

MALAYSIAN ISLAMIC FINANCE *Issuers and Investors Forum 2006*

MAY news briefs

Bank Islam aims for US\$411.9 million

Armed with an improved business model for its commercial banking arm, Bank Islam Malaysia targeted to raise US\$411.9 million (RM1.5 billion) from commercial banking deals this year.

Foundation reduces shareholding

Terengganu Islamic Foundation continued the reduction of its shareholding in IQ Group Holdings, selling four million shares on the 16th May. It ceased to be an active shareholder after the sale of a 4.7% stake in a married deal.

Maybank profits from bonds

Maybank raised US\$417 million (RM1.5 billion) from the second sale of its Islamic bonds within a six-month period. Aseambankers Malaysia, the arranger of the issuance, stated that the 12-year subordinated bonds with a profit rate of 5% allowed bondholders to redeem after the seventh year, and that they would be entitled to a step-up profit rate from the eighth year, should the bonds not be redeemed.

Islamic ops boost profit for AmBank

AmBank Group expected an annual increase of 15% for its Islamic banking business, chairman Azman Hashim announced at the recent launch of AmIslamic Bank, a wholly owned subsidiary of AmBank.

The new bank was established with a start-up capital of over US\$276 million (RM1 billion) and had assets totaling US\$2.4 billion (RM9 billion).

SC approves first Islamic REIT

The Securities Commission (SC) approved the listing of the Al Aqar REIT by KPJ Healthcare with an initial fund size of 205 million units, making it the first Islamic REIT in the world to be approved and issued under Shariah guidelines.

Bank Islam to sell stake, launch Pakistan ops

Bank Islam Malaysia said it would offer a 40% stake to Dubai Investment Group through an issue of shares valued at between US\$223 million (RM800 million) and US\$251 million (RM900 million).

Meanwhile, the bank was ready to establish its first fully fledged Islamic banking

operation overseas in Pakistan through an international consortium. First Dawood Islamic Bank would have a starting paid-up capital of US\$33.5 million (RM123.09 million) and was expected to begin operations within six months, with at least five branches within a year of its incorporation.

Bondweb appointment

Bondweb Malaysia was appointed as Malaysia's first bond pricing agency by the Securities Commission, making it the official source for fair valuation of ringgit bonds.

Bondweb provides the financial industry with a common valuation methodology for Malaysian bonds and benchmarks the industry in accordance with globally accepted financial reporting standards, which emphasize greater transparency to protect investors' interest.

RUSD to launch Islamic fund

RUSD Investment Bank revealed it would launch a US\$200 million (RM735.37 million) Islamic fund to be invested in Malaysian properties. The group was looking to launch in June, close in August, and to commence operations in September.

D-8 to join forces in Islamic financing

At the fifth D-8 Summit Malaysian Prime Minister Abdullah Ahmad Badawi urged all D-8 countries to collaborate in enhancing their respective capacities in Islamic finance and to jointly spearhead the further growth of the sector.

Abdullah Badawi also stressed that Muslim countries should capitalize on the industry. "Malaysia has seen steady progress in the Islamic financial services industry and there is definitely much prospects for its further growth and development throughout the world."

Two new Islamic REITs expected

Two Islamic real estate investment trusts (I-REITs) were expected to make their debut on Bursa Malaysia in 2006, having submitted their applications to the Securities Commission, which confirmed it had received two Islamic REITs applications that met the requirements outlined in the guidelines issued last November.

AFX picks listing sponsors

The Labuan International Financial Exchange (AFX) appointed Citibank Malaysia (L) and Capital Investment Bank (L) as its 9th and 10th listing sponsors.

AFX board chairman Yusli Mohamed Yusoff said the appointments of foreign financial institutions as AFX listing sponsors showed its growing credibility. He added there was increasing recognition by international financial institutions of AFX as an offshore exchange, as well as a global offshore financial business sector.

DJ-RHB Islamic Malaysia Index Fund

RHB Unit Trust Management (RHBUT) launched the first fund in Malaysia that tracks the Dow Jones-RHB Islamic Index. Priced at US\$0.277 (RM1) during the initial period, the minimum initial investment was RM1,000 – or US\$1000 if the investment was made in US\$.

IFSB expands membership

With a rapid expansion of membership from nine to 89 within the three years of operations since commencement in Kuala Lumpur in 2003, the Islamic Financial Services Board (IFSB) aimed to have 100 members by the end of 2006.

LOFSA encourages offshore entities

The Labuan Offshore Financial Services Authority (LOFSA) was to embark on aggressive promotional activities as part of its strategy to achieve a 10% annual growth in the number of its offshore institutions.

The regulatory agency would focus on enhancing its Islamic finance, insurance and leasing businesses this year. The IOFC wanted to be at the forefront of the Islamic finance business, and thus it was important to have full legislation to govern the various sectors of Islamic financial services in the IOFC.

Maybank to issue bonds

Maybank was set to issue US\$415 million (RM1.5 billion) of Islamic subordinated bonds with a tenure of 12 years through private placement. This would be the second Islamic subordinated bond issuance from Maybank.

Maybank had the option to redeem the bonds on the 7th anniversary or any semi-annual date thereafter. Should the bank not exercise its option to redeem, the bondholders would be entitled to a permissible step-up profit rate from the beginning of the 8th year to the final maturity date.

TAKAFUL briefs

MAA introduces new products

MAA Assurance Alliance was to launch a total of 12 Takaful products in 2006, of which four would be launched in August and the remaining eight later in the year. The new products would help the company to penetrate new markets and increase the number of its policyholders, which stood at 2 million.

Bank Rakyat to offer Takaful products

Bank Kerjasama Rakyat Malaysia (Bank Rakyat) was to offer Takaful products by the second half of 2006, in line with the bank's move to diversify its income stream. Managing director Kamaruzaman Che Mat disclosed that the bank was currently discussing with several Takaful operators the development of Takaful products.

Kamaruzaman commented that Bank Rakyat was still able to tap the Islamic insurance industry through its product offerings with or without a license, adding that the bank had no intention of acquiring a stake in Takaful Malaysia, as had been reported.

HSBC Takaful JV set

HSBC Takaful is set to be operational by October, having obtained a Takaful license earlier this year.

A partnership involving HSBC Insurance Holdings, Jerneh Asia and the Employees Provident Fund, HSBC Takaful would provide Takaful services to its existing HSBC

Insurance customers as well as to new customers.

Takaful Ikhlas aims high

Through focusing on the retail market, Takaful Ikhlas aimed to achieve contributions of US\$61.4 million (RM220 million) for its 2007 fiscal year.

Gross premiums surged to US\$37.1 million (RM133 million) by February 2006 and were expected to hit US\$41.89 million (RM150 million) by the end of 2006.