

# News Review – October

**BSN launches SMS service:** Bank Simpanan Nasional (BSN), which also provides Islamic banking services, launched a short messaging service (SMS) for banking activities, with a target of signing up 10,000 customers by December. BSN expected 2.5 million users by the end of 2009, said chairman Abdul Azim Mohd Zabidi.

The SMS facilitated banking transactions, prepaid reloads for mobile phones, bill payments, balance inquiries and account transfers, among others.

**Ingress is given time to redeem Sukuk:** Ingress Corporation had been given an extension until the 26<sup>th</sup> December by the holders of its RM160 million (US\$46.4 million) Sukuk Ijarah to obtain financing to redeem the Islamic bonds.

Ingress said the agreement was subject to documentary evidence that the syndicate lenders were committed to providing the amount to fully redeem the Sukuk at par.

It added that the Sukuk holders wanted the documentary evidence to be

furnished to CIMB Trustee no later than the 30<sup>th</sup> September. The Sukuk holders also wanted Ingress to furnish a copy of the letter of offer from the syndicate lenders by the 26<sup>th</sup> October.

**MARC forecasts GDP growth at 3.5% in 2009:** Malaysian Credit Rating Corporation (MARC) forecast Malaysia's gross domestic product growth next year at 3.5% due to the ongoing global turbulence that could trigger a global recession in 2009. The US, which is the world's largest economy and Malaysia's single largest trading partner, was likely to go through a recession and this might cast a long shadow on the rest of the world. Other global economies such as Europe and Japan had also been affected.

The agency also said that Malaysia and other regional countries were not immune from any crisis. Malaysian economic growth in 2009 would also be affected by a slowdown in private investment as risk aversion heightened among investors. As a result, business

expansion plans were likely to be scaled down while portfolio investors could continue to stay on the sidelines.

However, the steady domestic demand, mainly supported by private consumption, was expected to provide protection against a weakening global economy. Domestic demand in 2009 was expected to be underpinned by an accommodative monetary stance and a relatively stable labor market.

According to MARC, Malaysia was in a more resilient position to cope with present economic challenges as reflected by the huge surplus in the current account of the balance of payments, a high level of external reserves and a sound banking system that would help weather current economic challenges. The ability of the country's financial institutions to provide ample liquidity was also a critical factor in insulating the Malaysian economy from a credit crunch. Additionally, there was no visible strain in the domestic financial market as evident by the benign spread between interbank and Treasury Bills.

**PLSA to issue GCC compliant Sukuk program:** RHB Banking Group has successfully structured and lead-arranged a RM745 million (US\$211.35 million) Sukuk program for Projek Lintasan Shah Alam (PLSA). Comprising RM330 million (US\$93 million) worth of Sukuk Ijarah and up to RM415 million (US\$117 million) Sukuk Mudarabah, the Sukuk issuance aims to raise funds for the construction and development of the proposed RM750 million (US\$211 million) Lebuhraya Kemuning-Shah Alam highway. PLSA is the concessionaire of the highway.

RAM Ratings has assigned a long-term rating of A1 to the Sukuk Ijarah and a long-term rating of A3 to the Sukuk Mudarabah.

PLSA's decision to embark on the issuance of Sukuk is in line with the government's objective to develop the Malaysian Islamic capital market. This issuance further supports the government's aspiration to promote



*From left: Chay Wai Leong, managing director of RHB Investment Bank Bhd, Ir. Zainudin Abdul Kadir, CEO of Projek Lintasan Shah Alam Sdn Bhd, Dato' Abdullah Mat Noh, chairman of RHB Investment Bank Bhd, Tan Sri Dato' Hamad Kama Piah Bin Che Othman, chairman of Projek Lintasan Shah Alam Sdn Bhd, Datuk Haji Faisal Siraj, chairman of RHB Islamic Bank Berhad, and Jamelah Jamaluddin, managing director of RHB Islamic Bank Berhad, at the signing ceremony for the Sukuk issuance programme.*

the issuance of the Islamic capital market's instruments by Malaysian companies.

The Gulf Cooperation Council (GCC) compliant fund will be placed out to institutional investors.

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**Public Bank posts 25% growth in profit:** Public Bank Group recorded a 25% growth in net profit for the first nine months of 2008 to reach RM1.93 billion (US\$547 million) from RM1.54 billion (US\$436.51 million) in the same period of last year.

Pre-tax profit improved by 18% to RM2.57 billion (US\$729 million) despite an increase of RM41 million (US\$12 million) in general allowance made due to higher loan growth, according to a statement. Meanwhile, annualized return on equity went up by 29.7%, from 26.3% reported in the first nine months of 2007.

Net interest and financing income increased by 16% to RM3.16 billion (US\$896 million), while other operating income grew by 14% to RM1.14 billion (US\$323 million), mainly contributed by higher fee income, as well as initial contribution from bancassurance distribution due to the group's 10-year regional strategic alliance with ING Asia/Pacific.

The group noted that its total customer deposits grew by an annualized rate of 16% to stand at RM155.8 billion (US\$44 billion) as at end-September 2008, while wholesale deposits in the form of money market deposits and negotiable instruments of deposit rose by RM6.2 billion (US\$1.8 billion).

**Malaysia — the Islamic arbitration center?** Malaysia would be developed into a hub for international arbitration and dispute resolutions in Islamic finance, said prime minister, Abdullah Ahmad Badawi.

It had many experts as well as experience in Shariah compliant banking and financing, making it one of the best countries for dispute resolution in the region, he told the International Dispute Resolution Conference.

Abdullah pointed out that Malaysian laws did not impose restrictions on foreign arbitrators, mediators or counsel appearing at arbitration. He described the country's Arbitration Act as a model for many others, while the adoption of the New York Convention for Enforcement of Arbitral Awards provided the required support.

**Loan, Sukuk market is growing:** The loan and Sukuk market has gained momentum as issuers and investors sought alternative asset classes with capital protection due to the level of liquidity in the local banking system and low interest rates, according to the Malaysian Investment Banking Association (MIBA).

"Bank Negara Malaysia recently stated that banks are well capitalized and have put in place proven risk management practices and standards.

The Securities Commission has also come out to say that the Malaysian capital market remains fundamentally sound," MIBA added in a statement.

Other forms of corporate activities, such as corporate restructuring as well as mergers and acquisition involving mid-sized companies would emerge, it predicted.

MIBA also noted that privatization and takeovers of undervalued companies with good credit standing and low gearing were taking place in the market as well, which created advisory work for banks.

Investment banks would continue to monitor market dynamics as well as the impact on operations and stakeholders, and take measures to protect themselves against external shocks, MIBA said.

**Hedge your forex risk with CIMB Islamic's FXOP-i:** CIMB Islamic Bank had launched FXOP-i, which allowed customers to hedge their foreign exchange (forex) risk. According to the bank, the product with Islamic option features enabled customers to lock in a forex rate in advance by engaging in a financial transaction with CIMB Islamic. It said net proceeds from this transaction granted customers the right, but not the obligation, to exercise the option at the agreed rate on the maturity date.

"With this product, customers can protect the value of their future foreign currency proceeds, fix their hedging cost at the equivalent of the option premium and even earn a profit if forex rates move in their favor, always with the assurance that the transaction

adheres to Islamic principles," said Badlisyah Abdul Ghani, CEO of CIMB Islamic.

FXOP-i was based on several Islamic finance concepts: Tawarruq, commodity Murabahah, Bai Inah, Waad and Bai Sarf. The minimum value for each FXOP-i transaction had been set at US\$100,000 equivalent.

**KFH denies AirAsia buyout:** Kuwait Finance House (KFH) denied a report that it could provide financing for the potential privatization of AirAsia, the Malaysian discount carrier. ECM Libra Investment Research had said that KFH, US-based Calyon and Virgin Group were rumored to be interested in providing the finance needed.

It was reported that Datuk K Salman Younis, managing director of the Malaysian unit of the Islamic bank, had said the bank had never considered the buyout as it is a Shariah compliant bank and could not therefore participate in a buyout of a company that had conventional debt.

Tune Air, the largest shareholder of Malaysia-based AirAsia, was reportedly considering offering RM1.35 (US\$0.40) for each share of the airline to take it private. A buyout was one of the options being explored, depending on available financing as well as market conditions, said a statement.

**Cagamas raises US\$591 million in two tranches:** Cagamas, the national mortgage firm, had raised RM2.03 billion (US\$591 million) in papers with yields of between 4.05% and 6.25%.

The notes were available in two tranches: a RM215 million (US\$63 million) Islamic tranche and conventional bonds amounting to RM1.82 billion (US\$530 million).

The issue had a tenure of up to 20 years, and the papers were taken up within 24 hours. Insurance companies took about 30% while the rest went to a mix of asset management companies, banks, government agencies and corporate entities, said Cagamas CEO Steven Choy. Though the yields were quite good and important, credit was just as important, he stressed. Investors,

he observed, now realized that the quality of bonds and credit of the issuer needed to be considered, and not just how low the yields are.

**Affin Islamic focusing on equity-based products:** Affin Islamic Bank would emphasize on offering equity-based structured products, such as Musharakah and Mudarabah, as the main part of its expansion plans, said CEO Kamarul Ariffin Mohd Jamil. He also said that the bank had several such products in the pipeline, which were expected to be launched next year.

The Shariah compliant bank also planned to enter into strategic partnerships with more partners under the Musharakah financing arrangement, after the April launch of its first hybrid Musharakah agreement with Mutiara Goodyear Development. The two firms had tied up to develop a residential project in Penang, with RM180 million (US\$52 million) of gross development value.

Affin Islamic was also exploring the possibility of collaborating with Hong Kong-based Bank of East Asia as part of its efforts to globalize operations, as well as to reach the Hong Kong and China markets. Bank of East Asia has a 25% stake in Affin Holdings, the parent company of the Islamic bank.

**Azmi & Associates spreads its wings to JB:** Azmi & Associates is set to launch its branch office in Johor Bahru on the 14<sup>th</sup> November. It will cater to the economic growth under the development in the Southern Johor Economic Region.

The office will be managed by two senior lawyers, Noor Asiah Mohamed and Mahfuza Mahzan, with 12 and 11 years of experience, respectively. Ahmad Lutfi Abdull Mutalip and Zuhaidi Mohd Shahari are the partners responsible for the JB office.

The JB practice will offer conveyancing and banking litigation services, corporate and commercial services, financial services, and mergers and acquisitions with the full support and assistance from the main office in Kuala Lumpur.

**MDV launches US\$427 million Islamic fund:** Malaysia Debt Ventures (MDV) launched its RM1.5 billion (US\$427 million) second fund on the 14<sup>th</sup> October 2008. RM1 billion (US\$283.23 million) was allocated for the information and communication technology (ICT) sector, with the rest to be allocated for biotechnology.

The fund is to be sourced domestically and raised via an Islamic medium-term notes (MTN) program.

Through the second fund, MDV would provide a Shariah compliant avenue for the growth and development of technopreneurs in the country.

Zubir Ansori Yahya, CEO and managing director of MDV, said the 15-year program, divided into two issuances, will enhance the company's revenue channels as well as meet the demand for Islamic financing facilities.

CIMB Investment Bank is the appointed lead arranger and Shariah adviser for the fund, and joint lead manager with Bank Islam and RHB Investment Bank.

A wholly owned subsidiary of the ministry of finance, MDV was set up in 2002 to help finance companies in fast-developing sectors such as ICT.

**Penang plans Islamic real estate development:** Penang expects to secure at least RM100 million (US\$29 million) in investments from the Middle East to develop a halal hub, said Abdul Malik Abdul Kassim, chairman of the state domestic trade and consumer affairs committee.

He added that investors from the region were also keen to invest in real estate development and Islamic resorts in Penang.

Several Saudi-based companies came to the state in October to continue talks initiated by the state government on a visit to the Middle East recently, Abdul Malik said.

Those keen to engage in halal-related activities would be offered space at the Penang Development Corporation industrial park, he continued, adding that this would then require identifying several sites for the development of hotels.



**SC approves country's first foreign VCC:** The Securities Commission (SC) had approved the application by Japan Asia Investment Company (JAIC) to undertake activities in Malaysia, marking the first entry of a foreign venture capital company (VCC) in the country.

The presence of foreign VCCs would hopefully add depth and breadth to the pool of players in the industry, said Dato' Zarinah Anwar, chairman of the SC. As at the 31<sup>st</sup> August this year, there were 57 VCCs registered with the commission.

JAIC's entry also increased the pool of private equity funding available in the country. The company had more than 15 years' experience in venture capital investments, and was also an active player in private equity-related businesses such as buyout investments, restructuring financing and secondary investments.

It was established by the Japan Association of Corporate Executives in 1981 and became an independent VCC in 1989. JAIC is listed on the Tokyo Stock Exchange and is currently managing US\$1.4 billion investment funds across 11 countries including China, Singapore and the US.

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Meanwhile, chief minister of Penang Lim Guan Eng said he intended to go on an investment mission to the Middle East and meet those in the financial sector, especially in banking and insurance.

**BII still an expensive buy, analysts say:** Malayan Banking (Maybank) finally completed the acquisition of Bank Internasional Indonesia (BII) at a discount of about RM758.9 million (US\$220 million) on the original price of RM8.8 billion (US\$2.54 billion). Both are involved in Islamic finance while being major conventional players in their countries.

Maybank had in March agreed with Singapore's Fullerton Financial Holdings and Kookmin Bank of South Korea to buy the entire equity of Sorak Financial Holdings, which owned 55.6% of BII.

Fullerton, a unit of Singapore's Temasek Holdings, controlled 75% of Sorak while Kookmin owned the rest. Maybank was to make a mandatory offer for the remaining shares.

Earlier, Bank Negara Malaysia had rejected the deal because it was concerned that Maybank might incur heavy losses as the Indonesian regulator Bapepam had required Maybank to sell down 20% of BII within two years upon the completion of 100% equity of BII.

And in late September, Bank Negara had also asked Maybank to renegotiate the purchase price, with its governor Tan Sri Dr Zeti Akhtar Aziz attributing this to concerns that the deal might have systemic implications on the country's overall financial system.

Deputy prime minister Najib Razak, who is also finance minister, said Maybank's decision to acquire BII was made prior to the global financial crisis and, therefore, it could not back out from the agreement.

Analysts maintained that despite the rebate, it was still an expensive buy as it was more than four times BII's book value.

"Historically, Indonesia's mergers and acquisitions are priced between two and 2.5 times book value," one analyst was reported as saying.



From left: Dato' Dr Megat Abdul Rahman bin Megat Ahmad, board member of TNEC, Dato' Sri Che Khalib Mohamad Noh, president & CEO of TNB / chairman of TNEC, Tan Sri Leo Moggie, chairman of TNB, Fouad Hayeel Saeed, director of AFB, Datuk Mohamed Azahari Kamil, CEO of Asian Finance Bank, and Hasnita Sulaiman, AFB company secretary.

**AFB enters first GLC deal,** more to follow: Asian Finance Bank (AFB) and TNB Engineering Corporation (TNEC) signed a contract financing line worth AED87.5 million (US\$24 million). The facility was to part finance the 20-month AED155 million (US\$42 million) contract awarded by Manazel Real Estate to Abraj Cooling — a joint venture between TNEC and Al-Samah Elect A/C & Refrig — for a district cooling system plant and an energy transfer station for the Building Materials City in Abu Dhabi.

The contract financing facility marked the first deal by AFB with a government-linked company (GLC), as TNEC is a subsidiary of Tenaga Nasional Berhad (TNB), Malaysia's vertically integrated power utility.

AFB said it would be entering more deals for the financing of such projects in the Middle East with the TNB group as well as other Malaysian companies venturing into the Middle East and with companies from the Middle East investing in Malaysia. AFB's current focus was on corporate

and investment banking.

In another development, AFB was targeting US\$50 million in assets under management by December, said CEO Datuk Mohamed Azahari Kamil. The bank aimed to grow its total deposits, which currently stood at RM1.3 billion (US\$370 million), to RM2 billion (US\$568 million) by December. AFB, in cooperation with a UK-based financial institution, was to launch an Islamic fund by the end of October. Azahari said AFB had identified GCC companies interested in Malaysia, adding that in future, agreements would be made similar to the one signed with TNEC. AFB had already established relationships with two other public-listed companies, the CEO said, with which it hoped to sign agreements by early November.

According to Azahari, AFB was considering other deals involving the development of university campuses and a nursing institute, and was in talks with several parties to establish twinning programs with Malaysian universities.

## RATINGS



**'A1', 'A3' ratings for PLSA's proposed Sukuk:** RAM Ratings had assigned long-term ratings of 'A1' and 'A3' to Projek Lintasan Shah Alam's (PLSA) proposed RM330 million (US\$92 million) Sukuk Ijarah and RM415 million (US\$117 million) Sukuk Mudarabah, respectively, with a stable outlook. The ratings reflected the benefits of a ready catchment area in southern Klang Valley for the highway construction concessionaire to drive near-term traffic growth and longer-term growth potential from new developments.

Key risk factors included pre-completion risk, given the greenfield nature of the project, with delays and cost overruns being the main issues. RAM Ratings had also taken into consideration the sizeable contingency buffer of RM100 million (US\$28 million) (17%) incorporated into the financing structure. The ratings had also factored in a delay in the commencement of tolling operations until the 1<sup>st</sup> June 2010. The inability to raise toll rates as stipulated in the concession agreement also represented an element of regulatory risk, which was accentuated by the government's recent move to review all toll charges in an attempt to ease the financial burden on the people.

**Ratings maintained on foreign banks in Malaysia:** RAM Ratings had maintained its ratings on locally incorporated foreign banks despite the current financial crisis. The rating

agency said that although most of these banks had strong ties with their parent banks, changes affecting the parent firms might not necessarily affect RAM's ratings on the local units.

It noted that the additional regulatory oversight exercised by Bank Negara Malaysia, whereby Malaysian branches of foreign banks were required to be incorporated as local subsidiaries, had allowed some independence and isolation from the parent bank's risks.

RAM noted that out of eight banks, five had a significant domestic presence with strong fundamentals; namely Citibank, HSBC Bank, Standard Chartered Bank, OCBC Bank and United Overseas Bank. It added that two banks, The Royal Bank of Scotland and Deutsche Bank, placed significant emphasis on their global parents' support, while Kuwait Finance House Malaysia's ratings were strongly linked to its parent, which it viewed as being fundamentally robust.

**StanChart Malaysia reaffirmed at 'AAA', 'P1':** RAM Ratings had reaffirmed Standard Chartered Bank (StanChart) Malaysia's long- and short-term financial ratings at 'AAA' and 'P1', respectively, with a stable outlook. The rating agency had also assigned an 'AA1' rating to the bank's RM186.2 million (US\$53 million) Islamic payment notes and RM500 million (US\$142 million) subordinated bonds.

According to Promod Dass, RAM's head of financial institution ratings, StanChart Malaysia had an established market position that supported its healthy credit fundamentals. The bank garnered an estimated 6% share of total housing loans outstanding in the system, which was one of the highest among locally-incorporated foreign banks.

**MARC rates Kwantas SPV's Sukuk:** The ratings of Kwantas SPV's RM80 million (US\$23 million) Class A Sukuk and RM60 million (US\$17 million) Class C Sukuk had been affirmed by MARC at 'AAAID' and 'A+ID', respectively. The agency had also assigned a 'MARC-IID /A+ID'

rating to the company's RM65 million (US\$18.5 million) corporate guarantee-backed Murabahah commercial papers/medium-term notes program (Murabahah CP/MTN), while the RM15 million (US\$4.3 million) Class B Sukuk had been upgraded to 'AAAID' from 'AAID'.

The rating was undertaken following a full annual review of the performance of the securitized plantation estates and revision of MARC's long-term crude palm oil price assumptions. The resulting upward revision in MARC's assessed sustainable income of the estates and collateral value affected loan-to-value ratios (LTVs) for all three classes of Sukuk.

The upgrade of the Class B Sukuk was supported by its reduced LTV ratio, which now corresponded to required LTVs at the 'AAA' rating level, while the affirmed rating on Class A remained consistent in relation to the required LTV and MARC's performance expectations.

Meanwhile, the affirmed rating on the Class C Sukuk and RM65 million (US\$18.5 million) Murabahah CP/MTN reflected the corporate credit rating of the originator, Kwantas Corporation, which MARC had maintained since issuance.

Kwantas SPV, a special purpose company wholly owned by Kwantas Corporation, was incorporated to own and lease the securitized plantation estates for the benefit of Sukuk investors. It was also established to issue up to RM65 million Murabahah CP/MTN to part finance the working capital needs of its sole shareholder.

**Cagamas' Sukuk gets 'AAA':** RAM Ratings had reaffirmed the 'AAA' rating of Cagamas MBS' RM2.11 million (US\$614,000) Islamic residential mortgage back securities, also known as CMBS 2007-1-i. The Musharakah-structured Sukuk had been secured by a static portfolio of government staff Islamic home financing (GSIHF) serviced via monthly deductions from public sector employees, including a small portion from the pensions of former employees.

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## TAKAFUL

**Takaful Ikhlas is optimistic:** Takaful Ikhlas was on track to realize its aim of one million policyholders by its financial year ending the 31<sup>st</sup> March 2009, said its president and CEO, Syed Moheeb Syed Kamarulzaman. As at mid-October 2008, the Islamic insurance firm had 800,000 policyholders.

Syed Moheeb also said the company planned to expand overseas, and was looking at a few countries. Takaful Ikhlas recently received the MS1900:2005 certification from Sirim QAS International for its quality management system and Islam perspective. It is the first Takaful and insurance company to have the certification.

**Protection exclusively for Celcom users:** MAA Takaful and Celcom, a mobile-telecommunications company, collaborated on PA Takaful Scheme, which was exclusive to the latter's customers. The scheme offered 24-hour personal accident protection against accidental death or bodily injury.

Celcom Blue prepaid customers would enjoy free RM20,000 (US\$6,000) benefit for the first year. A contribution of RM12 (US\$3.50) would be charged from the second year onwards. For Xpax customers, a monthly charge of RM1 (US\$0.30) would be imposed for the service from the first day of activation.

MAA Takaful, a subsidiary of MAA Holdings, was targeting RM2 million to RM3 million (US\$577,000 to US\$866,000) in contribution from the product in the first year, said CEO Salim Majid Zain.

As at early October, Celcom had nearly eight million customers. CEO Shazalli Ramly expected most of the company's active subscribers to be on the Islamic insurance scheme over the next 2½ years.

**eTiQa targets US\$1.4 billion in premiums:** eTiQa Insurance, Malayan Banking's insurance and Takaful arm, aimed to collect RM5 billion (US\$1.4 billion) in premiums for the financial

year ending the 30<sup>th</sup> June 2009 despite the current financial turmoil, said its chief sales officer, Shahril Azuar Jimin.

eTiQa has more than two million customers in Malaysia, with 16,000 agents, said Shahril. The insurance company also planned to tap into the Malay market, as only 7% of the Malay population in Malaysia was insured.

**Malaysia, Indonesia on ACR ReTakaful radar:** ACR ReTakaful SEA set its sights on the Islamic insurance markets in Malaysia and Indonesia. CEO Zainal Abidin M Noor said that the market in Malaysia was growing by 20% annually, while the one in Indonesia was growing at 30% a year, despite being a relatively small market with slightly more than US\$100 million in yearly premiums. He added that the strong growth in the Malaysian Takaful market was in contrast to the single-digit premium growth reported by conventional life insurers and the flat business of conventional non-life insurers.

ACR ReTakaful SEA hoped to fill the gap with its large paid-up capital of US\$100 million and 'A-' rating from insurance rating firm AM Best, said Zainal. The company had collected about US\$5.7 million in premiums, and hoped to attain between US\$40 million and US\$60 million of premium income by December 2009, he added.

Kuala Lumpur-based ACR ReTakaful SEA commenced operations in July.

**MNRB plans Egyptian, Indonesian ventures:** MNRB Holdings would actively pursue overseas expansion as part of its plan to penetrate the growing Takaful and reinsurance businesses globally. Its wholly owned subsidiary, Takaful Ikhlas, was eyeing Takaful opportunities in Egypt and Indonesia, among others.

Egypt has a population of 70 million with only a 1% Takaful penetration rate, so there was potential for growth in the country, said MNRB president and CEO Anuar Mohd

Hassan. The group was in the process of identifying possible Takaful partners in Egypt and hoped to launch the product there by next year, he added.

For Indonesia, MNRB would bank on the country's large Muslim population, low penetration, fragmented market and limited players to push its Takaful business.

The group's main concern, said Anuar, was the lack of legislation in Shariah compliant insurance. He noted, however, that once a framework was established, nothing would stop MNRB from venturing into the market.

Meanwhile, the group was keen to widen its reinsurance reach via its reinsurance arm, Malaysian Reinsurance, to the Asia-Pacific region, especially Japan and the Middle East, as well as North Africa and Eastern Europe.

It planned to expand its reinsurance foreign business to more than 20% of its total revenue by its financial year 2010, said Anuar. Currently, the foreign reinsurance business made up about 18% of the total portfolio.

**Islamic insurer eyes overseas market:** Takaful Ikhlas was in talks to sell its products in the Middle East and North Africa, according to managing director and CEO Syed Moheeb Syed Kamarulzaman. The subsidiary of insurer MNRB Holdings would also apply for a license next year to allow it to set up an international currency business unit (ICBU).

The company sought to distribute its products through strategic business partners in the GCC and MENA regions but Syed Moheeb did not say which parties Takaful was talking to.

An ICBU enables Islamic insurers to undertake Islamic insurance and reinsurance business with non-Malaysian residents in foreign currencies. Income from these operations is tax-exempt for 10 years.

Global premiums in Takaful totaled US\$2 billion to US\$3 billion a year and were expected to reach more than US\$7 billion by 2015, according to industry figures. (F)