

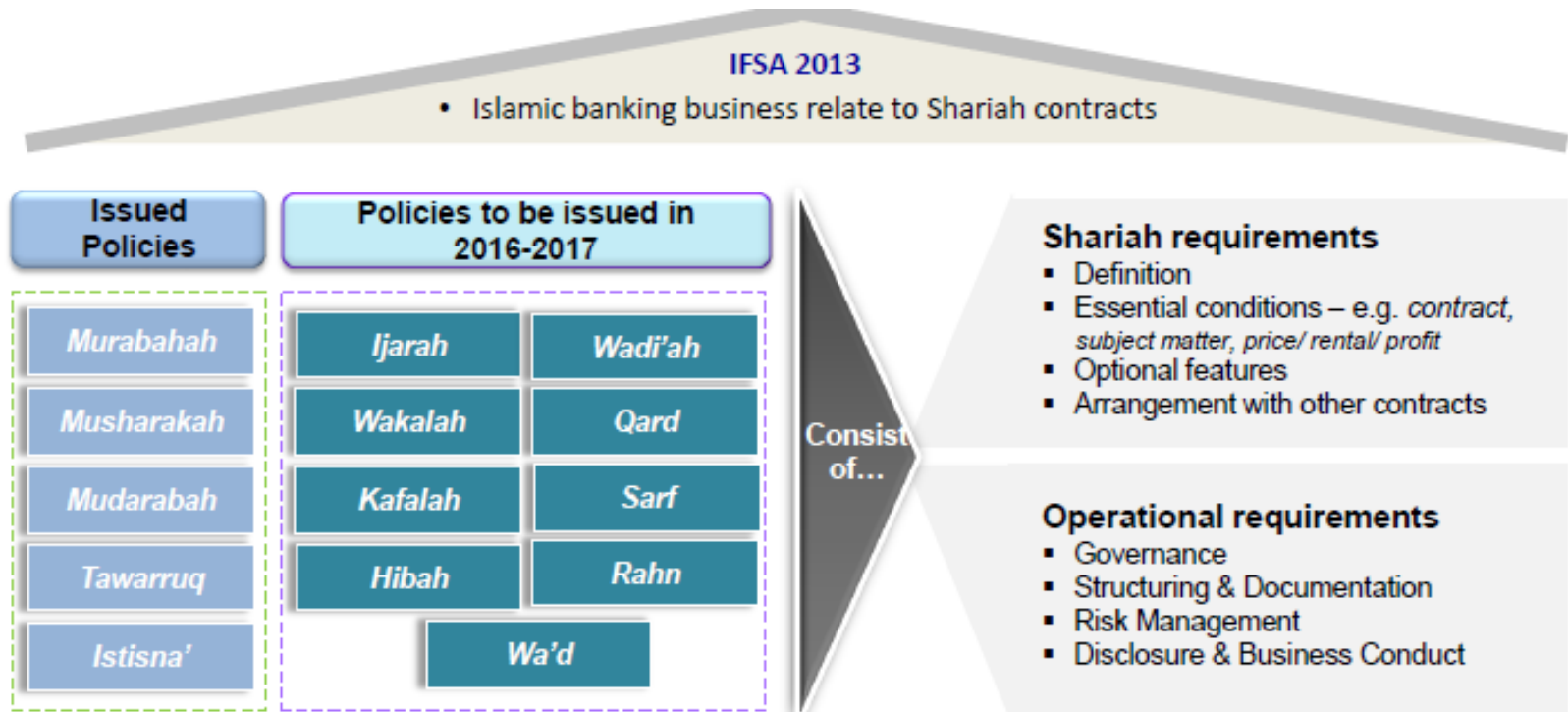


A NEW PARADIGM OF DEPOSIT TAKING - INVESTMENT ACCOUNT

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Bank Islam Malaysia Berhad

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SHARIAH BASED REGULATORY FRAMEWORK



Going forward, specificities of Shariah contracts will be considered in the whole range of regulatory policies e.g. corporate governance, capital adequacy, liquidity requirements, stress tests etc

... a new perspective

FUNDING STRUCTURE OF ISLAMIC BANK – IFSA 2013

Deposits



- ✓ Current Account
- ✓ Savings Account
- ✓ Term Deposit

Investment Accounts



- ✓ Unrestricted Investment Account
- ✓ Restricted Investment Account

Shareholders' Funds



- ✓ Paid Up Capital
- ✓ Retained Earnings
- ✓ Others



DEPOSIT VS INVESTMENT ACCOUNT

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Target Market:-

- ✓ Individual, Corporate & Institutional
- ✓ Operating Account
- ✓ Salary Account
- ✓ Transactional Account

Impact to Banks

- ✓ Cheap – CASA
- ✓ Competitive – Term Deposits
- ✓ Simple
- ✓ Minimal Disclosure
- ✓ Variable Run-Off Rate for LCR & NFSR

Key Drivers

- ✓ Pricing/Benefits
- ✓ Services
- ✓ Delivery Channel
- ✓ Guaranteed by PIDM – RM250K

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Target Market:-

- ✓ Sophisticated Individual, Corporate & Institutional
- ✓ Focus on greater returns and willing to take greater risks
- ✓ Focus on term or longer tenure

Impact to Banks

- ✓ Competitive pricing BUT with cost savings
- ✓ “Bigger Share of Wallet”
- ✓ Defensive Strategy
- ✓ Greater Disclosure & Transparency
- ✓ Positive impact to LCR & NSFR

Key Drivers

- ✓ Pricing/Benefits
- ✓ Differing Risk Reward Profiles
- ✓ Track Record



DEPOSIT TRANSITION PLAN – BANK ISLAM'S JOURNEY

Feb 2014

- Effective date for Deposit Transition Policy (DTP) as directed by Bank Negara Malaysia (BNM).



April - May 2014

- Introduction of new product Term Deposit-i (Tawarruq) (TDT) on 30 April 2014.
- All new on-lien will be placed under TDT/marginal account effective 1 May 2014.

June 2014

- New resolution for business clients to decide on deposit or investment account.
- Conversion of all existing Mudarabah savings account (SA) to Wadiah SA.*

BANK ISLAM

NOTICE OF CONVERSION OF MUDARABAH TERM DEPOSIT ACCOUNTS INTO TERM DEPOSIT - TAWARRUQ (TDT-i) ACCOUNTS IN COMPLIANCE WITH THE ISLAMIC FINANCIAL SERVICES ACT 2013 (IFSA 2013)

Dear General Investment Account (GIA) / Saham Investment Account / Akaun Saham Investment Account (Mudharabah Term Deposit) Customers,

Thank you for your support and loyalty to Bank Islam Malaysia Berhad (Bank Islam) since 1983. We are pleased to announce that the conversion of Mudarabah Term Deposit (TDT-i) accounts to Term Deposit - Tawarruq (TDT-i) accounts is now complete. This conversion is in compliance with the Islamic Financial Services Act 2013 (IFSA 2013).

The conversion notice will commence from 1st October 2014 upon each maturity of the existing Mudarabah Term Deposit accounts.

To facilitate the conversion, Bank Islam will provide the necessary assistance in writing and settling all outstanding TDT-i accounts. Bank Islam will also provide assistance in the form of a new TDT-i account and Bank Islam will accept the cash payment and authorization.

Customers who are not able to settle their TDT-i accounts by the maturity date will be able to settle their TDT-i accounts by the maturity date. Bank Islam will provide the necessary assistance in writing and settling all outstanding TDT-i accounts.

We have issued comprehensive documents to all existing Mudarabah Term Deposit customers. If you have any queries, please contact our Customer Care Centre at 1-800-88-8888 or visit our website at www.bankislam.com.my to search for Terms and Conditions of TDT-i account.

We thank you for your support and loyalty to Bank Islam Malaysia Berhad since 1983. We are pleased to announce that the conversion of Mudarabah Term Deposit (TDT-i) accounts to Term Deposit - Tawarruq (TDT-i) accounts is now complete. This conversion is in compliance with the Islamic Financial Services Act 2013 (IFSA 2013).

Thank you.

The Management
Bank Islam Malaysia Berhad

April - May 2015

- 2 April 2015
- Launching of the first Restricted Investment Account (RIA) in Malaysia i.e. TH RIA (Al-Ansar) by the Prime Minister of Malaysia.



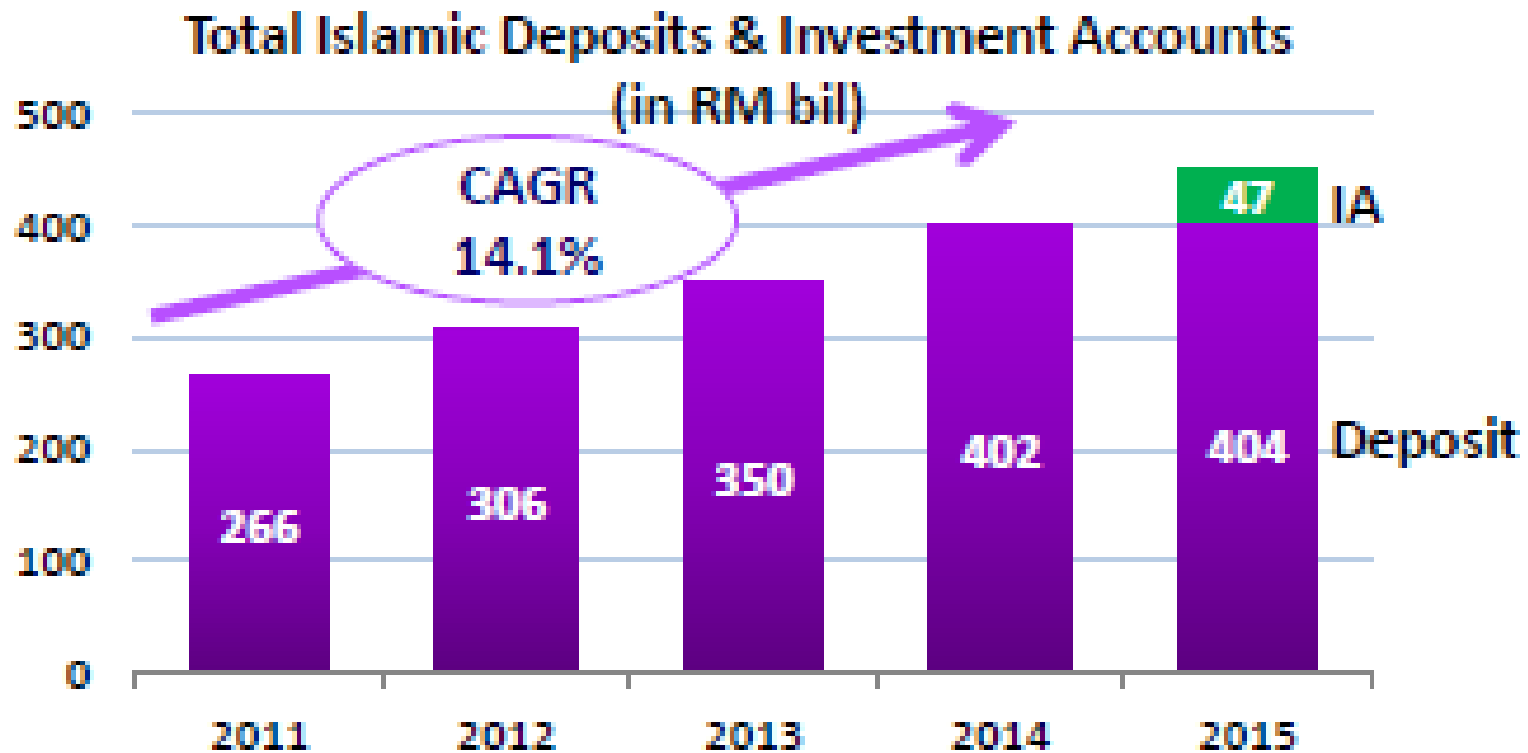
25 May 2015

- Communication with Al-Awfar SA customers' to obtain consent for conversion.

June 2015

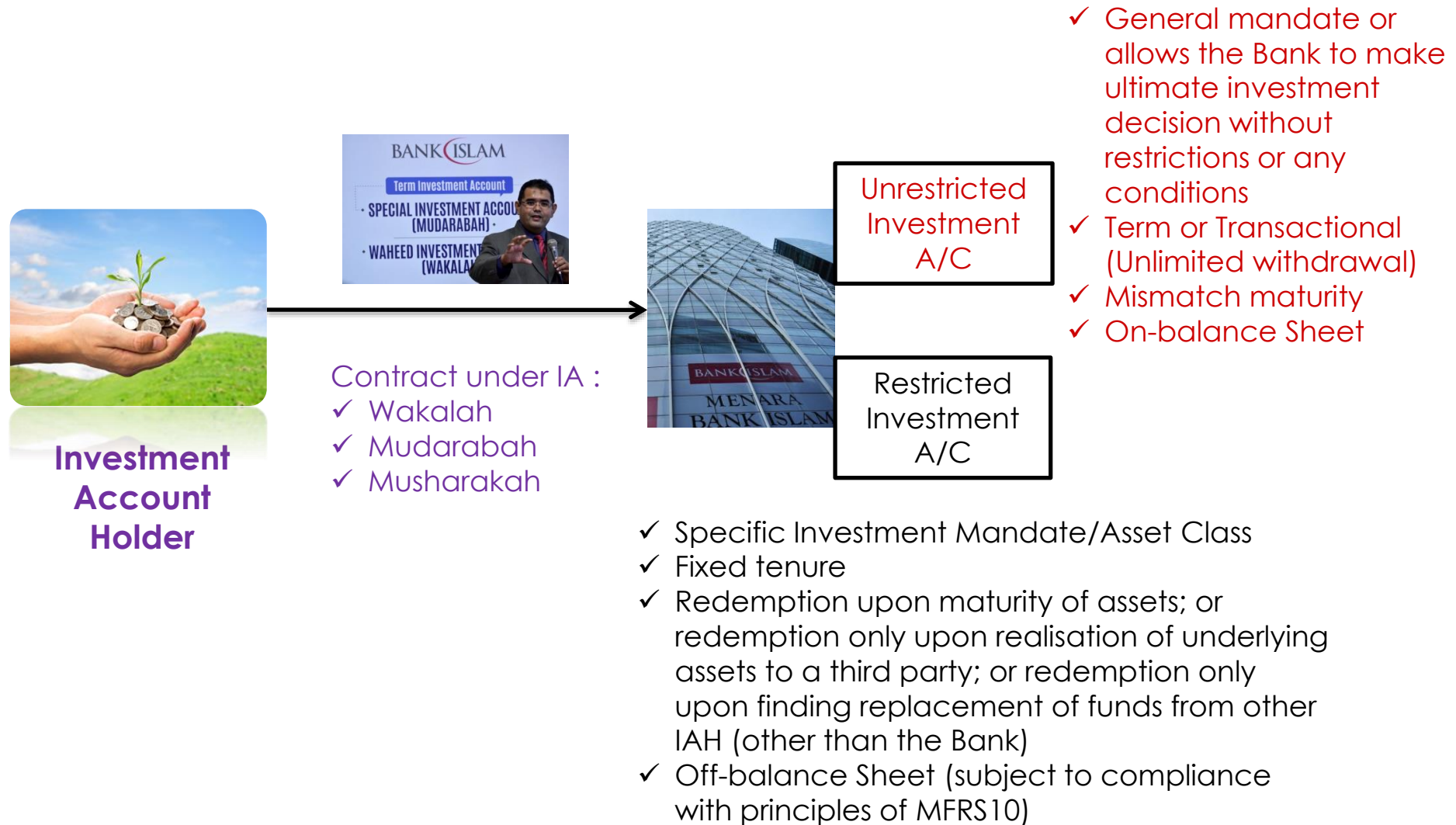
- 1 June 2015
- Effectiveness of BNM's IA Policy.
- Launching of 5 new IA:
 - ✓ Al-Awfar Account
 - ✓ Special IA
 - ✓ Waheed IA
 - ✓ Interbank IA (Mudarabah)
 - ✓ Interbank IA (Wakalah)
- Reclassification and conversion of Al-Awfar SA to Al-Awfar Account (IA) or Wadiah SA

FUNDING MIX – A SNAPSHOT





INVESTMENT ACCOUNTS





IA PRODUCTS AVAILABLE IN THE MARKET

Restricted Investment A/C

Al-Ansar
الأَنْصَار
AL-ANSAR
GROW YOUR BUSINESS WITH OUR QUICK & SIMPLIFIED FINANCING
For more information, visit www.bankislam.com.my/al-ansar
4.5% FLAT RATE PER ANNUM
SME FINANCING
Strategic partnership with TABUNG HAJI and BANK ISLAM



Unrestricted Investment A/C

Waheed-i Media Launch
BANK ISLAM
YOUR MONEY SHOULD WORK HARD. NOT YOU.

Al-Awfar
Rebut Peluangnya!
RM1,000,000 mungkin milik anda!
Sertailah undian "Dream-of-a-Lifetime" Al-Awfar. Cuma kekalkan baki minimum sebanyak RM1,000 di dalam Akaun-i Al-Awfar anda selama sekurang-kurangnya 3 bulan sehingga 31 Disember 2013.
Simpan atau tambah ke dalam akaun anda sebelum 1 Oktober 2013
BANK ISLAM

Secure investment for your love ones.
KFH Gold Account-i.
Start planning for your precious ones with secure investment. We know best about Gold, KFH Gold Account-i.
Find out more about KFH Gold Account-i by calling 1800 888 KFH(554), visit any of KFH Malaysia's Branches or login to www.kfh.com.my for more information.

No	Existing Mudarabah-based Account	Reclassify to Mudarabah IA Fund Type	Product Name under Mudarabah IA
1	Golden Savers Savings Account-i	Daily Fund-i	Golden Savvy Account-i
2	netCurrent Account-i	Daily Fund-i	net Account-i
3	Premier Mudarabah Account-i	Daily Fund-i	Premier Mudarabah Account-i
4	Premier Mudarabah Account-i (SME BB)	Daily Fund-i	Premier Mudarabah Account-i (SME BB)
5	Premier Mudarabah Account-i (GB)	Daily Fund-i	Premier Mudarabah Account-i (GB)
6	Private Banking Account-i	Daily Fund-i	Private Banking Account-i
7	General Investment Account-i	Term Fund-i	General Investment Account-i

Higher effective returns* with Maybank Islamic General Investment Account-i (GIA-i).
• Earn effective returns* of 4.50% per annum.
• No penalty for early withdrawal.
• The campaign is valid from 1 October till 30 November 2015 or upon reaching the overall limit, whichever is earlier.
• Minimum placement of RM10,000 for individuals or RM20,000 for SME/Business Banking customers on a single certificate.
• Applicable for fresh fund placements made over the counter only at Maybank & Maybank Islamic branches in Malaysia.
Should there be an Overnight Policy Rate change, the offered rates may be revised. This is an investment account that is tied to the performance of the underlying assets. For more information please refer to the Product Disclosure Sheet. *All returns/dividends are indicative.
MSIA Promos.com
Call 1300 88 6688 or log on to www.maybank.com.my for more details or terms and conditions.
Connect with us on: @Maybank | @myMaybank
Humanising Financial Services. **Maybank Islamic**

...eight (8) banks have obtained approval to offer investment accounts

Saadiq Business Saver-i
Saadiq JustOne Priority Investment Account-i



STRUCTURING AN INVESTMENT ACCOUNT



Origination

- Product Design
- Target Market
- Asset Allocation
- Risk Profile
- Rate of Return
- Accounting Treatment

Execution

- Product Disclosure
- Marketing Channel/ Communication
- Suitability Assessment
- Service Level Agreement (RIA)

Maintenance

- Oversight Function
- Fund Performance Report
- <http://www.bankislam.com.my/home/assets/uploads/Al-Awfar-FPR-231215-Final.pdf>
- Or
- <http://www.bankislam.com.my/home/assets/uploads/Term-Investment-FPR-231215-Final.pdf>
- Financial Statements & Disclosure



KEY CONSIDERATION IN STRUCTURING AN INVESTMENT A/C

Application of Shariah Contracts

Accounting Treatment

Assets' Allocation

Balance Sheet Composition
(Impact to FDR)

Capital Savings

Liquidity Management
(Fund vs Bank)

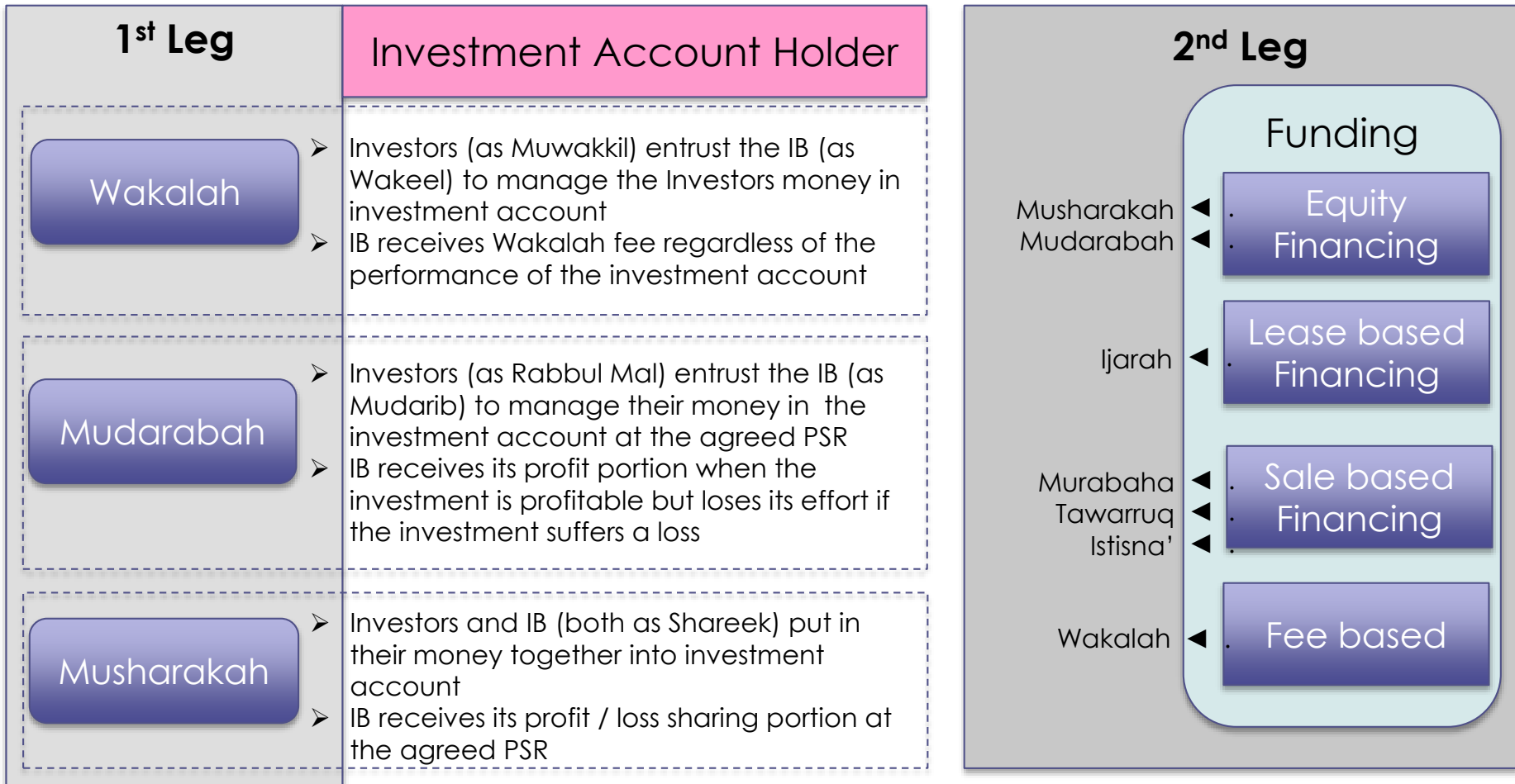
Expected Rate of Return &
Impact to P & L

Risk Tolerance Level
(Low, Moderate, High)

Asset Tagging &
Disclosure Requirements



APPLICATION OF SHARIAH PRINCIPLES





RESTRICTED INVESTMENT ACCOUNT – OFF BALANCE SHEET

Specific Mandate

Investment Account Holders (IAH) dictate the underwriting credit criteria

IAH determine the composition of portfolio

IAH determine the expected rate of return - Wakalah

IAH determine the Profit Sharing Ratio - Mudarabah

IAH decide on the principal terms of recovery or rehabilitation

IAH take the ownership of risk

Undisputed Rights on the Assets/ Ownership of residual cash flows from the underlying assets

Bank has no control over the underlying asset portfolio



RESTRICTED INVESTMENT ACCOUNT – OFF BALANCE SHEET

The specific assets are the only source of payment to the IAH

The underlying assets and liabilities are not recorded as part of the Bank's liabilities

Investment amount is subject to the credit risk of underlying assets

Investments are not guaranteed by the Bank, PIDM or third party

Underlying Assets & Residual Cash Flow are ring-fenced from the Bank

Upon termination, any residual assets and cash balances are returned to IAH

IAH have absolute discretion to review the investment portfolios or discontinue the availability of the funds

IAH indemnify the Bank from any legal suits or claims in relation to the Bank

Adherence to MFRS 10



NEW LOOK ON THE BALANCE SHEET

ASSETS	LIABILITIES
Cash & Short-term Funds	Deposits from Customers
Financial Assets (HFT, AFS, HTM) i.e. PDS	Investment Account of Customers (URIA/RIA) (Note X)
Financing (Consumer, Commercial & Corporate)	Deposit Placements of Banks & Financial Institutions
Investment in Subsidiaries	Zakat & Taxation
Other Assets	Other Liabilities
	Equity
Total Assets	Total Liabilities & Equity

Note X : Describes the funding structure i.e. URIA or RIA, the amount of funds applied to different Shariah contracts, and the underlying assets supporting the fund.
As RIA is off balance sheet, the information presented is for disclosure purposes.



BENEFITS OF IA

Effective Capital Management – Cost of Capital is expensive

Enhance Liquidity Management – LCR Ratio

Return to commensurate with the risk taken or Differing Risk-Return Profiles

No longer restricted by the size of Balance Sheet

Exempted from SRR calculation – Reduce regulatory cost

Diversified Risk Profile – Effective Syndication Medium & SCEL

Flexibility to Undertake Risk Sharing Contract (Mudarabah, Musharakah, Istisna' and etc)

Beyond Ordinary Risk Appetite or Underwriting Criteria – Off Balance Sheet

New Asset Class & Revenue Generator

CURRENT PROGRESS

Investment account covers funds accepted under:

Mudarabah
[profit sharing & loss bearing]

Wakalah bi al-istithmar
[agency for investment]

Musarakah
[profit & loss sharing]

Policy on IA aims to ensure appropriate structuring & management of IA (Unrestricted & Restricted IA) is conducted according to investment mandate...

Salient features:

I	IA funds invested according to investment objectives	II	Fair distribution of returns
III	Exit of investment subject to the agreed terms	IV	Protection of investors

Enabler of development

IA products since introduction...

- IA formed **10%** of Islamic banks' total funding
- Unrestricted IA (UA) offered to customers by **8 Islamic banks**
 - grew on average **46% m-o-m** (Sept to Dec 2015)
 - Invests in financing or liquid assets
- Restricted IA (RA) invested in:
 - Corporate financing
 - Investment Account Platform

FinTech platform for IF:
Investment Account Platform



Multi-bank platform that facilitates channelling of funds from investment account holders to viable ventures

Innovations in IA promotes participation in wider range of economic activities & unlock new markets



INVESTMENT ACCOUNTS AS "A NEW FRONTIER"

Acts as Investment Intermediary in addition to Credit Provider

Move towards "Responsible Risk Sharing"

Return to commensurate with the risk taken or Differing Risk-Return Profiles

Promotes Greater Transparency & Disclosure

Facilitates Mobilisation of Capital – Gateway to Financial Inclusion

Innovation Catalyst

Flexibility to Right-size the Balance Sheet

Competitive Edge to Islamic Finance – Capital Management & Liquidity Management

New Mindset & Skill Sets



QUESTION & ANSWER – hizamuddin@bankislam.com.my

Islamic Bank of the Year - Asia

by the European Global Banking & Finance Awards 2015



Strongest Local Bank

by Focus Malaysia (using Bloomberg methodology)



Best Commercial Bank - Malaysia

by CPI Financial, Dubai



Best Islamic Bank in Malaysia

by The International Banker Asia & Australasia Banking Awards 2015



Strongest Retail Bank in Malaysia

by Cambridge IF Analytica, UK



Innovation in Retail Banking Malaysia Banker

by The International Banker Asia & Australasia Banking Awards 2015

Best Islamic Bank Malaysia & Award for Excellence in Shariah Compliant Banking

by Wealth & Finance Intl's 2015 Finance Awards



Highly Commended Award for Best Debit Card - UniDebit

By Cards & Electronic Payments International (CEPI) Asia Summit & Awards 2015





Thank You والسلام





READING MATERIALS - IAP

Special Interview

In recent years, the field of Islamic finance grew rapidly, becoming global to the extent that it is retransforming the global financial market. As a leading Islamic financial centre, Malaysia is at the forefront in promoting innovation and development of Islamic finance.

In 2015, Raed Holdings Sdn Bhd, a holding group formed by several domestic Islamic banking institutions in Malaysia, successfully founded a bank-intermediated Shariah-compliant investment platform known as the Investment Account Platform (IAP), marking another milestone for Malaysia's Islamic finance journey.

In an exclusive interview with *Money Compass*, Mohamed Izam Mohamed Yusof, CEO of IAP who is tasked with the mission of developing and operating IAP Integrated, highlighted that IAP is a "matchmaking" platform that facilitates channelling of funds from investors to finance viable ventures.

Unlike other online investment platforms, IAP's competitive advantage lies in the fact that it is the only platform in the market that is intermediated by participating Islamic banking institutions. Through IAP, ventures are able to pitch their financing requirements to several banks simultaneously. In extending financing to the ventures, banks mobilise funds which are sourced from the corporate, institutional and retail investors through the medium of investment account (IA) products.

IAP is made up of six Islamic banking institutions as its shareholders, namely Affin Islamic Bank Bhd, Bank Islam Malaysia Bhd, Bank Muamalat Malaysia Bhd, Maybank Islamic Bhd, Bank Kerjasama Rakyat Malaysia Berhad, and Bank Simpanan Nasional. These banks are not only shareholders of IAP integrated but also act as the intermediary bank or "sponsoring bank" in IAP's funding flow channels.

Izam explained the roles undertaken by IAP in the analogy of a matchmaker. For ventures that have good proposals wishing

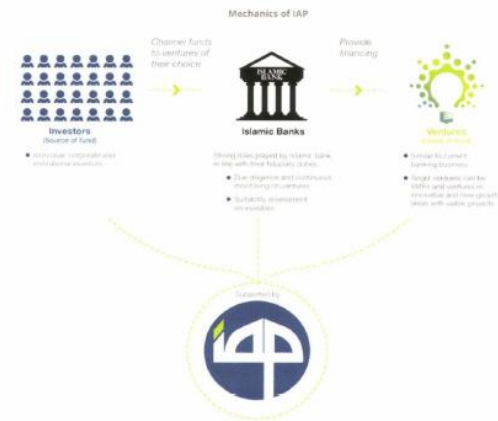
to raise funds, they can apply for financing directly on the platform's website. As a centralised medium, IAP will then channel such financing requests and proposals to the banks. After having a preliminary assessment of the proposals, the banks will decide whether or not to meet up with the ventures to proceed further. By doing this, it does not only simplify the process but save both time and energy. IAP to a certain extent, addresses information asymmetry by introducing standardised financing application requirements at the point of submission by the ventures, and reduce the hassles of submitting separate proposals to each individual bank. The latter proposition leads to a higher chance for the ventures to be evaluated by more than one bank at any one time, which allows them to potentially attain best financing offers through negotiations with the banks.

Building Trust and Confidence

"The banks have vast experiences in evaluating proposals and ventures. In addition, financing raised through IAP has to go through an independent risk assessment by a reputable local rating agency, i.e. RAM. This can be of a significant value to the investors as they now can leverage on the expertise of the banks and the rating agency to carry out assessment on the ventures. And as for the ventures, IAP can be a one-stop platform where they come to the platform with their financing proposals – and what the platform can do upon receipt of the financing proposals is to channel them to the participating banks – and then the banks can decide. It's like a pitching program", said Izam

Compared to the alternative models of raising fund namely the established equity market or the equity crowdfunding, ventures that opt for fund raising via IAP do not have to give up their equities or shares in their quest for business growth. With the investment being in the form of IA to be opened with the sponsoring bank, everyone, from banks to corporate investors and from the high net-worth individuals to the general public, has the opportunities to invest in ventures and gain competitive returns without assuming the business risk as opposed to holding direct shares in the ventures.

The Only Bank-Intermediated Platform in Malaysia



Special Interview

"What we offer will create confidence and trust among the investing community. Having the banks reviewing the proposals and conducting all the screenings, followed by continuous monitoring on the ventures and mandatory quarterly reporting to the investors as part of the banks' fiduciary duties among others, we believe that the proposals which will be listed on IAP will be credible proposals with associated risks and returns."

IAP's vision is to become the leading multi-bank platform. Although IAP already has six domestic Islamic banks in its stable, Izam is aiming for more Islamic banks to join the platform. Having more banks coming onboard, IAP will become an even more efficient platform that could provide investors with more investment choices.

Open to All Ventures

Essentially, IAP is open to all ventures, be it SMEs or big corporations with a minimum funding size of RM500,000. However, Izam opined that SMEs should seize opportunities to utilize IAP as the avenue of choice to raise funds. This is because when SMEs submit proposals through IAP, they could potentially obtain financing offers from more than one bank and thus, can choose the offer structured in a way that best suits their funding needs.

Nevertheless, he revealed that this platform may not be suitable for startups for now because as a bank-intermediated platform, banks are leveraging on their existing procedures as well as credit and screening assessment methods which currently favour ventures with some track record at least financially. Hence, he encouraged those SMEs that are in the stage of growing or have been in business between 3 to 5 years to make full use of IAP to raise funds for their projects.

"Conventionally, when SMEs apply for financing with banks, only banks have access to their information. Through IAP, SMEs can learn to be more transparent when it comes to their financial records, company data and disclosure of relevant information, an important trait towards becoming successful corporations, possibly getting themselves prepared

for listing in the future. Here, visibility to potential investors at this early stage is indeed a way to ensure sustainable growth in the near future."

Izam emphasised that with the experience of the banks in screening the investors and the ventures, it can prevent potential cases of fraud and money laundering against those that are genuine and bankable. As a result, only genuine investors and ventures are able to undertake investment and financing activities via the platform – and at the same time drive the country's economic growth and build a sound and sustainable ecosystem.

Since the launch of IAP on 17 February 2016 by the previous Governor of Bank Negara Malaysia, Perak Transit Berhad which is an Ipon-based public transportation company became the first venture to be listed on IAP. The company had successfully raised RM10.0 million from various investors via IAP within a two-week campaign period. The RM10.0 million term financing facility payable over three years is expected to generate a return of 6.5% per year to the investors.

Although the market acceptance of IAP at the beginning is expected to be slow, Izam estimated that there would be an average of four projects to be listed on IAP every month. In the foreseeable future, it is estimated that there will be between 25 to 30 projects to be listed on IAP.

For its services, IAP will charge the ventures a fee (listing fee) depending on the amount of funds raised. A small portion of the listing fee is payable upfront upon listing and the balance is payable only upon successful fund raising.

Simple Application Procedure for Investors

For investors, Izam revealed that anyone can participate in any investment projects on IAP and to do that, they need to first and foremost register as an IAP user. The whole process is relatively simple and once registered, investors can browse information on any chosen investment or project, investment return details, financing terms approved to the ventures, details of the venture's shareholders and key personnel, rating rationale and other related information on the website.

When individual investors are interested in a particular investment project, they must undertake an assessment which consists of 14 questions that will determine which category of investors they belong to and their risk tolerance.

"If the investment project chosen by investors suits their risk profile, investors will proceed to the next step of the investment. If the investment project they choose does not match their risk profiles, they can do so after consultation with the banks."

Moving forward, IAP will enhance the platform to improve the processes for the benefits of investors and ventures. Izam hopes to attract more Islamic banks to join the platform so that more ventures can raise financing via the platform offering investors with more choices.

In addition, he also anticipated IAP to attract foreign investment projects to raise funds via the platform within the coming two to three years. IAP does have a plan to expand into other Asian countries to duplicate the same platform and system. **M**

Simple steps in raising funds

1. Submit application online (subsequent follow-ups by Islamic banks).
2. Islamic banks to conduct due diligence and screening on venture's application.
3. Negotiation and acceptance of financing terms and conditions.
4. Independent rating on venture.
5. Islamic banks to float venture on IAP for fund raising.
6. Islamic banks to disburse funds upon successful fundraising.

Simple steps for investment

1. Register as an IAP user.
2. View and select venture.
3. Undertake suitability assessment.
4. Islamic bank to facilitate payment of the investment.
5. Islamic bank to create Investment Account for investors.
6. Receive periodical report on venture.
7. Receive profit and principal.



IAP – A NEW MARKET PLACE

...an investment Intermediary instead of Trading Exchange

... sound like a regulated crowd funding

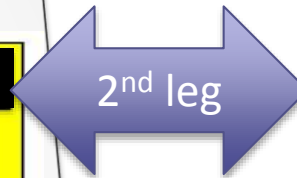
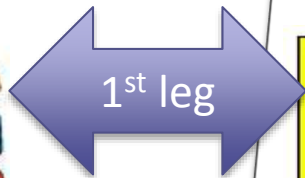
... just imagine a “Covered Sukuk”

Provide funding through opening of RIA with participating banks using IAP

Funds from RIA is to finance venture



POTENTIAL INVESTORS / IA HOLDERS



VENTURES

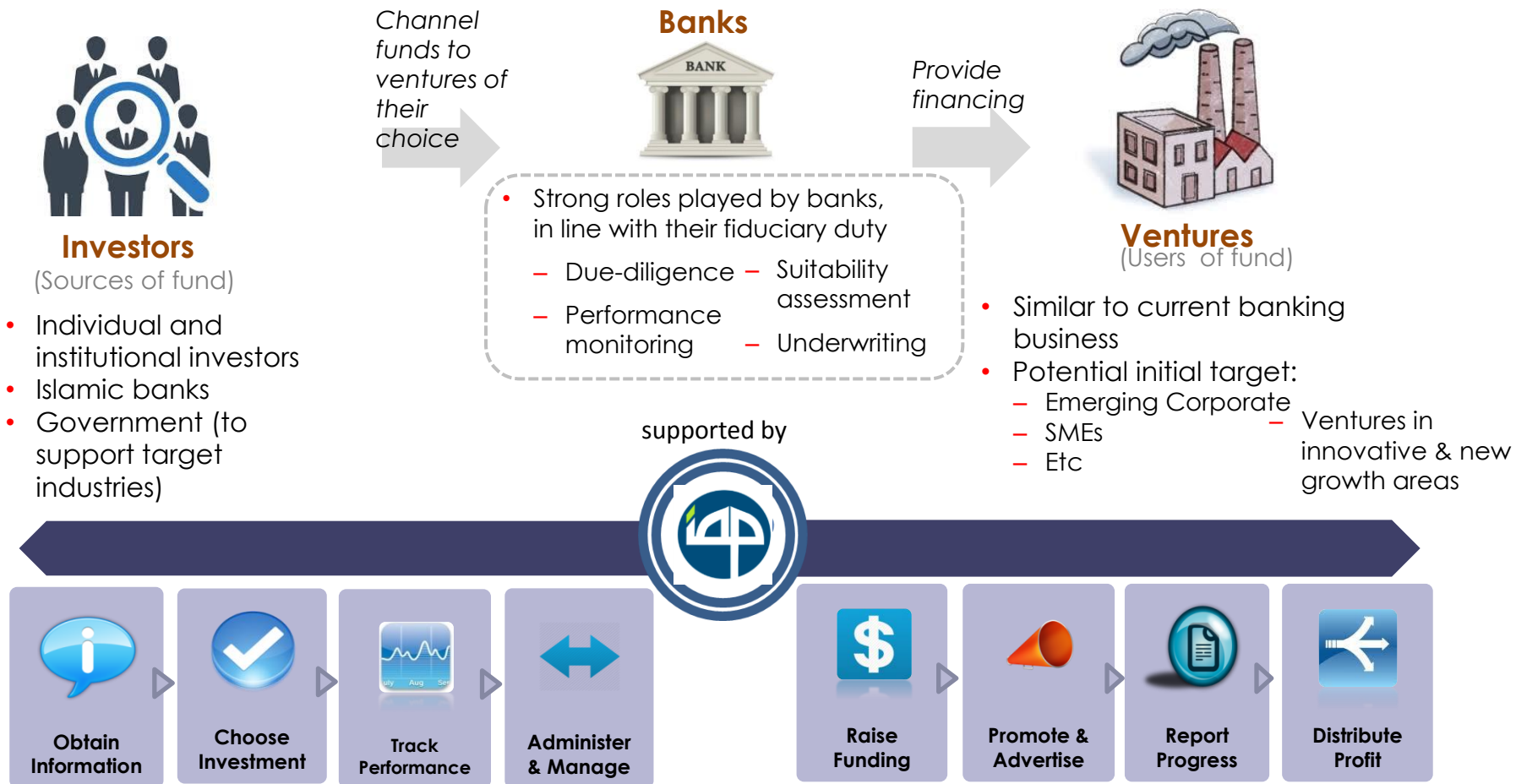
...also similar concept to retail sukuk

... similar to initial public offering - over or under subscription

... gateway for financial inclusion



BROAD MECHANICS OF IAP



Features of IAP facilitate effective matching between sources of funds with diverse financing needs of the economy



NATIONAL BUDGET 2015

Measure 2: Strengthening Islamic Financial Market

41. The Government will introduce a new shariah-compliant investment product in 2015 called the Investment Account Platform (IAP). IAP will provide opportunities to investors in financing entrepreneurial activities and developing viable SMEs. At the same time, IAP will be a platform to attract institutional and individual investors including high net worth individuals to invest in the Islamic financial market. Initially, IAP will be implemented with a startup fund of RM150 million.
42. To promote investment in IAP, the Government proposes individual investors be given income tax exemption on profits earned from qualifying investment for three consecutive years.





POTENTIAL MARKET PLAYERS/INVESTORS/FUNDER



“Teraju Peer-to-Peer Investors”

Business Angel Investors



Pension Funds



TABUNG HAJI

Institutional Investors



Banking Institutions



Government-linked Companies



Takaful/Insurance Companies



KHAZANAH NASIONAL



High Net worth Individuals

Asset Management Co.



Special Funds by the Government



Venture Capitalist



Cross Border Investors (China, Japan, etc)



NEW PROSPECTS – “NON TRADITIONAL MARKET”



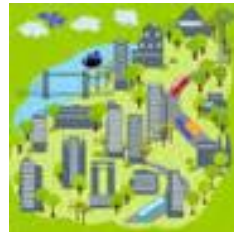
Awqaf Development



e-commerce, mobile applications



Biotechnology



Green Infrastructure Financing



Recycling Technology



Life Sciences

Technology Based Project Financing



Renewable Energy Project Financing



Creative Media & Content Development