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Press Release

Strong Performance of Financial Industries in Labuan IBFC in 2010

KUALA LUMPUR, 6 May 2011 – The Labuan Financial Services Authority (Labuan FSA) released its 2010 Annual Report today, which highlighted the developments and progress of the Labuan International Business and Financial Centre (IBFC).

The Labuan IBFC maintained its strong growth across all key business sectors. This demonstrates Labuan IBFC's ability to respond to the evolving business environment by building on its new strengths and leveraging on its competitive advantage. This has enabled the Labuan IBFC to scale greater heights and to evolve into a vibrant and progressive international business and financial centre. The new legal and regulatory framework has further widened the spectrum of products and services that are offered through the Labuan IBFC, thus enhancing its status as the jurisdiction of choice in the region.

Business Activities in Labuan IBFC

In 2010, the cumulative number of Labuan companies recorded a sustained growth of 7.8% increasing to 8,004 companies compared to 7,423 companies in 2009 originating from close to 100 countries. This growth is complemented by the strong expansion in other sectors including the banking, leasing and insurance sectors.

As at end of 2010, there were 61 approved banks operating in the Labuan IBFC, compared to 59 in 2009. The Labuan banking industry recorded its best ever performance in terms of pre-tax profits, which increased by 114.8% to USD536.4 million, compared to USD249.7 million in 2009. Higher fee-based activities, improved loan recovery and higher net interest income have contributed to the significant increase in the pre-tax profits.

The total assets of the banking industry increased by 13.2% to USD33.9 billion in 2010, driven by higher loans and advances which amounted to USD19.9 billion as compared to USD18.5 billion in 2009. The industry continued to exercise prudent and sound credit risk management. Gross non-performing loan remained low at 2.2% in 2010. The capital position of the Labuan banking sector remained strong with a risk-weighted capital ratio at 20.5%.

The insurance sector also continued to expand in 2010 with the total number of approved insurance entities increasing to 169 compared to 149 in 2009. During the year, 22 new licences were approved, comprising nine insurance brokers, seven underwriting managers, three reinsurers, two captive insurers and one general insurer. The gross premium of the insurance sector continued to surpass the USD1.0 billion mark for the third consecutive year. The solvency margin remained strong at five times above the minimum regulatory requirements.

Non-resident businesses contributed 52.9% of the total gross premiums, in line with Labuan IBFC's strategic direction to tap 'out-out' business. Total assets of the industry rose by 26% to USD3.1billion.

The year 2010 also witnessed a significant growth in the number of Labuan leasing companies. The number of companies increased by 29.4% to 176 companies while the amount of assets leased grew by 14.2% to USD25 billion compared to USD21.9 billion in 2009. The leasing sector was primarily driven by leasing transactions in the oil and gas, shipping, aviation and telecommunication activities.

The total number of trust companies registered in Labuan IBFC as at end of 2010 increased to 23. The trust companies recorded an aggregate operating income of USD15.4 million, an increase of 18% from USD13.0 million achieved in 2009. Among the major activities of the trust companies include secretarial services, company registration and business processing for Labuan entities, trusteeship, advisory, and other professional services such as legal and accounting. The trust companies strategic alliance entered into with other international registered agents and professional service providers has also contributed to the strong performance of the key business sectors in Labuan IBFC.

Islamic Financial Services

The Islamic finance and the takaful and retakaful industry continued to record significant growth in 2010. The total Islamic banking assets recorded a commendable growth of 63.6% to reach USD1.3 billion as compared to USD794.7 million in 2009, resulting in a larger market share of 3.8% against the total assets Labuan banking industry. As at end of 2010, there were six full-fledged Islamic banks and nine Islamic windows established in Labuan IBFC.

The takaful and retakaful industry also continued its upward trend of double digit growth. The industry gross contributions increased by 27.0% to USD297.3 million, which reflected the enhanced interest and confidence on Labuan takaful and retakaful business. As at 31 December 2010, there were seven full-fledged retakaful companies and nine retakaful windows conducting business in Labuan IBFC.

The Islamic capital market continued to attract interests from international investors. In 2010, a Japanese multinational corporation made its debut issuance of sukuk through the Labuan IBFC. The issuance of USD100 million of corporate sukuk was also the first issuance of Islamic notes under the newly enacted Labuan Islamic Financial Services and Securities Act 2010.

Labuan International Financial Exchange

Corresponding to the increase in the number of debt issuance out of Labuan IBFC, the Labuan International Financial Exchange (LFX) also recorded five new listings, bringing the total number to 28 and increase in market capitalisation to USD19.2 billion.

Labuan FSA's Financial Performance

For the year ended 31 December 2010, Labuan FSA recorded an operating income of RM22.9 million, while its total reserves stood at RM28.1 million.

Strategic Initiatives in 2010

Labuan FSA continued to undertake various initiatives to promote the development of Labuan IBFC as a premier jurisdiction for international business and finance. Amongst the initiatives were the establishment of a representative office in Hong Kong to further strengthen the connectivity and linkages with the Asia Pacific countries.

Labuan banks and insurance companies were also accorded flexibility to establish their operations and management offices outside of Labuan similar to that accorded to the Labuan holding companies in 2009.

In April 2010, the Labuan FSA signed a Memorandum of Understanding on Cooperation and Mutual Assistance with the Financial Services Commission of Mauritius. The agreement is aimed at establishing an enhanced cooperation between the authorities in regulating and supervising cross-border financial activities.

Labuan IBFC's Contribution to Overall Economic and Financial Development

In two decades, Labuan has established itself as a premier financial centre of international repute, serving the Asia Pacific and the Far East regions. The significant progress achieved by the Labuan IBFC has also positively supported the overall development in Labuan. The Labuan IBFC has generated new employment comprising of Malaysians and international expatriates which specialised expertise in the areas of reinsurance, insurance management, banking and finance, taxation and trust. Local talents have benefited immensely from the transfer of skills and knowledge. Increased business activities in the Labuan IBFC has also generated economic spin-offs to the local economy in Labuan. The Government's commitment to Labuan has also provided the enabling infrastructure that has included the modernization of the airport with open sky policy, a university and international school, enhanced telecommunication facilities and deep water port which has made Labuan an attractive business destination. This has also promoted the development of other sectors such as tourism, real estate and other ancillary business services.

Strategies Ahead

Moving forward, the Labuan FSA has identified several key strategies to advance Labuan as an international business and financial centre of choice in the region. In the pipeline are several key initiatives under the Malaysian Financial Sector Blueprint the new blueprint with overarching outcomes that are premised on making Labuan into a strong, sound and competitive financial centre with wide international and regional linkages. Concrete targets for Labuan IBFC and measures to achieve them will be articulated as part of the Malaysian Financial Sector Blueprint to be unveiled by Bank Negara Malaysia which will provide a holistic approach for the development of the Malaysian financial sector in the next 10 years.

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