COMPILATION AND ESTIMATION OF ISLAMIC FINANCE STATISTICS: THE MALAYSIA’S EXPERIENCE

Workshop on Islamic Finance in the National Accounts
Beirut, Lebanon
24 – 26 October 2017
Department of Statistics Malaysia
Outline

- Introduction
- Development of Islamic Finance in Malaysia
- Islamic Banking and Takaful Statistics in Malaysia
- The Compilation of Islamic Finance Value Added: The Malaysian Experience
- Issues and Challenges
- Conclusion
Malaysia Financial System & Structure

Banking System
- Bank Negara Malaysia
- Banking Institutions

Non-Bank Financial Intermediaries
- Provident Fund (EPF)
- Insurance / Takaful
- Development Financial Institutions
- Saving Institutions

Money Market / Foreign Exchange
- Foreign Exchange / Money Changer

Capital Market
- Stock / Equity
- Bond / Sukuk
- Derivatives

Offshore
- Labuan Offshore

Financial System
Malaysia Industrial Classification of Financial Sector

FINANCIAL SERVICE ACTIVITIES, EXCEPT INSURANCE/TAKAFUL AND PENSION FUNDING

This division includes the activities of obtaining and redistributing funds other than for the purpose of insurance/takaful or pension funding or compulsory social security.

GROUP 641 Monetary intermediation

This group includes the obtaining of funds in the form of transferable deposits, i.e. funds that are fixed in money terms, and obtained on a day-to-day basis and, apart from central banking, obtained from non-financial sources.

GROUP 642 Activities of holding companies

This group includes the activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity owns the group. The holding companies in this group do not provide any other service to the businesses in which the equity is held, i.e. they do not administer or manage other units.

GROUP 643 Trusts, funds and similar financial entities

This group includes legal entities organized to pool securities or other financial assets, without managing, on behalf of shareholders or beneficiaries. The portfolios are customized to achieve specific investment characteristics, such as diversification, risk, rate of return, and price volatility. These entities earn interest, dividends, and other property income, but have little or no employment and no revenue from the sale of services.

GROUP 649 Other financial service activities, except insurance/takaful and pension funding activities

This group includes financial service activities other than those conducted by monetary institutions.
Malaysia Industrial Classification of Financial Sector

ACTIVITIES AUXILIARY TO FINANCIAL SERVICE AND INSURANCE/TAKAFUL ACTIVITIES

This division includes the provision of services involved in or closely related to financial service activities, but not themselves providing financial services. The primary breakdown of this division is according to the type of financial transaction or funding served.

GROUP 661 Activities auxiliary to financial service activities, except insurance/takaful and pension funding

This group includes the furnishing of physical or electronic marketplaces for the purpose of facilitating the buying and selling of stocks, stock options, bonds or commodity contracts.

GROUP 662 Activities auxiliary to insurance/takaful and pension funding

This group includes acting as agents (i.e. brokers) in selling annuities and insurance policies/takaful certificates or providing other employee benefits and insurance/takaful and pension related services such as claims adjustment and third party administration.

GROUP 663 Fund management activities

This group includes portfolio and fund management activities on a fee or contract basis, for individuals, businesses and others.
Malaysia Industrial Classification of Financial Sector

INSURANCE/TAKAFUL, REINSURANCE/RETAKAFUL AND PENSION FUNDING, EXCEPT COMPULSORY SOCIAL SECURITY

This division includes the underwriting annuities and insurance policies/takaful certificates and investing premiums/contributions to build up a portfolio of financial assets to be used against future claims. Provision of direct insurance/takaful and reinsurance/retakaful are included.

GROUP 651 Insurance/Takaful

This group includes life insurance/family takaful and life reinsurance/family retakaful with or without a substantial savings element and other non-life insurance/non-family takaful.

GROUP 652 Reinsurance/Retakaful

This group includes the activities of assuming all or part of the risk associated with existing insurance policies/takaful certificates originally underwritten by other insurance/takaful carriers.

GROUP 653 Pension funding and provident funding

This group includes legal entities (i.e. funds, plans and/or programmed) organized to provide retirement income benefits exclusively for the sponsor's employees or members. This includes pension plans with defined benefits, as well as individual plans where benefits are simply defined through the member's contribution.
Islamic Banking Governance

Islamic Banking Act 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 Services Act 2013

• An institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.

• Securities Commission (Amendment) Act 2015 And Capital Markets And Services (Amendment) Act 2015
• Capital Markets and Services Act 2007
• Securities Commission Malaysia Act 1993
• Securities Industry (Central Depositories) Act 1991
• Demutualisation (Kuala Lumpur Stock Exchange) Act 2003 (pdf)
• Securities Industry Act 1983
• Futures Industry Act 1993
• Comparison Between the Securities Industry Act 1983 and the Capital Markets and Services Act 2007
Malaysia Islamic Banking - Development

1969 - Pilgrims Management Fund and Board of Malaysia

1983 - First Islamic bank established (Bank Islam Malaysia Berhad)
1984 – First full-fledge takaful company established (Syarikat Takaful Malaysia Bhd)
1. Islamic Banking Act 1983
2. Government Investment Act 1983

1993 - Introduction of Interest-free banking Scheme or Skim Perbankan Tanpa Faedah (SPTF) - ‘Islamic window’

1994 - Islamic Interbank Money Market

1996 - New Financial Disclosure (GP8)
1. Income recognition for SPTF from cash basis to accrual basis
2. SPTF allowed to set up full-fledged Islamic Banking branch
3. Establishment of Syariah Advisory Council (SAC)
Malaysia Islamic Banking - Development

1999 - Bank Muamalat Malaysia Berhad started operation as second Islamic bank

2004 – Three licenses issued to foreign Islamic bank:
1. Kuwait Finance House
2. Al-Rajhi Banking & Investment Corporation
3. A consortium of Islamic financial institutions (Qatar Islamic Bank, RUSD Investment Bank Inc. and Global Investment House)

2006
• International Centre for Education in Islamic Finance (INCEIF)
• Malaysia International Islamic Financial Centre (MIFC)

2008 - Issuance International Islamic Banking licenses (IIB)

2010 Onwards
• NKEA - National Key Economic Areas – NKEA#5 Financial Services, EPP 10: Becoming the Indisputable Global Hub for Islamic Finance

2011 Onwards
• Financial Sector Blueprint 2011 - 2020
### SHARE OF FINANCE TO MALAYSIA GDP

Share of Finance and Insurance to GDP at Constant prices 2010

<table>
<thead>
<tr>
<th></th>
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<td>TOTAL FINANCE &amp; INSURANCE</td>
<td>7.5</td>
<td>7.6</td>
<td>7.8</td>
<td>7.6</td>
<td>7.3</td>
<td>6.9</td>
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## Islamic Banking Statistics

<table>
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<tr>
<td>Commercial Bank</td>
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<td>25</td>
<td>27</td>
<td>27</td>
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<tr>
<td>Islamic Bank</td>
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<td><strong>Office Network</strong></td>
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<tr>
<td>Commercial Bank</td>
<td>2,244</td>
<td>2,139</td>
<td>2,245</td>
<td>2,271</td>
<td>2,298</td>
<td>2,312</td>
<td>2,435</td>
<td>2,481</td>
<td>2,479</td>
<td>2,494</td>
<td>2,500</td>
<td>2,498</td>
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<td>Merchant/Investment Bank</td>
<td>2,072</td>
<td>1,952</td>
<td>1,968</td>
<td>1,979</td>
<td>1,999</td>
<td>2,006</td>
<td>2,050</td>
<td>2,056</td>
<td>2,029</td>
<td>2,045</td>
<td>2,048</td>
<td>2,019</td>
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<td>Islamic Bank</td>
<td>19</td>
<td>19</td>
<td>120</td>
<td>131</td>
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<td>133</td>
<td>133</td>
<td>148</td>
<td>135</td>
<td>135</td>
<td>119</td>
<td>130</td>
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<tr>
<td>Islamic Bank¹</td>
<td>766</td>
<td>1,167</td>
<td>1,272</td>
<td>2,039</td>
<td>2,087</td>
<td>2,102</td>
<td>2,147</td>
<td>2,171</td>
<td>2,177</td>
<td>2,192</td>
<td>2,206</td>
<td>2,197</td>
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</tbody>
</table>

¹ Includes Islamic bank branches that are shared with conventional bank branches

P Preliminary

Source: Bank Negara Malaysia
Islamic Banking Statistics

Number of Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial Bank</th>
<th>Merchant/Investment Bank</th>
<th>Islamic Bank</th>
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<tr>
<td>2005</td>
<td>89,047</td>
<td>4,434</td>
<td>2,625</td>
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<tr>
<td>2006</td>
<td>91,741</td>
<td>5,774</td>
<td>3,522</td>
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<tr>
<td>2007</td>
<td>96,146</td>
<td>6,702</td>
<td>7,721</td>
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<tr>
<td>2008</td>
<td>99,593</td>
<td>8,561</td>
<td>8,592</td>
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<tr>
<td>2009</td>
<td>98,846</td>
<td>9,829</td>
<td>8,129</td>
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<tr>
<td>2010</td>
<td>103,089</td>
<td>8,511</td>
<td>8,972</td>
</tr>
<tr>
<td>2011</td>
<td>106,274</td>
<td>9,214</td>
<td>9,577</td>
</tr>
<tr>
<td>2012</td>
<td>107,541</td>
<td>9,751</td>
<td>9,610</td>
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<tr>
<td>2013</td>
<td>106,006</td>
<td>10,251</td>
<td>8,814</td>
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<tr>
<td>2014</td>
<td>106,783</td>
<td>9,402</td>
<td>9,122</td>
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<tr>
<td>2015</td>
<td>101,718</td>
<td>8,922</td>
<td>8,606</td>
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<tr>
<td>2016</td>
<td>100,089</td>
<td>7,959</td>
<td>10,251</td>
</tr>
</tbody>
</table>

source: Bank Negara Malaysia
Islamic Banking Statistics – Asset

 Including development financial institutions under the Development Financial Institutions Act 2002
 Preliminary
 Source: Bank Negara Malaysia
Islamic Banking Statistics - Financing

Financing refers to assets / financing funded by investment accounts

Including development financial institutions under the Development Financial Institutions Act 2002
Preliminary
Source: Bank Negara Malaysia
Islamic Banking Statistics - Deposits

Including development financial institutions under the Development Financial Institutions Act 2002

Preliminary

Source: Bank Negara Malaysia
### Islamic Banking Statistics

<table>
<thead>
<tr>
<th>Pre-tax Profit</th>
<th>For the Calendar year</th>
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</thead>
<tbody>
<tr>
<td>Banking System(^1)</td>
<td>12,949</td>
</tr>
<tr>
<td>Commercial Bank(^1)</td>
<td>12,083</td>
</tr>
<tr>
<td>Investment bank</td>
<td>866</td>
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<tr>
<td>Islamic Bank</td>
<td>1,612</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Capital Ratio</th>
<th>As at end</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ratio</td>
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<tr>
<td>Banking System</td>
<td>13.5</td>
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<tr>
<td>Islamic bank</td>
<td>17.0</td>
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</tbody>
</table>

Total capital ratio refers to the ratio of a bank's capital to its risk

\(^1\) Includes Islamic Banks
\(^p\) Preliminary source : Bank Negara Malaysia
List of Banking Institutions with Islamic Business as at August 2017

Commercial Banks
- BNP PARIBAS
- citibank
- Deutsche Bank

Islamic Banks
- Hong Leong Islamic Bank
- AFFINISLAMIC
- HSBC Amanah
- RHB
- Maybank Islamic
- ALLIANCE ISLAMIC BANK
- CIMB ISLAMIC
- BANK ISLAM
- Bank Muamalat
- OCBC Al-Amin
- PUBLIC ISLAMIC BANK
- Al Rajhi Bank

Investment Banks
- ALLIANCE INVESTMENT BANK
- Maybank Investment Bank
- KENANGA INVESTMENT BANK BERHAD
- Investcorp
- AmInvest
Islamic Banking Statistics - Takaful and Conventional Insurance

source: Bank Negara Malaysia
## Islamic Banking Statistics - Takaful

<table>
<thead>
<tr>
<th></th>
<th>As at end</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Registered Takaful Operator</td>
<td>5</td>
</tr>
<tr>
<td>No. of Agents</td>
<td>14,059</td>
</tr>
<tr>
<td>General</td>
<td>2,278</td>
</tr>
<tr>
<td>No. of Office</td>
<td>147</td>
</tr>
<tr>
<td>No. of Employees</td>
<td>2,670</td>
</tr>
</tbody>
</table>

Source: Bank Negara Malaysia
Islamic Capital Market

- Islamic Capital Market activities:
  - Stock broking
  - Unit Trust
  - Other financial activities
- In 2010, MIFC, BNM, SC, Labuan FSA, Bursa Malaysia and DOSM work together in estimate value added Islamic capital market activities.
Islamic Banking Statistics - Debt Securities Issuance in Malaysia

Notes: Refers to those of all tenors, i.e. both short-term and long-term securities listed on FAST, BNM. Reflects nominal value as at time of issue.

source: Bank Negara Malaysia
Global Sukuk

Top Sukuk Markets in 2016

**Jurisdiction**
- Malaysia: USD34.7 billion, 46.4%
- Gulf Cooperation Council: USD19.6 billion, 26.2%
- Indonesia: USD7.4 billion, 9.9%
- Turkey: USD4.1 billion, 5.5%

**Top sectors**
- Malaysia: 1. Financial services
  2. Government
  3. Power and utilities
  4. Transportation
- GCC: 1. Financial services
  2. Government
  3. Oil and Gas
- Indonesia: 1. Government
  2. Financial services
  3. Industrial manufacturing
- Turkey: 1. Financial services
  2. Government

Source: Thomson Reuters, MIFC 2016
Global Sukuk

Global Sukuk Outstanding USDbln

Source: Thomson Reuters, MIFC
Additional Shariah Standards and Operational Requirements were issued in 2016 to be implemented in Islamic financial products and services.

<table>
<thead>
<tr>
<th>Effective Date</th>
<th>1 January 2018</th>
<th>1 July 2018</th>
<th>31 July 2018</th>
<th>1 August 2018</th>
</tr>
</thead>
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<tr>
<td>Shariah Contract</td>
<td>Kafalah</td>
<td>Wakalah</td>
<td>Wardah</td>
<td>Ijarah</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Hibah Gard</td>
<td></td>
</tr>
<tr>
<td>Application</td>
<td>Bank guarantee, standby letter of credit and other forms of guarantee</td>
<td>Investment accounts, financing, letter of credit</td>
<td>Islamic deposits, credit card-i and financing</td>
<td>Financing</td>
</tr>
<tr>
<td>Key Elements</td>
<td>• Greater clarity on the distinction between the rights and obligations of guarantors and beneficiaries</td>
<td>• Greater clarity on the Islamic banks’ capacity as an agent for asset acquisition or investment manager</td>
<td>• Prohibition of granting contractual benefits and disclosure of indicative hibah rate for gard-based Islamic deposits</td>
<td>• Greater clarity on ownership of the asset during the leasing period and respective rights and liabilities under Ijarah contract</td>
</tr>
<tr>
<td>Intended Outcomes</td>
<td>• Strengthened protection for guarantors</td>
<td>• Strengthened governance and fiduciary accountabilities of Islamic banks</td>
<td>• Strengthened business and market practices of gard borrowers and lenders</td>
<td>• Safeguard interest of lessee and lessee</td>
</tr>
</tbody>
</table>

Source: Bank Negara Malaysia
Islamic Banking-Value added Calculation

- DOSM as official statistics provider.

- DOSM produce wide range social and economy statistics.

- Islamic banking and Takaful Value Added was calculated separately since 2000 (1993 SNA).

- System of National Accounts 2008 (and SNA1993) recommended FISIM framework in estimating output for Financial Intermediation activity and it has been applied in Malaysian GDP since 2005, fully replacing the IBSC (SNA1968).
Data availability - IBs

TOTAL ASSETS
- Cash and Cash Equivalents
- Deposits Placed and Reverse Repurchase Agreement
- Statutory Deposits with Bank Negara Malaysia
- Pledged Securities under Repurchase Agreement
- Financial Assets Designated as Fair Value Through Profit or Loss
- Financial Assets Held for Trading
- Held to Maturity Investments
- Available for Sale Financial Assets
- Loans/Financing and Receivables (Net of Provision)
  - Loans/Financing and Advances
- Trade and Other Receivables
- Amount Due from Designated Financial Institutions
  - Overdrawn Vostro Accounts
- Nostro Accounts
- Interbank Placements
- Surplus in SPICK
- Other Amount Due from Designated Financial Institutions
- Derivatives Financial Assets
- Fair Value Changes of the Hedged Items in Portfolio Hedge of Interest Rate Risk/Profit Rate Risk (Assets)
- Other Assets
- Investment Properties
- Inventories
- Prepaid Lease Payment
- Investment at Cost
- Investment Accounted for Using Equity Method
- Property, Plant and Equipment
  - Land
  - Buildings
  - IT Equipment
  - Fixtures and Fittings
  - Office Equipment
  - Motor Vehicles
  - Other Property, Plant and Equipment
- (-) Depreciation and Impairment of Property, Plant and Equipment
- Goodwill
- Intangible Assets Other Than Goodwill
- Tax Assets
- Non Current Assets or Disposal Groups Classified as Held for Sale

TOTAL EQUITY AND LIABILITIES

TOTAL EQUITY

TOTAL LIABILITIES
- Deposits Accepted and Repurchase Agreement
  - Deposits Accepted
  - Repurchase Agreement
- Financial Liabilities Designated as Fair Value Through Profit or Loss
- Financial Liabilities Held for Trading
- Amount Due to Government
- Amount Due to Designated Financial Institutions
  - Vostro Account Balances
  - Overdrawn Nostro Accounts
  - Deficit in SPICK
  - Interbank Borrowings
  - Other Amount Due to Designated Financial Institutions
- Derivatives Financial Liabilities
- Fair Value Changes of the Hedged Items in Portfolio Hedge of Interest Rate Risk/Profit Rate Risk (Liabilities)
- Trade and Other Payables
- Staff Employment Benefits
- Other Provisions
- Borrowed Funds
- Debt Certificates Issued/Sukuk Issued
- Other Liabilities
- Tax Liabilities
- Liabilities Included in Disposal Groups Classified as Held for Sale

TOTAL COMMITMENTS AND CONTINGENCIES
Data availability IBs

<table>
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<tr>
<th>Deposits Accepted</th>
<th>Net Interest/Finance</th>
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<td>Demand Deposits Accepted</td>
<td>Interest/Finance Income</td>
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<td>Interest/Finance Income from Loans/Financing and Advances</td>
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<td>Fixed Deposits Accepted</td>
<td>Interest/Finance Income from Amount Due from Financial Institutions</td>
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<td>Specific Investment Accounts Accepted</td>
<td>Interest/Finance Income from Financial Assets Held for Trading</td>
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<td>General Investment Account Accepted</td>
<td>Interest/Finance Income from Held to Maturity Investments</td>
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<td>Interest/Finance Income from Available for Sale Financial Assets</td>
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<td>Through Profit or Loss</td>
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<td>Negotiable Instruments Deposits Issued</td>
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<td>Accretion of Discount on Securities</td>
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<td>Housing Development Account Deposits Accepted</td>
<td>Miscellaneous Other Interest/Finance Income</td>
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<td>Short Term Deposits Accepted</td>
<td>(-) Interest/Finance Expense</td>
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<td>Investment-Linked to Derivatives Offered</td>
<td>Interest/Finance Expense on Deposits Accepted</td>
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<td>Eligible Liabilities Exempt Deposits Accepted</td>
<td>Interest/Finance Expense on Amount Due to Financial Institutions</td>
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<td>Other Deposits Accepted</td>
<td>Interest/Finance Expense on Amount Due to Government</td>
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<td>Repurchase Agreement</td>
<td>Interest/Finance Expense on Subordinated Liabilities</td>
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Net Fee and Commission

Fee and Commission Income

Underwriting Fees

Brokerage Fees

Portfolio Management Fees

Other Fees Relating to Securities Issuances and Management

Fees and Commission Income for Corporate Advisory

Fees and Commission Income Assets Management

Fees and Commission Income Credit Commitments

Commitments Fees

Processing Fees

Syndication Fees

Guarantee Fees

Service Charges & Fees

Acceptance Fees

Other Fees Relating to Credit Commitments

Fees and Commission Income Payments Services

Other Fees and Commission Income

(-) Fee and Commission Expenses

Brokerage Expenses

Other Fee and Commissions Expenses
Data availability - IBs

Dividend Income
- Dividend Income Subsidiaries
- Dividend Income Associates
- Dividend Income Joint Ventures
- Dividend Income from Other Companies
- Other Dividend Income

Net Gains/(Losses) on Financial Instruments

Gains on Financial Instruments
- Gains on Financial Assets Held for Trading
- Gains on Held to Maturity Investments
- Gains on Available for Sale Financial Assets
- Gains on Financial Instruments Designated as Fair Value Through Profit or Loss
- Gains on Exchange Difference Revaluation
- Gains on Financial Instruments Due to Fair Value Adjustments in Hedge
- Other Gains on Financial Instruments

(-) Losses on Financial Instruments
- Losses on Financial Assets Held for Trading
- Losses on Held to Maturity Investments
- Losses on Available for Sale Financial Assets
- Losses on Financial Instruments Designated as Fair Value Through Profit or Loss
- Losses on Exchange Difference Revaluation
- Losses on Financial Instruments Due to Fair Value Adjustments in Hedge
- Other Losses on Financial Instruments

Net Gains/(Losses) on Derecognition of Non-Current Assets Not Held for Sale

Gains on Derecognition of Non-Current Assets Not Held for Sale
- Gain on Derecognition of Property Plant and Equipment
- Gain on Derecognition of Investment Property
- Gain on Derecognition of Identifiable Intangible Assets
- Gain on Derecognition of Investments in Subsidiaries, Associates and Joint Ventures

Gains from Derecognition of Shares in Subsidiaries
- Gain from Derecognition of Shares in Associates
- Gain from Derecognition of Shares in Joint Ventures
- Gain on Disposal of Foreclosed Properties
- Gain on Derecognition of Other Non Current Assets Not Held for Sale

(-) Losses on Derecognition of Non-Current Assets Not Held for Sale
- Losses on Derecognition of Property Plant and Equipment
- Losses on Derecognition of Investment Property
- Losses on Derecognition of Identifiable Intangible Assets
- Losses on Derecognition of Investments in Subsidiaries, Associates and Joint Ventures

Losses from Sale of Shares in Subsidiaries
- Losses from Sale of Shares in Associates
- Losses from Sale of Shares in Joint Ventures

Losses from Sale of Shares in Subsidiaries
- Losses from Sale of Shares in Associates
- Losses from Sale of Shares in Joint Ventures

Losses from Sale of Other Non-Current Assets Not Held for Sale

Losses on Derecognition of Other Non - Current Assets Not Held for Sale

Finance Cost
- Finance Cost on Subordinated Term Loans/Financing
- Finance Cost on Finance Leases/Hire Purchase Interest
- Finance Cost on Financing Instruments
- Amortisation of Premium on Debt Securities Held
- Other Finance Costs
- Administration Costs

Employee Expenses
- Establishment Expenses
- Marketing Expenses
- Administration and General Expenses
- Net Provisions

Provision Made During the Period
(-) Reversal of Provisions During the Period

Net Impairment Reversal/(Losses)

Impairment Reversals
- Impairment Reversals Financial Instruments, Held-To-Maturity Investments
- Impairment Reversals Financial Instruments, Loans/Financing and Receivables
- Impairment Reversals Financial Instruments, Available for Sale Financial Assets
- Impairment Reversals Tangible and Intangible Assets
- Other Impairment Reversals

(-) Impairment Losses
- Impairment Losses Financial Instruments, Held-to-Maturity Investments
- Impairment Losses Financial Instruments, Loans/Financing and Receivables
- Impairment Losses for Loans/Financing

Individual Impairment Losses
- Collective Impairment Losses
- Impaired Loan/Financing Written Off
- Impairment Losses for Trade Receivables
- Impairment Losses Financial Instruments, Available for Sale Financial Assets
- Impairment Losses Tangible and Intangible Assets
- Other Impairment Losses

Net Miscellaneous Income/(Expenses)

Miscellaneous Income
- Rental Income
- Other Miscellaneous Income

(-) Miscellaneous Expenses
- Profit (Loss) Before Taxation
- Income Tax Expenses
- Zakat
- Profit (Loss) for the Year
# Data availability - Insurance (Takaful)

## Total liabilities
- **Takaful fund and reserves**
  - Participants' fund c/f
  - Investment-linked fund c/f
  - Unearned contribution reserves (EOY)
  - Surplus attributable to participants (EOY)
  - Other reserves (EOY)
  - Provision for outstanding claims (EOY)
- **Other liabilities**
  - Provision for outstanding claims (EOY)
  - Amount due to clients/intermediaries
  - Amount due to retakaful/ceding companies
  - Retakaful deposits
  - Deposit contributions
  - Dividend payables
  - Provision for taxation
  - Bank cashline/financing
  - Benevolent loan
  - Deferred taxation
  - Staff retirement benefits
  - Sundry creditors and other liabilities
- **Amount due to income statement/takaful funds**
- **Provision for tax on unrealised capital gains**
- **Revaluation reserves for Takaful funds**

## Total assets
- **Property, plant and equipment**
  - Self-occupied properties
  - Other property, plant and equipment
  - Work-in-progress
  - Office renovation
  - Motor vehicles
  - Computer hardware & software
  - Office equipment
  - Furniture, fixtures & fittings
- **Investment properties**
- **Financing**
  - Secured financing
  - Unsecured financing
  - Staff financing
- **Investments**
  - Government Islamic papers
  - Malaysian Government guaranteed financing
  - Islamic debt securities
  - Syariah-approved equities
  - Investment in other linked funds of the takaful company
  - Other investments
- **Foreign assets**
- **Cash & deposits**
  - Investment accounts/Islamic money market
  - Cash & bank balances
- **Other assets**
  - Outstanding contributions & agents’ balances/Amount due from ceding companies/brokers (net)
  - Amount due from retakaful/ceding companies (net)
  - Retakaful deposits
  - Profits, dividends & rent receivables
  - Sundry debtors & other assets
## Data availability - Insurance (Takaful)

<table>
<thead>
<tr>
<th>Total Income</th>
<th>Total Outgo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net contributions</td>
<td>Net certificate benefits</td>
</tr>
<tr>
<td>Earned Contribution Income</td>
<td>Net claims incurred</td>
</tr>
<tr>
<td>Fire</td>
<td>Fire</td>
</tr>
<tr>
<td>MAT</td>
<td>MAT</td>
</tr>
<tr>
<td>Aviation</td>
<td>Aviation</td>
</tr>
<tr>
<td>Cargo</td>
<td>Cargo</td>
</tr>
<tr>
<td>Marine Hull</td>
<td>Marine Hull</td>
</tr>
<tr>
<td>Offshore Oil-related</td>
<td>Offshore Oil-related</td>
</tr>
<tr>
<td>Motor</td>
<td>Motor</td>
</tr>
<tr>
<td>Motor Act</td>
<td>Motor Act</td>
</tr>
<tr>
<td>Motor Others</td>
<td>Motor Others</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>Bonds</td>
<td>Bonds</td>
</tr>
<tr>
<td>Contractors’ All Risks &amp; Engineering</td>
<td>Contractors’ All Risks &amp; Engineering</td>
</tr>
<tr>
<td>Liabilities</td>
<td>Liabilities</td>
</tr>
<tr>
<td>Medical and Health</td>
<td>Medical and Health</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>Personal Accident</td>
</tr>
<tr>
<td>Workmen's Compensation &amp; Employers' Liability</td>
<td>Workmen's Compensation &amp; Employers' Liability</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
</tr>
<tr>
<td>Net investment income</td>
<td>Net Commission (including wakalah)</td>
</tr>
<tr>
<td>Income</td>
<td>Management expenses</td>
</tr>
<tr>
<td>Investment accounts/ Islamic money market</td>
<td>Management expenses (Wakalah Fee)</td>
</tr>
<tr>
<td>Financing</td>
<td>Salaries</td>
</tr>
<tr>
<td>Others</td>
<td>Bonus</td>
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<tr>
<td>Gross dividends</td>
<td>Staff benefits</td>
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<tr>
<td>Rent</td>
<td>Marketing bonus</td>
</tr>
<tr>
<td>Others (including net investment income for investment-linked fund)</td>
<td>Directors' remuneration and related expenses</td>
</tr>
<tr>
<td>Less: Investment expenses</td>
<td>Syariah supervisory council members' remuneration &amp; related expenses</td>
</tr>
<tr>
<td>Unrealised capital gains</td>
<td>Entertainment</td>
</tr>
<tr>
<td>Other Income</td>
<td>Training expenses</td>
</tr>
<tr>
<td>Profit on disposal</td>
<td>Auditors' fees</td>
</tr>
<tr>
<td>Bad debts recovery</td>
<td>Legal expenses</td>
</tr>
<tr>
<td>Accretion of discounts on securities</td>
<td>Management fees</td>
</tr>
<tr>
<td>Others</td>
<td>Rent and rates</td>
</tr>
<tr>
<td></td>
<td>Repairs and maintenance</td>
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<tr>
<td></td>
<td>Motor vehicle expenses</td>
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<td>EDP expenses</td>
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<td></td>
<td>Depreciation</td>
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<td>Miscellaneous expenses</td>
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<td>Travelling expenses</td>
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<td>Advertising</td>
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<td>Printing &amp; stationery</td>
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<td></td>
<td>Electricity &amp; water</td>
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<td>Postage/ telephone/ telex/ telefax</td>
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<tr>
<td></td>
<td>TGSF levy</td>
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<tr>
<td></td>
<td>Others</td>
</tr>
<tr>
<td></td>
<td>Unrealised capital loss</td>
</tr>
<tr>
<td></td>
<td>Other Outgo</td>
</tr>
<tr>
<td></td>
<td>Loss on disposal</td>
</tr>
<tr>
<td></td>
<td>Bad and doubtful debts</td>
</tr>
<tr>
<td></td>
<td>Amortisation of premium on securities</td>
</tr>
<tr>
<td></td>
<td>Diminution in value of</td>
</tr>
<tr>
<td></td>
<td>Provision for tax on unrealised capital gains</td>
</tr>
<tr>
<td></td>
<td>Investment charge</td>
</tr>
<tr>
<td></td>
<td>Taxation</td>
</tr>
<tr>
<td></td>
<td>Finance Cost</td>
</tr>
<tr>
<td></td>
<td>Others</td>
</tr>
<tr>
<td>Excess of Income over Outgo</td>
<td></td>
</tr>
</tbody>
</table>
Measurement of FISIM in Malaysia

• **Estimation of FISIM - Conventional**
  FISIM is calculated using the following formula:
  \[ \text{FISIM} = \text{FISIM on Loans} + \text{FISIM on Deposits} \]
  \[ \text{FISIM on Loans} = \text{Stock of Loans} \times [\text{Lending Rate} - \text{Reference Rate}] \]
  \[ \text{FISIM on Deposits} = \text{Stock of Deposits} \times [\text{Reference Rate} - \text{Deposits Rate}] \]

• **Reference Rate: Midpoint** between the loan and deposit rate
  - less volatile
  - FISIM values with greater transparency
Measurement of FISIM in Malaysia – Islamic Finance segment

- Estimation of FISIM – Islamic Finance
  
  FISIM is calculated using the following formula:
  
  $$FISIM = FISIM \text{ on Loans} + FISIM \text{ on Deposits}$$

  FISIM on Loans
  
  $$= \text{Stock of Financing} \times \left[ \text{Financing Rate} - \text{Reference Rate} \right]$$

  FISIM on Deposits
  
  $$= \text{Stock of Deposits} \times \left[ \text{Reference Rate} - \text{Profit Rate} \right]$$

- Reference Rate: Midpoint between the Financing and deposit rate
  
  - less volatile
  - FISIM values with greater transparency
  - Detailed data / statistics permits the calculation of FISIM for IBs
Islamic Banking & Takaful-Value added

**Islamic Bank**
CAGR (2010 to 2016): 3.1%

**Commercial Bank**
CAGR (2010 to 2016): 1.4%

**Investment Bank**
CAGR (2010 to 2016): -3.5%

**Takaful**
CAGR (2010 to 2016): 0.6%

**Conventional Insurance**
CAGR (2010 to 2016): 6.2%

Based on Constant 2010 prices
Issues & Challenges

• While estimation of VA of Islamic Banking by industry is very clear, estimation and contribution by Islamic Finance product is a challenge due to complexity of data and ability to split between the conventional and Islamic product.

• Islamic Capital Market: Single enterprise offering both Islamic and conventional products.

• Development of Services Producer Price Index (SPPI) for banking activities
Potential and Advantages

- Fully coverage through Economic Census
- Well regulated financial sector (Central Bank, Securities Commissions, Bursa Malaysia)
- Depth and breadth in Capital Market
- Advisory board and promotion agency (MIFC)
- Nurturing talents and experts in Islamic Finance e.g INCEIF
- Structured development plan e.g Financial Sector Master Plan 2011-2020.
Conclusions & recommendation

1. Islamic banking and finance in Malaysia has become one of the most progressive and innovative in providing Islamic banking services and products.

2. In line with development in Islamic banking and finance, DOSM from time to time continuously evaluating the methodology used in compiling the value added in Islamic banking and Islamic capital market.

3. DOSM continuously engaging and collaborate with regulators such as BNM, SC, Bursa Malaysia and Labuan FSA in compiling the statistics.

4. Moving forward, a universal guidelines is needed to make the estimate of Islamic banking and finance more comparable among countries. Malaysia willing to share the experience and involve actively in any efforts undertaken by international bodies.

5. To form National Accounts Experts Group on Islamic Finance
References

1. Department of Statistics Malaysia: www.dosm.gov.my
4. Bursa Malaysia: www.bursamalaysia.com
5. Labuan Financial Services Authority (offshore): www.labuanibfc.com
7. International Centre for Education in Islamic Finance (INCEIF): www.inceif.org
Thank You
For Your Attention

shared by: MOHD YAZID BIN KASIM
myazid_kasim@stats.gov.my
Base Lending Rate and Base Financing Rate

Growth YoY (%)

| Quarter | Q111 | Q211 | Q311 | Q411 | Q112 | Q212 | Q312 | Q412 | Q113 | Q213 | Q313 | Q413 | Q114 | Q214 | Q314 | Q414 | Q115 | Q215 | Q315 | Q415 | Q116 | Q216 | Q316 | Q416 | Q117 | Q217 |
|---------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Lending | 12.1 | 8.7  | 4.3  | 4.3  | 1.2  | -0.2 | -0.1 | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.1  | 0.1  | 3.9  | 3.9  | 3.9  | 3.9  | 0.0  | 0.0  | 0.0  | 0.0  | 3.8  | 3.8  | 3.8  | 3.8  | 0.0  | 0.0  | -2.0 |
| Financing| 12.7 | 9.1  | 4.6  | 4.6  | 4.7  | 1.5  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 3.8  | 3.8  | 3.8  | 3.8  | 0.0  | 0.0  | 0.0  | 0.0  | 3.8  | 3.8  | 3.8  | 3.8  | 0.1  | 0.3  | -2.7 | -2.5 | -2.8 |
Changes in accounting policies and disclosures

On 1 January 2016, the Bank adopted the following amendments to MFRS and annual improvements to MFRSs:

<table>
<thead>
<tr>
<th>Description</th>
<th>Effective for annual periods beginning on or after</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFRS 10 Consolidated Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>MFRS 14 Regulatory Deferral Accounts</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>MFRS 101 Presentation of Financial Statements - Disclosure Initiative (Amendments to MFRS 101)</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>MFRS 127 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments to MFRS 127)</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>MFRS 128 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)</td>
<td>1 January 2016</td>
</tr>
<tr>
<td>Annual Improvements to MFRSs 2012 - 2014 Cycle</td>
<td>1 January 2016</td>
</tr>
</tbody>
</table>

Adoption of the above amendments to MFRS and annual improvements to MFRSs did not have any effect on the financial performance or position of the Bank.
### 8. Financing and advances

**(i) By type and Shariah concepts**

<table>
<thead>
<tr>
<th></th>
<th>Bai(^a)</th>
<th>Murabahah</th>
<th>Musharakah</th>
<th>Al-Ljarah Thumma Al-Bai (AITAB)</th>
<th>Istisna’</th>
<th>Others</th>
<th>Total financing and advances</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31.12.2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cashline</td>
<td>-</td>
<td>4,844,236</td>
<td>-</td>
<td>-</td>
<td>157</td>
<td>-</td>
<td>4,844,393</td>
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<tr>
<td>Term financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- House financing</td>
<td>19,101,421</td>
<td>59,662,500</td>
<td>2,563,623</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>81,327,544</td>
</tr>
<tr>
<td>- Syndicated financing</td>
<td>785,260</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>785,260</td>
<td></td>
</tr>
<tr>
<td>- Hire purchase receivables</td>
<td>-</td>
<td>-</td>
<td>36,148,172</td>
<td>-</td>
<td>-</td>
<td>36,148,172</td>
<td></td>
</tr>
<tr>
<td>- Other term financing</td>
<td>27,660,430</td>
<td>69,777,874</td>
<td>1,339,766</td>
<td>118,178</td>
<td>148,079</td>
<td>54,879</td>
<td>99,099,206</td>
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<tr>
<td>Bills receivable</td>
<td>-</td>
<td>793</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>379</td>
<td>1,172</td>
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<tr>
<td>Trust receipts</td>
<td>-</td>
<td>153,310</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>153,310</td>
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<td>Claims on customers under acceptance credits</td>
<td>-</td>
<td>4,838,297</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,838,297</td>
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<tr>
<td>Staff financing</td>
<td>737,996</td>
<td>1,372,550</td>
<td>10,546</td>
<td>150,323</td>
<td>-</td>
<td>44,793</td>
<td>2,316,208</td>
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<td>Credit card receivables</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>825,661</td>
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<tr>
<td>Revolving credit</td>
<td>-</td>
<td>16,508,748</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>16,508,748</td>
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<tr>
<td><strong>Unearned income</strong></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td><strong>Gross financing and advances(^a)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(96,954,485)</td>
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<tr>
<td><strong>Net financing and advances</strong></td>
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<td></td>
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<td></td>
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<td>148,893,486</td>
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<td>Allowances for impaired financing and advances:</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>- individual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(617,350)</td>
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<tr>
<td>- collective</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>(752,826)</td>
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<tr>
<td><strong>Net financing and advances</strong></td>
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<td>148,523,310</td>
</tr>
</tbody>
</table>

\(^a\) Bai comprises of Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn

\(^a\) Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account (“RPSIA”) and Investment Accounts of Customers (“IA”).