

Table of Contents

| | Page |
|--|-------------|
| Executive Summary | 1 |
| 1.0 Background, scope and objectives | |
| 1.1 Background | 4 |
| 1.2 Scope | 5 |
| 1.3 Objectives | 6 |
| 2.0 Economic Outlook 2005 | |
| 2.1 Global Economic Outlook | 7 |
| 2.2 Malaysian Economic Outlook | 8 |
| 3.0 Banking Industry: Trends and Forces at work | |
| 3.1 Outlook for Banking Industry in Asia | 10 |
| 3.2 Trends in Banking Worldwide | 14 |
| 3.3 Critical Challenges Facing Banks in Asia | 16 |
| 3.4 Change imperatives for Asian banks | 18 |
| 3.5 The Malaysian Banking Industry | 19 |
| 3.5.1 Overview | 19 |
| 3.5.2 Malaysian Retail Banking Customer Profiles | 22 |
| 3.5.3 Malaysian Banking Industry Competitiveness | 27 |
| 3.5.4 Expected Trends | 29 |
| 3.5.5 Key Success Factors of the Banking Industry | 29 |

| Table of Contents (continued) | | Page |
|--------------------------------------|--|-------------|
| 4.0 | Bank Muamalat Malaysia Berhad | 32 |
| 4.1 | Background | 32 |
| 4.2 | BMMB Consumer Banking Business Model | 33 |
| 4.3 | SWOT Analysis | 36 |
| 4.3.1 | Strengths | 37 |
| 4.3.2 | Weaknesses | 37 |
| 4.3.3 | Opportunities | 43 |
| 4.3.4 | Threats | 45 |
| 5.0 | Business Process Outsourcing (BPO) | |
| 5.1 | BPO in general | 46 |
| 5.2 | BPO in banking | 49 |
| 5.2.1 | Outsourcing of back-office banking operations functions | 49 |
| 5.2.2 | Outsourcing of front-office banking functions | 50 |
| 5.2.3 | Franchising | 52 |
| 6.0 | Feasibility of outsourcing front-office consumer banking functions of BMMB. | 60 |
| 7.0 | Recommendations | 68 |
| 7.1 | Phase 1 | 69 |
| 7.1.1 | Outsourcing of loan origination at branches | 69 |
| 7.1.2 | Outsourcing of payment collection functions | 75 |

| Table of Contents (continued) | | Page |
|--------------------------------------|---|-------------|
| 7.2 | Phase 2 | 76 |
| 7.2.1 | Franchising of total branch operation | 76 |
| 8.0 | Conclusion | 85 |
| | References | 86 |
| | Appendix 1: List of BMMB branches | 91 |
| | Appendix 2: Example of sales commission structure for in-house sales staff | 93 |
| | Appendix 3: Time line of the outsourcing programme | 96 |
| | Appendix 4: Survey Methodology and Results | 98 |
| | Appendix 5: Sample of Survey Questionnaires | 129 |