



**FINANCIAL PERFORMANCE OF ISLAMIC BANKS IN MALAYSIA:
A COMPARATIVE STUDY OF BANK ISLAM MALAYSIA BERHAD
AND KUWAIT FINANCE HOUSE**

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ABSTRACT

This report has been done to study the financial performance of Bank Islam Malaysia Berhad and Kuwait Finance House. For completion of this report, secondary data and other method such as procedure for analysis of data which derived from the annual report of each banks and data processing method which is ratio analysis technique has been used as a data collection. The data are taken from external sources such as Bank Negara Annual Report, BIMB annual reports, KFH annual reports, various publication, books, newspaper articles and magazines. The study examines 4 type of ratios include (1) Return on Assets, (2) Return on Equity, (3) Financing deposit ratio, (4) Non performing financial.

The result of the fianacial ratios shows that the Kuwait Finance House is good in the performance in previous three years compared to Bank Islam Malaysia. This study also will give the management, researcher and financial analyst or lender information regarding to performance of both banks that can be used for the future prospect.

1.1 INTRODUCTION

Islamic banking has become today an undeniable reality. The number of Islamic bank and financial institutions is increasing. According to Bank Negara Malaysia, there are about 11 Islamic banks and six foreign Islamic banks listed in Malaysia (See appendix). New Islamic banks with huge amount of capital are being established. Conventional banks are opening Islamic windows or Islamic subsidiaries for the operations of Islamic banking to compete among them and to attract as many Muslim customers as they can. Therefore, their performance can be look into many ways. According to **Wild, J. J., Subramanyam K.R., and Halsey, R. F. (2007)**, there are several analysis tools for financial analysis including comparative financial statement analysis, common-size financial analysis, ratio analysis, cash flow analysis and valuation. However, ratio analysis is the most popular and widely used tools of financial analysis. It is used to measure a company's performance by giving us two ways of making meaningful comparisons of a company's financial data. First, trend analysis is used for internal comparison of the same company's present and past ratio. Second, cross sectional analysis is used for external analysis which comparison is made between industrial average and competitors.