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# Bank Islam still eyeing Indonesian market

> Islamic banking penetration there continues to be low compared to Malaysia

**KUALA LUMPUR:** Bank Islam Malaysia Bhd has reiterated its interest in the Indonesian Islamic banking market despite previous attempts to penetrate the world's largest Muslim country meeting a dead-end.

Managing director Datuk Seri Zukri Samat (pix) said Indonesia possesses tremendous prospects as the country, with a population of 240 million, is still underserved in the Islamic banking sector.

"Islamic banking penetration in Indonesia is about 3% to 4%, whereby in Malaysia it is between 23% and 24%. There is a huge Muslim population in Indonesia but Islamic banking penetration is very low, certainly (there is) a lot of business opportunity there," he said.

He said due to the low

penetration of Islamic banking, the sector experienced rapid annual growth of between 30% and 40%.

Zukri said Indonesia also has a large middle-income population.

"I was told by an Indonesian party that by 2015, Indonesia is deemed to have a middle-income population of between 30 million and 40 million, that is larger than Malaysia's population," he said.

However, he said, the regulatory system and company valuation remain challenging for the bank to enter the Indonesian market.

Zukri said new regulations in Indonesia have limited foreigners' stake in local companies to up to 40% compared with 99% previously.

Furthermore, he added, as more foreigners have shown interest to expand their presence to Indonesia, the valuation of the banks in the country has become more expensive.

Nevertheless, he said if a bank is available at the right price, interested parties should take a calculated risk of the changing regulation to venture into Indonesia market.

Zukri said Bank

Islam, however, is not in talks with any party from the neighbouring country now for any potential acquisition. "We are still trying but right now, we have not found anyone whom we can pursue further."

Bank Islam's previous two attempts fell through. One was the proposed acquisition of PT Bank Muamalat in 2012 but the deal was put on hold by the Indonesian party.

On Bank Islam's domestic expansion plans, he said the bank will continue to increase its branches to 150 by 2015 as underlined by the bank's three-year blueprint from 2013 to 2015. - Bernama