

Islamic Finance *NEWS*

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MARC
Malaysian Rating Corporation Berhad
http://www.marc.com.my

Durham
University

DAVOS

Cagamas Berhad
THE NATIONAL MORTGAGE CORPORATION

MALAYSIA

CIMB tops Islamic bond table

Commerce International Merchant Bankers Bhd (CIMB) led the Islamic Bond Manager League Table for the first half of 2005, arranging Islamic issues worth US\$1.4 billion.

HSBC Amanah was in second place, having arranged seven deals totalling US\$882 million, while Dubai Islamic Bank issued three bond issues worth US\$167.4 million.

Others on the list were Bank Muamalat at fourth place, with issues worth US\$412 mil-

lion; MIMB US\$399 million; AmMerchant Bank Bhd US\$390 million; RHB Sakura Merchant Bank Bhd US\$333 million; Aseambankers Malaysia US\$284 million and Affin Bank Bhd US\$53 million.

In the first three months of 2005, the Islamic bond market was worth US\$1.08 billion with 12 issues, growing to US\$6.2 billion with 26 issues in the second quarter, a 474% increase. In 2004 the Islamic bond market size stood at US\$6.7 billion.

UNITED KINGDOM

Potential for Shariah funds in property investment

According to a report published last week by the Royal Institution of Chartered Surveyors (RICS), it appears that London is becoming a major centre for Islamic banking and investment.

Middle Eastern investment in European property reached US\$1.5 billion (£827 million) in 2001, an increase of 225% on the previous year. In addition, 90% of investors cited the UK as their favoured location for Shariah funds because of its political environment, legal and institutional frameworks, human capital and expertise.

The report estimated that there is US\$12.2 billion (€10 billion) in Shariah funds

waiting to find an opportunity in European real estate investment, but noted that the volume is difficult to judge because of the limited research carried out in the area.

London's wide range of skills puts its commercial property industry in a strong position to take advantage of the growth in Shariah compliant property investment.

The commercial and industrial property sectors are seen as the most popular investments for Shariah funds, with 75% of RICS' respondents already investing in industrial property.

MALAYSIA

Public Bank to apply for Islamic banking licence

Malaysia's third largest bank, Public Bank Group, said last week that it would submit an application for a fully fledged Islamic banking licence before the end of the year. As a licence-holder, Public Bank will join RHB Bank, Bumiputra Commerce Bank and Hong Leong Bank, all of whom have already set up their own Islamic banks.

Public Bank also expressed interest in applying for a Takaful licence.

Prospective Takaful operators are required to submit their applications by the 31st October this year to Bank Negara Malaysia.

For the first half of 2005, the Public Bank Group managed to increase its net interest income and net financing income from Islamic banking operations by 7%, or US\$24 million (RM91 million).

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UAE

EIB relocates Al Ain branch

Emirates Islamic Bank (EIB) announced last week that it has relocated its Al Ain branch to new, larger and enhanced premises, in a move that reinforces its commitment to providing value-added banking solutions to its customers across the UAE.

The new branch is situated on Salah El Deen Street, across from its old location. A Ladies Banking section, an Ethmar Priority Banking lounge and a 24-hour banking facility can all be found at the new location.

KUWAIT

Kuwait Finance House net profit up

Kuwait Finance House's first half net profit has surged 90% to US\$211 million (KD61.7 million). The bank's earnings per share climbed to US\$2.47 (72 fils) from US\$1.44 (42 fils).

Additionally, the earnings report issued after the market closed said second quarter net profit increased to US\$127.4 million (KD37.19 million) from US\$53 million (KD15.48 million), while earnings per share moved up to US\$1.47 (43 fils) from US\$0.68 (20 fils).

MALAYSIA

MARC assigns ratings to KLT

Malaysian Rating Corporation Bhd (MARC) has assigned a rating of A+ID to Konsortium Lapangan Terjaya Sdn Bhd (KLT)'s proposed issuance of US\$100.5 million (RM380 million) Bai Bithaman Ajil medium-term notes (BBA).

It also assigned a rating of MARC-2ID/A+ID to KLT's proposed issuance of up to US\$21.1 million (RM80 million) Murabahah commercial papers/medium-term notes (MCP).

Proceeds from the debt papers would be used to repay an existing bridging loan; to part finance the construction costs of Section II of the Kuala Lumpur-Putrajaya Highway; to part finance the develop-

ment costs of the highway; to satisfy the requirement to pre-fund the finance service account during the construction period; payment of the up-front fees and expenses; and for working capital requirements.

SAUDI ARABIA

Consumer loans and corporate banking growth areas for Aljazira Bank

Saudi Arabia's Aljazira Bank said recently that it expects growth in consumer loans and corporate banking to bring gains on top of its record first half results. This success offers a marked contrast to the situation a decade ago, when the bank came close to folding. Aljazira Bank then switched to Islamic banking, targeting affluent Saudi clients. The focus on Shariah compliant products appears to have paid off.

A large part of the 278% jump in profit so far this year has come from Saudi share trading commissions. Last month the bank, Saudi Arabia's smallest, became the most active broker on the Arab world's biggest bourse.

Aljazira's net profit for the first six months of the year almost quadrupled to US\$68 million (SR254.3 million). Loans and advances rose by 50% to US\$1.7 billion (SR6.5 billion).

MALAYSIA

RAM assigns AA3 rating

Rating Agency Malaysia Bhd (RAM) has assigned a long-term rating of AA3 to Konsortium Lebuhraya Butterworth-Kulim Sdn Bhd (KLBK)'s proposed US\$65.3 million (RM247 million) Secured Bai Bithaman Ajil Islamic Debt Securities (BaIDS), with a stable outlook.

The purpose of the proposed debt issue is to refinance KLBK's existing term loan and to repay a portion of its shareholder's advances.

KLBK, a wholly owned subsidiary of MMC Corporation Bhd, is the toll concessionaire for the 17km Butterworth-Kulim Expressway for a 32-year period.

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MALAYSIA

Sunrise proposes Islamic debt papers

Malaysian property developer Sunrise Bhd has proposed to issue commercial papers (CP) and medium-term notes (MTNs) with an aggregate nominal value of up to US\$39.7 million (RM150 million) to enable the company to plan and manage effectively its funding costs and requirements.

On the 15th July, Sunrise said that the CP and MTNs were pursuant to an Islamic CP programme and an Islamic MTN programme under the Islamic financing concept of Murabahah.

The proceeds of the proposed issues will be used to finance the capital expenditure requirements and for the working capital purposes of Sunrise and/or its subsidiaries.

The proposed issues were conditional upon approval being obtained from the Securities Commission. Commerce International Merchant Bankers Bhd (CIMB) was appointed principal adviser, lead arranger, lead manager and bookrunner for the proposed issues.

MALAYSIA

Chief sues PNB and Bank Islam

Kumpulan Guthrie Bhd's former group CEO, Tan Sri Abdul Khalid Ibrahim, last week filed a suit against Permodalan Nasional Bhd (PNB) and Bank Islam Malaysia Bhd claiming his right to purchase the remaining 135 million Guthrie shares.

Khalid's writ and statement of claim, filed at the High Court in Labuan, says that PNB, the national equity corporation, had reneged on its promise to deliver the Guthrie shares to him.

In a statement issued in Kuala Lumpur, Khalid said the promise for him to acquire the remaining shares in Guthrie, one of Malaysia's largest plantation companies, was part of a scheme agreed between him, PNB and the Government.

UAE

DIB open day for UAE job seekers

In its continuing bid to contribute towards national human development, Dubai Islamic Bank (DIB) held an open day - 'Al Tawzeef Day' - last week for UAE nationals seeking employment at the bank.

Officials from the bank's human resources department were on hand to receive and interview prospective job seekers.

According to DIB, the event focused on attracting the best available national talent. To date the bank has succeeded in recruiting a large number of nationals, who account for about 50% of the total number of employees hired during the first six months of 2005.

MALAYSIA

BIMB targets growth in SME loans

Bank Islam Malaysia Bhd (BIMB) said last week that it expects to double its annual financing to small and medium enterprises (SMEs) to US\$52.9 million (RM200 million) by its financial year ending the 30th June, 2006, from US\$26.4 million (RM100 million) in the 2005 financial year.

Chief Operating Officer Fazlur Rahman Ebrahim said the bank's growth areas for the next few years would centre on consumer banking, in particular on SMEs and micro-financing. The bank plans to venture into micro-financing by the end of the year.

Together with Bank Muamalat Malaysia Bhd and Telekom Malaysia Bhd, BIMB has entered into a memorandum of understanding agreement with the Small and Medium Industries Development Corporation (SMIDEC).

Fazlur said BIMB's appointment in SMIDEC's panel of banks to provide financing to SMEs would help it to reach its target.

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MALAYSIA

HLIB to develop Islamic banking niche

Hong Leong Bank Bhd (HLB)'s newly launched, fully fledged Islamic bank, Hong Leong Islamic Bank Bhd (HLIB), plans to develop its own niche in fee-based income in wealth management and investment banking, said the companies' Chairman Tan Sri Quek Leng Chan.

At the launch of the bank last week, the Chairman said that HLIB would enhance the existing generic Islamic-based traditional products to the internationally accepted Musharakah (partnership)-based and Ijara (leasing)-based products, as well as developing wealth management and private banking capabilities.

With a paid-up capital of US\$131 million (RM500 million), HLIB would also embark on comprehensive and integrated marketing initiatives to position itself in the market consistent with national objectives of building a regional Islamic banking hub in Malaysia.

HLIB also unveiled its latest Islamic financial product, Hong Leong Current Account One-i, a cheque drawing account based on Mudaraba, or trustee profit sharing principles, offering multi-tier profit sharing ratios, depending on the customer's credit balances.

The bank Chairman also disclosed that HLIB had recently struck a deal to provide a US\$15.8 million (RM60 million) Bai Bithaman Ajil term financing for a client to structure the financing of a property in the Klang Valley. He added that HLIB was also looking forward to closing a US\$31.6 million (RM120 million) structured Ijara leasing facility for a government corporation.

MALAYSIA

Cagamas eyeing foreign investment

Cagamas MBS Bhd (CMBS) plans to set aside 20-25% of its world's first rated US\$526.3 million (RM2 billion) Islamic Residential Mortgage Backed Securities (IRMBS) to foreign investors.

N. Kokularupan, CEO of Cagamas, said the allocation to local and foreign investors will be made once firm orders have been received after book closing and pricing is made on the 28th July. He added that the bonds would be issued on the 8th August.

CMBS, a wholly owned subsidiary of Cagamas, is a special purpose entity set up solely to undertake the securitization of the Government of Malaysia's staff housing loans/home financing. It would buy the government's staff Islamic home financing debts, and securitize them by issuing six tranches of IRMBS with a tenure of 3, 5, 7, 10, 12 and 15 years, with a nominal value totalling US\$526.3 million (RM2 billion). The actual size of the issuances would, however, only be determined on the final day of the pricing.

The IRMBS has been accorded the highest rating of AAA (ID) by Malaysian Rating Corporation Bhd and AAA rating by Rating Agency Malaysia Bhd.

Commerce International Merchant Bankers Bhd (CIMB) and HSBC Bank Malaysia Bhd (HSBC) are the joint principal advisers/joint lead arrangers and joint bond co-ordinators for the transaction.

CIMB and HSBC, together with ABN Amro Bank Bhd and AmMerchant Bank Bhd, will act as the joint lead managers and market the IRMBS to both local and foreign investors. The joint lead managers are also expected to create a market for the IRMBS.

MALAYSIA

Senai-Desaru plans Islamic bond sale

Senai-Desaru Expressways Bhd, which is building Malaysia's third longest toll road, plans to sell US\$368.4 million (RM1.4 billion) of Islamic bonds in August to help fund the project, the company announced last week.

The company will sell securities maturing between six and 15 years, with an average annual coupon of 3.5%. The papers – being arranged by Aseambankers Malaysia Bhd and Standard Chartered Bank Malaysia Bhd – would carry a fourth highest investment grade rating of AA3 from Rating Agency Malaysia Bhd.

Senai-Desaru stated that the funds raised would be used to build a 77km highway in the country's southernmost state of Johor, which borders Singapore. Senai-Desaru's income will come from the toll road charges when it opens from mid-2007. It will be the third longest stretch of highway, after the 848km North-South Highway and 169km East Coast link.

UAE

UAE bank to become Islamic bank

The Commercial Bank International has applied to the Ministry of Economy and Planning seeking approval to convert itself into an Islamic bank, named Islamic Bank International.

The bank is also seeking to increase its capital to US\$272.3 million (Dh1 billion), with a premium worth 50% of the nominal value of each share.

CANADA

Canadian Muslims slow to adopt Shariah banking

While Islamic financial services may be on the rise globally, in Canada the Muslim community remains divided over the need for domestic interest-free banking.

Experts say Canadian Muslims are not rushing to invest in the various Islamic finance companies that have appeared across the country. They point out that most Muslims are already well served by mainstream Canadian banks. In the 2001 census Canada had 579,640 Muslims enumerated, more than twice the number than in 1991. Some 61% live in Ontario.

Islamic financial services took hold in Canada in the late 1980s with the establishment of housing co-operatives providing a rent-to-own alternative to mainstream mortgages. Today experts say the total Canadian market for Islamic financial services is estimated at US\$100 million in total investments and commitments, with an estimated annual growth rate of 5%.

Comparatively, the estimated US\$300 billion global market is growing at three times that rate, largely on transactions in the Middle East and Asia.

Last month, Muslim bankers and regulators announced plans to set up a global Islamic bank by next year. The US\$1 billion bank, which will be known as the Emaar International Group, will be 10% owned by Bahrain-based Albaraka Banking Group. Another key shareholder will be the Islamic Development Bank, the financial arm of the 57-country Organization of the Islamic Conference.

NEWS BRIEFS

USA

'Innovations in Islamic Finance' conference

A one-day event aimed at showcasing innovative Islamic financial products and featuring 'best of breed' asset managers, industry professionals and Shariah scholars will be held in September this year.

The topics under discussion will include Islamic hedge funds, real estate funds, money market equivalents, exchange traded funds (ETFs), private equity investments, real estate investment trusts (REITs), Shariah screening technology and Sukuk.

GENERAL

IDB to extend US\$500 million for Iraq's reconstruction

The Islamic Development Bank (IDB) has agreed to extend US\$500 million (ID737.7 billion) in loans and grants to Iraq to help its reconstruction process. The agreement between IDB and Iraq was signed on the sidelines of the international reconstruction fund facility for Iraq and the donors committee, held in the Dead Sea with the participation of some 60 countries and international organizations.

The World Bank had earlier agreed to lend Iraq US\$500 million (ID737.7 billion) to back reconstruction efforts. Other contributing parties were the European Commission, Australia, Italy and Denmark.

UAE

Amlak Finance announces full subscription of Sukuk

Amlak Finance PJSC announced that its debut Islamic Sukuk issue received subscription of US\$200 million from investors in the UAE and GCC. The issue will be a Floating Rate Note (FRN) with a tenure of 5 years and will pay a return to investors of 120 basis points over 6 months Libor. The issue will be listed on the Dubai Financial Market.

The proceeds of the Sukuk will be used for general working capital purposes and to fund Amlak's growing real estate portfolio. HSBC Amanah and Emirates Islamic Bank were the joint lead managers for the Sukuk. HSBC Amanah was the sole bookrunner for the US dollar denominated issue.

BAHRAIN

US\$134 million Sukuk endorsed

Banks and financial institutions from Bahrain and the region officially endorsed the subscriptions in Al Marfa'a Al Mali Istisna and Ijara Sukuk.

The Sukuk offering has received an overwhelming response from various financial institutions in Bahrain and around the region, led by the Senior Lead Underwriters - Liquidity Management Centre (LMC) and Gulf Finance House Commercial Bank; Lead Underwriters - Islamic Development Bank, Dubai Islamic Bank, Emirates Islamic Bank and Bahrain Islamic Bank; along with other participating financial institutions.

In late June 2005, Gulf Finance House, the project promoters, Bahrain Financial Harbour Holding Company (BFHHC), the project developer, and Liquidity Management Centre (LMC), the structuring adviser, arranger and placement agent for the Al Marfa'a Al Mali Sukuk issue announced the successful closing of the Sukuk offering at an optimum issue size of US\$134 million (BHD50.5 million).

The Sukuk has a 5-year term to mature in July 2010, offering a quarterly profit distribution. It will finance the development and construction of the Financial Centre that represents the first phase of the Bahrain Financial Harbour project, comprising the Dual Towers, the Financial Mall and the Harbour House.

LIBYA

Mayor discusses project with IDB

Mayor of Tripoli Rashid Jamali recently met with a delegation from the Islamic Development Bank to discuss a US\$45 million project to develop and restore the city's infrastructure, in particular the main streets. The delegation toured the areas of the city and visited the Nejmeh Square and the old souk.

BAHRAIN

Bahrain Islamic Bank first half profit up 51%

Bahrain Islamic Bank achieved a net profit of US\$10.9 million (BD4.1 million) in the first half of 2005, representing a rise of 51% compared with US\$7.2 million (BD2.7 million) for the same period last year.

The bank attributed the good performance to growth in the core business of the bank. The bank's operating income increased to US\$17.5 million (BD6.6 million), registering a 35% increase. The net return on unrestricted investment accounts increased by 158% to US\$5.6 million (BD2.1 million).

MALAYSIA

No more Islamic licences for foreign institutions

While the central bank is not ruling out issuing more Islamic bank licences to foreign financial institutions in the future, in the current environment the number would remain as three. Central Bank Governor Tan Sri Dr Zeti Akhtar Aziz added that foreigners could take the opportunity to invest up to 49% interest in an Islamic subsidiary or an investment bank.

Last year, Bank Negara issued Islamic banking licences to Kuwait Finance House, Saudi Arabia's Al Rajhi Banking & Investment House and a consortium led by Qatar Islamic Bank. The first of these three is expected to start operations in the current quarter of the year.

UAE

Citibank considers Islamic services

Citibank is looking at a plan to unveil Islamic money changing services in the UAE and other regional markets, it was reported recently. The bank has started Citibank Islamic in Bahrain.

NEWS BRIEFS

BAHRAIN

GFH and Bayan Investment Co to develop new investment product

Gulf Finance House BSC (GFH) has linked up with the Bayan Investment Company KSC of Kuwait to jointly develop an innovative investment product focused on US\$750 million Al Areen development and the US\$1.3 billion Bahrain Financial Harbour (BFH).

According to GFH, the partnership's first investment product will use various components of GFH's flagship project, BFH, and the Al Areen development, both of which are nearing completion.

PAKISTAN

IIFM conference in September

As part of its Islamic finance industry initiatives, the International Islamic Financial Market (IIFM) has planned to organize a series of conferences, forums and workshops. The first of these events is a conference to be held in Karachi, Pakistan on the 14th and 15th September. The 2-day conference will be jointly organized with Ferguson Associates (FA).

The event will create a forum for exchanging ideas and analyzing the key issues and challenges facing the Islamic financial industry in Pakistan. Key officials from the State Bank of Pakistan and Ministry of Finance of Pakistan have confirmed their attendance.

MALAYSIA

Risk management and supervision conference

The Malaysian Central Bank, the Islamic Development Bank, Islamic Research and Training Institute, Jeddah and the Islamic Financial Services Board are jointly organizing the Second International Conference on Islamic Banking: 'Risk Management, Regulation and Supervision', to be held in Kuala Lumpur on the 7th and 8th February, 2006.

According to the organizers, the objectives of the conference include: taking stock of the relevance of Islamic banking for financial and banking stability; studying the unique risks of Islamic banking; and facilitating the development of risk management culture in the Islamic banks by prudent regulation and effective supervision.

The organizers have invited empirical as well as theoretical papers in areas such as financial stability; Islamic financial architecture; comparative banking systems; unique risks of Islamic modes of finance; unresolved fiqh issues in Islamic banking and finance; Basel II and its implications for Islamic banks; as well as case studies in regulation and supervision in Islamic banks.

SAUDI ARABIA

SABB introduce Amanah Personal Finance

The Saudi British Bank (SABB) has introduced 'Amanah Personal Finance', a new product from Amanah Islamic financial solutions, to provide straightforward finance for both Saudis and expatriates with a minimum basic salary of US\$800 (SR3,000), as well as for self-employed individuals.

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NEWS BRIEFS

DUBAI

DIB opens its doors to foreigners

At an extraordinary general meeting (EGM) Dubai Islamic Bank (DIB) shareholders have voted to allow foreigners to buy its publicly listed shares for the first time. The move, allowing 15% of the company's stock to be made available to non-UAE nationals, is said to be a reflection of the growing interest in attracting capital from outside of the UAE as more companies list on the Dubai Financial Market and the Abu Dhabi Securities Market, giving investors more options.

At the EGM, DIB's shareholders also voted to split the company's stock by ten to one. Stock splits are usually undertaken when a company wishes to make its shares more easily available to retail investors who do not have large sums of money to invest.

QATAR

Lloyds exploring joint venture with Qatar bank

Lloyds TSB is hoping to enter into a joint venture with a Doha-based bank to offer its range of offshore banking and other investment products to Qatari nationals and expatriates.

Lloyds Offshore Banking Manager Simon Prescott said the bank had already entered into strategic alliances with some local banks in the region to offer offshore banking and investment products in those countries. The Doha-based bank, he said, would allow Lloyds TSB to distribute its range of services and products in Qatar.

UNITED KINGDOM

Islamic banking thriving in London

Despite the fact that London was recently rocked by bombings believed to be religiously motivated, a recent report noted that the capital is actively promoting Islamic banking.

The Muslim Council of Britain's Mosque and Community Affairs committee (MCB) Chairman, Ibrahim Mogra, was reported to have said that while many of Britain's 2 million Muslims have had little choice but to use interest-paying accounts, the landscape is rapidly changing.

Indeed, until last year's opening of the first UK-based specialist financial institution – Islamic Bank of Britain – Muslims were able to access Shariah compliant current account facilities only through Middle Eastern banks with branches in Britain. The Islamic Bank opened its third branch in Leicester in February and plans to open five more by the end of this year.

Additionally, Lloyds TSB has now entered the scene, offering interest-free or overdraft-free facilities to its customers.

SAUDI ARABIA

SEDCO buys stake in BMI

Saudi Economic & Development Company (SEDCO) recently bought a 21.3% stake in Bank Muamalat Indonesia (BMI) through its third limited public offering. This is in line with SEDCO's aim of being a major investor in emerging Islamic financial institutions and to pioneer innovative investment products and services.

Other major shareholders in BMI include the Islamic Development Bank, Boubayan Bank of Kuwait, Bank Rakyat of Malaysia, as well as prominent Indonesian investors.

SEDCO is a private investment company with a wide and diverse range of financial, real estate and direct investments in Saudi Arabia and around the world. BMI was established in 1991 as the first Shariah bank in Indonesia. It is headquartered in Jakarta and has a distribution network that includes 42 branches, 13 sub-branches, 83 cash offices and 47 service points covering all provinces of Indonesia.

GENERAL

Develop tools for Islamic financial institutions, says expert

Despite their small numbers in the Arab states, Islamic banks and financial institutions are already playing a significant role in boosting the economy. To develop these institutions further and give them an even more important role, an Egyptian expert has called for the development of tools and services to maintain their Islamic identity.

Business Professor at Alexandria University, Dr. Abdulrahman Yusri said certain aspects and services of Islamic banking are particularly promising, including Murabahah and Istisna.

As Islamic banking is reliant on the concept of sharing, Islamic banks and financing bodies are often able to amass considerable sums for investment, he said, adding that the increased flexibility compared to interest-based banking is also a benefit.

Dr. Abdulrahman Yusri commented that investors are more active and involved in ventures in the Islamic banking and finance system, rather than idly waiting for results, as is often the case for clients of interest-based banks and investment firms.

UAE

Emirates Bank Group posts net profit

The Emirates Bank Group reported a 77% rise in net profit in the first half of this year, registering a net profit of US\$194.5 million (Dhs714.5 million) for the January–June 2005 period.

Group assets rose 21% to US\$12.6 billion (Dhs46.25 billion) and loans and advances went up 15% to US\$8.5 billion (Dhs31.11 billion).

Customer deposits increased 16% to US\$6 billion (Dhs22.32 billion), from US\$5.2 billion (Dhs19.13 billion) as at end-December. Medium-term borrowing increased to US\$2.1 billion (Dhs7.56 billion) from US\$1.5 billion (Dhs5.56 billion), reflecting the bank's increasing use of international financial markets as a source of competitive funding.

The group's net interest income increased to US\$149 million (Dhs547 million), up 44% over the same period of 2004. Total income increased 44% to US\$272 million (Dhs999 million) from US\$188 million (Dhs690 million) in the first half of 2004. Earnings per share increased 76% from US\$0.15 (Dhs0.56) to US\$0.27 (Dhs0.99) in the first

NEWS BRIEFS

ABU DHABI

ADIB first half profit up 209%

As projected, the Abu Dhabi Islamic Bank (ADIB)'s net profit for the first half of the year grew to US\$38.6 million (Dh141.6 million), an increase of 209% over the US\$12.5 million (Dh45.8 million) earned during the first half of last year. The total assets have grown up to US\$4.6 billion (Dh16.8 billion) at the end of the first half of 2005, with 56% growth rate as compared to the same period of 2004.

Customer deposits grew to US\$3.6 billion (Dh13.4 billion) by the end of the first half of 2005, compared to US\$2.2 billion (Dh8 billion) in the first half of 2004, representing a 67% growth. Operating income increased by 280% to US\$153.7 million (Dh564.7 million) in the first half of 2005, compared to US\$40.4 million (Dh148.5 million) for the first half of 2004.

According to the bank's revenues from Murabaha, Mudarabah, Istisna and Ijara transactions made up 92.9% of total revenues, compared to 79.8% in the same period last year.

UAE

Sharjah Islamic Bank profits up

Sharjah Islamic Bank has reported a net profit of US\$26.8 million (Dhs98.4 million) for the first half of 2005, representing a 160% increase compared to US\$10.3 million (Dhs37.9 million) net profit recorded in the same period last year.

The bank also reported an increase of total assets of US\$353.9 million (Dhs1.3 billion) since the end of 2004, an increase of 39%, to reach US\$1.3 billion (Dhs4.8 billion). Financing receivables grew by 45% or US\$299 million (Dhs1.1 billion), to reach US\$952.9 million (Dhs3.5 billion). The bank's investments also increased by US\$41 million (Dhs152 million) to reach US\$69.7 million (Dhs256 million). Shareholders equity was up by 183%, to reach US\$544.5 million (Dhs2 billion), while customer deposits grew by US\$50.4 million (Dhs185 million) to reach US\$735 million (Dhs2.7 billion).

MALAYSIA

Maybank becomes largest Islamic banking player

With a market share of 32% in financing, Malayan Banking Bhd (Maybank) is Malaysia's largest Islamic banking player, said its Deputy President Agil Natt. He said this proportion, as of March this year, was thanks to the bank's range of products for retail and business customers.

He explained that the bank has set up a network of delivery channels, including nine fully fledged Islamic banking centres, and support for customers.

He added that as at the third quarter of its financial year ending the 31st March, 2005, Islamic financing to business customers has grown to 39% of total Islamic financing of over US\$4.4 billion (RM16.8 billion), of which trade financing accounted for US\$763 million (RM2.9 billion), or 56.4% of the country's Islamic trade financing market.

QATAR

QIIB posts US\$70 million net profit

The Qatar International Islamic Bank (QIIB) has posted US\$70 million (QR255 million) net profits during the first half of this year, representing a 62% growth compared to the corresponding period last year.

Bank Managing Director Abdul Latif Al Mahmoud said income grew by 45%, while assets rose by 11%. The growth, he added, reflected the steady progress the bank had achieved over the past five years.

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NEWS BRIEFS

QATAR

Dolphin secures US\$4 billion financing

Dolphin Energy Limited recently secured US\$4 billion in binding financing commitments from 25 national, Islamic and international financial institutions for its forthcoming gas project.

The conventional lending facility amounts to US\$2.45 billion and the Islamic financing is expected to be US\$1 billion. The Islamic facility will innovatively combine two Shariah compliant financing techniques, an Ijara and an Istisna.

There is overall pricing equivalence between the Islamic and conventional facilities. The per year margin above Libor on each facility is 0.35 basis points (bps) for the first two years, and 0.45 bps for years three and four.

The Dolphin Gas Project is a unique strategic regional energy initiative scheduled to come on stream at the end of 2006. It involves the development of substantial natural gas reserves from Qatar's offshore North Field; their processing onshore at Qatar's Ras Laffan; and transportation by export pipeline of up to 3.2 billion cubic feet a day (bcf/d) capacity of refined natural gas to the UAE.

MALAYSIA

SapuraCrest to issue Islamic PDS

Malaysia's SapuraCrest Petroleum Bhd announced that it plans to issue up to US\$157.9 million (RM600 million) nominal value of Islamic private debt securities (PDS) via Bayu Padu Sdn Bhd, a wholly owned special purpose company.

Proceeds from the Islamic debt securities would be used to part finance the construction of a self-propelled vessel, finance and/or refinance the cost of acquiring certain oil and gas-related businesses, as well as for working capital and capital expenditure purposes, said the company.

SapuraCrest said the PDS involved the issuance of up to US\$131.6 million (RM500 million) (nominal value) of Istisna medium-term notes and up to US\$26.3 million (RM100 million) (nominal value) Murabahah commercial papers and/or medium-term notes. The company said the former would be issued on a bought-deal basis comprising 16 tranches, and the maturity dates would range between two-and-a-half and 10 years from the date of first issuance.

The Murabahah commercial papers, on the other hand, would be issued either via tender or privately placed to select investors. The programme would have a maximum tenure of seven years.

PAKISTAN

Islamic banking deposits to hit US\$13 billion

A recent research report has estimated that total deposits with Pakistan's Islamic banks would reach US\$13 billion (Rs780 billion) by 2014, thanks to the encouraging growth currently being recorded.

Ferguson Associates' Islamic Banking Division said the current growth would continue and was likely to pick up speed as new Islamic and conventional banks enter the Pakistani market. Bank Islamic and Dubai Islamic Bank are the new banks expected to start operations by year-end. The market is also experiencing strong interest from foreign investors, especially Arabs, to invest in projects in Pakistan through Islamic modes of financing, commented the firm.

BAHRAIN

NCB develops first Islamic credit card

The National Commercial Bank (NCB) has come up with the Tayseer Ahli Visa and Master Card, which allows holders to make withdrawals up to the maximum limit and payment of the value of purchases through monthly instalments at a minimum payment starting from 5% of the total fee.

The Shariah compliant credit card allows the holder to use it at over 32 million commercial establishments around the world. The card is divided into a Gold card and a Silver card.

MALAYSIA

Islamic banking sector grows

Malaysia's Islamic banking sector experienced another bumper year in 2004, with total assets of the sector increasing to US\$24.9 billion (RM94.6 billion). This represents 10.5% of the banking system's total assets.

The central bank also reported that the market share of Islamic banking deposits and financing has risen to 11.2% and 11.3% - thus putting the sector on course to achieve its 20% market share target by 2010.

Latest figures from the central bank suggest that the Malaysian Islamic banking sector has been growing rapidly over the last five years, averaging 19% a year.

CAMEROON

Technical school appeals for IDB Funds

The President General of the Ombe Old Students Association (OOSA), Raph Manyi Arrey, has appealed to the government to intensify efforts to secure financing from the Islamic Development Bank (IDB) to rehabilitate the Government Technical High School in Ombe.

He said the IDB had earmarked the school as one of the colleges it would rehabilitate, but the funds are yet to be disbursed.

EDITORIAL CONTRIBUTIONS

We aim to educate and inform the global Islamic finance market via up-to-date and relevant editorial. Country and Industry Reports, Case Studies, Regulatory changes and product specific development reports all assist and provide our audience and your clients with the knowledge they require.

If you are interested in authoring an exclusive report please contact: Christina.Morgan@IslamicFinanceNews.com or Tel: +603 2143 8100

COVER STORY

Competing in a global environment: Issues & Challenges

By Seelan Sakran

Islamic finance and banking is on the rise globally, with many countries rolling out the red carpet to secure the presence of regional and global players. Malaysia is no exception. The figures speak for themselves.

Islamic financing in Malaysia accounts for 9.9% of the financial sector market share, with assets worth US\$23.68 billion (RM90 billion) as at the end of last year, registering an average growth of about 42% over the last 10 years. This figure is expected to double by 2010. And as part of its strategy to enhance its financial competitiveness and increase its links with other economies, it brought forward the liberalization of its Islamic banking sector to 2004, three years ahead of the World Trade Organization's deadline.

The Malaysian Central Bank, Bank Negara Malaysia (BNM) has issued several Islamic finance licences to local banks to establish Islamic banking windows. Thus far, RHB Islamic Bank Bhd, Hong Leong Islamic Bank and Commerce Tijari Bank Bhd have started operations. Affin Bank Bhd is next on the list and only last week Public Bank, Malaysia's third largest domestic bank announced it plans to apply for a fully-fledged Islamic banking license.

Apart from the local banks, the Government has also issued three licences to Middle Eastern banks – Kuwait Finance House, Saudi-based Al Rajhi Banking and Investment Corporation, and a consortium led by Qatar Islamic Bank.

While Malaysia has a proven and stable Islamic finance market, some quarters feel that there are many issues that need to be addressed before these local and foreign banks embark on their journey.

One such issue is the country's population - at 26 million is it too small to support the number of Islamic banks? There is also a concern about how local banks (fully-fledged banks as well as conventional banks with Islamic windows) will be impacted by the presence of global players? Is our infrastructure ready to absorb a second Islamic banking system, as opposed to conventional banking? Will Singapore, which is also hoping to become an Islamic banking hub, be a threat? Do these issues warrant immediate attention? **Islamic Finance News** takes a look at these issues.

Issues at hand

Records show that in the country's oldest Islamic Bank, Bank Islam Malaysia Bhd, established in 1983, Muslim depositors make about 80% of its customers. In the case of Bank Muamalat Bhd, Muslim depositors account for about 70%. As for RHB Islamic, Commerce Tijari and Hong Leong Islamic the figures are 60-70%, 85% and 40% respectively.

An expert on Islamic banking, Professor Bala Shanmugam believes that there are too many banks with limited Islamic products fighting for a niche market.

He observes that only 10% of Malaysian banking assets are in Islamic accounts and the rest are in conventional accounts, serviced by 10 Malaysian banks, not including the foreign banks. "Does this not sound lopsided? Now that 10 fully-fledged Islamic banks have been given licences, how many consumers will actually move their money there?" he asks.

TA Securities Bhd Research Head Ngu Chie Kieng, concurs with Bala, noting that the scene is getting "a little overcrowded."

However, BNM begs to differ. The Governor Tan Sri Dr Zeti Akhtar Aziz told *Islamic Finance News* at the sidelines of an Islamic conference in Putrajaya recently that the number of new Islamic banking licences is optimal to allow for growth in a competitive environment. She said as of now there are three but we will continue to monitor the situation.

Still, given Malaysia's intention of becoming an Islamic banking hub, how will the local banks be affected by the presence of global Islamic financial institutions?

As Bala clearly points out: "Al Rajhi Bank's shareholders' funds of US\$1.95 billion (RM7.4 billion) is huge – almost five times more than Bank Muamalat's US\$92.89 million (RM353 million) and Bank Islam's US\$315.79 million (RM1.2 billion) combined." In addition, the World Islamic Banking Conferences Competitiveness' report states the Al Rajhi Bank is also the most profitable Islamic institution, with an average return on equity of 25% between 2000 and 2004.

"Because of the magnitude of its shareholders' funds and its global presence, it can offer lower fund costs and economies of scale," he stresses.

Despite these constraints, he believes Malaysian banks have the advantage of extensive branches, where they can still garner retail Islamic accounts from the masses. This is possible as there is enough liquidity in the market, which currently amounts to US\$31.58 billion (RM120 billion).

What's more he feels foreign banks will more likely target the institutional clients.

Meanwhile, Mayban Securities Sdn Bhd Senior Investment Analyst Jesvin Kaur, while contending there will be competition, maintains that many of the local banks (post-merger) will be in a position to compete with the foreign banks.

Aseambankers Malaysia Bhd Chief Economist and Head of Fixed-Income Research Baljeet Grewal, sees the presence of foreign banks in Malaysia as a plus point as competition should be welcomed. "The Islamic banking system is a deep and liquid market. The challenge now is to encourage and innovate new Islamic financial instruments – but with better pricing," she says.

While the central bank echoes this sentiment, it adds that local players may also gain from the exposure to new business models and products that foreign banks offer.

Meeting infrastructure needs head on

Baljeet also points out that Malaysia already has a sound Islamic infrastructure in place, and is conducive for the nurturing of Islamic finance. She adds that to an extent this infrastructure surpasses that of many countries, including the Arab nations.

"The Arab world does not have a sound Islamic infrastructure in place. In fact, Malaysia had established a good Shariah infrastructure before it even began offering Islamic products. Many countries are only beginning to create an Islamic infrastructure, while Malaysia has both a conventional and Islamic system running concurrently. Not surprisingly, Malaysia is looked upon as an Islamic banking role model," she adds.

Bala disagrees and feels that as far as separate accounting sys-

COVER STORY (continued...)

tems are concerned, conventional banks in Malaysia are not required by law to have two separate accounting systems as yet.

However, it is understood that the Malaysian Accounting Standards Board will be issuing a set of Islamic accounting standards soon, which are in the midst of finalization. More will follow suit. In order to have efficiency within the system, standardization of Islamic accounting is encouraged, as called for by the establishment of the Bahrain-based Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI).

On the same note Jesvin says, "The Islamic banking system, while able to exist parallel to the conventional system, requires its own technical infrastructure, regulation and set of principles. The separate accounting principles are part of the requirements, given the nature of the operations."

Then there is the issue of cost. But proponents point out that although the cost of complying with additional regulatory requirements could be expensive, it is important to look at the potential of Islamic banking as a whole, which could more than offset the cost of compliance.

In the midst of these so-called domestic issues there is also the issue of Singapore's entry into Islamic banking. Will Malaysia's neighbour to the south pose a threat?

Industry watchers like Bala feel that the island republic may be able to catch up in a short time as it operates very efficiently. It may however be a win-win situation if both countries work together. The central bank for one concedes that smart partnerships are the way of the future. It adds that synergies may be forged to create investment avenues for local players to gain access to Middle Eastern investors and technical know-how, and for foreign players to obtain knowledge on the local business environment.

Attracting global funds

Malaysia is trying to attract as much investment as possible from huge international funds floating globally, estimated to be worth between US\$600 billion and US\$1 trillion, according to Malaysia's Second Finance Minister Tan Sri Nor Mohamed Yakcop. One Pakistani consultant is even more optimistic - putting the figure at US\$5 trillion. This huge amount has been attributed to the re-direction of funds from the US following the 11th September 2001 attacks.

Bala adds that the reason Malaysia has invited Middle Eastern banks to establish their presence here is to tap into the huge outflow of the Arab nations' funds from the US, which he believes is worth US\$1.3 trillion.

"Malaysia is seen as a haven for a stable and kosher repository alternative. It offers geo-political stability and has the necessary Shariah compliant infrastructure. Having Middle Eastern presence can enhance Malaysia's status even further," he adds.

He has a point and one only has to look at the Shariah compliant Sukuk bonds that large Malaysian corporations have issued. Last year alone, the country accounted for more than 75% of Islamic debt issued globally.

Aseambankers' Baljeet is more cautious noting that supply remains limited and institution-focused. The reason for the undersupply and over demand is that Malaysian companies that issue Sukuk bonds can have their transaction costs classified as tax deductible. Transaction costs vary, depending on the risk rating of the company.

However she concedes that there has been growth. Over the last six

years, demand for Islamic debt instruments, which accounted for only 7% of total bonds raised in 1999, has grown to 25% in 2000, and subsequently 36% in 2001, she says.

"The future looks good, primarily due to investor awareness of alternative funding sources," she says adding that no fewer than 60% of all Malaysian domestic bonds are now Shariah compliant.

Going forward, Baljeet says it is anticipated that global Islamic capital markets will be responsible for managing at least 50% of the total savings of Muslims worldwide in the next 8 to 10 years.

There are approximately 250 global financial institutions that are currently operating in five countries promoting Islamic investment banking products. The size of Islamic banking assets worldwide is currently estimated at more than US\$250 billion with an annual growth of 15% to 20%.

Given the scenario, this may be the push the country needs to innovate and be proactive in offering a variety of Islamic products. Jesvin and Bala agree, adding that increased competition in this sector is needed to encourage and accelerate product development and innovation as well as develop the local Islamic financial institutions to tap into the vast global Islamic market. They also feel that further consolidation of Malaysian banks is also needed in order to take on the global players.

"As far as the local boys are concerned, they previously had a fairly cosy time with limited competition and well-defined niche markets," says Bala.

Nonetheless he says more regulatory incentives are needed. The good news is that the journey has already begun. In fact, the measures introduced in Budget 2005 to spur this industry are to include tax exemption on interest income derived by non-resident companies from holding Ringgit-denominated Islamic securities, including debentures and Malaysian government securities; allowing multinational companies to issue Ringgit-denominated bonds; the issuance of Islamic treasury bills; and the creation of an international financing training institute to produce Islamic experts.

Challenges ahead

In Baljeet's mind, like all financial mechanisms that are in the formative stages of development the Islamic industry does pose some challenges. Malaysia is no exception.

She maintains, the main hurdle identified is accessing long-term investors and ensuring sustainability of the Islamic banking industry. In addition, creating a liquid secondary market for Islamic instruments through the enhancement of risk management tools, establishing sizeable organized institutions, ongoing research and development as well as consensus among Islamic jurists and scholars on Shariah issues also remain an integral core of Islamic financing.

Meanwhile, an Islamic finance specialist lawyer, Mohamad Illiyas Seyed Ibrahim believes Islamic banking and finance still needs fine tuning, especially with regards to which laws should prevail in the event of a conflict or inconsistency between civil laws and Shariah laws.

SJ Securities Research Head Wee Kim Hong points out that while Malaysia is eager to attract Islamic deposits, it also needs to consider the lending aspect as well. To date, Islamic finance lending globally has been in limited use. One reason may be because the market does not adequately provide hedging instruments to protect what is essentially a fixed-rate lending regime, says Bala. As challenging as the future may be, this is certainly a sector worth watching in Malaysia, the region and the world.

SECTOR REPORT

The growth of Islamic banking and product development among Islamic retail banks *By Professor Rodney Wilson*

This chapter is an extract from Professor Wilson's chapter from the new title from Euromoney Books Islamic Retail Banking and Finance: Global Challenges and Opportunities

Shariah compliant banking has clearly a powerful appeal for Muslims; indeed many have refused to deal with conventional banks, and one of the greatest achievements of Islamic retail banks has been to attract savings that might otherwise not be harnessed by the banking system. When Islamic banking is first introduced in economies with only conventional banks, deposits seem to take off rapidly, reflecting the pent up demand for Shariah compliant facilities. After five to 10 years, however, the momentum appears to be lost and the volume of deposits stagnates as a proportion of total bank deposits, at around 15–25 per cent in the Gulf and around 10 per cent in the case of Malaysia.

How can Islamic retail deposits rise beyond these ceilings?

One answer is of course to bring all banks into conformity with Shariah law, as in Iran under the 1983 Usury Free Banking Law. This, however, precludes customer choice and reduces the pressure on Islamic financial institutions to offer competitive and innovative services as they have a captive market. A more satisfactory way of increasing the long-term potential for Islamic retail finance is to examine the cultural barriers and misunderstandings surrounding the industry and to analyze how these can be overcome through customer education.

Profiling Islamic retail bank clients can also be helpful. Who are the customers of Islamic banks, and how do they differ from the clients of other banks? Are the clients especially pious, do they already have bank accounts with conventional banks, are they young or old, what is the level of their educational attainment, and are they from any particular socio-economic group or occupational category? Unfortunately, there is very limited survey data on Islamic bank clients, but it is evident that the answers to these important questions depend on the market being investigated and that sweeping generalizations are unhelpful.

It is instructive to contrast the clients of Jordan Islamic Bank and Dubai Islamic Bank. Both are long-established institutions, the latter being the oldest Islamic bank in the world – established in 1975 – while Jordan Islamic Bank started its operations in September 1979. The clients of these institutions reflect the very different situations in each of these economies, and the structure and competition in the local banking markets. As Malaysia is the major market outside the Gulf region where Islamic retail banking has developed significantly, it is also fruitful to examine its experiences, focusing on Bank Islam Malaysia, the first major dedicated provider of Shariah compliant retail financial services in South-East Asia. In this extract, Islamic retail banking in the United Kingdom is discussed from the customers' perspective, looking at the newly established Islamic Bank of Britain and the products it offers.

Islamic Bank of Britain

For over two decades there has been a perceived need for an Islamic bank to cater for the 1.8 million Muslim residents of the United Kingdom, but an early attempt by Al Baraka to establish a

retail operation in the 1980s proved unsuccessful. Although the major international banks in the United Kingdom and the London subsidiaries of banks based in the Muslim world have offered Islamic deposit and financing facilities since the early 1980s, these have been primarily to serve institutional clients and overseas high net worth customers rather than the local Muslim community.

In 2002 an initiative was launched to found an Islamic bank in Britain, supported by the leading Islamic banks and finance companies in the Gulf. Some £14 million (US\$26 million) of start-up capital was raised, and an application was made to the Financial Services Authority (FSA), the UK regulator, for a banking license. After much discussion and investigation, as is usual with license applications, the FSA granted the license in August 2004, and the first retail branch was opened in the Edgware Road in London the following month. The bank's head office and operational centre is located in Birmingham, the second largest city in the United Kingdom, which has a major concentration of the country's Muslim population. A further £45 million (US\$85 million) was raised through a private placement in the Gulf to finance the medium-term business development objectives.

First and foremost, Islamic Bank of Britain stresses its values of faith, convenience and trust, with belief in Islam coming first. The experienced Shariah supervisory committee – comprising Sheikh Muhammad Taqi Usmani of Pakistan, Sheikh Abdul Sattar Abu Ghuddah of Saudi Arabia and Sheikh Nizam Yaquby of Bahrain – approves all products. This Arab and Pakistani representation reflects the ethnic origins of much of the United Kingdom's Muslim community, although in the longer term, British Muslim representation on the Shariah committee may be important for credibility among the younger generation of clients and potential clients.

Unlike Bank Islam Malaysia, Islamic Bank of Britain stresses that it tries to make all transactions with the bank simple for the customer in terms of delivery and understanding. Current accounts were offered from the beginning, which pay and charge no interest. Account holders are issued with a cheque book and debit card, and standing order and direct debit facilities can be set up on the accounts. Monthly statements are issued, and the bank provides a foreign currency and travellers cheque service. No minimum balance is required to open a current account, but the account should be kept in credit.

Savings accounts were also offered from the outset, with the basic savings account requiring only a £1 (US\$1.90) minimum deposit. These accounts operate on a Mudaraba basis with the clients sharing in the bank's profits, the rate being reviewed monthly. The rate for December 2004 was 3 per cent, unchanged since October. The profit share is paid gross, but savers are warned that it is treated like dividend income for tax purposes. Islamic Bank of Britain issues a tax voucher showing the amount of the profit distribution each year, plus a 10 per cent tax credit that can be offset against any dividend tax liability, effectively reducing the rate to 22.5 per cent. The clients' liability is explained clearly and simply and most Muslim residents of the United Kingdom should understand the tax position.

Term savings accounts are also offered for periods of one, three

SECTOR REPORT (continued...)

and six months, with £5,000 (US\$9,500) being the minimum investment. Competitive profit rates of 3.5, 3.75 and 4.0 per cent respectively are paid on these accounts, which also use a Mudaraba structure. Islamic Bank of Britain also offers treasury deposit accounts for high net worth clients. The minimum deposit is £100,000 (US\$190,000) with fixed periods of one, three or six months offered. These are structured on a Murabaha basis, with the deposit used to finance a commodity transaction; the bank acts as agent and charges a fee. The depositor obtains the profit from the purchase and sale of the commodities, usually through the London Metal Exchange, and the expected profit rate is quoted to the depositor in advance. Returns payable are competitive with those offered on conventional treasury accounts – around 4 per cent in January 2005.

Islamic Bank of Britain will be offering home finance in 2005 as its branch network expands: initial personal finance is being through an unsecured facility structured on the Tawarruq principle. This can cover payments for medical services or the cost of a wedding through a cash advance. The bank purchases a Shariah compliant commodity and sells this to the client on a cost-plus profit basis, with the customer making the payment on a deferred basis through installments. The client then appoints an independent agent recommended by the bank to sell the commodity, and the proceeds are deposited in the client's account for immediate use. The procedures are clearly explained in the bank's literature, and most clients – and most importantly the Shariah committee – are satisfied with the legitimacy of such transactions.

Lessons from Islamic retail banking experience

What are the lessons from these diverse experiences of Islamic retail banking in Jordan, the United Arab Emirates, Malaysia and the United Kingdom? First, Islamic banks must be focused on the needs of their customers and not simply mimic conventional banks with respect to product offerings. Customer education should focus on explaining the nature of Shariah compliant products, as Islamic bank clients will be receptive to this, because ultimately it is this that attracted them to the bank. This is more important than encouraging the devout to use as wide a spectrum of products as some conventional banks offer. Islamic bank products should be distinctive. The challenge is not to have innovation in *Fiqh* through endless *Ijtihad*, but rather to innovate the products themselves so that they can meet rigorous standards of Shariah compliance. There may well be some services that Islamic retail banks cannot provide, and some scholars even view Tawarruq with skepticism

as, despite the legal niceties, it can result in problems of consumer indebtedness.

The banking culture in different countries where Muslim clients and potential clients live varies considerably. In all the markets considered here, retail banking is well developed, especially in Dubai, Malaysia and the United Kingdom. Clients expect a high level of service, including immediate access to their funds in current accounts and the use of automated facilities. In poorer Muslim countries the large investment needed to provide such facilities makes their provision problematic for both conventional and Islamic banks. The move from cash-based to card-based transactions and electronic transfers is part of the process of financial development, but Islamic banks have to move with their clients, not get ahead of them.

Transparency is desirable so that Islamic bank clients can be well informed, but this implies providing relevant information in a helpful manner, and not simply providing a bewildering mass of detail. The publicity provided by the Islamic Bank of Britain is an example of good practice, as it is clear and concise. That of Bank Islam Malaysia is well organized, and tries to be informative. Within the Arab world the Islamic banks in the Gulf undoubtedly lead by example, and the website and publicity of Dubai Islamic Bank in Arabic and English is especially informative, and attractively presented.

Islamic banks should first and foremost stress their ethical values. A positive message such as that of Islamic Bank of Britain is better than simply stressing prohibitions. There are lessons from the Western ethical banking industry in this respect, especially from institutions such as the Co-operative Bank in the United Kingdom. Most Muslims will be aware of the Islamic prohibition of *Riba*, but they may be less aware of the ethical merits of Islamic financial products, and why their use is more than just their conventional equivalents. The challenge for Islamic retail banks is to get across this message. Success in this can take Islamic banks beyond the 15–25 per cent range of total bank deposits in the Gulf, the 10 per cent barrier in Malaysia and the 0.1 per cent figure in the United Kingdom.



Note: The author is Professor in the Institute of Middle Eastern and Islamic Studies, University of Durham.



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NEWS BRIEFS

OMAN

Oman Insurance Company profits up

The Oman Insurance Company has reported a quadrupling of first half profits to US\$111 million, thanks to a 601% hike in investment income to US\$98 million. Underwriting business was up 72% to US\$12.5 million. Total assets doubled to US\$685 million as a result of the buoyant investment climate.

DUBAI

AMAN posts profit

Dubai Islamic Insurance and Reinsurance Company (AMAN) announced US\$8.6 million (AED31.7 million) net profits for the first six months of the year. The company's revenues saw a noticeable growth, rising from US\$2.2 million (AED8.1 million) in the first six months of 2004 to US\$11 million (AED40.5 million) by the end of June 2005.

Earnings per share at the end of June 2005 were US\$1.44 (AED5.28), compared to US\$0.08 (AED0.29) by the end of June 2004.

AMAN recently launched a new branch in Jabal Ali Free Zone in response to the growing demand for Islamic insurance services.

The company has achieved the highest rate of nationalization in the UAE's insurance sector. It has already managed to attract a number of UAE nationals into the sector, and UAE nationals now represent 20% of the total employees in the company.

A new service recently launched by AMAN allows UAE residents to apply for and receive AMAN's travel and car insurance quotations online.

DUBAI

Islamic insurance companies listing approved

The Minister of Economy and Planning and the Chairman of the Board of Emirates Securities Commodities Authority, Shaikha Lubna Al Qasimi, has given the green light for the listing of the Islamic Arabic Insurance Company under the category of Class (2).

The minister also approved the transfer of Dubai Islamic Insurance's reinsurance from the category of Class (2) to the category of Class (1).

BAHRAIN

ARIG's re-Takaful business on track

The Arab Insurance Group (ARIG)'s launch of Takaful Re, a subsidiary exclusively addressing the reinsurance requirements of Islamic insurance companies, is developing as planned.

Founding shareholders, the members of the Shariah Board and key management staff have been shortlisted and the company is expected to begin business activities as scheduled during the later part of this year.

EGYPT

Cairo forum to discuss growing interest in Takaful

The Takaful Insurance Forum in Cairo, Egypt, organized by the Egyptian Supervisory Authority (EISA) under the Ministry of Investment, is aimed at meeting the needs of the growing interest in Islamic insurance.

The forum is designed as a business-to-business event on Takaful, focusing on products and solutions to administer, market and distribute these services. The two-day event is expecting 200 participants from regulatory authorities, insurance and reinsurance companies and brokers.

The topics to be presented are 'Takaful Mechanism and Application', 'Takaful and re-Takaful', 'Reinsurers Overview of Takaful Contracts' and 'Developing a Regulatory and Supervisory Framework for Takaful Industry: Malaysia's Experience'.

BAHRAIN

Solidarity's advisers achieve excellence

Solidarity – Family Takaful financial advisers have exceeded the objectives of Family Takaful products during the last quarter, the company stated last week. The company rewarded the high achievers and complimented the advisers for their achievements.

In a bid to ensure that the Solidarity – Family Takaful vision of growth in both local and international markets is achieved, the company will continue to send advisers for training and development sessions.

NEWS BRIEFS (continued...)

DUBAI

IAIC's IPO oversubscribed

The International Arab Insurance Company (IAIC)'s US\$54.5 million (Dhs200 million) initial public offering (IPO) was about eight times oversubscribed, the company's investment bank said.

It was reported that IAIC had raised a total of US\$258.6 million (Dhs950 million), increasing the company's capital to US\$272.3 million (Dhs1 billion). On top of the US\$54.5 million (Dhs200 million) raised through the IPO, a further US\$204.2 million (Dhs750 million) was raised via a rights issue.

An established Islamic insurance and reinsurance company based in Dubai, the IAIC plans to use the additional capital to buy an 82% stake in Bahrain-based Islamic insurance and investment firm TARIIC.

BANGLADESH

Rise in life insurance licences

The Bangladesh insurance sector looks set for some major activity in the next few years, given the increasing number of applications for new licences. It was reported recently that about 40 politicians, former bureaucrats and businessmen have applied for licences to run life and general insurance companies in the country. There are already 43 general insurance companies in Bangladesh.

The new applicants in June are: Shahajalal Islamic Insurance, Muslim Mutual Life Insurance Company, Desh Bangla Islamic Life Insurance, Muslim Mutual Insurance, Al-Amin Life Insurance and Grameen Islamic Life Insurance.

MALAYSIA

Hong Leong eyes Takaful licence

Hong Leong Islamic Bank Bhd's Managing Director, Daud Vicary Abdullah, said the bank would be applying to Bank Negara for a Takaful licence before the October deadline.

The bank said it also plans to explore other areas such as Islamic wealth and asset management, and even investment banking. This is on top of the longer term plan to expand beyond Malaysia in terms of products and services by leveraging on the Hong Leong and Guoco groups' vast network, using the local unit as the springboard.

INDIA

LIC to introduce Takaful

The Life Insurance Corporation of India (LIC) recently announced plans to offer Takaful in the Indian sub-continent market. The announcement came on the heels of the Reserve Bank of India's statement that it was exploring Islamic banking opportunities for Indian banks.

Through its new international joint venture company – Indo-Saudi Insurance Company – LIC would be the first to introduce Takaful in India.

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Family Takaful as an alternative to Life Insurance

By Dato' Mohd Fadzli Yusof

When Takaful was first introduced as an alternative for Islamic insurance in the early 1980s, there was strong reservation that it would not be viable, let alone profitable. In fact similar reservations were expressed on the viability of a banking operation without interest when Islamic banking was first introduced. In the same breath Takaful was perceived to be a non-starter for the simple reason that its profit ought to be shared with the policyholder.

The reservation probably stemmed from the general scenario on the difficulty of the insurance industry as a whole at that time to make money out of the insurance operation. Most companies suffered poor underwriting results. Without the support of investment, it was likely that most of these companies would not make profit. Given such a scenario there was bound to be questions on how would Takaful shareholders be able to reap their rewards from their financial sacrifices and faith in investing in the Takaful project.

As the Takaful system developed and evolved, the Malaysian model has turned out to be viable to both participants as users or consumers, and shareholders as investors in terms of the financial benefits that they have been enjoying.

Right from inception, participants of all Takaful products under both the Family Takaful Business and General Takaful Business have been receiving returns on their contributions or premium. In the case of General Takaful, taking the performance of Takaful Malaysia as a practical example, the rate of return for yearly renewable products such as Takaful schemes for motor, fire, personal accident payable to participants on average has not been less than 35% per year. In the same manner, shareholders have been enjoying dividends ever since it was first declared and paid in the fourth year of Takaful Malaysia's operation.

As a system, Takaful is steadily gaining popularity and this in fact has posed a challenge to the Takaful operators. Measures have to be taken to reach out efficiently and effectively to the consumers in order to satisfy their insurance needs. In this respect, the pace of product development for Takaful has been relatively fast. All in, Takaful products are now available to meet the insurance needs of all sectors of the community, both at the individual as well as the corporate levels.

Perhaps taken a step further, there are Takaful products designed specifically to cater for the needs of a particular sector of the community, normally considered to be of a low priority from the standpoint of conventional insurance. As an example, Takaful Malaysia provides two different products, namely *Takaful Rumah Desa* and *Skim Takaful Baitul Saadah* for the purpose of covering houses or private residences in the rural areas and including their owners. These are traditional houses usually built of wooden structure that are not normally readily accepted under the conventional insurance policy.

The diversity of Takaful is further illustrated from its ability to cater for the long-term financial needs as usually provided under a life-insurance type of product. This shows that Takaful would be able to satisfy both the financial benefit due to early death of a breadwinner as well as savings for old age.

Under Takaful, these are long term family products that are essentially fixed term financial planning programmes. Participants of the family product shall agree to participate in a Takaful plan with a fixed period of maturity of their choice. For this purpose, a participant may choose a minimum term of 5 years or a maximum of 40 years. In consideration, the participant shall also agree to pay the Takaful contribution in installments monthly, quarterly, half-yearly or yearly within the term as long as he or she is alive. To ensure that the participation is in force at all times and the benefits would be payable in the event of a misfortune, the contribution must be paid on time according to the schedule of payment.

As the transactional aspect of Takaful is not based on the contract of buying and selling, contrary to a conventional life insurance policy, the family plan does not charge a premium. To a policyholder the price of buying a life policy would be the premium charged, usually depending upon the former's age. The older the policyholder the higher the premium. This does not happen in Takaful. In a sense, there is no compulsion in terms of the amount of contribution to be paid. Therefore, the question of financial capacity or affordability on the part of the participant does not arise.

Once the participant has chosen the term of the plan, the next decision he has to make would be his choice of the amount of contribution. For this purpose, for most people it should not exceed 10% of their income. The operator, however, as a matter of policy would set the minimum amount.

The contribution paid shall be credited into the Family Takaful Fund which is sub-divided into two accounts, namely Participant's Account (PA) and Participants' Special Accounts (PSA). A huge portion of the contribution that represents the core savings of the participant is in the PA, whilst the balance is for the PSA designed to assume the mortality liability of all participants.

The amount of the contribution meant for the PSA shall be based on the mortality table and other actuarial requirements as certified by a qualified actuary in accordance with the Takaful Act 1984. This approach would not be contrary to Shariah as the assumption is merely a sound technical strategy to ensure good governance in the management of Takaful operations that would create confidence among participants. In general, mortality basis is relatively low. Thus the corresponding rate of the contribution for the PSA would be relatively small. For Takaful Malaysia, the rates range between 3% and 13% depending on the age of the participant at the inception, as well as the term of the family plan.

What is important from the contractual point of view is that the amount credited into the PSA is made as *tabarru'* or donation by the participant. The total aggregate of the *tabarru'* paid by all participants in the PSA would be the benevolent fund that provides certain benefits in the event of death of a participant. The death benefit from the PSA would be calculated from the date of death to the date of maturity of the plan based on the amount of contribution paid.

Both the PA and PSA are invested and returns thereof shall be subject to profit-sharing under the Mudharabah contract between the participant and the operator. Again the sharing is at the gross profit before deducting the operator's management expenses. The profit attributable to the participant shall be credited into the PA and PSA accordingly.

Family Takaful as an alternative to Life Insurance (continued...)

Upon expiry, the participant shall be paid the maturity benefits comprising of the total balance in his PA. In addition, they shall be paid a certain percentage of the actuarial surplus, if any, out of the PSA.

It is worth mentioning that in contrast to the conventional system, the Takaful operator shall not be entitled to share any of the actuarial surplus. In this regard, like a conventional life policy, the family plan would be able to fulfill the financial needs of the individual either for the purpose of relieving the financial burden in case of early death of a breadwinner or accumulating savings for retirement.

Should a participant have to break the contract and therefore surrender his plan, he shall be refunded of all the contributions in the PA including investment returns thereof at any time. In other words, there is no forfeiture in Takaful under which a participant would lose his money if he has to cancel his policy. However the tabarru'

contribution that he has donated in the PSA shall remain in the Fund.

The thrust of marketing Takaful products therefore should not be focused solely on the issues of Shariah. Takaful operators must be able to demonstrate that the respective products would be able to meet the specific needs and financial objectives of modern-day consumers. From the dearth of interests shown on the Malaysian model, both at home and abroad, Takaful looks poised to steadily become a force within the Islamic financial sector in particular and insurance industry in general.



Note: The author is Chief Executive Officer of Takaful Malaysia.
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KEY LEGAL, DOCUMENTARY AND STRUCTURING ISSUES FOR ISLAMIC FINANCIAL PRODUCTS

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SOHAIL ZUBAIRI, Head of Shariah Co-ordination
Dubai Islamic Bank

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- Investment and Corporate Bankers
- Internal Auditors
- Risk Managers
- Compliance Professionals
- All Islamic Banking Professionals
- Senior Management
- Consultants
- Regulators

EVENTS DIARY

Takaful Insurance Forum

Marriot Hotel, Cairo
Wednesday, 20th - 21st July 2005
Organized By: Egyptian Insurance Supervisory Authority

Islamic Real Estate Finance

Dorchester Hotel, London
Tuesday, 19th - 21st July 2005
Organized By: Islamic Conferences Group

Jakarta International Islamic Finance Forum

Jakarta Hilton - Indonesia
Wednesday, 3rd - 4th August 2005
Organized By: CERT & IIR Middle East

The First Islamic Finance Summer School

The Sunstar Park Hotel, Davos - Switzerland
Tuesday, 23rd - 26th August 2005
Organized By: Davos Management Institute

Islamic Funds World

Shangri-La, Dubai
Monday, 12th - 15th September 2005
Organized By: Terrapin Conferences

Risk World Middle East

The Jumeirah Beach Hotel, Dubai - UAE
Monday, 19th - 21st September 2005
Organized By: Terrapin Conferences

2nd Annual Asian Islamic Banking & Finance Summit

Mandarin Oriental Hotel, Kuala Lumpur
Tuesday, 19th - 21st September 2005
Organized By: Euromoney Seminars

2nd Conference on Islamic Banking & Finance

Singapore
Monday, 26th - 27th September 2005
Organized By: ABF Asia

8th International Islamic Finance Forum

Ceylan Inter-Continental Istanbul Turkey
Monday, 26th - 28th September 2005
Organized By: IIR Middle East

World Islamic Economic Forum

Sunway Lagoon Resort, Kuala Lumpur
Saturday, 1st - 3rd October 2005
Organized By: Asian Strategy & Leadership Institute (ASLI)

MOVES

CIMB GK GOH - Singapore

Nazir Razak will assume the position of Group Chief Executive, Goh Yew Lin (the son of GK Goh's founder) the Executive Deputy Chairman, and Lee Ming San the Chief Executive Officer.

Chairman, Goh Geok Khim has resigned the positions of Director of CIMB-GK UK and Director & Chief Executive Officer of CIMB-GK Securities. He has been seconded as a non-Executive advisor by the holding company, CIMB-GK Pte, in a consultative role up until the end of 2005.

STANDARD & POOR'S - Singapore

Michael Petit will take over from Paul Coughlin as the Managing Director and Head of Standard & Poor's (S&P) Corporate and Government Ratings Division in Asia.

Mr Petit is currently the Managing Director of the firm's Tokyo office. Prior to joining S&P in 1987, he was credit analyst at a commercial bank in the US.

Mr Coughlin is relocating to the Head Office in New York where he will run the Global Corporate and Government Ratings Division.

JORDINVEST - Jordan

Nizar Radwan Darwish has been appointed Assistant Executive Vice President for Corporate Finance. He will provide support for Jordinvest's clients in outlining financial policies by restructuring, managing, and issuing securities.

Mr Darwish is an economist and has worked in a number of companies in Jordan and the US gaining valuable experience in the fields of Investment Banking and the financial markets, including IPO's, privatizations, equity valuations and feasibility studies.

MERRILL LYNCH - Bahrain

Saad Ashraf has been appointed Head of Islamic Finance and Head of Eastern Europe, Middle East & Africa Structured Credit Sales for US Investment Bank Merrill Lynch.

Mr Ashraf was previously with rival US Bank Citigroup where he held the position of Managing Director and Head of Islamic Banking Business.

If you would like to place any staff movements in this section, please fax us the details at +603 2141 5033 or simply email info@IslamicFinanceNews.com.

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HONG LEONG ISLAMIC BANK - Malaysia

Daud Vicary Abdullah has been appointed Managing Director of Hong Leong Islamic Bank (HLIB) the wholly owned Islamic banking division of the Hong Leong Group (HLG).

Mr Vicary has 33 years experience in banking and consultancy and was previously Director of Financial Services at Deloitte Malaysia. A ceremony officially launching HLIB took place last Tuesday attended by Dr Zeti Akhtar Aziz, Malaysia's Central Bank Governor.

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CAGAMAS BERHAD

(Incorporated 8th JUNE 2004)

INSTRUMENT	ISLAMIC RESIDENTIAL MORTGAGE-BACKED SECURITIES (SUKUK MUSYARAKAH)
ISSUER	Cagamas MBS Berhad 19th Floor, West Wing, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur
PRINCIPAL ACTIVITIES	Securitization of the Government of Malaysia's staff housing loans and issuing residential Mortgage-Backed securities to fund purchases. Issue asset-backed private debt securities, whether conventional or Islamic, including notes, bonds or debentures ("Asset-Backed Securities") for the purchase of housing loans or financing from the Originator and otherwise to raise and borrow money. To secure the repayment of the Asset-Backed Securities or any borrowings of the Issuer by charge, mortgage, pledge, lien, assignment or other security interest over the whole or any part of the Issuer's assets. Investment of its surplus funds in any form of debt securities, entering into forward contracts, swaps, futures contracts, options and derivative contracts for the purpose of hedging against or minimizing any loss concerning the assets or the business.
BOARD OF DIRECTORS	Dato' Mohd Razif Abdul Kadir, Mr. Kokularupan Narayanasamy, Dato' Huang Sin Cheng
DATE OF LISTING	Not applicable - Unlisted
ISSUE SIZE	US\$657.89 Million / RM2.5 Billion (fx:3.8)
DATE OF ISSUE	8 th August, 2005 (Target)
MATURITY	Up to 15-years
PAYMENT SCHEDULE	Quarterly
AUTHORIZED CAPITAL	US\$52.63 Thousand / RM200 Thousand (fx: 3.8)
AUTHORIZED PAID UP CAPITAL	US\$0.53 / RM2 (fx:3.8)
IDENTIFIED ASSETS	Portfolio 2005-1 consisting of a specifically-identified pool of Mortgage Assets.
LEAD ARRANGER	Commerce International Merchant Bankers Berhad (CIMB), HSBC Bank Malaysia Berhad (HSBC)
ARRANGERS/MANAGERS	CIMB, HSBC, ABN Amro Bank Berhad, AmMerchant Bank Berhad
LEGAL COUNSEL	Zaid Ibrahim & Co - CIMB, HSBC, ABN Amro, AmMerchant Wong & Partners - Cagamas MBS Berhad
FINANCIAL ADVISOR	N.A.
GUARANTOR	Government of Malaysia
TRUSTEE	Malaysian Trustees Berhad
SHARIAH ADVISOR	CIMB Shariah Committee & HSBC Shariah Committee
METHOD OF ISSUE	Private placement on a best efforts basis, book running on a best efforts basis or a bought deal basis.
PURPOSE OF ISSUE	In payment of fees, costs and expenses relating to the distribution of the Sukuk Musyarakah; and settlement in whole of the purchase consideration payable to the Originator for Portfolio 2005-1
LISTING	Unlisted
RATINGS	AAA ID - Malaysian Rating Corporation Berhad; AAA Rating Agency Malaysia Berhad
NOTES	This transaction, involving the issue of Sukuk Musyarakah, is the second in CMBS' ongoing securitization programme of Government of Malaysia (GOM) Housing Loans and Home Financing. The Issuer, CMBS, will purchase from the Originator, the GOM, a portfolio of Home Financing granted to Eligible Persons (including both current employees and pensioners) ("Mortgage Transactions") together with all amounts to be collected under such Mortgage Transactions and all charges, guarantees, insurances and other rights in connection thereto (the "Mortgage Assets"). The aggregate Outstanding Principal Amount of Portfolio 2005-1 is RM2.84 billion. The Monthly Installments of these Mortgage Transactions will be deducted at source from the Monthly Salary or Monthly Pension payable to the relevant Obligors. The Mortgage Transactions are covered by Residential Unit Policies and MRTA Policies. CMBS will issue asset-backed securities of up to RM2.05 billion under the Islamic principle of Musyarakah (the "Sukuk Musyarakah") and utilize the proceeds to settle in whole the purchase consideration payable to the Originator for Portfolio 2005-1, in payment of the fees, costs and expenses relating to the distribution of the Sukuk Musyarakah and, any excess, to be paid into the Collections Account 2005-1. The Monthly Installments of these Mortgage Transactions will be received from the Originator on a quarterly basis and utilized for the making of Distributions. Both RAM and MARC have reviewed the transaction structure and performed collateral analysis on Portfolio 2005-1. After taking into account inter alia that (i) a portion of the cash flow from Portfolio 2005-1 is scheduled for payment after the ultimate legal maturity of the Sukuk; and (ii) the profit rate of the Mortgage Transactions in Portfolio 2005-1 is lower than the expected profit rate under the Sukuk; the over-collateralization of 138.5% is sufficient for both RAM and MARC to assign preliminary ratings of AAA and AAAID respectively to the Sukuk Musyarakah.



ISLAMIC FINANCE LEAGUE TABLES



TOP 20 ISSUERS OF ISLAMIC DEBT						JULY 2004 - JULY 2005
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%Share	Manager
1 Dubai Global Sukuk FZCO	UAE	Sovereign Islamic Bond	1,000	1	15.3	Citigroup, Dubai Islamic Bank, HSBC
2 Pakistan International Sukuk Co	Pakistan	Sukuk-Al-Ijara Sovereign Islamic Bond	600	1	9.2	Citigroup, HSBC
3 Wings FZCO	UAE	Islamic Sukuk-Al-Musharaka Issue	550	1	8.4	Dubai Islamic Bank, Standard Chartered Bank, HSBC
4 Cagamas Bhd	Malaysia	Bithaman Ajil Islamic Securities	368	7	5.6	Cagamas Bhd
5 Sarawak Corporate Sukuk Inc	Malaysia	Sukuk-Al-Ijara Sovereign Islamic Bond	350	1	5.4	UBS (London)
6 PLUS Expressways Bhd	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	349	4	5.4	Commerce International Merchant Bankers Berhad
7 SAJ Holdings Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	337	2	5.2	Aseambankers Malaysia Bhd, Bank Islam Malaysia Bhd, Commerce International Merchant Bankers Bhd
8 Jimah Energy Ventures Sdn Bhd	Malaysia	Istisna' Islamic MTN Facility	245	10	3.8	AmMerchant Bank Bhd, RHB Sakura Merchant Bankers Bhd, Malaysian International Merchant Bankers Bhd, Bank Muamalat Malaysia Bhd
9 Gold Sukuk dmcc	UAE	Islamic Sukuk-Al-Musharaka Issue	200	1	3.1	Standard Bank, Dubai Islamic Bank
10 International Bank for Reconstruction & Development - World Bank	Supranational	Bai' Bithaman Ajil Islamic Debt Securities	200	1	3.1	ABN Amro Bank Bhd, Commerce International Merchant Bankers
10 Saudi Hollandi Bank	Saudi Arabia	Islamic Bond	187	1	2.9	ABN Amro, Saudi Hollandi Bank
12 Encorp Systembilt Sdn Bhd	Malaysia	Al-Bai' Bithaman Ajil Notes Issuance Facility	180	1	2.8	United Overseas Bank (Malaysia)
13 Special Power Vehicle Bhd	Malaysia	Bai' 'Inah Islamic MTN Facility	163	13	2.5	Malaysian International Merchant Bankers, AmMerchant Bank, RHB Sakura Merchant Bankers, Bank Muamalat Malaysia
14 Optimal Chemicals (Malaysia) Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	149	10	2.3	Aseambankers Malaysia, Malayan Banking, HSBC Bank Malaysia
15 Musyarakah One Capital Bhd	Malaysia	Asset-Backed Sukuk Musyarakah Issuance Programme	149	5	2.3	Commerce International Merchant Bankers Bhd
16 Ranhill Power Bhd	Malaysia	Islamic MTN Programme	142	1	2.2	Aseambankers Malaysia Bhd
17 International Finance Corp - IFC	Supranational	Al-Bai Bithaman Ajil Islamic Debt Securities	132	1	2.0	Commerce International Merchant Bankers Bhd, HSBC Bank (Malaysia) Bhd
18 Stichting Sachsen-Anhalt Trust	Germany	Islamic Bond	120	1	1.8	Citigroup
19 Optimal Glycols (Malaysia) Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities	119	10	1.8	Aseambankers Malaysia Bhd, Malayan Banking Bhd, HSBC Bank Malaysia Bhd
20 Sarawak Specialist Hospital & Medical Centre Sdn Bhd	Malaysia	Istisna' Serial Bonds	112	1	1.7	RHB Sakura Merchant Bankers
Total of issues used in the table			6,515	157	100.0	



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ISLAMIC FINANCE LEAGUE TABLES



TOP 20 ISSUERS OF ISLAMIC DEBT

YEAR-TO-DATE

Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%Share	Manager
1 Pakistan International Sukuk Co	Pakistan	Sukuk-Al-Ijara Sovereign Islamic Bond	600	1	20.1	Citigroup, HSBC
2 Wings FZCO	UAE	Islamic Sukuk-Al-Musharaka Issue	550	1	18.4	Dubai Islamic Bank, Standard Chartered Bank, HSBC
3 PLUS Expressways Bhd	Malaysia	Serial Bai Bithaman Ajil Islamic Securities	349	4	11.7	Commerce International Merchant Bankers Berhad
4 Jimah Energy Ventures Sdn Bhd	Malaysia	Istisna' Islamic MTN Facility	245	10	8.2	AmMerchant Bank, RHB Sakura Merchant Bankers, Malaysian International Merchant Bankers, Bank Muamalat Malaysia
5 Gold Sukuk dmcc	UAE	Islamic Sukuk-Al-Musharaka	200	1	6.7	Standard Bank, Dubai Islamic Bank
5 International Bank for Reconstruction & Development - World Bank	Supranational	Bai' Bithaman Ajil Islamic Debt Securities	200	1	6.7	ABN Amro Bank, Commerce International Merchant Bankers
7 Special Power Vehicle Bhd	Malaysia	Bai' 'Inah Islamic MTN Facility	163	13	5.5	Malaysian International Merchant Bankers, AmMerchant Bank, RHB Sakura Merchant Bankers, Bank Muamalat Malaysia
8 Musyarakah One Capital Bhd	Malaysia	Asset-Backed Sukuk Musyarakah Issuance Programme	149	5	5.0	Commerce International Merchant Bankers
9 Ranhill Power Bhd	Malaysia	Islamic MTN Programme	142	1	4.8	Aseambankers Malaysia Bhd
10 Cagamas Bhd	Malaysia	Bithaman Ajil Islamic Securities	105	4	3.5	Cagamas Bhd
11 Kingdom of Bahrain	Bahrain	Sukuk Al-Ijarah	80	1	2.7	Bahrain Monetary Agency
12 Intelbest Sdn Bhd	Malaysia	Al-Bai Bithaman Ajil Islamic Debt Securities/Murabahah Underwritten Notes Issuance Facility	42	4	1.4	Abrar Discounts Bhd
13 Ample Zone Bhd	Malaysia	Sukuk Al-Ijarah	39	13	1.3	Malaysian International Merchant Bankers Bhd
14 PT Indonesian Satellite Corp Tbk - Indosat	Indonesia	Syariah Ijarah Tahun 2005	30	1	1.0	PT Andalan Artha Advisindo
15 PT Apexindo Pratama Duta	Indonesia	Syariah Ijarah Tahun 2005	26	1	0.9	PT Andalan Artha Advisindo, PT Mandiri Sekuritas, Standard Chartered
16 Midas Plantation Sdn Bhd	Malaysia	Sukuk Ijarah	24	8	0.8	OCBC Bank (Malaysia)
17 PG Municipal Assets Bhd	Malaysia	Mudharabah Bonds	21	6	0.7	AmMerchant Bank
18 Oxbridge Height Sdn Bhd	Malaysia	Islamic Medium Term Notes Facility	14	6	0.5	Amanah Short Deposits, OSK Securities
19 PT Ricky Putra Globalindo	Indonesia	Syariah Ijarah Tahun 2005	6	1	0.2	PT BNI Securities
Total of issues used in the table			2,985	82	100.0	

Islamic Finance news **LEAGUE TABLE DATA – IS IT CORRECT???**

If you feel that the information within the league tables is incorrect then please contact the following:



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ISLAMIC FINANCE LEAGUE TABLES



ISLAMIC DEBT		YEAR-TO-DATE		
Manager or Group	Amt US\$ m	Iss.	%Share	
1 Commerce International Merchant Bankers Bhd	598	10	20.0	
2 HSBC	483	2	16.2	
3 Citigroup	300	1	10.0	
4 Dubai Islamic Bank	283	2	9.5	
5 Standard Chartered Bank	192	2	6.4	
6 Aseambankers Malaysia Bhd	142	1	4.8	
7 EON Bank Bhd	141	36	4.7	
8 AmMerchant Bank Bhd	123	29	4.1	
9 Cagamas Bhd	105	4	3.5	
10 Bank Muamalat Malaysia Bhd	102	23	3.4	
10 RHB Bank Bhd	102	23	3.4	
12 ABN AMRO	100	1	3.3	
12 Standard Bank Group Ltd	100	1	3.3	
14 Bahrain Monetary Agency	80	1	2.7	
15 Abrar Discount Bhd	42	4	1.4	
16 PT Andalan Artha Advisindo	38	2	1.3	
17 Oversea-Chinese Banking Corp Ltd	24	8	0.8	
18 PT Bank Mandiri	9	1	0.3	
19 Amanah Short Deposits Bhd	7	6	0.2	
19 OSK Asia Securities Ltd	7	6	0.2	
Total of issues used in the table	2,985	82	100.0	

ISLAMIC DEBT		JULY 2004 - JULY 2005		
Manager or Group	Amt US\$ m	Iss.	%Share	
1 HSBC	1,050	29	16.1	
2 Commerce International Merchant Bankers Bhd	776	13	11.9	
3 Citigroup	754	3	11.6	
4 Dubai Islamic Bank	617	3	9.5	
5 Aseambankers Malaysia Bhd	421	28	6.5	
6 UBS	350	1	5.4	
7 Standard Chartered Bank	292	3	4.5	
8 United Overseas Bank Ltd	285	3	4.4	
9 Government bond/no bookrunner	263	3	4.0	
10 RHB Bank Bhd	223	25	3.4	
11 ABN AMRO	193	2	3.0	
12 AmMerchant Bank Bhd	191	40	2.9	
13 EON Bank Bhd	159	37	2.4	
14 Bank Islam Malaysia Bhd	112	2	1.7	
15 Bank Muamalat Malaysia Bhd	111	24	1.7	
16 Cagamas Bhd	105	4	1.6	
17 Standard Bank Group Ltd	100	1	1.5	
18 Abrar Discount Bhd	96	7	1.5	
19 Saudi Hollandi Bank	93	1	1.4	
20 Bahrain Monetary Agency	80	1	1.2	
Total of issues used in the table	6,521	158	100.0	

ISLAMIC DEBT BY COUNTRY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%Share	
Malaysia	1,294	74	43.4	
United Arab Emirates	750	2	25.1	
Pakistan	600	1	20.1	
United States	200	1	6.7	
Bahrain	80	1	2.7	
Indonesia	61	3	2.1	
Total	2,985	82	100.0	

ISLAMIC DEBT BY COUNTRY		JULY 2004 - JULY 2005		
	Amt US\$ m	Iss.	%Share	
Malaysia	3,258	142	50.0	
United Arab Emirates	1,750	3	26.8	
Pakistan	600	1	9.2	
United States	332	2	5.1	
Saudi Arabia	187	1	2.9	
Germany	120	1	1.8	
United Kingdom	100	1	1.5	
Indonesia	95	6	1.5	
Bahrain	80	1	1.2	
Total	6,521	158	100.0	

ISLAMIC DEBT BY CURRENCY		YEAR-TO-DATE		
	Amt US\$ m	Iss.	%Share	
Malaysian Ringgit	1,494	75	50.1	
US Dollar	1,350	3	45.2	
Bahraini Dinar	80	1	2.7	
Indonesian Rupiah	61	3	2.1	
Total	2,985	82	100.0	

ISLAMIC DEBT BY CURRENCY		JULY 2004 - JULY 2005		
	Amt US\$ m	Iss.	%Share	
Malaysian Ringgit	3,340	144	51.2	
US Dollar	2,700	5	41.4	
Saudi Arabian Riyal	187	1	2.9	
Euro	120	1	1.8	
Indonesian Rupiah	95	6	1.5	
Bahraini Dinar	80	1	1.2	
Total	6,521	158	100.0	

BEST ISLAMIC BANKS POLL 2005

In October 2005 Islamic Finance News will publish the results of its inaugural Best Islamic Banks Poll.

This will be the industry's first true global poll where the practitioners and professionals have their say on who is the best in a series of categories.

Note: You are not required to complete every section

CLOSING DATE: WEDNESDAY, 19th OCTOBER 2005

Best Overall Provider of Islamic Financial Services: _____

Best Provider of Islamic Financial Services: By Country

Bahrain: _____

Malaysia: _____

Brunei: _____

Oman: _____

Egypt: _____

Pakistan: _____

India: _____

Qatar: _____

Indonesia: _____

Saudi Arabia: _____

Iran: _____

Europe: _____

Jordan: _____

UAE: _____

Kuwait: _____

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