Index (Dow Jones-RHB Islamic Index)
## ISLAMIC BANKING MODALITY

<table>
<thead>
<tr>
<th>Standalone Islamic Bank</th>
<th>Islamic Window</th>
<th>Subsidiary of Conventional Bank</th>
<th>Specialized Institutions</th>
</tr>
</thead>
</table>
| - Independent financial institutions  
- Independent infrastructure (IT, Risk Management, Human Talent, etc)  
- High cost-to-income ratio  
- Offer full range of Islamic compliant products & services  
- Retail banking, Wealth/Asset Mgmt/ Corporate Banking, Advisory & Capital Markets  
- Bank Islam Malaysia Bhd, Bank Muamalat Bhd, Al Rahji, Al-Baraka Banking Group, Kuwait Finance House, PT Bank Syariah Muamalat, etc | - Specialized set-ups within conventional banks  
- Different balance sheet but common operations /infrastructure  
- Dominated by global players with limited presents in the country that they are operating  
- Similar offerings to standalone Islamic banks  
- Generally targeted at affluent market segments and institutional investors  
- Private banking, structured deposits, and corporate banking  
- Citibank, Bank Simpanan Nasional, HSBC Amanah, etc | - Subsidiary of domestic conventional banks  
- Dedicated governance structure  
- Shared infrastructure (branch networks, IT, Risk Management, etc)  
- Transfer Pricing - cost  
- Minimal staffing  
- Low cost-to-income ratio and high productivity index.  
- Similar offerings to standalone Islamic banks  
- Retail banking, Corporate Banking, and Capital Market.  
- Offered Wealth/Asset Mgmt/ Advisory via sister company, another subsidiary of conventional bank.  
- Maybank Islamic, CIMB Islamic, Affin Islamic, etc | - Takaful & Re-Takaful Players  
- Islamic Mortgage Companies  
- Islamic Investment Fund Management Companies  
- Islamic Trustee Companies  
- Ar Rahnu or Islamic Pawnbroking  
- Islamic REIT Companies |
MALAYSIA’S PARALLEL DUAL FINANCIAL SYSTEM

CONVENTIONAL BANKS

ISLAMIC BANKS

CONVENTIONAL BANKS

ISLAMIC WINDOWS

CONVENTIONAL BANKS

ISLAMIC BANKING SUBSIDIARIES

CONVENTIONAL FINANCIAL SYSTEM

ISLAMIC FINANCIAL SYSTEM
CONVENTIONAL BANKS WITH WINDOW

- ... a total segregation of funds management to meet Shariah requirement:
  - A dedicated Islamic Banking Division
  - Separate Balance Sheet & Financial Statements
  - Dedicated minimum capital as Islamic Banking Fund
  - Separate clearing account with the Central Bank
  - Separate cheque clearing system
  - Separate submission of statistical reports in Financial Inst. Statistical System on monthly basis
  - Additional disclosure of Islamic banking portfolio in financial statements

- ... leverage on conventional branch network, IT Infrastructure, risk management, human talents, brand positioning, sales force, and etc.

- ... business model based on cost transfer or transfer pricing
STAND-ALONE VS WINDOW

Benefits of moving from a window-based to stand-alone structure

Increased participation of foreign players (via, e.g. JVs)
- Window structure discourages investment by foreign Islamic banks as conventional bank not Sharia-compliant

Opens up possibility of listing on stock market
- Faster growth prospects than conventional banking

Greater autonomy, more visibility and increased focus
- Stand-alone will have own board, resources, capital
- Window operations restricted because of need to compete for resources with the conventional bank

Increased talent retention
- Career progression may be limited under window structure

Source: Boston Consulting
**Raising concerns**

- Dedicated vs sharing of resources & infrastructure – balancing act between group synergy & autonomy of IS
  - Lack of autonomy: Timely to review structure
  - Same board members of IS and parent banks – does governance being compromised?
  - Diversity of Board composition – comprising board members with Islamic finance knowledge?
  - Sharing of expertise based on conventional mind-set
  - Lack of capacity building initiatives: Invest for long-term benefit (Talent, product developments)
- IT system - based on conventional product parameters
- Cross-selling & branding of Islamic products/ entities at parent’s branches - How effective branches are pushing for Islamic products?
- Visibility of Islamic finance – ‘bricks & mortars’ – Foreign players are more visible
- Service Level Agreement – cost sharing must reflect cost-benefit
- Issue of cannibalization?

---

*Philosophy of IS - autonomy & strategic focus of IS to harness potential of Islamic finance*

‘It is envisaged that greater strategic focus & resources as well as higher autonomy & governance will be accorded to the Islamic Banking business’

-Governor, Bank Negara Malaysia, March 2005

---

Financial Holding Company

Commercial/investment bank

Islamic subsidiary

Sister Co.

Timely to review?

Synergy through partnership with foreign

Financial Holding Company

Commercial/investment bank

Islamic subsidiary

Timely to review?

Foreign Partner
STRATEGIC POSITIONING & INTERNATIONAL INTEGRATION

Strategic Intents:

- To position Malaysia as a hub for International Islamic Finance
- To create an efficient, progressive and comprehensive Islamic financial system that contributes significantly to the effectiveness and efficiency of the Malaysian financial sector while meeting the economic needs of the nation

Enabling Infrastructure:

- Liberalized equity policy for Islamic bank and Takaful
- MIFC Initiatives
- Law Harmonization Committee
- Capital Market Master Plan 2 Initiatives

Key Initiatives:

- Nurture Malaysia’s Islamic capital market
- Develops pool of skilled and Islamic finance professional
- Creation of mega Islamic bank framework
- Promote Internationalization of Islamic Finance
- Promote Malaysia’s Islamic Fund Management

Landmark Development:

- 2006: Malaysia International Islamic Financial Centre (MIFC) launched.
- 2006: International Centre for Education in Islamic Finance (INCEIF)
- 2006: Introduced Islamic Exchangeable Traded Fund & International Currency Business Unit
- 2008: International Shariah Academy (ISRA) for Islamic Finance
- 2010: Established International Islamic Liquidity Management
ACHIEVEMENTS TO-DATE

Constitute 20% of the banking and insurance market share

- Total assets of Islamic banking sector (including DFIs) amounted to RM350.8 bil as at end 2010, accounts for over 20% of the overall banking system in terms of assets, financing and deposits.
- Takaful assets account for 8.7% of the insurance and Takaful industry

Strong & Highly Capitalized Players Offering Comprehensive Financial Products & Services

- 17 Commercial Islamic banks & 4 International Islamic banks (Slides # )
- RWCR – 14.9% : Core Capital Ratio - 12.7%
- Wholesale/Universal License ( Full sweep of consumer, corporate & treasury products & services)

Comprehensive and conducive Shariah and regulatory framework

- BNM Shariah Advisory Council is the highest authority
- Section 57: Rulings of SAC shall be binding on Islamic financial institutions, courts or arbitrators and these rulings are final

Dedicated institution (Shariah commercial court) in the judiciary system

- Dedicated High Court for Muamalat transaction.

Sufficient number of well-trained, high calibre individuals and management teams with the required expertise

- Established various professional courses and practical training programs via IBFIM, INCEIF, ICLIF, ISRA, and tertiary education program at universities to develop Islamic finance talents

Epitomize Malaysia as a regional Islamic financial centre

- Various promotions and initiatives organized by MIFC & BNM
- Continuous enhancement of Islamic Financial System
ISLAMIC BANKING LANDSCAPE

Mega Islamic Banks (Paid Up Capital of US$1 bil)

17 Commercial Islamic Banks, 5 DFIs & 4 IIBs.
... robust development of these components will enhance sustainability and resilience of the Islamic financial market
CONDUCTIVE REGULATORY FRAMEWORK

- Tax Neutrality
- Policy
- Shariah Advisory Council & Shariah Governance Framework
- Dispute Resolution (Dedicated Shariah Commercial Court, Financial Mediation Bureau & Arbitration Centre)
- Comprehensive Legislation
- International Best Practices
KNOWLEDGE & EDUCATION

- Consumer Education & Awareness
- Research Grant for Shariah Scholars
- International Conferences
- Complete Education & Training Infrastructure
EPITOMIZE MALAYSIA AS REGIONAL ISLAMIC FINANCIAL CENTRE

Centre of Shariah Reference

Centre of Capital & Money Market
- Fund Management, Sukuk, Money Market instruments

Centre of Product Innovation

Centre of Fund Flows

Diversity of players
- Domestic Players with Global Linkages
- International players

Centre of Talent Development

Centre of Int’l Currency Business

Centre of Ancillary Services
- Legal, Accounting & Processing services/Outsourcing services

... Malaysia is in position of strength & has now position internationally

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**MATURITY VS. GROWTH**

**Maturity Curve**

- **Early Start**
  - Focus on product design and positioning
  - Customer Awareness

- **Emerging**
  - Large number of new entrants
  - Rapid growth in value of the industry
  - Increased recognition and awareness

- **Fast Growth**
  - Stiff Competition
  - Focus on market share & innovation

- **Saturation**
  - Consolidation
  - Demand for greater differentiation

- **Maturity**
  - Removal of incentives

Islamic finance probably stands here; best time in terms of business development BUT most damaging when a crisis hits.

---

Measure or success or profitability

High

Medium

Low
S.W.O.T ANALYSIS

Strengths
- Government and Central Bank are committed to promote Islamic banking, enhancing its international status.
- A large middle class Muslim population puts the country in a strong position to become a centre for Islamic banking. The future looks promising in terms of growth of total assets.

Weaknesses
- Increasingly competitive operating environment with the entry of new competitors in particular the 2 “mega” Islamic banks into an already overcrowded banking industry with a non-level playing field in favour of Islamic subsidiaries (of conventional banking parents).

Opportunities
- Malaysian local Islamic Bank have little regional footprint, despite attempts to enter Indonesia banking system. There is a plenty of room to grow externally given growing demand for Islamic banking products.
- Islamic banks have substantial room to increase non-fund based income (fee-based) in a similar way to conventional banking i.e. remittance business, wealth management, etc.

Threats
- Singapore and other jurisdiction have an eye on Malaysia’s most promising niches, Islamic banking.
- Foreign banks will provide more competitive challenges at home and in the banks’ attempt to spread regionally.
MIFC – Malaysia as a global Islamic financial hub

Attractive tax & non-tax incentives

Robust & comprehensive regulatory, legal, corporate governance & Shariah framework

Wide & knowledgeable investor base

Adequate pool of talents & capabilities

Continuous product innovation

Liberal foreign exchange rules
ROBUST & COMPREHENSIVE REGULATORY FRAMEWORK

Islamic Banking Act 1983

- Powers of Supervision & Control Over Islamic Bank
- Restrictions on Business
- Ownership, Control & Management
- Financial Requirement & Duties of Islamic Bank
- Licensing of Islamic Banks

- Central Bank of Malaysia Act 2003
- Rate of Return Framework 2003
- Credit Card-i Guidelines 2004
- Specimen Reports & Financial Statement-i 2003
- Market Risk Capital Adequacy Framework 2004
- Guidelines on Corporate Governance GP1-i
- PSIA Risk Absorbent Framework
- Tax Neutrality Framework 2005
- Central Bank of Malaysia Act 2003
- Shariah Governance Framework 2010
- Profit Equalization Reserves Framework 2011
- PSIA Risk Absorbent Framework
- Guidelines on International Currency Business Unit 2006
MOVING INTO UNCHARTERED TERRITORIES

UK
- Govt sets an objective to ‘entrench London as a global gateway for Islamic Finance
- 5 FSA-approved Islamic banks and 2 Takaful operators

Hong Kong
- Aims to become an Islamic finance hub
- Hang Seng Islamic China Index Fund in 2007
- Shariah Advisory Council formed

Japan
- New law allowing banks to do Islamic Finance

France
- Passed rules/regulations to support Islamic finance activities
- Considering licensing first Islamic bank

Dubai, UAE
- Fast emerging as financial centre through DIFC aggressive promotion efforts

Singapore
- Established first Islamic bank
- Introduced tax neutrality for Islamic finance
- Aspiring to be centre for Islamic finance
- Issued sukuk

Australia
- Islamic co-operative finance & mortgage established
- Consider to establish Islamic bank

... a call for our domestic players to chart the roadmap and gear up for global business
“In today’s context, the growth in Islamic finance coincided with the current account surpluses of oil-exporting countries that is dominated by the Muslim countries. The new era of these countries desires for socio-political and economic systems based on Islamic principles and stronger Islamic identities.

In addition, the introduction of broad macroeconomic and structural reforms – in financial systems, the liberalization of capital movements, mega infrastructure project in the Muslim world, privatization and the global integration of financial markets, have paved the way for the rapid expansion of Islamic finance.

Islamic finance is not restricted to Islamic countries, but is spreading wherever there is a sizeable Muslim countries and demand for ethical banking”
DOMESTIC MARKET
## ISLAMIC BANKING SYSTEM (INCLUDING DFIs)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>RM170.5 bil</td>
<td>RM203.8 bil</td>
<td>RM251.0 bil</td>
<td>RM303.3 bil</td>
<td>RM350.8 bil</td>
</tr>
<tr>
<td>% of banking system</td>
<td>14.4%</td>
<td>15.5%</td>
<td>17.4%</td>
<td>19.6%</td>
<td>20.8%</td>
</tr>
<tr>
<td><strong>Total Financing</strong></td>
<td>RM102.9 bil</td>
<td>RM122.0 bil</td>
<td>RM150.5 bil</td>
<td>RM186.9 bil</td>
<td>RM222.3 bil</td>
</tr>
<tr>
<td>% of banking system</td>
<td>16.0%</td>
<td>17.3%</td>
<td>18.9%</td>
<td>21.6%</td>
<td>22.7%</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>RM126.6 bil</td>
<td>RM154.8 bil</td>
<td>RM194.4 bil</td>
<td>RM235.9 bil</td>
<td>RM277.5 bil</td>
</tr>
<tr>
<td>% of banking system</td>
<td>14.7%</td>
<td>16.8%</td>
<td>18.8%</td>
<td>20.7%</td>
<td>22.6%</td>
</tr>
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## ISLAMIC BANKING SYSTEM (INCLUDING DFIs)

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<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Weighted Capital Ratio</strong></td>
<td>17.0%</td>
<td>15.8%</td>
<td>14.0%</td>
<td>15.6%</td>
<td>14.9%</td>
</tr>
<tr>
<td><strong>Core Capital Ratio</strong></td>
<td>12.9%</td>
<td>13.0%</td>
<td>11.8%</td>
<td>13.2%</td>
<td>12.7%</td>
</tr>
<tr>
<td><strong>Return on Assets</strong></td>
<td>1.4%</td>
<td>1.3%</td>
<td>1.0%</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
<tr>
<td><strong>Net Non Performing Financing Ratio</strong></td>
<td>4.7%</td>
<td>3.3%</td>
<td>2.3%</td>
<td>2.2%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
COMPOSITION OF ISLAMIC DEPOSIT

Type of Deposit

- Mudharabah General Investment A/C, 33%
- Mudharabah Specific Investment A/C, 14%
- Commodity Murabahah, 9%
- Savings, 9%
- Demand, 15%
- Others, 20%
CAPITAL MARKET
ISLAMIC CAPITAL MARKET

Bonds/Sukuk (Total RM758.7 bil)

- MYR 464.7 bil
- MYR 294.0 bil

Equities (Total RM1,275.3 bil)

- MYR 756.1 bil
- MYR 519.2 bil

Unit Trust (Total RM226.8 bil)

- MYR 202.8 bil
- MYR 24.0 bil

- Sukuk Market
- Bond Market
- Shariah Equities
- Non Shariah Equities
- Islamic Unit Trusts
- Conventional Unit Trusts
Total global outstanding Sukuk was worth about US$148 bil

About 66% of the global outstanding Sukuk or US$96 bil were originated from Malaysia

... continue to be the largest market for Sukuk issuance
Islamic instruments are increasingly gaining popularity as the preferred financing option in view of the following benefits or appeal factors in general:

- **Better yield given greater demand from a wider investor base and lower cost of funds. Spread differentials are by about 15-30 basis points.**
- **No stamp duty. Lower all-in costs.**

**Cost Effectiveness**

- **Tax deduction for issuers**
- **Tax neutrality for SPVs**

**Tax Incentives (for both issuers and investors)**

- **An array of Shariah contracts to cater to varying investors’ risk appetites**

**Flexibility**

- **Larger investor base, both local & global players**
- **Examples:** PNB, LTH, KWSP, Takaful operators/insurers, etc.

**Diverse Investor Base**

- **Obligation of full disclosure to investors**
- **Prohibition of excessive leveraging**

**Greater Transparency**

- **Collateralized or backed by assets**

**Enhanced Security for Investors**
CONSUMER MARKET
KEY CHALLENGES

Deposit

Financing

Customer Expectation
(Similar features as conventional offerings)

Customer Perception
(Too many documentations)

Capital Guarantee although under Mudharabah

Low Financing Charges
No Penalty Charges
Less Aggressive Recovery Actions

... moving away from product-pushing
CONTINUOUS EDUCATION IS CRITICAL

Too many terminologies (in Arabic)

To many structures or contracts

Too many documentations

Different Shariah interpretation
STRATEGIC ISSUES
LESSONS & CHALLENGES IN MALAYSIA & BEYOND

✓ Misconception against Islamic Banking
   ➢ Many still has a wrong understanding or misconception against Islamic Banking which among the thoughts are:
     ▪ Islamic Banking is only for Muslims
     ▪ Islamic Banking is not profitable because no interest is charged
     ▪ Islamic banking is only offered in the Middle East
   ➢ Thus better awareness shall be create among the customers that Islamic Banking is not only an alternative financial approach but also in some aspects provides better value propositions to the consumers.

✓ Lack of uniformity between Shariah’s view
   ➢ Divergences of opinion between the different school of law complicate the matter as do the different methodologies that may be called upon when elaborating on the law.
   ➢ Shariah interpretation versus business practicability/financing commercial viability

✓ Documentary complexity
   ➢ Customers consciousness and competition among Islamic bank will lead to standardization of Islamic financial product and documentation
LESONS & CHALLENGES IN MALAYSIA & BEYOND…cont

✓ Moving towards equity-based financing (Mudharabah & Musharakah)

- Commercial banks to act as venture capital, hence requires a new set of technical and risk management capabilities i.e. industry experts and know-how

- Market readiness - profit sharing, trade secrets, bank as strategic business partners (potential conflicting interest).

- Balance sheet size, risk appetite and underwriting capabilities

- Supervisory and prudential regulatory framework.

- Accounting and auditing standards.

✓ Heightened Competition

- Concerns of the Malaysian banking system getting overcrowded

- Dynamic products & services that constantly evolve to meet the ever-changing customer needs and expectations of all walks of life

- Aggressive launch of innovative and sophisticated products by financial institutions puts tremendous pressures on Islamic banks
Embrace merits of Islamic finance as espoused by Shariah objectives & principles

Role of the Board & Senior Management

Understand & embrace values & principles of Islamic Finance

Shariah as a driver - comprehensive Shariah Governance & structure

Strategy & Plan to harness the true potential & develop the right business model

Attain sufficient degree of differentiation from conventional financial industry

Authenticity as direct characteristics & selective replication strategy

Strengthen Risk Management to address peculiar risk of IF

Information system to cater for IF transactions (co-sharing IT system for all IBIs?)

IF - Islamic Finance; IBIs - Islamic Banking Institutions
LESSONS & CHALLENGES IN MALAYSIA & BEYOND...cont

✔ Structural Gap

- 63.8% of Islamic banking assets are contracted on a fixed rate basis.
- The fixed rate nature of such financing gives rise to re-pricing gap risk due to mismatch between the return earned on assets and re-pricing of liabilities.

✔ “Shariah-based Product” vs Shariah-compliant products”

- Moving towards “Shariah-based Product” - that strictly observe the principles of Shariah instead of Shariah-compliant product that is developed based on conventional offerings but satisfy Islamic law.
- To minimize replicating conventional products
- Part as product differentiation strategy on key offerings
Lessons & Challenges in Malaysia & Beyond... cont

- War of talents get fiercer

- Global shortage of Islamic finance talents at almost all levels especially the middle and senior management (More than 30,000 skilled Islamic bankers are required by 2020- PEMANDU)

- Inadequate pool of Shariah scholars with the right combination of knowledge in Islamic law and modern finance to serve at Shariah Advisory Committees/Boards of Islamic banks

- The issue of “poaching” by competitors in Malaysia as well as by those in emerging Islamic financial hubs in particular Dubai, Bahrain, Singapore, Hong Kong and London with their lucrative packages

- The need for effective ways to attract, retain and develop experts and high skilled workers

“Bank Islam is a talent developer or supplier instead of being just an acquirer of talents with its emphasis on talent development and skills enhancement. Bank Islam aims to be the ‘Employer of Choice’ in the Islamic financial services industry (IFSI)”
MOVING FORWARD
RECOMMENDATION 1: SUSTAINABLE GROWTH

- To increase market share of assets, deposits and financings to 50% of overall banking system (from around 20% currently)

  - To encourage GLCs to undertake at least 50% of their financial transactions via Islamic finance
  - To incentivize MNCs to resort to Shariah compliant financial products and services (in particular wrt trade finance)
  - To promote micro finance as part of the financial inclusion agenda and to support growth of SMEs, the backbone of the Malaysian economy such as through incentives for Islamic banks in terms of capital charges and others
  - To aggressively promote equity-based financing i.e. Mudarabah and Musharakah transactions i.e. via waqf development
  - To encourage Islamic banking subsidiaries to establish a dedicated Islamic banking branches to prevent co-mingling of funds and to ensure end-to-end Shariah processes
RECOMMENDATION 2: ROBUST CAPITAL & BALANCE SHEET

- To encourage market consolidation via mergers & acquisitions (M&As) between domestic Islamic banks to strengthen their balance sheets, capital adequacy ratio, underwriting capabilities and ready to comply with BASEL III

- To expedite the establishment of mega Islamic banks with a paid-up capital of at least US$1 billion
RECOMMENDATION 3: REGIONAL CHAMPION

- To encourage domestic Islamic banks to spread their wings globally or at least regionally. This overseas expansion can be done either through M&As/strategic alliances with established players in host countries or by establishing operations from scratch.

- Encouraging market focus on highly populous countries with sizeable Muslim population such as Indonesia, India and China

- Incentives such as favorable double tax treaties with target countries; tax exemption on repatriated profits or dividends, on proceeds from transfer of technical know-how and expertise, on capital expenditure or expenses incurred for this purpose, etc

- Administrative and regulatory assistance/support from the authorities (BNM, Ministry of Finance, other Govt agencies) to facilitate overseas expansion such as inclusion reciprocal deals (i.e. the entry of an Islamic bank from Country A into Malaysia should be reciprocated with the entry of an Islamic bank from Malaysia into Country A) in any free trade agreements (FTAs) or MoUs on financial sector liberalisation with target countries/economic blocs

- Closer strategic collaboration with international organisations/supranational agencies that promote Islamic finance such as the Organisation of Islamic Countries (OIC), Islamic Development Bank (IDB), etc.
RECOMMENDATION 4: TO CONTINUE BUILDING CAPABILITY AND CAPACITY

- To encourage direct listing of Islamic banks on Bursa Malaysia with the objectives of:
  - providing a viable fundraising avenue for Islamic banks
  - strengthening market capitalization of Islamic banks
  - ensuring greater transparency and accountability for the benefit of all stakeholders (shareholders, regulators/supervisors, customers, community, etc)

- To encourage Islamic banks to secure adequate ratings by rating agencies for profile enhancement and credibility

- To provide incentives for Islamic banks, be they domestic or foreign, to consider Bursa Suq Al Sila’ as their major exchange in the conduct of their liquidity management (money market) activities and usual financing transactions

- To design a structured approach to succession planning at Islamic banks in particular for Middle and Senior Management

- To incentivize Islamic banks that sponsor employees who undertake post-graduate courses in Islamic finance or Shariah related programs

- To provide incentives for Islamic banks that offer internship programs for students in Islamic finance and Shariah related courses
RECOMMENDATION 4: TO CONTINUE BUILDING CAPABILITY AND CAPACITY

- To attract Islamic finance talents from abroad to consider Malaysia as the workplace of choice through:
  - Review of holistic immigration policy
  - A specific tax and non-tax incentive program
  - Other aspects that will make Malaysia a conducive environment to live and work

- To put in place a structured programme for Shariah scholars to enhance their business and financial acumen

- To turn Malaysia into a renowned research centre for Islamic finance

- To enhance public awareness and promote education in general about Islamic finance in particular among non-traditional customers
CONCLUSION
THE MALAYSIAN ADVANTAGE

- Malaysia has a dedicated legal and efficient regulatory infrastructure including legislations such as the Islamic Banking Act 1983, the Takaful Act 1984 and the Capital Markets and Services Act 2007, as well as the Islamic Stock Broking Best Practices Guidelines to govern the Islamic finance industry.

- A defined strategic plan and initiatives for Islamic Banking & Takaful under Financial Master Plan & Capital Master Plan

- Malaysia’s reputable existing expertise and extensive experience in Islamic finance product and service innovations enable foreign financial institutions to efficiently and cost-effectively structure their own innovative offerings

- A market-leading landscape that is streamlined and benchmarked globally for providing a dynamic and well-accepted marketplace, with proven track records in the industry for reliability, flexibility and functionality whilst maintaining high levels of investor protection and strong corporate governance.
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