BANK ISLAM PRODUCTS & SERVICES

for:
Study Visitation By Afghanistan Delegates

26 February 2013 / 15 Rabiulakhir 1434
Menara Bank Islam
CORE BUSINESS

CORPORATE INVESTMENT BANKING

CONSUMER BANKING

COMMERCIAL BANKING

TREASURY SERVICES
## ISLAMIC BANKING vs. CONVENTIONAL BANKING

<table>
<thead>
<tr>
<th>KEY DIFFERENTIATING FACTOR</th>
<th>ISLAMIC BANKING</th>
<th>CONVENTIONAL BANKING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUNCTIONS AND OPERATING MODES</strong></td>
<td>Based on the principles of Shariah</td>
<td>Based on fully man-made principles</td>
</tr>
<tr>
<td><strong>INTEREST- BASED TRANSACTIONS</strong></td>
<td>Absence of interest-based (riba) transactions</td>
<td>Most of the activities are interest-based</td>
</tr>
<tr>
<td><strong>RISK MANAGEMENT</strong></td>
<td>Islamic banks &quot;bear the risk&quot; when involve in any transaction</td>
<td>Concerned with &quot;elimination of risk&quot;</td>
</tr>
<tr>
<td><strong>AIMS AT MAXIMIZING PROFIT</strong></td>
<td>Subject to Shariah restrictions</td>
<td>Without any restriction</td>
</tr>
<tr>
<td><strong>PENALTY</strong></td>
<td>Charge in the form of ta'widh (compensation) as determined by the Shariah Advisory Council of BNM.</td>
<td>It can charge additional money (penalty and compounded interest) in case of defaulters</td>
</tr>
<tr>
<td><strong>BANK-CUSTOMER RELATIONSHIP</strong></td>
<td>Partners, investors and trader, buyer and seller</td>
<td>Creditor and debtors</td>
</tr>
</tbody>
</table>

**ISLAMIC BANKING vs. CONVENTIONAL BANKING**

- **FUNCTIONS AND OPERATING MODES**: Islamic banking operates based on the principles of Shariah, while conventional banking is based on fully man-made principles.
- **INTEREST- BASED TRANSACTIONS**: Islamic banks avoid interest-based transactions (riba), whereas most conventional banking activities are interest-based.
- **RISK MANAGEMENT**: Islamic banks take the risk when involved in any transaction, whereas conventional banks are concerned with eliminating risk.
- **AIMS AT MAXIMIZING PROFIT**: Islamic banks aim to maximize profit subject to Shariah restrictions, whereas conventional banks operate without any restriction.
- **PENALTY**: In Islamic banking, penalties are charged in the form of ta'widh (compensation) as determined by the Shariah Advisory Council of BNM. Conventional banking can charge additional money (penalty and compounded interest) in case of defaulters.
- **BANK-CUSTOMER RELATIONSHIP**: Islamic banking relationships are based on partners, investors, traders, buyers, and sellers, whereas conventional banking relationships are between creditors and debtors.
PRODUCTS OFFERINGS

- **Consumer Banking**
  - Bank Islam Card (Master & Visa)
  - Personal Financing
  - Vehicle Financing
  - Home & Fixed Asset Financing
  - Savings Accounts
  - Current Accounts
  - Electronic Banking
  - i-Tap

- **Commercial Banking**
  - Business Financing
  - Cashline
  - Leasing & Hire Purchase
  - Trade Finance
  - Bridging Finance
  - Equity Financings

- **Corporate Investment Banking**
  - Corporate Banking
  - Corporate Finance & Advisory
  - Debt & Capital Markets
  - Syndication

- **Treasury**
  - Corporate deposit placements
  - Foreign Exchange

- **Others**
  - Cash Management
  - Wealth Management
WHY GO FOR ISLAMIC BANKING?

- Cost benefit to client (no commitment fee and fixed finance cost)
- Strong Government support to promote Malaysia as the Islamic Financial Hub
- 20% discount on stamp duty for Islamic primary documents (extended up to 2015)
- Conversion (refinance) of conventional loan to Islamic facility is stamp duty exempted
- In line with Government’s direction to GLCs in adoption of Islamic finance concepts for its funding options.
- Capitalize on innovative & dynamic alternative product (eg: fixed rate combination with floating rate and ceiling rate as protection)
- For Corporate, profiling to global Islamic investors
- Sound Legal framework
  - Islamic banking falls within regular civil court’s jurisdiction
  - Centralised National Shariah Advisory Council
CELEBRATING 30 YEARS
ADVANCING FOR THE GOOD OF ALL

BANKING PRODUCTS & SERVICES
CONSUMER FINANCING PRODUCTS
Bank Islam Card-i

1. Bank sells commodity to the customer
2. Customer request Bank to sell the commodity
3. Bank sells the commodity on behalf of the customer
4. Bank credits the sale proceeds into customer’s marginal account
5. Customer’s utilizes facility for purchases
6. Customer settles the amount due as per agreed terms with the Bank

- No annual fee
- No compounding finance charges
- 20-day finance charge-free period
- Free Takaful coverage on outstanding balance
- Cash rebate on retail transaction
- Low balance transfer rate
- Low cash withdrawal fee
Personal Financing-i

1. Bank sells commodity to the customer
2. Customer requests Bank to sell the commodity
3. Bank sells the commodity on behalf of the customer
4. Customer settles the amount due as per agreed terms with the Bank
5. Bank credits the sale proceeds into customer’s account

- Competitive rate
- No hidden charges
- No guarantor is required
- No processing fee
- Flexible financing tenure
- Selling price – fixed and known
- No deposit
Vehicle Financing-i

1. Customer pays down payment on behalf of the Bank.
2. Customer settles the amount due.
3. Dealer delivers the vehicle to the customer.
4. Bank sells the vehicle on deferred payment.

- Financing of national & non-national cars
- Competitive rates offered
- Selling price: fixed and known
- No hidden or extra charges imposed
- Nominal stamp duty
Customer settles the amount due as per agreed terms with the Bank.

1. Customer pays down payment

2. Customer applies for financing

3. Bank sells commodity to the customer

4. Bank sells the commodity on behalf of the customer

5. Bank credits the sale proceeds

6. Property Developer/Vendor
Salient Features

- High Margin Of Financing up to 90%
- Financing of:
  - Mortgage Reducing Term Takaful (MRTT)
  - Long-Term House Takaful (LTHT)
  - Stamp Duty
  - Legal Fees
  - Valuation Fees
- Longer Financing Tenure of Up to 40 Years or age 65, whichever is earlier
- Competitive Financing Rates

Better Cost Saving

- 20% discount on Stamp Duty
- No Processing Fees

Bonus Benefits

- Enjoy 2 months break on your monthly installments with our Payment Holiday features (every November & December)
- Enjoy No Payment During Construction (NPDC) up to maximum of 2 years for selected residential projects
**Al-Waqf Home Financing-i**

1. **SRA appoints developer**

2. **Developer constructs the property**

3. **Developer hands over the completed property**

4. **SRA leases the property**

5. **Customer applies for financing**

6. **Bank credits amount in to developer’s account**

7. **Customer settles amount due**
**Al - Awfar Savings-i and Investment-i**

1. Customer places deposit
2. Bank receives investment returns
3. Bank conducts prize draw
4. Bank pays profit to customer
5. Cash prizes will be credited in to account
6. Bank invests the funds

**Diagram Description:**
- **Customer** places a deposit.
- The bank pays profit to the customer.
- The bank conducts a prize draw.
- Cash prizes are credited to the customer's account.
- The bank invests the funds.
Salient Features

- An innovative Mudharabah-based account that gives you the opportunity to win cash prizes worth of RM2.32 million a year.

- On a pre determined basis, a draw will be done and cash prizes will be paid to the winners. The draw concept has been approved by the Bank’s Shariah Supervisory Council (SSC).

- Cash prizes with varying amount up till RM 1 Million are offered by the Bank periodically e.g.
  - 1st prize – RM200,000
  - 2nd prize – RM20,000
  - 3rd prize – RM1,000
  - 4th prize – RM500

- To be eligible, a minimum deposit is required as the following;
  - Savings-i : RM100
  - Investment-i: RM1,000 (1 month) and RM500 (3 months – 60 months)

  Bank Islam also offers Al Awfar Junior with two types of accounts;
  - Trust account will be opened for the minor account holder (Below 13 years old )
  - An individual account will be opened for the youth account holder (Between 13 to 18 years old )
BUSINESS FINANCING PRODUCTS
Customer settles the amount due as per agreed terms with the Bank

Bank sells the commodity on behalf of the customer

Customer request Bank to sell the commodity

Bank sells commodity to the customer

Bank credits the sale proceeds*

*depending on deal arrangement, proceeds may be credited direct to the customer or 3rd party (e.g. vendor/financial institution)
Salient Features

- Financing of property, building, land and various types of assets acceptable to the Bank.
- Facility is also applicable for Opex & Capex financings as well as bridging or refinancing of property/asset purposes
- Pricing can be equally competitive as compared to conventional Term Loan
- Financing rate is available in either fixed or floating mechanics
- Tenor ranges; from medium to long term
Customer settles the amount due as per agreed terms with the Bank

3. Bank sells the commodity on behalf of the customer

2. Customer request Bank to sell the commodity

1. Bank sells commodity to the customer

4. Bank credits the sale proceeds

5. Customer utilises the amount as and when it requires funding

6. Customer

Customer

Marginal Deposit Account

Current Account

Buyer
Salient Features

- An alternative product to conventional banking’s Overdraft facility
- Suitable for working capital and project financing purposes i.e. facilitates the requirement of the customer for quick accessibility of cash
- Utilization is by way of checking account as & when the customer requires funding
- Profit is charged based on utilization of customer
- Cashline can be also used as the operating account of the customer
- No commitment fee is chargeable over unutilized limit
Revolving Credit-i

- Suitable for working capital and project financing purposes
- Utilization is based on customer’s request for funding for a determined period i.e. short term of 1 up to 6 months
- Profit is chargeable upfront during utilization request for the facility and payable end tail together with financing amount

- Competitive pricing
- No commitment fee is chargeable over unutilized limit
- Mainly facility is offered to corporate clients
**Ijarah Muntahiyah Bit Tamlik-i & Ijarah Thumma Bai’**

1. **Customer pays down payment**
2. **Customer applies for financing (ijarah)**
3. **Bank pays the remaining purchase price**
4. **Bank enters in to a Ijarah Muntahiyah Bit-Tamlik / AITAB agreement with the customer and customer pays rental as per agreed terms**
5. **Bank sells the asset to the customer upon maturity**

**Vendor**

**Customer**

---

**Page 23**
Salient Features

- An alternative product to conventional banking’s Leasing and Hire Purchase facilities
- Mainly used as asset financings for machinery, equipment, plant, commercial vehicle, etc.
- Tax advantage for the customer
- Competitive rates
- For equipment/machinery supplied by foreign supplier/vendor, a specific Letter of Credit (LC-i) can be arranged by the Bank to facilitate the importation. Subsequently, the LC-i will be converted into IMBT or AITAB
TRADE FINANCING PRODUCTS
Letter of Credit

1. Client applies for LC
2. Bank issues LC
3. Advising bank forward LC documents
4. Exporter delivers goods
5. Advising Bank forward shipping docs
7. Credits exporter’s account
8. Customer pays the Bank as agreed
Salient Features

- Provides platform for both parties to agree trade terms and efficient payment arrangement
- No ‘transit interest’ charges as payment to Seller/Beneficiary only upon acceptance of documents
- Operations is governed under Uniform Customs and Practice (UCP) for Documentary Credit; International Chamber of Commerce Publication 600
- The Bank may arrange marine cargo Takaful under the Bank’s panel for the customer
- Upon settlement of LC, customer have the option to convert the LC into financing or TWCF-i (Murabaha), Ijarah / AITAB
Trade Working Capital Financing-i (Purchases/Sales)

1. Customer requires financing
2. Bank enters Murabaha / Dayn Contract with the customer
3. Credit to customer’s account
4. Customer pays on maturity
5. Vendor pays on maturity
Salient Features

- Enables the customers to settle payment obligation to its supplier or even get immediate cash for their credit terms sales
- Competitive financing rates for 1 up to 6 months
- Profit is chargeable upfront and is due for payment on maturity together with financing amount requested
- Financing may be up to maximum of 100% invoice value
Bank Guarantee-i

Upon expiry, guarantee is returned to the bank for cancellation
ADDED VALUE SERVICES
Service Delivery Channels

- BRANCH NETWORKS
- CONSUMER BANKING CENTERS
- AR RAHNU OUTLETS
- BUREAU DE CHANGE
- ELECTRONIC BANKING CENTERS
- SMS BANKING
- INTERNET BANKING
- CORPORATE DESKTOP BANKING
Branch Networks

...127 branches by end 2012
...150 branches by 2015
Self Service Terminals ("SST")

<table>
<thead>
<tr>
<th>Location Type</th>
<th>ATM</th>
<th>CDM</th>
<th>CQM</th>
<th>SP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch</td>
<td>271</td>
<td>197</td>
<td>109</td>
<td>43</td>
<td>620</td>
</tr>
<tr>
<td>Shopping Centers</td>
<td>94</td>
<td>14</td>
<td>4</td>
<td>1</td>
<td>113</td>
</tr>
<tr>
<td>Academic Buildings</td>
<td>119</td>
<td>19</td>
<td>4</td>
<td>4</td>
<td>146</td>
</tr>
<tr>
<td>Corporate Offices</td>
<td>69</td>
<td>28</td>
<td>11</td>
<td>4</td>
<td>112</td>
</tr>
<tr>
<td>Others</td>
<td>132</td>
<td>48</td>
<td>1</td>
<td>0</td>
<td>183</td>
</tr>
<tr>
<td>Total</td>
<td>685</td>
<td>306</td>
<td>129</td>
<td>52</td>
<td>1172</td>
</tr>
</tbody>
</table>
Consumer Banking Centres

...currently, 10 CBCs
... another 1 new CBCs by end of 2012 (in Sarawak)
... as part of the “Spoke & Hub” business model
Ar-Rahnu (Pawn Broking) Outlets

Kota Bharu Outlet

Pasir Mas Outlet

Pasir Puteh Outlet

Tanah Merah Outlet

...another 3 by Dec @ 2012 (Kuantan, Kuala Trengganu & Kubang Kerian)

<table>
<thead>
<tr>
<th>No.</th>
<th>Location</th>
<th>State</th>
<th>Day 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kota Bahru</td>
<td>KLN</td>
<td>10 Jun 2010</td>
</tr>
<tr>
<td>2</td>
<td>Pasir Puteh</td>
<td>KLN</td>
<td>15 Jul 2010</td>
</tr>
<tr>
<td>3</td>
<td>Pasir Mas</td>
<td>KLN</td>
<td>29 Jul 2011</td>
</tr>
<tr>
<td>4</td>
<td>Tanah Merah</td>
<td>KLN</td>
<td>28 Jun 2012</td>
</tr>
</tbody>
</table>
Bureau de Change ("BDC")

...currently, 4 BDCs
...another 1 new BDCs (Penang International Airport) by end of Dec 2012

<table>
<thead>
<tr>
<th>No.</th>
<th>Location</th>
<th>State</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LCCT, Sepang</td>
<td>SGR</td>
<td>15 Dec 2008</td>
</tr>
<tr>
<td>2</td>
<td>Contact Pier International, KLIA</td>
<td>SGR</td>
<td>01 Oct 2010</td>
</tr>
<tr>
<td>3</td>
<td>Bukit Bintang</td>
<td>KL</td>
<td>03 Dec 2010</td>
</tr>
<tr>
<td>4</td>
<td>Kota Kinabalu International Airport*</td>
<td>SBH</td>
<td>26 Jul 2012</td>
</tr>
</tbody>
</table>
THANK YOU
BANK ISLAM'S PRODUCT GROUPING OVERVIEW

- Deposits
  - Wadiah
  - Mudharabah
  - Wadiah Savings & Current Account
    - Al Awfar, Mudharabah, General and Sakinah Investment

- Asset
  - Murabahah
  - Property Financing
    - Vehicle Financing

- Cash
  - Murabahah
  - Personal Financing
    - Credit Card

- Business
  - Murabahah
  - Ijarah
    - Ijarah Muntahiyah Bit Tamleek
    - Ijarah Thumma Bai
    - TWCF
    - Revolving Credit
    - Business Financing

- Trade
  - Murabahah
  - Wakalah
    - LC Wakalah
    - TWCF
  - Bal’ Dayn

- Safekeeping

Added Value
- Bureau De Change
- Electronic Banking
- I-TAP
- Internet & SMS
1. After being approved with RC-i facility and documentation has been perfected, customer requests for utilization of the facility.

2. Bank receives RC-i disbursement documents from customer and conducts necessary checking on customer’s facility line limit; e.g.:
   - Line Limit: RM10m
   - Utilization: RM2.0 million
   - Available Balance: RM8.0 million

3. Bank and customer perform and complete the Aqad transaction.

4. Amount is disbursed to the Customer.

5. Customer is free to request for additional utilization provided the line limit is not fully utilized.*

6. Client settles amount due to the Bank on maturity date.

Note:
- *Step 2, 3 & 4 will be performed during every utilization request by the Customer.
- Available line limit balance fluctuates as the line is utilized & amount due is paid off.
**Shariah View on Prize Draw**

**Resolution International Islamic Fiqh Academy (IIFA)**

IIFA in its 14th conference in Doha, Qatar on the 11th - 16th January 2003 issued its 127th resolution in discussing on the status of contest cards among others, are as follows:

1. All games and contests which prizes are taken from the cumulative amount of money (fees) gathered from contestants is prohibited as it contain elements of gambling
2. Contest prizes are only allowed in the case where it is provided by a third party not involved in the contest or the prizes were taken from fees of a segment of participants and not overall.
3. Contests offering prizes are permissible if:
   - Purpose and application methods are allowed by Shariah
   - Prizes do not originate from fees taken from all participants
   - Contest should not lead to neglect matters that are obligatory nor indulgence in prohibited activities

**Gambling Free**

1. The Al-Awfar product is based on a Mudarabah contract between the Bank and its depositors as executed in the product documents. If there is any profit from the invested capital obtained from depositors, it will be distributed between the Bank and the depositors as per the pre agreed profit sharing ratio.

2. Cash prize draw serves as an additional incentive to encourage depositors to save or invest with Bank Islam. Prizes will be given to depositors from cash provided by the Bank and depositors who did not win would not lose their deposits / investments, in fact the depositors will receive their share of the Mudarabah profits. Therefore this product does not fall under the category of al-maisir nor al-qimar which are prohibited in Islam.

**Draw/ Qur`ah**

1. Dar Ifta’ al-Misriyyah which is the authority in issuing fatwas in Egypt and consist of the country’s prominent scholars from University of Azhar issued a resolution registered under 19752 which explains clearly on its legality from a Shariah point of view.

2. In summary draw is permissible according to Shariah, as it is a method to determine not to prohibit (what is halal) nor to allow (what is haram) and it has been a known practice since ages before.