

REUTERS ISLAMIC BANKING AND FINANCE SUMMIT 2010

London, Geneva, Dubai, Manama, Kuala Lumpur, Manama
February 15 – 18, 2010



THOMSON REUTERS

Reuters Islamic Banking and Finance Summit attendees give a cautious outlook for the sector



SPEAKER LIST

CIMB Islamic CEO Badlisyah Abdul Ghani

Arcapita Bank CEO Atif Abdulmalik

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Secretary General Mohamed Nedal Alchaar

Citi Islamic Investment Bank CEO Samad Sirohey

Islamic Development Bank Adviser to the President Mohammad Tariq

Gulf Finance House Acting CEO Ted Pretty

Deutsche Bank Global Head of Islamic Finance Hussein Hassan

Barclays Capital Global Head of Islamic Products Harris Irfan

Calyon Managing Director of Islamic Banking Simon Eedle

Algebra Capital Founder, Chairman and CEO Ziad Makkawi

HSBC Amanah Global Deputy CEO Razi Fakh

Standard Chartered Saadiq CEO Afaq Khan

Indonesian Central Bank Head of Islamic Banking Bureau Mulya Siregar

Penang International Halal Hub Chairman Abdul Malik Bin Abul Kassim

Faisal Private Bank CEO Mark Koch

International Sharia Research Academy for Islamic Finance Executive Director Mohamad Akram Laldin

Bank Muamalat President Director Arfiyan Arifin

Aberdeen Asset Management Head of Equities Abdul Jalil Rasheed

Indonesia Ulema Council Sharia Board Member Kanny Hidayat

Prime Rate Capital CEO Chris Oulton

Dar Al Sharia (Dubai Islamic Bank) Scholar Hussein Hamid Hassan

Norton Rose Partner Farmida Bi

Ernst & Young Head of Islamic Banking Sameer Abdi

Bank Mega Syariah President Director Beny Witjaksono

Bank of London and the Middle East (BLME) CEO Humphrey Percy

JPMorgan Head of Islamic Structuring Business Safdar Alam

DLA Piper Senior Legal Consultant Amir Ahmad

Halal Industries Chairman Mahesh Jayanarayan

Allianz Takaful CEO Abdul Rahman Tolefat

Burges Salmon Head of Islamic Finance Imam Qazi

Bank Sarasin Head of Islamic Banking Fares Mourad

Unicorn Investment Bank Head of Strategic M&A Frederick Stonehouse

Birch Capital Founder and Head Toby Birch

Indonesia Sharia Insurance Association Chairman M Shaifie Zein

Islamic Banking Association of Indonesia Chairman A. Riawan Amin

Amanie Islamic Finance Consultancy and Education LLC (DIFC, Dubai) Managing Director, Amanie Business Solutions Sdn. Bhd (Kuala Lumpur) and International Institute of Islamic Finance (IIIF) Inc. (BVI) President/CEO Mohd Daud

Paris Europlace Chairman of Islamic Finance Committee Gilles Saint Marc

Morgan Stanley Senior Advisor Focusing on Islamic Finance in UAE/Middle East Yavar Moini

Standard & Poor's Vice President Global Equity Alka Banerjee

Simmons & Simmons Partner & Global Head of Islamic Finance Muneer Khan

Etiqa Takaful Berhad CEO Shahril Azuar Jimin

TBC Islamic Finance Expert/Banker David Testa

BNY Mellon MENA Business Manager Giambattista Atzeni

Dubai Financial Services Authority Director of Policy Peter Casey

Clyde & Co Partner Ashley Painter

Clyde & Co Partner Peter Hodgins

King & Spalding Partner Jawad Ali

Allen & Overy LLP Partner Anzal Mohammed

Fulbright & Jaworski L.L.P. Partner Michael McMillen

Denton Wilde Sapte Partner Shaikh Muddassir Siddiqui

Clifford Chance Partner Qudeer Latif

SEI Senior Executive Officer Jahangir Aka

Independent Consultant John Sandwick

Watamar & Partners Senior VP Alex Theocharides

Brown Rudnick Partner Sonya van de Graaff

SUMMIT INSIGHTS

For all stories, analysis, videos and blogs, please visit Reuters Summits website: reuters.com/summits

Earlier billed as a safe haven investment, the Islamic finance industry now risks moving slower out of the financial crisis as it still struggles to leave the legacy of a real estate crush in the Gulf Arab region behind.

The 2010 Reuters Islamic Banking and Finance Summit held in Dubai, Bahrain, Kuala Lumpur, Jakarta, London and Geneva brought together bankers, lawyers, insurers and scholars to discuss the outlook for the industry.

Attendees said that France and the United Kingdom, both striving to establish themselves as the Western hub for the industry, have missed a window to issue Islamic bonds, or sukuk.

Turkey, Central Asia and Indonesia could be the industry's next growth regions instead, they said.

Interviewees also discussed the impact of Dubai's debt woes on the markets and the need for clearer regulations and new products such as sukuk funds.

Bahrain's Gulf Finance House told the summit the bank plans to raise \$250 million in short-term asset sales, while Indonesia's PT Bank Muamalat said it plans to raise \$107 million from a share sale to double its capital base.

Exclusive interviews and investable insights, as well as online videos and blogs, from the closed on-the-record sessions at Reuters Islamic Banking and Finance Summit can be seen at:

www.reuters.com/summit/IslamicBankingandFinance10
HSBC seeks big growth, sukuk pickup in 2010

HSBC expects double-digit revenue growth this year in its Amanah Islamic banking division and more sukuk mandates than in 2009, Razi Fakih, deputy chief executive of Amanah told Reuters.

HSBC expects to have more than the 15 mandates it had in 2009 for sukuk, or Islamic bond issues, Fakih said at the Reuters Islamic Banking and Finance Summit.

"We're confident we can do better in 2010," Fakih said. "We see a very bright 2010 in the sukuk space."

New issuance will come more from the Middle East and Asia than from the West, he said, with some issues already lined up for the first quarter of the year.

Fakih's bullish outlook for HSBC-mandated issuance runs counter to consensus expectations for global sukuk volumes to weaken in 2010, in part due to a weakening in market sentiment in the wake of the Dubai debt crisis.



Global sukuk issuance totaled \$19 billion last year, of which the United Arab Emirates accounted for a fifth, according to Thomson Reuters data.

By comparison, global emerging market issuance totaled close to \$200 billion last year, according to Commerzbank, and is likely to match that this year as investors look for more conventional, higher-yielding assets again.

Fakih said the Islamic financial sector remained poised to outgrow conventional finance in revenue terms after both sectors suffered under the global crisis.

Islamic lenders in general and HSBC in particular have greater exposure to emerging markets with faster growth rates than developed countries, he said.

According to HSBC, the Islamic finance industry enjoyed a compound annual growth rate for 2006-2009 of 28 percent, with assets forecast to hit \$1.033 trillion in 2010.

Speaking at the Islamic Banking and Finance summit held at the Reuters' offices in Dubai, Manama, Kuala Lumpur, London, Geneva and Jakarta, Fakih said: "We are very bullish on the year ahead for us."

Amanah was adding staff and branches in Saudi Arabia, Malaysia, Qatar, Indonesia and perhaps in the United Arab Emirates and was preparing to launch a series of Islamic investment instruments, he said.

Other countries where Amanah is active include the UK, Bangladesh, Brunei and Singapore, Bahrain and Mauritius.

SUMMIT VIDEOS

To view videos, please visit Reuters Summit website at: www.reuters.com/summits



Saadiq look to commodity hedging
(01:41) Interview



E&Y on Islamic Banks' future
(04:29) Interview



Deutsche Bank see prospects in Saudi
(2:40) Interview



T'azur eyes new Insurance products
(4:36) Interview



Dubai World meet legal standards
(2:53) From the Scene



THOMSON REUTERS



[UK firm eyes first Halal industrial park](#)

A venture capital firm is raising funds to launch Europe's first industrial park for Islamic goods, tapping an under-served market worth up to 4 billion pounds (\$6.27 billion) a year in Britain, its chairman said.

The Super Halal Industrial Park will be based in South Wales and will take three to five years to launch, said Mahesh Jayanarayan, chairman of Halal Industries, who chose Wales for the project because of its meat industries and affordable land prices.

The cost of the project would be 150 million pounds - a sum he plans to raise in the capital markets, by sourcing government grants and by finding anchor-partners like supermarket chains and multinational food manufacturers to "cement the deal," he said.

"If you look at some figures, the halal sector in the UK is worth between 2 to 4 billion pounds, the majority of that is imported," Jayanarayan said at the Reuters Islamic Banking and Finance Summit in London.

"You have 2.5 billion people on the planet eating halal food, directly or indirectly ... This halal market is not going away, it is not some fad," he said.

Halal is an Arabic term meaning 'permissible', and although frequently linked to butchery, it refers to anything that is permissible under Islam.

The global industry is worth an estimated \$2.1 trillion, and is expected to grow as the Muslim middle class grows richer.

Europe has no Halal industrial parks, despite being home to millions of Muslims. SHIP will help to make the UK a landmark Halal center for the region, Jayanarayan said.

A successful first project could lead to further launches across Europe, possibly France and Germany and emerging Europe.

"We would prefer to go to places like Bosnia, where there's a large Muslim population and... we could seek EU grants."

Halal Industries has partnered with the Penang International Halal Hub (PIHH), the agency set up by the Malaysian state to promote halal-related

industries. PIHH will provide advisory and development support throughout the project.

The park would provide services such as storage, product packing, meat selection and processing as well as research and development.

"This would be a private equity play but also a property play, purely because we are trying to pre-sell the project to industrial people to come in," said Jayanarayan.

Halal Industries is a newcomer with no projects yet off the ground, and is backed by Scandinavian investors through Jayanarayan's UK-based partnership Bergstrom Associates.

The firm is also planning to set up an Islamic stock exchange in either London or Luxembourg to try to encourage the development of Islamic enterprise.

"We have a technical partner, a sharia board and we have identified a board of directors, but there is still a lot of work to be done (on the exchange)," said Jayanarayan.

The exchange would abide by Islamic law by restricting practices such as short-selling and the use of leverage.

[France, UK must show sharia market mettle](#)

Paris and London, the financial centers vying for the lead on Islamic finance business in Europe, need to issue sukuk bonds soon to show commitment and keep competition at bay, experts told Reuters.

The market for Islamic bonds in Europe failed to push out deals after the collapse of Lehman Brothers, when credit was hard to come by and companies were yearning for alternatives to traditional financing methods.

"Twelve months ago all sorts of UK and European corporates were talking to us about tapping the Islamic markets because either their conventional sources had dried up," Farmida Bi, partner at law firm Norton Rose, told the Reuters Islamic Banking and Finance Summit this week.

A series of factors, including legal and political complexities, helped to derail potential deals, leaving both cities struggling for credibility, and giving new market entrants such as Turkey a chance to step in.

"Some of those concerns were now alleviated and these corporates are not so much in the markets now," she said.

Appetite on the continent has also been dampened in the wake of wranglings over debt in Dubai and neither France nor the UK have issued a sukuk.

Last April, France seemed to have all but won the sukuk race, after Gilles Saint Marc, a member of the Islamic Finance committee at Paris Europlace -- which promotes the French capital's financial district -- said a corporate was close to issuing a 1 billion euro sukuk. [Read the full article](#)

SUMMIT VIDEOS

To view videos, please visit Reuters Summit website at: www.reuters.com/summits



[Reality v perception in Nakheel deal](#)

(3:06) From the Scene



[Looking forward in Islamic Finance](#)

(3:44) From the Scene



[Allianz Takaful on Islamic Insurance](#)

(5:12) Interview



[GFH on cash flow troubles](#)

(2:55) Interview



[AAOIFI on screening Islamic products](#)

(3:51) Interview



THOMSON REUTERS



[Islamic finance eyes new regions](#)

Muslim countries in Central Asia and Indonesia are seen as the next growth areas for the Islamic finance industry after hopes of expansion into Western markets faded and Gulf Arab markets remain fragmented.

Islamic banks are struggling to expand within the Gulf Arab region that due to shareholders' sensitivities, a lack of transparency and national interests has seen hardly any acquisitions, forcing them to look elsewhere for growth.

Banks have eyed Muslim minorities in Western countries such as France, the United Kingdom and Germany, but without proper regulatory support these markets will take time to penetrate and earlier hopes for Western issuance of Islamic bonds have faded.

"For many years it's been viewed as an area with potential but realizing that potential is a lot more challenging than institutions realized," said Frederick Stonehouse, head of strategic M&A at Bahrain's Unicorn Investment Bank, said at the Reuters Islamic Banking and Finance Summit in Bahrain.

Some of the Islamic banks in the UK are seen as mere offsprings of the real estate-focused business model Islamic investment houses have used in the Gulf Arab region, and have failed to gain traction.

The former Soviet republics with Muslim populations and regulators that are keener to breed the industry are seen as an alternative for Gulf Arab banks, with regional delegations flocking to recent Islamic finance conferences held in the Gulf. [Read the full article](#)

[Islamic finance needs new assets beyond property](#)

The Islamic finance industry will need to look for new assets on which to base its structures as investors shun real estate after the sector took a hit during the financial crisis, executives at a Reuters summit said.

The sukuk, or Islamic bond market, particularly in the Gulf Arab region, had been dominated by real estate developers before a regional building boom came to an end in 2008 after the crisis kicked in and oil prices slumped.

"Firstly, land and real estate assets are probably not considered to be a very stable asset at the moment, and secondly, there is further scrutiny on the asset-backed structures of sukuk," said Safdar Alam, head of Islamic structuring at J.P. Morgan, told the Reuters Islamic Banking and Finance Summit.

"This means the industry will have to look quite hard at other kinds of assets to use for sukuk," he said.

Sukuk -- or sharia-compliant bonds -- rely on returns from tangible assets such as rents from properties to produce cash flows -- not interest -- to pay investors.

The use of real estate as an underlying asset will continue to play a role in the sector, but there may be a short break, said Sameer Abdi, head of Islamic finance at Ernst & Young.



"It was an easy asset class to structure around because of its availability, the appetite for it, so I think those two aspects will come back to the market," Abdi said. [Read the full article](#)

[Swiss urged to grab Islamic banking chance](#)

For a Swiss private banking industry that is under fire and could see traditional sources of asset inflows dry up, Islamic banking is a unique opportunity that should be grabbed with both hands, one expert said.

Mounting international pressure has forced Switzerland to relax banking secrecy rules and come into line with OECD standards for tax cooperation, hitting the traditional markets of wealth managers like UBS.

"Swiss private banking is having to adapt to a new world of tax transparency, and former markets will no longer provide the assets under management they once did," said independent Islamic wealth and asset management consultant John Sandwick.

That means bankers will need to seek new markets to grow business, or even keep it at present levels, he said. [Read the full article](#)

SUMMIT VIDEOS

To view videos, please visit Reuters Summit website at: www.reuters.com/summits



[CEO of UK Islamic Compliant Bank](#)

(6:09) Interview



[Credit Agricole on new Sukuk issues](#)

(3:59) Interview



[Unicorn Outlines M&A Plans for GCC](#)

(5:12) Interview



[JP Morgan on Sukuk Investor Appetite](#)

(4:45) Interview



THOMSON REUTERS



Private equity boom seen for Islamic finance

Private equity will be a key growth engine for the Islamic finance industry, but fund managers need to better understand Sharia concepts before a market can develop, a top banker said.

Like most parts of the world, the private equity market in the Middle East came to a standstill in 2009 as liquidity conditions and deal opportunities dried up.

"Private equity is going to be a big boom area," said Harris Irfan, head of Islamic Products at Barclays Capital, speaking at the Reuters Islamic Banking and Finance Summit.

"The capabilities of producing sharia-compliant private equity funds are actually very limited in the market despite the fact that people talk about private equity and Islamic finance as a natural fit."

Irfan said he hopes to see private equity fund managers get comfortable with sharia concepts to create a space for such funds to operate in.

"The reality is executing a sharia-compliant private equity fund is very different from visualizing it."

State-owned Abu Dhabi Invest AD said in October it was planning an Islamic private equity fund.

Bahrain GFH eyes \$250 million asset sale

Gulf Finance House plans to raise \$250 million through asset sales this quarter, and has made layoffs to cut costs after a regional real estate boom ended, its acting CEO.

Ted Pretty told the Reuters Islamic Banking and Finance summit in Manama that the troubled investment house is in talks to sell its stakes in Khaleeji Commercial Bank KHCB.BH as well as its "energy city" real estate projects. He said the investment house is in talks with banks, sovereign institutions and real estate developers and hopes to complete the sales by the end of the quarter.

Hard-hit by a property crash in the Gulf Arab region late in 2008, GFH escaped default on a \$300 million loan this month by striking an eleventh-hour deal to roll over one third by six months.

GFH has said it is also in talks with lenders of a \$100 million loan arranged by Liquidity Management Center (LMC) that matures in two tranches in March 2010 and March 2011, and Pretty said the investment house aims to replace it with a new two-year facility.

Bankers and analysts have said GFH needs to sell assets, including its 37 percent stake in Khaleeji -- which is worth about \$130 million at current market valuations -- to avoid further funding difficulties.

"We have \$420 million in assets identified for sale that we want to achieve in the next twelve months. We don't want to be forced sellers, but we want to have an orderly sale and exit them gradually over the year," Pretty said.

Pretty said that the stake GFH owns in the Bahrain Financial Harbor business towers was not included, but that GFH's stakes in Bahrain-based First Energy Bank, Qatar's QInvest and Asia Finance House were among these assets.

He also said that Salah Rahimi, head of GFH's real estate and infrastructure unit, left the bank, effective February 10, and that the bank had laid off 35 employees since year-end.

Rahimi was a long-standing executive at GFH and his is the second high-profile departure, after previous CEO Ahmed Fahour, in a surprise move left, the bank in December after just five months on the job.

Job cuts at banks are a very sensitive issue in Bahrain and its investment houses have generally denied taking this measure, even though they have visibly reduced their operating costs.

Pretty said the bank plans to bring down its annual costs by 40-45 percent to below \$80 million.

The investment house posted a 2009 loss of \$728 million as its revenues from placing real estate projects fell close to zero and it cleaned its books of the legacy of the region's real estate crash.

Real estate projects, including the series the company called "energy cities" in Qatar, Libya, India and Kazakhstan, were GFH's main business line, by earning fees on the investor money it raised for the projects.

Pretty said GFH hopes to generate revenues this year by arranging financing for new financial institutions and setting up a new investment bank in Syria it is offering to investors.

"We're well advanced in obtaining (the license) through the proper approval process of the central bank of Syria," Pretty said, saying GFH was in talks with three potential investors.

SUMMIT VIDEOS

To view videos, please visit Reuters Summit website at:
www.reuters.com/summits



S&P Sees UK Sukuk Issues This Year

(5:58) Interview



NEWS STORIES

Dubai woes scapegoat Islamic finance: experts

Islamic finance should look to sukuk fund: Citi

Islamic finance needs retail push: Ernst & Young

Islamic megabank to launch in 6-12 months

Islamic finance needs regulation: experts

AAOIFI to start Islamic finance screening in H2





London sharia bank targets well-off Gulf clients

Sharia-compliant Bank of London and the Middle East (BLME) is targeting the thousands of rich Gulf residents who spend part of the year in London, to boost its private banking arm, its head told Reuters.

Britain's largest stand-alone sharia bank aims for deposits in the wealth management unit -- launched a year ago -- to make up 20-25 percent of its total, from 5-10 percent currently, Chief Executive Humphrey Percy said.

"This is what we are targeting and it will take three to five years to achieve that," he told the Reuters Islamic Banking and Finance Summit in London.

The bank does not disclose how much it holds in client assets. It is targeting clients with a net worth more than 1 million pounds (\$1.57 million), who can commit at least 250,000 pounds. Percy also said the bank is about to launch an Internet banking service aimed at less wealthy clients who can deposit around 50,000 pounds or more, targeting deposits of 50 million pounds within a year.

The bank, which fully complies with Islamic principles, was founded in 2006 with the backing of Kuwaiti investors, including Boubyan Bank.

Percy also said the BLME is planning to launch two new funds in the next six months, a leasing fund and a trade finance fund as part of an ongoing business expansion.

The former will offer investors access to leased assets such as equipment, trucks, railway carriages and aeroplanes. The latter will invest in short-term revolving finance facilities, which allow a borrower to draw down and repay amounts for short periods throughout the life of the facility.

The bank was "getting closer to a listing" in London, Percy said, but it was not looking to raise money from the exercise.

The bank is hoping the British government will issue a sukuk, or Islamic bond, in a range of maturities. That would create a yield curve in the paper, enabling sharia-compliant banks to price their own sukuk.

The Conservative Party, which is leading the polls ahead of national elections due later this year, has shown interest in the project, Percy said. Last year the British government said in its annual budget it would change the tax regime to remove fiscal penalties and encourage companies willing to use Islamic financial structures, but shelved plans to issue a sovereign one.



StanChart to launch Islamic commodity derivative

Standard Chartered Bank Saadiq expects to launch an Islamic commodity derivative in the first quarter, the bank's chief executive said.

Speaking at the Reuters Islamic Banking and Finance Summit, Afaq Khan said the bank was in advanced discussions with counterparties in the Middle East, including trading companies and government entities, to launch the product.

"Basically if you want to hedge oil rice, wheat, sugar or steel, we will be in a position to offer that in a sharia complaint manner," he said.

Khan said the bank had spent about 15 months creating the product, which will be endorsed by the bank's sharia board.

"(We are in discussions) with trading companies and some government entities in countries where the government is trying to manage the price of essential commodities," Khan said.

To comply with Islamic law, the product would need to have access to or possess the product, Khan said.

"If you have a view on the price of rice and want to maintain the price of rice in the market, then you can hedge the price movement down the line and we would be able to make you a price so you can manage the cost in your local economy," Khan said.

The customers for the product would be importers, exporters or distributors who "want to fix" the price of the commodity, Khan said.

Islamic scholars are split on the legitimacy of derivatives; some see them as permissible instruments to hedge risks but others as speculative transactions, which Islam forbids.

Some Islamic operators have used a contract known as Arbun to replicate call options.

NEWS STORIES

Manager sees upside to Sukuk woes

Islamic finance absent from real economy: scholar

Gulf sukuk growth needs stronger capital markets

France risks sharia credentials over sukuk delay

Gulf Arab sukuk market seen subdued for months

Islamic derivatives standard to launch soon

Allianz Takaful in talks on sukuk issue

Gulf Arab sukuk market seen subdued for months

AAOIFI to start Islamic finance screening in H2





Western sukuk left floundering after Dubai: lawyer

The market for issuance of sukuk in the UK and Europe is struggling to reignite in the aftermath of the Dubai World standoff and a recovery in more traditional forms of financing, a specialist lawyer said.

Farmida Bi, a partner at the Norton Rose in London, said the pipeline for Islamic bonds in the UK, the most sophisticated Islamic financial market in Europe, was "not fantastic."

"Twelve months ago all sorts of UK and European corporates were talking to us about tapping the Islamic markets because either their conventional sources had dried up or they were concerned they may dry up," Bi said at the Reuters Islamic Banking and Finance Summit on Monday.

"I think some of those concerns were now alleviated and these corporates are not in the markets now," she said.

Uncertainty in Islamic financial markets grew after Dubai World DBWLD.UL asked for a debt delay on about \$22 billion linked to its main property units.

Bi said investors had since "woken up" to the complexities of sukuk vehicles and partly as a result, Bi's sukuk workload consists of a UK issuance aimed at raising less than 100 million pounds (\$156.7 million) and one "more substantial" project from a European company, though Bi declined to elaborate.

"It seems that many investors had not understood what they had bought. If you look at any (sukuk) prospectus, disclosure was very clear. There was almost a sort of willful blindness to what they were buying," she said.

Attempts to launch a corporate sukuk in France, seen as the main UK rival, ground to a halt after the French Constitutional Court challenged legislation that would have legalized Islamic financial instruments.

Bankers and lawyers are trying to get the market going again by touting the benefits to European companies of issuing Islamic bonds to highlight their commitment to local Muslim markets.

That strategic approach has sparked some renewed interest, said Bi, who cited as an example General Electric's \$500 million sukuk launched last November and listed in Dubai.

UK supermarket chain Tesco funded a superstore through a sukuk issuance in 2008 in Malaysia.

"That's actually relatively smart -- you use funding from the local jurisdiction to build your factories, you show faith in the local market and use its structures and keep free your other sources of funding ... It is smart economics," she said.

Unlike conventional bonds, sukuk do not pay interest; instead investors receive streams of income from the assets used to underpin these vehicles.

NEWS STORIES

Islamic finance needs clearer rules: expert

Allianz Takaful in talks on sukuk issue

Deutsche Bank to bring major sukuk to market

Unicorn mulls Dubai Bank Islam stake

Islamic derivatives standard to launch soon

Indonesia's sharia banks to maintain returns

Unicorn mulls Dubai Bank Islam stake

Prime Rate eyes \$250m Islamic overnight fund

Consumer, telco stocks in focus: Aberdeen Islamic

Indonesia Islamic insurance growth to ease to 30 percent

CIMB Islamic eyes Indonesia, Singapore for growth

Tawarruq woes driving more equity funding: scholar

Deutsche Bank to bring major sukuk to market

Gulf banks seen launching sukuk funds

Indonesia's Muamalat eyes \$107 million share sale

PT Bank Muamalat, an Indonesian Islamic bank, plans to raise 1 trillion rupiah (\$107 million) from a share sale to double its capital base and allow it to attract new business, its president director told Reuters.

Muamalat, the first full-fledged sharia bank in Indonesia, aims to grow its total financing volume to 14 trillion rupiah this year, up a fifth, after 9 percent growth in 2009.

"With the 1 trillion rupiah raised from the planned rights issue, we expect our capital to be more than 2 trillion rupiah," president director Arviyan Arifin told Reuters ahead of the Reuters Islamic banking summit.

He added that the size of the sale could be increased depending on demand.

The bank also plans to issue sukuk in rupiah and sell more rights shares in 2012 to strengthen its capital further.

The financing targets include a coal-fired power plant in South Sumatra, Arifin said, adding that Muamalat and a state-owned bank are in talks to participate in syndicated financing for 2 trillion rupiah.

"We will be quite aggressive this year as the market potential is still large and we want to maintain our position as market leader in the country's Islamic banking industry," he said, adding that changes in the tax law will give a boost to the sector.

Indonesia passed a revised law on value added tax in September last year, which scrapped double taxation of Islamic transactions. The law, which will be effective in April, is expected to boost financing growth.

"Many players in the country's Islamic banking industry have been haunted by this double taxation issue. Some sharia banks are even still regarded as tax dodgers due to the unsettled value added tax for murabahah transactions," Arifin said.

Muamalat, majority owned by Islamic Development Bank, plans to retain its 2009 net profit, estimated at 130 billion rupiah, to strengthen its books. It expects net profit of 300 billion rupiah this year.

It targets its assets to reach 65 trillion rupiah by 2014, from an expected 20 trillion rupiah in 2010.





[Islamic finance yet to move out of crisis](#)

The fledgling Islamic finance industry is still growing thanks to new markets and an inflow of oil money, but it is struggling to leave behind the legacy of the global financial crisis in the form of a real estate crash in the Gulf Arab region.

Islamic banking is one of the world's fastest growing financial sectors, according to industry estimates. It has attracted more attention in the aftermath of the global financial crisis as investors are increasingly looking for alternative, ethical ways of investing.

But in the Gulf Arab region, alongside South East Asia, its most important regional center, a funding crunch at Bahrain-based Islamic investment house Gulf Finance House shows that the industry still has a long way to go to diversify from real estate products and investments.

"We have the same state of affairs across the region whether the companies are listed or unlisted," said Mohieddine Kronfol, managing director at Dubai-based Algebra Capital.

"This situation is very common whereby companies have gone out to get short-term funding but then put it into illiquid assets (such as real estate)," he said.

Asset management is seen as a key growth area for the industry, but experts say it needs to diversify its products by adding fixed-income components to its funds that are focused on real estate and private equity.

This week, Reuters journalists in London, Dubai, Bahrain, Geneva, Kuala Lumpur and Jakarta will bring together the industry's decision makers to ask them how they will overcome these challenges and where opportunities lie.

Interviewees at the Reuters Islamic Banking and Finance Summit include some 40 bankers and lawyers.

MARKET SHARE

Regulation also remains fragmented, with central banks, its own standard-setting bodies and scholars interpreting Islamic law all having a say in governing the industry.

The industry also needs to create bigger players, with local banks being too small to grab market share

from the Islamic windows of Western conventional banks in syndicating loans and arranging Islamic bonds, or sukuk.

Sukuk is a key product of the industry, but global issuance could fall this year from 2009 levels, according to a recent Reuters poll.

The Dubai debt crisis and an expected rise in borrowing costs weigh on market sentiment. Saudi real estate developer Dar Al Arkan, currently in the market for a sukuk of about \$500 million, has been struggling to attract interest in what could be the first international issue from the Gulf Arab region this year.

Western companies looking to diversify their investor base are expected to help the market to a certain extent, and several issuers in the Gulf Arab region have launched fixed-income programs targeting U.S. investors.

"Sukuk issuances in the UK could happen within the next 12 months," Islamic finance credit analyst Mohamed Damak told Reuters Insider.

[Saudi IDB says rule change may cut debt issuance](#)

The Saudi-based Islamic Development Bank (IDB) is considering cutting the amount of cash it must keep on its books in a move which could reduce its need to tap the debt markets for funds, a senior official said.

Mohammad Tariq, advisor to IDB ISDBA.UL president Ahmed Mohamed Ali, said the IDB currently holds the equivalent of 40 percent of its investment commitments on its books, but will decide within four months whether to change this measure to a system more closely matching short-term inflows and outflows.

"We are reviewing our liquidity policy right now and we may change it; in that case it is most likely that we may lower the bar in line with other multi-laterals and in that case our borrowing needs will come down because we would have spare cash," Tariq said at the Reuters Islamic Banking and Finance Summit in London.

The IDB finances projects in Muslim countries and operates in a similar way to the European Investment Bank (EIB).

It already uses a net cash requirement system to monitor cash flow but is now considering making this formal policy.

Earlier this month, Mohamed Ali told Reuters the IDB plans to issue Islamic bonds, or sukuk, to raise up to \$5 billion over the next five years.

Tariq said on Monday the bank has calculated gross financing commitments to be \$7 billion in the period.

[Read the full article](#)

NEWS STORIES

[Koch eyes trade finance to right Faisal ship](#)

[Indonesia's BNI warns of double tax blow](#)

[Etifa Takaful sees strong contributions growth](#)

[Manager sees upside to Sukuk woes](#)

[Koch eyes trade finance to right Faisal ship](#)

[Indonesia banks should focus on Islamic lending](#)

[Gulf banks seen launching sukuk funds](#)

[Takaful firms search for long-term assets](#)

[Islamic real estate again in vogue: S&P](#)

[Manager sees upside to Sukuk woes](#)

[Hedging products, funds seen growing](#)

[Takaful firms search for long-term assets](#)

[Hedging products, funds seen growing](#)

[Islamic real estate again in vogue: S&P](#)



REUTERS SUMMITS 2010

VIEWS FROM THE TOP



FEBRUARY	MAY (CONT.)	OCTOBER
15-18 Islamic Banking and Finance , Dubai, Kuala Lumpur, London, Geneva, Manama, Jakarta	17-20 Global Technology , New York, San Francisco, Paris, Tokyo	4-6 Global Private Banking , Geneva, Singapore and Boston
22-24 Travel and Leisure , New York	24-27 Global Energy , Houston, London, Singapore, New York	4-6 Restructuring , New York
MARCH	JUNE	NOVEMBER
1-3 Private Equity and Hedge Funds , New York, London, Hong Kong	1-3 Global Luxury , New York, Paris, Dubai, Tokyo	1-3 U.S. Wealth Management , New York
8-10 Global Mining and Steel , New York, London, Sydney	7-10 Investment Outlook , New York	8-11 Health , New York
15-18 Food and Agriculture , Chicago	14-16 Global Real Estate , New York, London, Hong Kong	15-17 Global Autos , Paris, Mumbai, Beijing, Shanghai, Detroit
22-23 Canadian Oil Sands , Canada	21-23 Consumer and Retail , New York, London	22-23 Brazil Investment , Sao Paulo, Rio de Janeiro, Brasilia
23-24 European Funds , Luxembourg	28-29 Japan Investment , Tokyo	29-Dec 2 Global Media , New York, London, Asia
29-31 Global Exchanges and Trading , New York, London, Singapore, Tokyo	SEPTEMBER	DECEMBER
APRIL	7-10 Aerospace and Defense , Washington, D.C.	6-9 Investment Outlook , New York
26-29 Global Financial Regulation , Washington, D.C.	13-15 Russia Investment , Moscow	13-15 China Investment , Beijing, Shanghai, Hong Kong
MAY	20-22 Washington , Washington, D.C.	
3-6 Latin American Investment , 15 cities	27-29 India Investment , Mumbai, Bangalore	
10-13 Manufacturing and Transportation , Chicago		

www.reuters.com/summits



Reuters Summits are your direct link to top business leaders, investors and regulators. Hundreds of top CEOs, major investors, key government leaders and regulators talk to our team of reporters in closed sessions worldwide during more than 30 Reuters Summits a year -- leading to packages of 50-300 exclusive news stories, video interviews, blogs and analysis from each Summit. These often break news that markets listen to, and are available immediately only to Thomson Reuters clients, providing a huge advantage over clients of other news services. To learn more about Reuters Summits, visit www.reuters.com/summits.

For complete coverage of the Reuters Islamic Banking and Finance Summit, visit: <http://www.reuters.com/summit/IslamicBankingandFinance10>

SUMMIT CONTACTS

Nina Andrikan, marketing and PR,
Reuters Summits
nina.andrikan@thomsonreuters.com

Benjamin Beavan, summits executive,
Reuters Summits
benjamin.beavan@thomsonreuters.com