



Press Release

LABUAN FINANCIAL SERVICES AUTHORITY RELEASES 2011 ANNUAL REPORT

Kuala Lumpur, 7 June 2012 – The Labuan Financial Services Authority (Labuan FSA) officially released its 2011 Annual Report today which shows continued growth in the key business sectors of the Labuan International Business and Financial Centre (IBFC) and an improvement in Labuan FSA operating income for the fiscal year, ending 31 December 2011.

The growth momentum of the IBFC was sustained in 2011 despite the challenging global environment. Supported by its strategic location and financial infrastructure, the business activity and financial service sectors in the Labuan IBFC continued to record positive growth, with strong growth recorded in the banking, insurance and reinsurance, captives and leasing sectors. The regulatory and supervisory framework was continuously strengthened to promote the integrity and resilience of the Labuan financial sector.

Six hundred and fifty one (651) new companies were incorporated in 2011, representing an increase of 8.1% from 2010. Of the total Labuan companies of 8,655, 72% were from the Asia-Pacific and Far East region, followed by 13% from Europe and the balance of 10% from the Americas. The leasing sector was one of the most vibrant sectors in Labuan, with a strong increase in the number of leasing companies to 227 companies in 2011 and accumulated assets leased of USD27.6 billion. The focus of the leasing companies in the highly specialized areas in aviation and oil and gas provides strong support for the growth and development of the oil and gas sector in Labuan.

The Labuan banking sector also reported a steady increase in total assets by 13%, amounting to USD38.3 billion as at end-2011. The capital position of Labuan banks

remained resilient with the industry's risk weighted capital ratio and core capital ratio at 22.1% and 23.0%, respectively whilst the ratio of gross non-performing loans improved to 1.5% in 2011. Two new banks from Australia and Ghana obtained licences to operate in Labuan, bringing the total number of Labuan banks to 57.

The insurance sector in the IBFC remained resilient despite various episodes of natural disasters within the region during the year. For the insurance industry, 22 new licenses were issued, bringing the total of Labuan insurance and insurance-related companies to 181 (2010: 169). The sector registered a pre-tax profit of USD111.8 million and total assets increased by 16.1% to USD3.6 billion (2010: USD3.1 billion). Total earned premium income for the sector also grew by 45.1%.

Labuan trust companies continued its growth trajectory in 2011 with an improved aggregate operating income of USD18.6 million, from USD15.4 million in 2010. In addition, 7 new Labuan trust companies were established in 2011, of which 5 were foreign-owned.

Total Islamic assets registered a growth of 15.4% to USD1.5 billion (2010: USD1.29 billion), reflecting the strong interest in Islamic finance. Total Islamic bank financing increased significantly to USD294.6 million as at end-2011, with larger demand from non-residents. The takaful and re-takaful sectors also recorded a double-digit growth (54.6%) for the fifth consecutive year, where total gross contributions of the sectors reached USD459.5 million (2010: USD297.3 million).

Since the introduction of the Labuan Foundations Act in 2010, 35 new Labuan foundations were registered in 2011, bringing the total number of Labuan foundations to 40 (2010:5). Since the introduction of the Global Incentives for Trading (GIFT) Programme in September 2011, 5 trading licences have been issued, enabling the Labuan International Trading Commodity companies to benefit from incentives under the GIFT Programme. The establishment of GIFT augurs well for the overall development of the oil and gas industry in Labuan.

As part of the internal organizational transformation programme, the Authority continued to enhance its capacity and capability to regulate and supervise the IBFC, particularly in ensuring that key risk areas are addressed promptly and that the resilience and soundness of the IBFC is preserved. Moving forward, as outlined in the Financial Sector Blueprint, the Authority will implement plans to realize the strategic potential of Labuan IBFC to serve the needs of domestic and regional businesses. This will be complemented by continuous strengthening of the regulatory and supervisory framework of Labuan IBFC to meet international standards and best practices and to promote the sustainable growth of Labuan.

For the fiscal year ending 31 December 2011, Labuan FSA recorded an increase in its operating income to RM26.9 million (2010: RM23.0 million). Total reserves of the Authority remained strong at RM25.2 million.

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