

*Keeping the Commercial
customer in mind*

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HSBC's Chairman, Stephen Green:

“...It is essential that (financial) services are provided ethically and in ways which are appropriate to the culture and values of the country and its communities...Islamic finance is one way in which we do this...”

“Takaful is another developing area of Islamic finance and is forecast to grow six-fold over the next decade. It is an area which has the potential to meet the needs of individuals, but also businesses and even large corporations.”

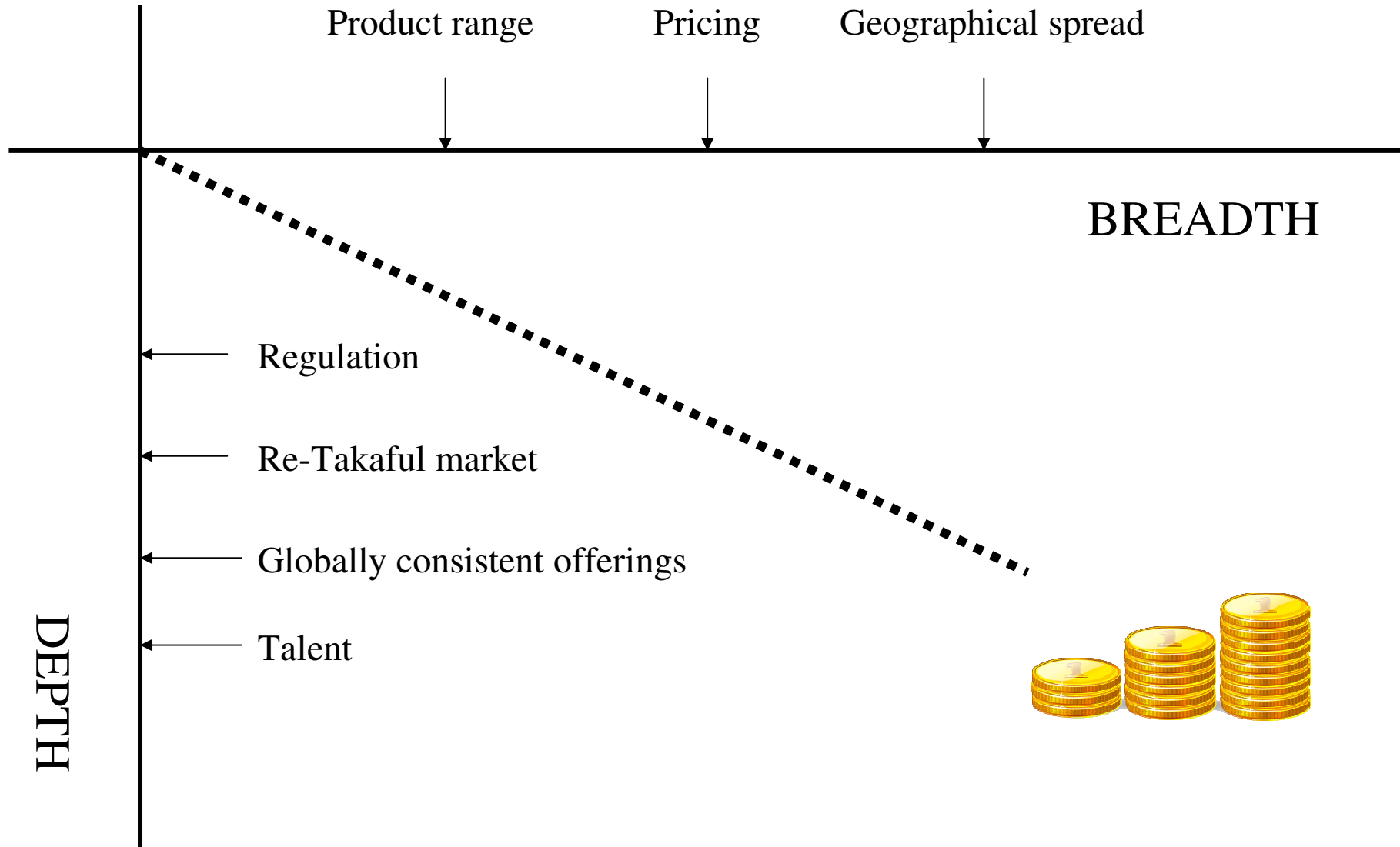
The global Takaful industry continues to grow, but...

- Commercial Takaful penetration remains low in key markets, even in lead markets like Malaysia and Saudi Arabia.
- There remains little data on the Commercial Takaful sector specifically, making analytics driven decision making challenging.
- It's a commonly held belief that commercial customers are wary of Takaful from a price perspective.

The Commercial opportunity...

- 60-85% (?) of insurance premiums in the conventional industry come from the Commercial sector.
- A 2008 report by Oliver Wyman highlighted SME Insurance as: “*A golden opportunity for banks*”.
- There are approximately 900,000 SMEs in KSA and 600,000 SMEs in Malaysia, and Takaful penetration in these remains miniscule.
- Insurance now represents 18% of the HSBC Group’s profit and Takaful can open a new customer segment.
- “*The Market for large corporates and commercial businesses offers significant opportunities for Takaful, particularly for investment projects handled by Islamic banks. This segment is currently insured by conventional insurers in most cases.*” – **Swiss Re, Sigma Number 5 2008**

The Commercial Takaful industry has breadth and depth challenges....



Barriers and solutions

ISSUE	SOLUTIONS
Customer sentiment	Education; Pricing
Need for competitive products	Innovation; Global standardisation
Lack of scale	Regulation; Strategic Investment
Availability of talent	Scale; Education

HSBC Amanah

- Investing in Takaful and Islamic banking globally as a ‘one-stop-shop’ for commercial customers.
- Supporting Commercial Banking strategy with core range of Marine, Employee Benefit and SME protection products in KSA and Malaysia.
- Takaful manufacturing and distribution hubs in Malaysia, Saudi Arabia, and Singapore.
- Distribution also in UAE, Brunei and Indonesia (Qatar and Bahrain to follow soon).
- Shareholder support: SABB Takaful’s 300 million Saudi riyals (\$80 million) rights issue oversubscribed (96.5% of investors subscribing).

An example: SABB Takaful

- Offers General Takaful Products for marine, property and fire; Family Takaful products provided as group plans.
- Doubled the sales team concentrating on this sector in 2010.
- Close relationship with SABB Commercial bank.
- Targeting SMEs with packaged ‘all-in-one’ products, like the ‘Business Banking Takaful Plan’ launched in October 2009 offering flexible packages – eg. Basic, Silver, Gold or Platinum - from SAR 1,000 a year.
- Retail still dominates the book, but commercial is becoming more significant:

SABB Takaful Gross Contributions 07/08

	15/05/2007G to 31/12/2008G, (SAR'000)
Individual Takaful	
Individual Family Takaful	128,718
Individual General Takaful	11,366
Commercial Takaful	
Commercial Family Takaful (Group Takaful)	37,530
Commercial General Takaful	35,164
Total	212,778

Source: SABB Takaful

Summary

- Commercial should be form a significant part of Takaful's growth plans – Research and Data Analytics
- Big task ahead to convince Commercial customers to choose Takaful – Education, Pricing, Product Innovation, After Sales Service.
- Long-term investment required – Shareholder education.

Takaful doesn't have to follow the same steady growth trajectory as the conventional insurance industry...