Labuan FSA
Financial Services Authority

35 YEARS

LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

MARKET REPORT 2025

AT A GLANCE

35 TH ANNIVERSARY Labuan IBFC International Business and Financial Centre, Malaysia

35 Years of Inspiration, Innovation and Inclusivity

Scan the QR code to view our Market Report 2025 online version.

INTRODUCTION

2025 RECAP: BUILDING ON RESILIENCE, REINFORCING GROWTH MOMENTUM

In 2025, the global economy transitioned into a phase of moderating growth as geopolitical shifts, changing trade relations and heightened policy uncertainty weighed on business activities and investment decisions. Global growth was estimated at about 3.1% for the year, reflecting softer external demands and persistent trade tensions. Market sentiments nevertheless improved over the course of the year, supported by easing financial conditions and sustained technology-driven investments. Against this market dynamics, Asia's economy remained relatively resilient underpinned by steady domestic demand as well as stable trade and investment flows. Asia's economy is projected to expand by 5.2% in 2025, accounting for almost 60% of global economic growth.

Malaysia's ASEAN Chairmanship in 2025 helped advanced regional priorities in digital integration, trade connectivity and sustainable growth, further strengthening intra-ASEAN's cross border economic linkages. This provided positive impetus for Labuan IBFC in facilitating growing interest from businesses seeking to establish a regional platform for their financial activities.

> **Labuan IBFC host**
> **Over 800 licensed entities & nearly 5,000 companies**
> **reflecting its depth and diversity**

RMB200 Million
World's First climate sukuk
Shariah principle powering Green Digital and Carbon Markets

In 2025, Labuan IBFC maintained positive growth momentum, driven by continued expansion across key business sectors. The Centre continued to attract international interest in banking and insurance, as well as strategic growth segments such as Islamic finance, captive insurance, wealth management and capital markets. New incorporations also increased by 5%, while 41 new licences were issued. A further 37 business applications were approved and expected to be licensed in 2026. Industry asset across financial sectors reached USD94 billion with capitalisation of USD22.5 billion, depicting a growth of 13% and 32.3%, respectively.

Labuan IBFC also advanced green finance with the world's first climate sukuk. The landmark issuance gels together Shariah-compliant structuring and sustainable finance innovation, while creating potential blue ocean pathways for digital tokenisation and carbon asset monetisation.

INTRODUCTION

GLOBAL STANDARDS ALIGNMENT WITH STRONG INTERNATIONAL RECOGNITION

- Malaysia's FATF Mutual Evaluation outcome placed the country under "Regular Follow-Up", reflecting the strength of its AML/CFT framework. Labuan IBFC was recognised as a contributor to this positive assessment, reinforcing its continued commitment to high standards of regulations, supervision, market compliance and international credibility.
- Labuan IBFC's debut in the Global Financial Centres Index marks an important milestone.

During the year, greater clarity was also provided on tax obligations of Labuan entities, including substance compliance and other tax exemption matters, further strengthening policy certainty and market confidence.

35 YEARS OF INSPIRATION, INNOVATION AND INCLUSIVITY

2025 was a landmark year as Labuan IBFC celebrated its 35th anniversary. Over the past three and a half decades, it has evolved through successive transformation, shaped by key developmental milestones.

Expanding Financial Offerings

Modernising Legal Framework

Strengthening Regulatory Standards

Aligning with International Requirements

Embracing Digital Innovations

- Financial Sector Masterplan 2001-2010*
- Financial Sector Blueprint 2011-2020*
- LIBFC Strategic Roadmap 2022-2026

Repositioning and Rebranding

Industry Diversification & Stakeholder Collaboration

Despite global financial developments and shocks, Labuan IBFC adapted and emerged stronger.

Building on this resilience and collective progress, the Centre's future development remains guided by the Labuan IBFC Strategic Roadmap 2022-2026. Now in its final phase, the Roadmap has attained more than 85% implementation progress. As it approaches completion, efforts are underway to formulate the next strategic blueprint for the Centre's continued growth.

> 35th Anniversary, a reflection of
> **Vision, Determination and Collective Efforts**
> shaping a dynamic, forward-looking Labuan IBFC, today.

* *Developed by Bank Negara Malaysia; Labuan IBFC included.*

WHAT LIES AHEAD

Looking ahead to 2026, Labuan IBFC is well-positioned to navigate a more complex global environment shaped by geopolitical dynamics, evolving trade shifts, rapid fintech advancement and increasing sustainability expectations. In response, three strategic priorities are identified for 2026 to reinforce ecosystem synergies, deepen financial inclusivity and sustain competitiveness:

3 FOCUS AREAS

Market Development & Innovation

a) Enhance digital finance frameworks.

b) Advance Islamic finance through collaboration in business development, research and advocacy.

c) Deepen insurance sector, including Managing General Agents, brokers and MADANI captive.

Key Regulatory Development

a) Strengthen capital adequacy regulation for takaful and banking sector, trust companies outsourcing framework, and facilitate IFRS adoption.

b) Enhance AML/CFT framework by incorporating ME recommendations and improve BO reporting.

Improving Operational Efficiencies

a) Enhance digital platforms, including COR@L, PEARL/REEFS and LEPAY.

b) Digitise licensing processes through Online Licensing Application system for seamless submissions.

c) Strengthen supervision and compliance oversight through Enforcement Monitoring System and Supervision Intelligence System.

JOURNEY OF STRATEGIC EVOLUTION

BUILDING FOUNDATION

1990–1999

- Declaration as International Offshore Financial Centre (IOFC)
- Establishment of Labuan Financial Services Authority
- Issuance of world's first Islamic murabahah financing
- Membership in IAIS, GIFCS and GIICS

GLOBAL POSITIONING

2000–2009

- Membership in APG, IOSCO, and IFSB
- Co-founder of IIFM
- Launch of Labuan IBFC's first exchange (LFX)
- Issuance of world's first USD600m sovereign sukuk
- Establishment of Shariah Supervisory Council
- Launch of world's first investment-linked Takaful product
- "Low risk" rating for money laundering by APG
- Repositioning and rebranding of Labuan IBFC and Labuan FSA

DRIVING GROWTH

2010–2014

- Establishment of ASEAN Infrastructure Fund (AIF)
- Launch of GIFT Programme
- Completion of major legislative review
- Launch of Asia's first Private Client Foundation and PCC
- OECD white-list inclusion
- "Largely Compliant" rating by OECD

EXPANDING HORIZON

2015–2019

- Introduction of world's first Labuan International Waqf Foundation
- Membership in FATF
- Repositioning study aligned Labuan IBFC with Labuan island's growth agenda
- Implementation of new tax policy
- Onset of first DFS
- Launch of Asia's first digital asset securities exchange

SHAPING THE FUTURE

2020–2025

- Strategic Roadmap 2022–2026
- Introduction of IDAC initiative
- Launch of world's first Shariah & ESG digital exchange
- Issuance of world's first RAMZ
- Launch of world's first Shariah-compliant blockchain masterplan
- 38th GFCI Index debut
- FATF MER "regular follow-up" status
- Issuance of world's first climate sukuk

RECOGNITIONS

CAPTIVE INSURANCE

ISLAMIC FINANCE

LABUAN IBFC ECOSYSTEM

DELIVERING A FULL SUITE OF INTERNATIONAL FINANCIAL SOLUTIONS

2025
KEY HIGHLIGHTS

BANKING

55.3%
Increase in Profitability

INSURANCE

USD2.5 bil
Hike in Total Gross Premiums

CAPTIVE

7.2%
Growth in Total Premiums

FUND MANAGEMENT

9.4%
Increase in AUM

143%
Rise in Profitability

ISLAMIC FINANCE

23.4%
Growth in Islamic Financing

RMB200 mil
World's First Climate Sukuk

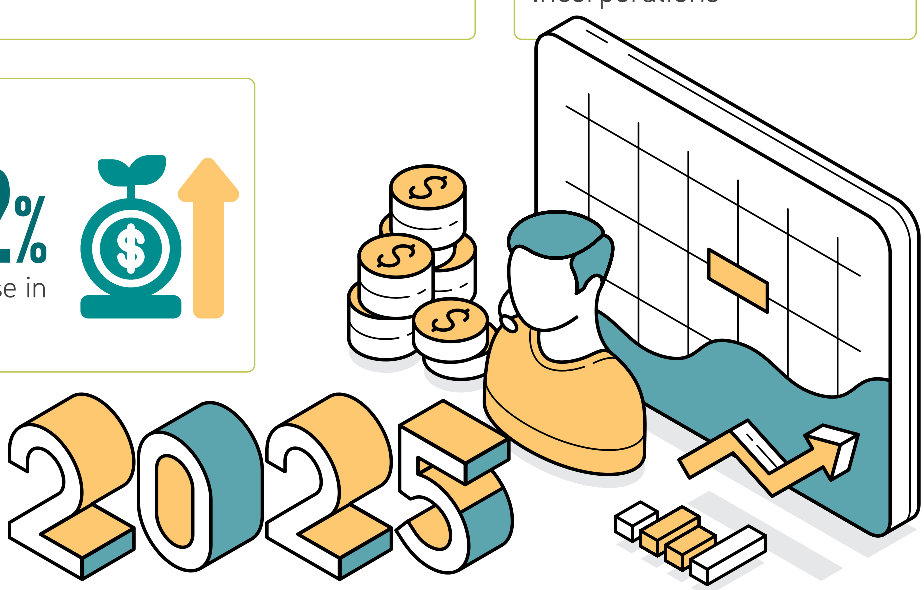
COMPANIES

659
New Incorporations

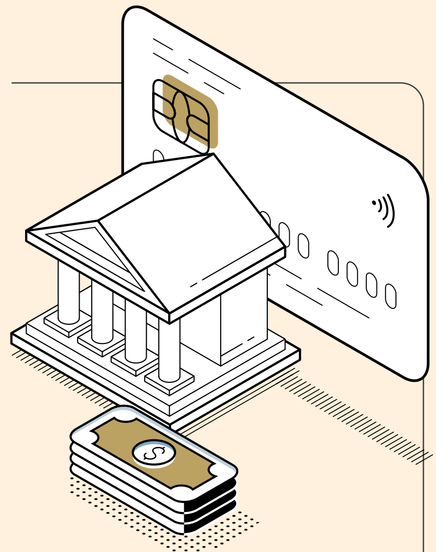
FOUNDATIONS

29%
Growth in New Foundations

12%
Increase in AUM



BANKING



In 2025, the global banking sector operated in a transitioning monetary environment as major central banks gradually shifted toward policy easing supporting greater global liquidity and fostering accommodative financial conditions. Despite persistent geopolitical uncertainties and trade tensions such as United States tariff policy changes, Asian economies saw partial relief from tariff adjustments, supporting regional economic resilience. Credit demand moderated during the year amid cautious business sentiment and external policy shifts. Nevertheless, banking asset quality remained broadly stable, supported by strong capitalisation.

The Labuan banking sector demonstrated continued strength, underpinned by sound asset quality and a resilient income structure, despite moderated lending activity. Profitability remained steady, driven by portfolio optimisation and improved non-interest income generation, while interest income was broadly stable under prudent lending practices and interest rate pressures. The sector also expanded with addition of three new banks, which included new entrants from Hong Kong and the Netherlands. This brings the total number of banks to 73 for the year.

NUMBER AND ORIGIN OF BANKS

73

37 Commercial Banks
- **35** Banks
- **12** Islamic Windows
- **2** Islamic Banks

36 Investment Banks
- **35** Investment Banks
- **2** Islamic Windows
- **1** Islamic Investment Bank

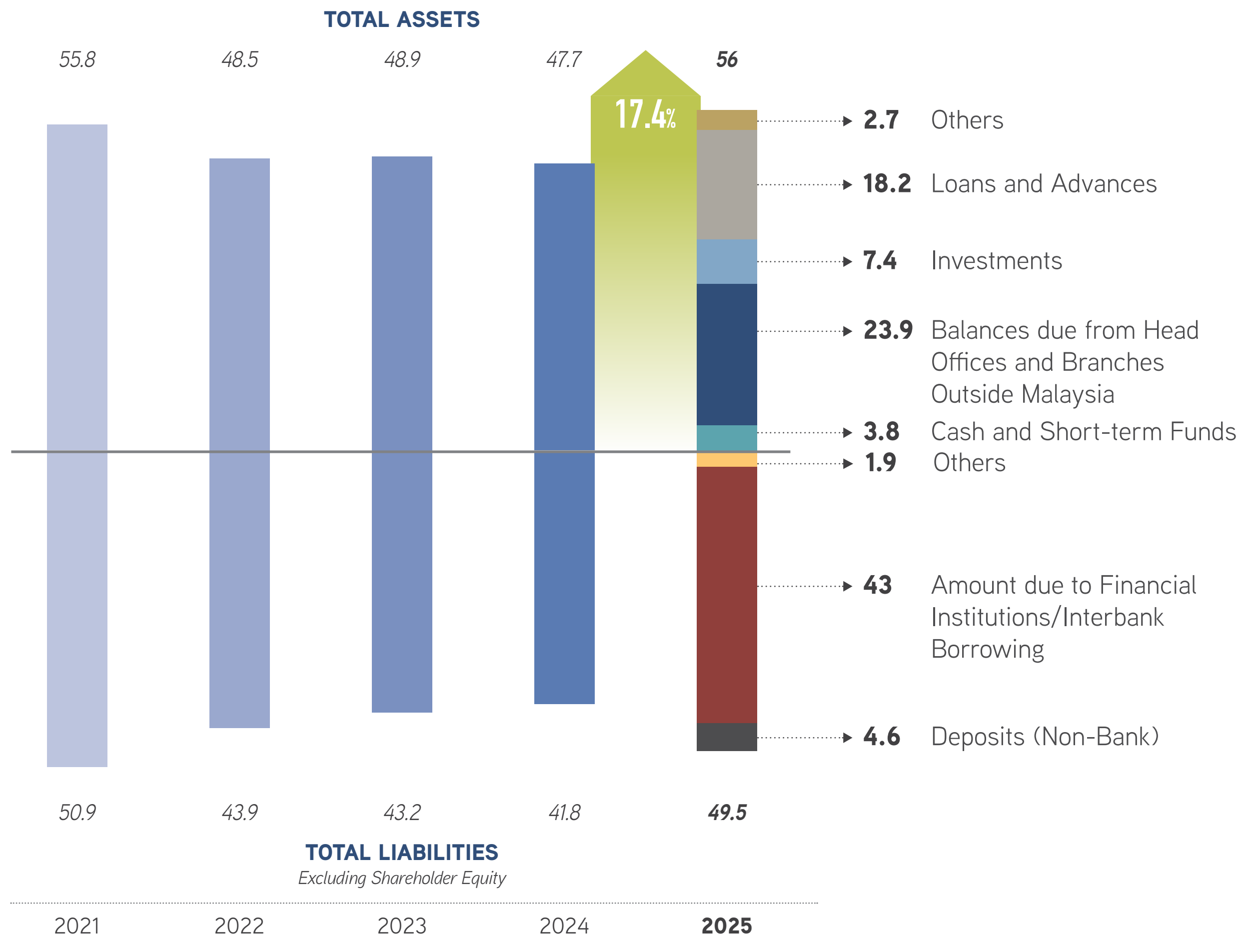
Commercial Banks	Region	Investment Banks
40%	ASIA-PACIFIC	64%
24%	FAR EAST	14%
11%	EUROPE	11%
11%	MIDDLE EAST & AFRICA	11%
14%	AMERICA	0%

- More than half of the Labuan banks hailed from Asia-Pacific region, reflecting Labuan IBFC's strategic connectivity role in mediating the Asian markets.

Note: The total entities in this section refer to licensed entities.

BANKING

TOTAL ASSETS AND TOTAL LIABILITIES (USD BILLION)



- Total banking assets expanded by 17.4% to USD56 billion for the year. The growth was primarily driven by a substantial 78.5% increase in interbank placements, which rose to USD23.9 billion (2024: USD13.4 billion), reflecting stronger short-term funding activities within Labuan banking system. In contrast, financing had a slight contraction, which can be attributable to cautionary lending appetite amid prevailing market conditions.
- Banking sector investments contracted by 21.8% to USD7.4 billion (2024: USD9.4 billion), reflecting restructuring of asset portfolio within the sector.
- Interbank borrowings remained the dominant component of banking liabilities, accounting for 87% (USD43 billion). The larger proportion reflected greater reliance on wholesale funding to support short-term liquidity needs and preserve asset-liability optimisation.
- Deposits accounted for 9.3% (USD4.6 billion) of total banking liabilities.

BANKING

SOURCES AND USES

USD56 BILLION
TOTAL ASSETS

SOURCES

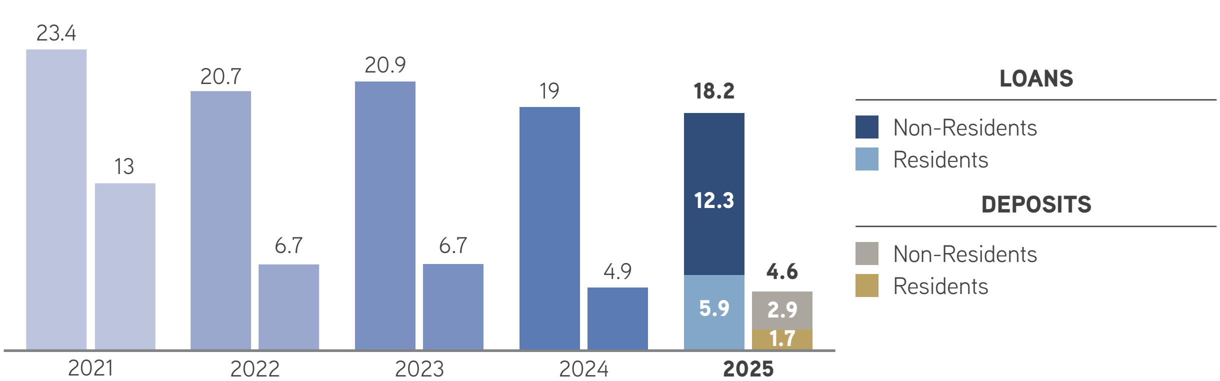
76.9% Amount due to Financial Institutions/Interbank Borrowing
11.6% Shareholders' Fund
8.2% Deposits
3.3% Others

USES

42.7% Balances due from Head Offices and Branches Outside Malaysia
32.5% Loans and Advances
13.2% Investments
6.8% Cash and Short-term Funds
4.8% Others

- Financing from head offices' interbank borrowings remained the largest funding component for Labuan banks, representing 76.9% (USD43 billion) of industry's total equity and liabilities. This indicates Labuan banks' structural reliance on related-party and institutional funding to support ongoing business operations.
- In terms of use of funds, majority was allocated to interbank placements and financing, which constituted 42.7% and 32.5% of the funds, respectively.

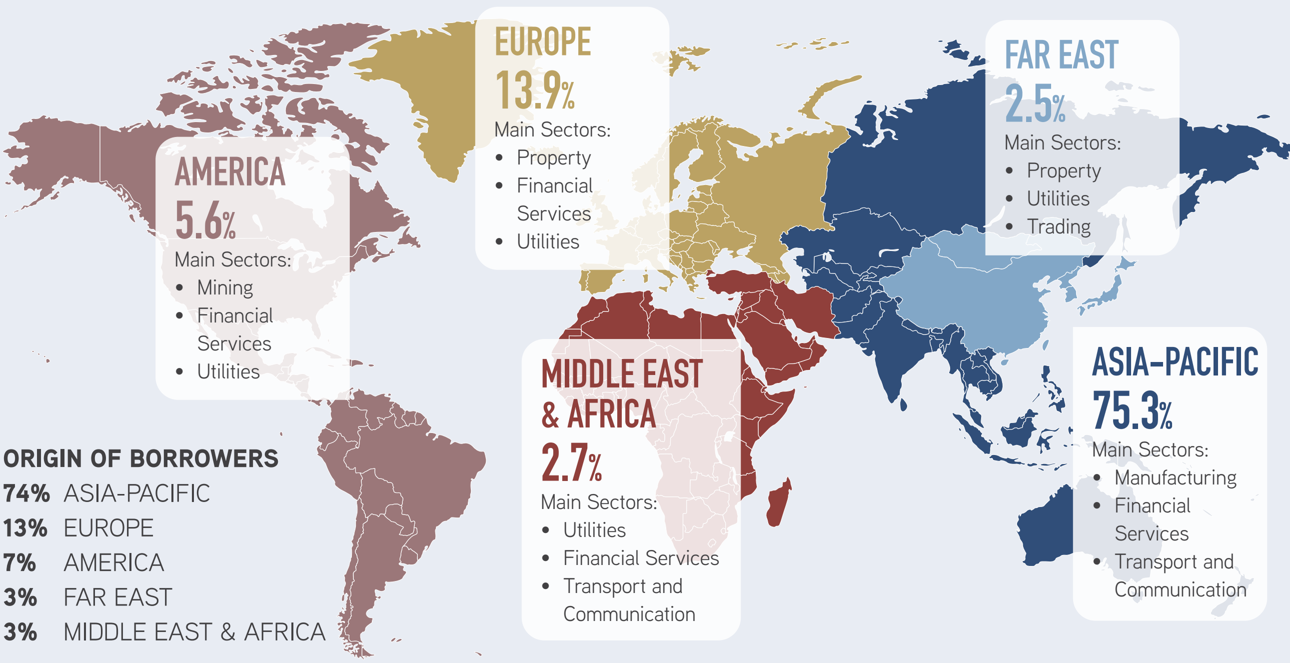
LOANS AND DEPOSITS (USD BILLION)



- Total financing declined slightly by 4.1% to USD18.2 billion arising from maturing loans. The moderated lending activities were broadly influenced by cautious credit sentiment and persistent regional economic uncertainty.
- Total deposits declined by 6.2%, due to reduction in both resident and non-resident deposit segments. Non-resident portion remained the dominant component, accounting for 62.5% of total deposits.

BANKING

LOAN PORTFOLIOS



ORIGIN OF BORROWERS

74% ASIA-PACIFIC
13% EUROPE
7% AMERICA
3% FAR EAST
3% MIDDLE EAST & AFRICA

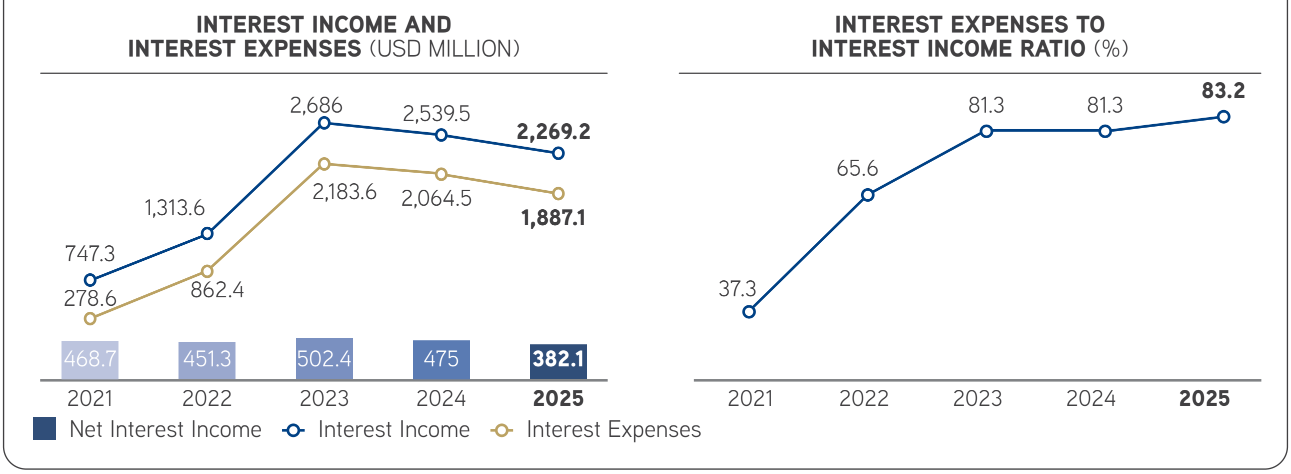
Sector	Growth	Market Share
Miscellaneous	14.3%	17.2%
Manufacturing	-10.1%	16.5%
Financial Services	36.9%	16.2%
Property	-2.2%	15.1%
Utilities	-20%	11.8%
Transport and Communication	-12.9%	9.9%
Mining	-7%	8%
Trading	-33.9%	3.6%
Primary Agriculture	-40%	1.7%

36.9%
Financial Services

- Financing exposures remained concentrated in the primary real sectors within Asia-Pacific region.
- Lending to financial services increased substantially by 36.9%, reflecting the banking sector's continued support for financial intermediation activities.
- In terms of financing volume, 59.6% was channelled to manufacturing, financial services, property and utilities.

BANKING

INTEREST INCOME AND INTEREST EXPENSES



- Loan underwriting remained prudent among major banks, leading to lower interest income, which contributed to a 19.6% decline in net interest income.
- The interest expense to interest income ratio exhibited a year-on-year increase of 1.9 percentage points, rising from 81.3% to 83.2%, reflecting the significant reliance on interbank borrowings, which constituted more than 70% of total funding.

NON-INTEREST INCOME (USD MILLION)

Market Share	Description	Amount	Y-o-Y
100%	**Total Non-Interest Income**	**1,024.7**	**68.5%**
57.5%	Gains on Financial Instruments	589.4	44.3%
23%	Impairment Reversals	236	111.9%
10.2%	Others	104.9	4,021.7%
9.2%	Fee and Commission Income	94.3	11.5%
0.01%	Dividend Income	0.1	-89.5%

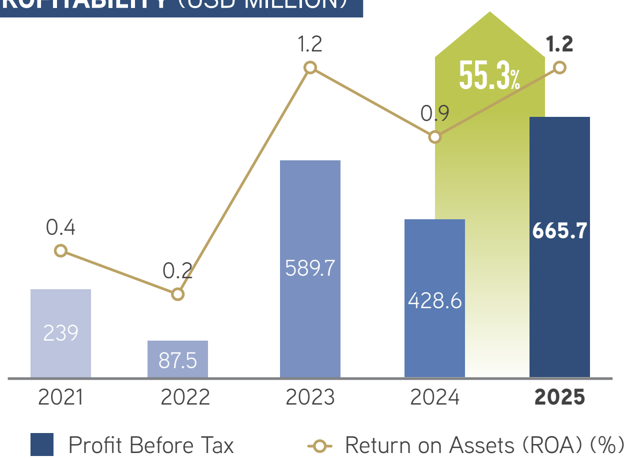
NON-INTEREST EXPENSES (USD MILLION)

Market Share	Description	Amount	Y-o-Y
100%	**Total Non-Interest Expenses**	**741**	**13.2%**
51.1%	Losses on Financial Instrument	378.4	58.8%
19.2%	Impairment Losses	142.1	-37%
13.3%	Others	98.9	38.4%
11.8%	Administration Costs	87.7	5.7%
4.6%	External Services Arrangement Costs	33.9	-6.3%

- Financial instruments delivered net gains of USD211 million, indicative of strengthened discipline in Labuan banks' investment management.
- Total non-interest income showed 68.5% hike to USD1 billion in 2025, up from USD608.1 million in 2024. The increase was largely driven by stronger financial gains from investment instruments and impairment reversals recorded during the year. Consequently, net non-interest income reached USD283.7 million.

BANKING

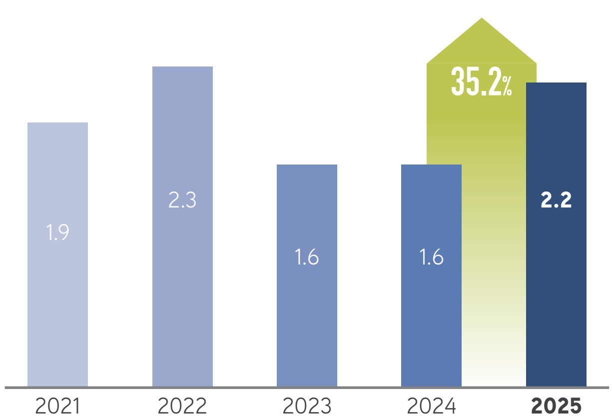
PROFITABILITY (USD MILLION)



- The banking sector's profitability strengthened markedly to USD665.7 million, partly driven by growth in net non-interest income.
- The ROA stood at 1.2%, reflecting sustained banking sector's profitability despite prevailing earnings pressures.

ISLAMIC BANKING

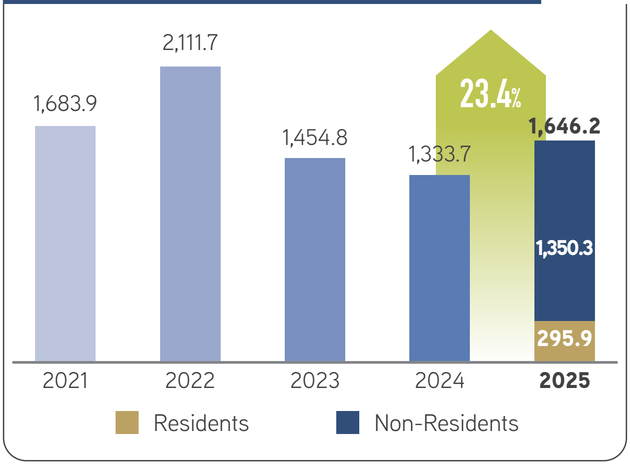
TOTAL ISLAMIC BANKING ASSETS (USD BILLION)



- The Islamic banking assets significantly expanded by 35.2% (USD574.9 million) to USD2.2 billion, mainly driven by growth in the window operators.

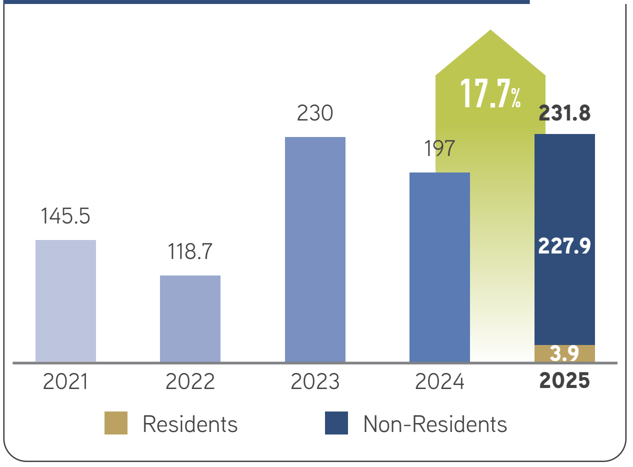
BANKING

TOTAL ISLAMIC FINANCING (USD MILLION)



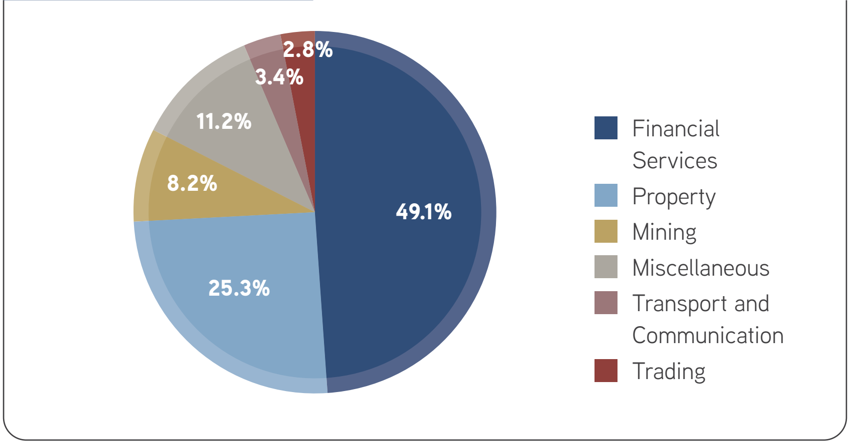
- In tandem with the expanded Islamic banking assets, Islamic banking financing grew by 23.4% to USD1.65 billion.
- Non-resident borrowings remained the larger component accounting for 82% of total Islamic borrowings.

TOTAL ISLAMIC DEPOSITS (USD MILLION)



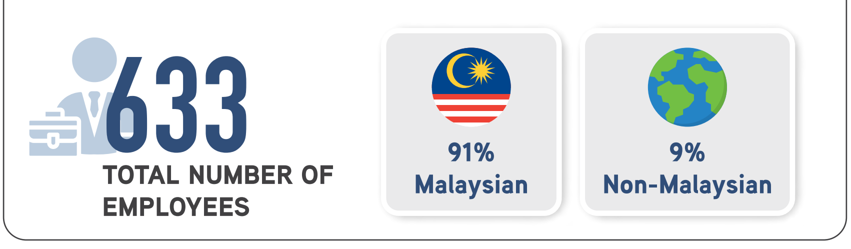
- The total Islamic deposits experienced similar positive growth of 17.7% to reach USD231.8 million. This is mainly attributable to higher non-resident depositors, which accounted for 98.3% of the sector's total Islamic deposits.

FINANCING BY SECTOR



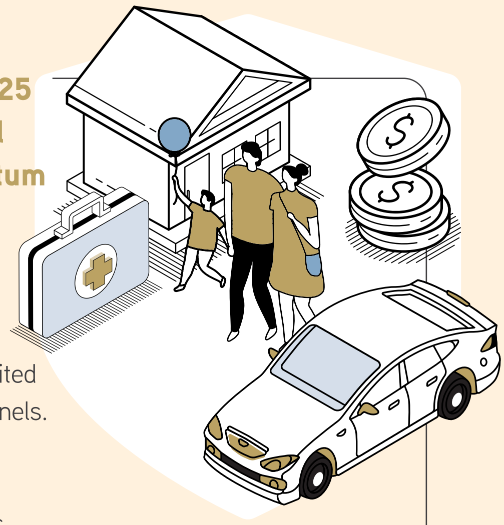
- Sectoral financing trends recorded robust growth, led by financial services, which expanded by 24.9% to USD809 million. This was followed by trading and property sector, which increased by 12% and 7.4%, respectively.
- This expansion was driven by stronger uptake of innovative digital Islamic financial solutions and targeted tax incentives for Islamic financial activities.

EMPLOYMENT



INSURANCE

The global insurance sector entered a moderating phase in 2025 amidst heightened geopolitical and policy uncertainties. Global premium growth eased to about 2%, reflecting slower momentum in both life and general segments, with Asia remaining as key contributor to underlying insurance demands.



This is further supported by rising middle-income penetration, health protection needs and infrastructure-related coverage. In Asian markets, insurers also benefited from expanding protection gaps and growing adoption of digital distribution channels. Against this backdrop, insurers are expected to sharpen underwriting discipline, refine risk-based pricing and enhance capital efficiency. Meantime demands for reinsurance and alternative risk transfer solutions are expected to remain firm as insurers optimise balance sheets in increasingly complex risk environment.

In tandem, regulatory advancements continued, particularly in strengthening risk-based capital and solvency regimes alongside heightened focus on conduct, digital governance, cybersecurity and climate risk management. In addition, international coordination, including initiatives led by the International Association of Insurance Supervisors (IAIS), is further enhancing consistency in cross-border supervision.

232 INSURERS AND INSURANCE INTERMEDIARIES

24 Insurers

- **16** General Insurers
- **4** Islamic Windows
- **8** Life Insurers
- **1** Islamic Window

20 Insurance/Underwriting Managers

- **3** Insurance Managers
- **17** Underwriting Managers (inclusive seven Lloyd's Syndicates)
- **4** Islamic Windows

69 Captives

- **32** Pure Captives
- **2** Islamic Windows
- **22** Rent-A-Captives*
- **14** Protected Cell Companies
- **36** PCC (cells)
- **1** Takaful Captive

83 Brokers

- **31** General Brokers
- **29** Life Brokers
- **23** Composite Brokers

36 Reinsurers

- **30** General Reinsurers
- **9** Islamic Windows
- **4** Life Reinsurers
- **4** Islamic Windows
- **1** General Retakaful Operator
- **1** Family Retakaful Operator

- Growth momentum continued with 1.8% increase in insurers and insurance intermediaries.
- Labuan captive market grew with 10 new entrants, including seven PCC (cells).

Note: The total entities in this sector refer to licensed entities.

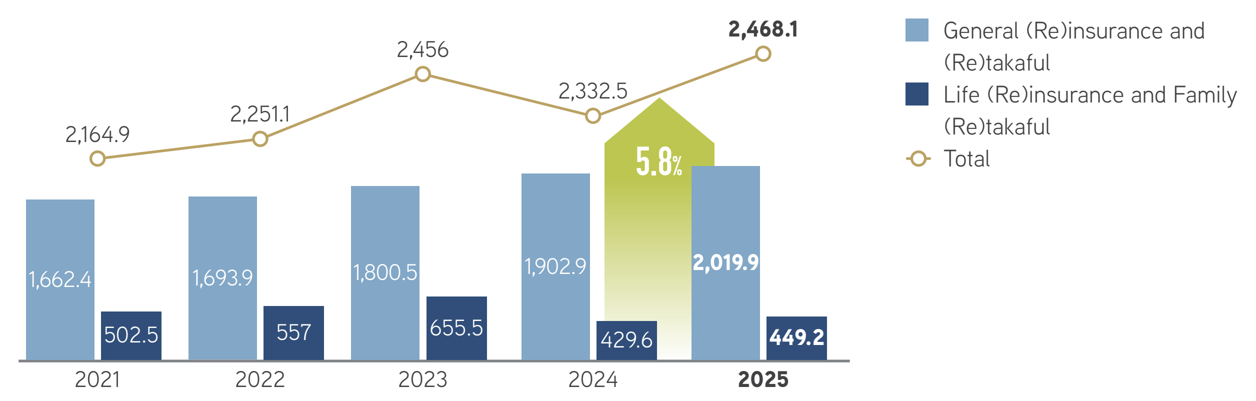
* *Rent-a-captives comprise of master rent-a-captive, subsidiary rent-a-captives, and external rent-a-captives.*

INSURANCE

INSURANCE

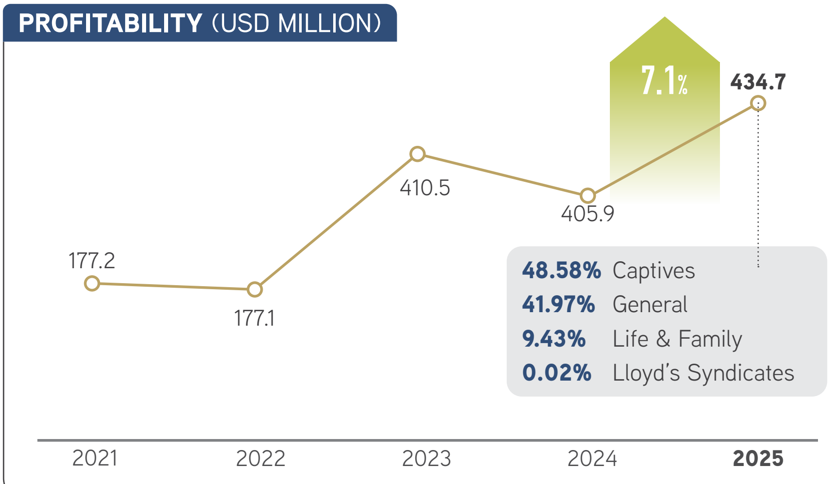
The Labuan insurance market outperformed in 2025, delivering expanded top line growth driven by sustained demand for reinsurance and captive solutions. Furthermore, continued liberalisation of Malaysia's insurance market is expected to further enhance Labuan's insurance intermediation and optimise its risk capacity for Asia's insurance demands.

TOTAL GROSS PREMIUMS/CONTRIBUTIONS (USD MILLION)



- Total gross premiums and contributions income grew by 5.8% to USD2.5 billion, buoyed by both general and life business' expanded top line. General and life sectors recorded 6.1% and 4.6% growth, respectively.
- General sector remained the sector's top line driver, exceeding USD2 billion mark. This is mainly driven by reinsurance and captive segments.

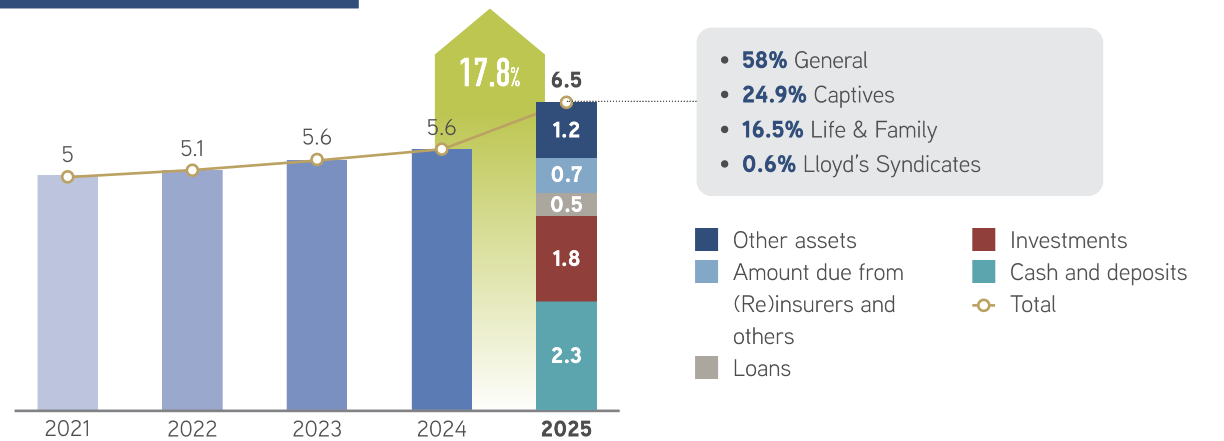
PROFITABILITY (USD MILLION)



- Profitability of the (re)insurance and (re)takaful sector grew by 7.1% to USD434.7 million.
- Commercial (re)insurance's profitability showed a hike of 58% to reach USD223.5 million, supported by gains in investments and foreign exchange translation.
- Profitability of captives' sector, however, moderated by 20.2% due to elevated claims experience.

INSURANCE

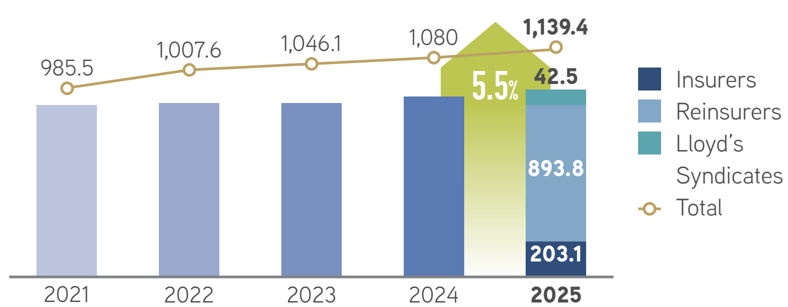
TOTAL ASSETS (USD MILLION)



- Insurance assets grew strongly to USD6.5 billion. The asset increase is mainly driven by higher holdings of financial instruments and fixed deposits, aside from recognition of claims recoverability from reinsurers arising from new financial reporting requirements.

GENERAL INSURANCE BUSINESS

TOTAL GROSS PREMIUMS (USD MILLION)



- Total gross premiums increased by 5.5% to USD1.1 billion, mainly attributable to a 12.1% growth from general reinsurance segment.

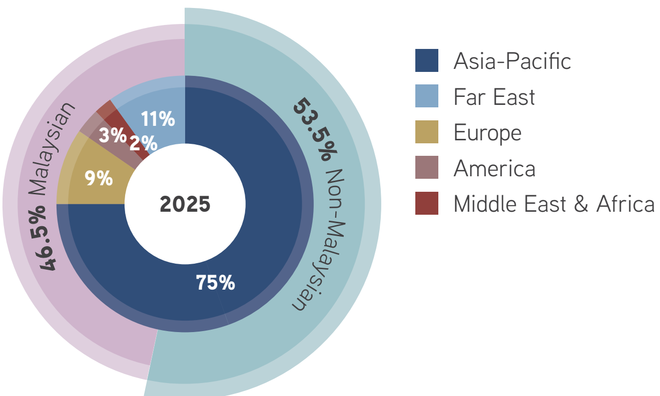
General Insurers' Business Composition in 2025:

- **12.9%** Direct Business
- **87.1%** Reinsurance Accepted

INSURANCE

DISTRIBUTION OF GROSS PREMIUMS

BY REGION



- Premiums underwritten were mainly from Asia-Pacific region, accounting for three quarters of the industry's portfolio.
- The portfolio mix remained stable over the past three-year trend, dominated by non-Malaysian business accounting more than half of total premiums.

BY SECTOR

FIRE	ENGINEERING	MARINE
55.6%	7.6%	6.9%
USD**633.4** Million	USD**87** Million	USD**78.7** Million

LIABILITY	WHOLE ACCOUNT (NON-MARINE)	OTHER
6.1%	4.1%	19.7%
USD**69.9** Million	USD**47.1** Million	USD**223.3** Million

- Fire sector remained the largest business line with increased market share of 55.6% (2024: 53.6%). In 2025, the sector's premiums grew by 9.4% (2024: USD579.2 million).

Market Access Liberalisation under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

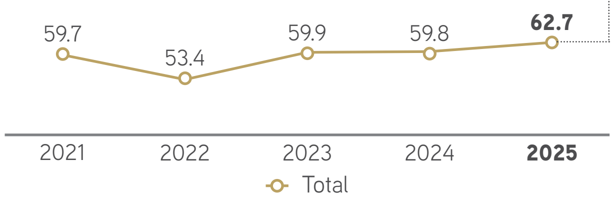
As part of Malaysia's commitment to CPTPP, Labuan (Re)insurers are permitted to underwrite the following Malaysian risk:

- product liability insurance and reinsurance, effective 18 February 2025, and
- directors and officers liability insurance, effective 29 November 2027.

NET RETENTION RATIO (%)

Retention Ratio for 2025

- Malaysian Business: **49.3%**
- Non-Malaysian Business: **74.4%**



- Insurance net retention increased to 62.7%, with higher retention for both Malaysian and non-Malaysian business.
- Higher retention for Malaysian business was observed across major sectors. Similarly, non-Malaysian business retention was also recorded during the year, particularly in the fire sector.
- The consistently high retention trend reflects the Centre's growing risk capacity and capability to become a prominent reinsurance hub within Southeast Asia.

UNDERWRITING AND INVESTMENT PERFORMANCE

USD697.9 MILLION
EARNED PREMIUMS

Net Claims Incurred
USD392 million

Commission
USD155.2 million

Management Expenses
USD78.2 million

Underwriting Profit
USD72.5 million

USD114.3 million 77.3%
Investment Income

- Despite an 11.2% growth in earned premiums, the underwriting margin of general (re)insurance business moderated to 10.4% in 2025 (2024: 15.9%).
- This was attributable to higher claims ratio of 56.2%, particularly from Malaysian fire business.
- Investment performance improved significantly by 77.3% to USD114.3 million, driven by general sector's favourable investment gains for its non-Malaysian portfolio.

INSURANCE

LABUAN IBFC AS AN ESTABLISHED INTERNATIONAL REINSURANCE HUB

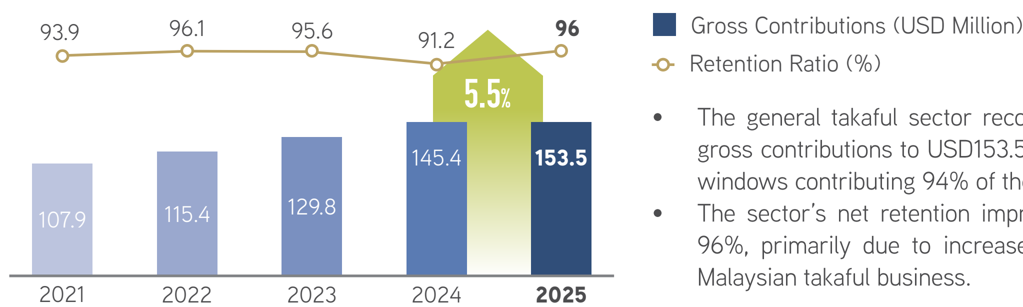
Global Natural Catastrophe Risk Coverage

The Centre played a pivotal role in providing capacity for exposures arising from major global natural catastrophe events in 2025, including:

- Floods, Malaysia
- Gulf Floods, United Arab Emirates
- Floods, Indonesia
- North Country Floods, Thailand
- Earthquake, Thailand and Myanmar
- Tainan Earthquake and Typhoon Danas, Taiwan
- Cebu Earthquake, Typhoon Crising, Typhoon Bualoi and Typhoon Tino, Philippines
- Typhoon Ragasa, China and Philippines
- Cyclone Ditwah, Sri Lanka
- Hurricane Melissa, Jamaica

GENERAL TAKAFUL BUSINESS

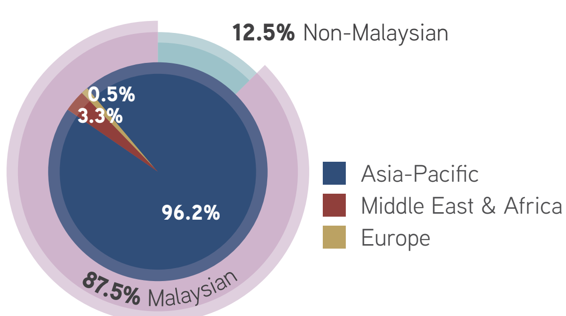
TOTAL GROSS CONTRIBUTIONS AND RETENTION RATIO



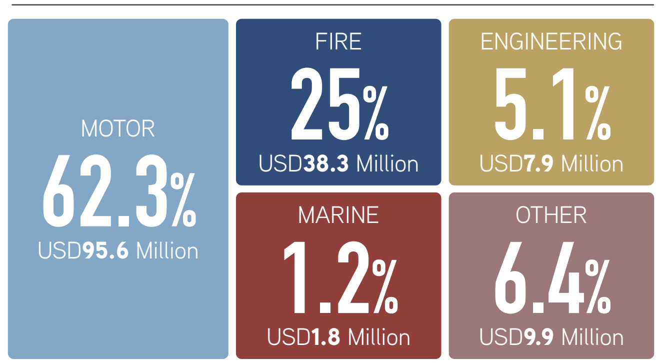
- The general takaful sector recorded a 5.5% rise in gross contributions to USD153.5 million, with Islamic windows contributing 94% of the total.
- The sector's net retention improved from 91.2% to 96%, primarily due to increased retention of non-Malaysian takaful business.

DISTRIBUTION OF GROSS CONTRIBUTIONS

BY REGION



BY SECTOR



- Gross contributions predominantly concentrated in Asia-Pacific region, which generated USD147.6 million. Contributions from the Middle East and Africa followed at USD5.1 million, while Europe accounted for a smaller share of USD0.8 million.
- Motor takaful continued to dominate the sector's business portfolio expanding its share to 62.3% of total contributions (2024: 58.4%). The motor contributions which increased to USD95.6 million underpin Labuan IBFC's ongoing role as a complementary capacity provider to Malaysian insurance market.

UNDERWRITING AND INVESTMENT PERFORMANCE

USD147.7 MILLION 13.2%
EARNED CONTRIBUTIONS

- Net Claims Incurred
  USD86.1 million
- Commission
  USD40.5 million
- Management Expenses
  USD2.9 million
- Underwriting Profit
  USD18.3 million

USD8.6 million 10.9%
Investment Income

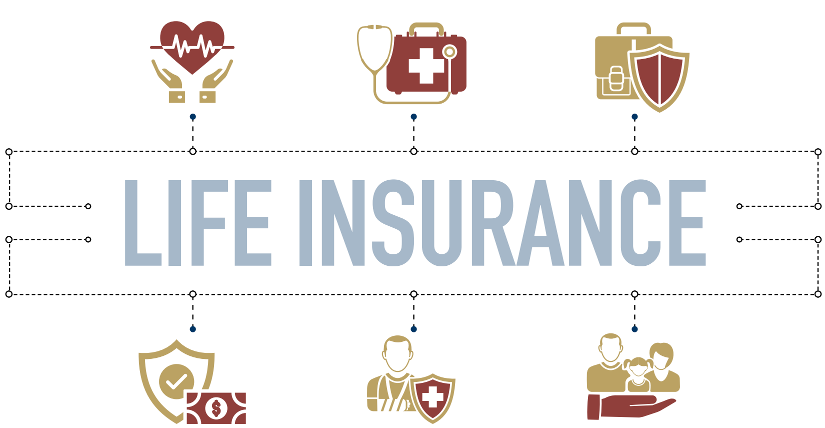
- The underwriting performance improved markedly during the year with the general takaful industry recovering from an underwriting loss to record an underwriting profit of USD18.3 million.
- This significant turnaround was primarily attributable to a 13.2% increase in earned contributions.
- Investment income for the year rose by 10.9%, reaching USD8.6 million, supported by improved returns from invested assets.

LIFE INSURANCE AND FAMILY TAKAFUL BUSINESS

Premiums/Contributions
USD449.2 million

Malaysian Business
69.9%
- 81.9% Ordinary Life
- 18.1% Investment-linked

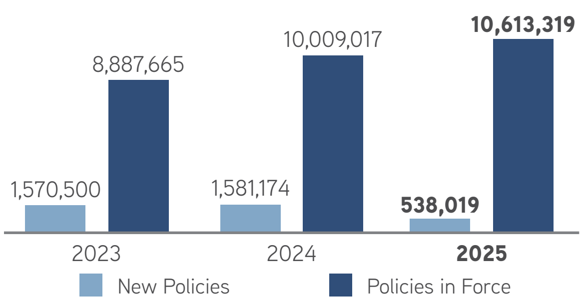
Non-Malaysian Business
30.1%
- 28.8% Ordinary Life
- 71.2% Investment-linked



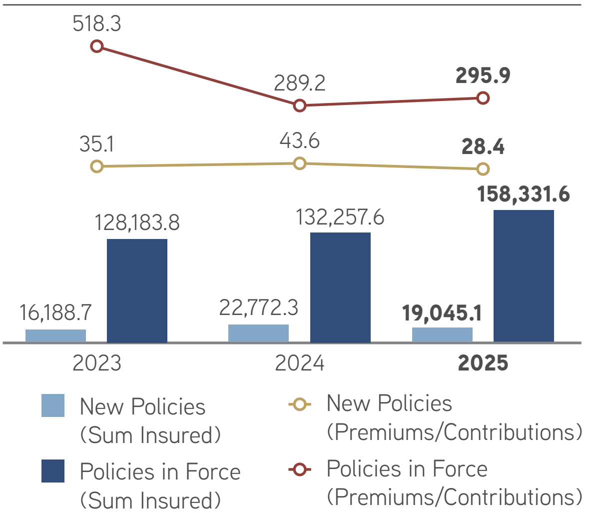
INSURANCE

ORDINARY LIFE

NUMBER OF POLICIES



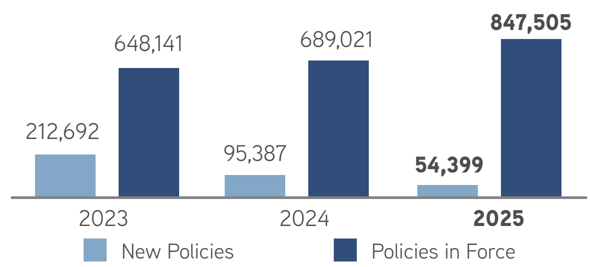
SUM INSURED & PREMIUMS/CONTRIBUTIONS
(USD MILLION)



- In 2025, new ordinary life/family (OL) business in terms of total policies, premiums/contributions and sum insured, recorded a decline. This was mainly attributable to the lower Malaysian business cessions to Labuan life reinsurers.
- The OL in-force policies continued to expand during the year, supported by new business, renewals and reinstatement of Malaysian life portfolio. However, the in-force OL portfolio for non-Malaysian business recorded a contraction.

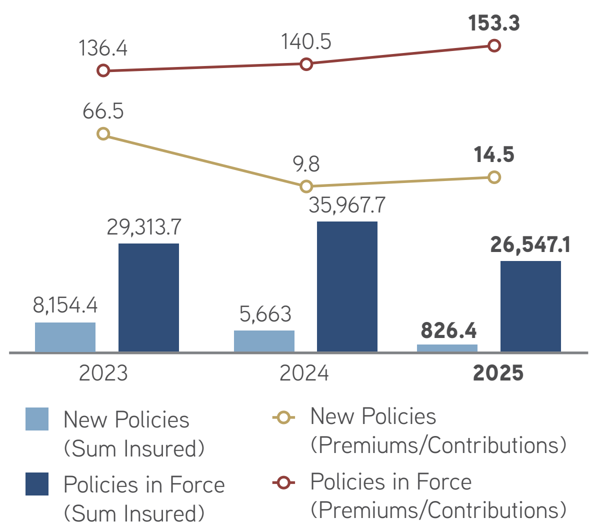
INVESTMENT-LINKED

NUMBER OF POLICIES



- New investment-linked (IL) policies declined, mainly due to fewer new business underwritten. Nevertheless, the IL in-force portfolio expanded, supported by new issuances, renewals and reinstatements of Malaysian life reinsurance.

SUM INSURED & PREMIUMS/CONTRIBUTIONS
(USD MILLION)

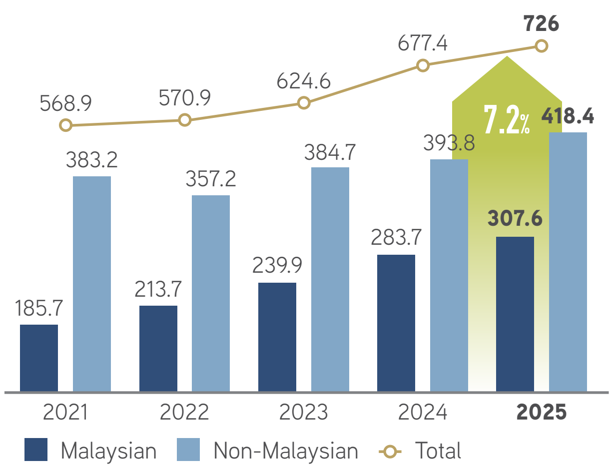


- Premiums and contributions income for both new IL and in-force policies increased for both Malaysian and non-Malaysian segments. This is driven mainly by higher non-Malaysian business underwritten during the year.
- Despite the inflated IL premiums/contributions, the total sum insured for both new and in-force policies declined. This is largely attributable to a contraction in Malaysian life reinsurance segment. In contrast, the non-Malaysian portfolio recorded growth in terms of sum insured.

CAPTIVE INSURANCE

Over the past 35 years, the captive business in Labuan IBFC has evolved into a resilient and diversified risk management platform for Asia. This progression mirrors broader global trends, where corporations are increasingly utilising captives to manage rising insurance costs, address capacity constraints and retain greater control over complex risk exposures. The captive structures offered by the Centre has progressed from the traditional pure captive to more flexible, cost-efficient models such as protected cell companies and rent-a-captives. These solutions provide efficient entry points for corporates seeking customised risk financing strategies.

TOTAL GROSS PREMIUMS/CONTRIBUTIONS (USD MILLION)



- Labuan captive premiums/contributions sustained their growth momentum, which grew 7.2% to USD726 million. This reflects continued underwriting expansion and growing confidence in Labuan IBFC as a strategic self-insurance domicile.
- Captive premiums volume accounted for 36% of total industry premiums, highlighting its growing prominence within Labuan insurance sector.
- The sector's net retention moderated to 56.5% in 2025 (2024: 58.6%), which can be due to changes in reinsurance strategy of some captives.

Labuan Captives in Strategic National Risk Management

The MADANI Captive Insurance Programme under Malaysia's 2026 Budget reinforces the strategic importance of captive insurance within the national financial architecture. It reflects the Government's commitment to strengthening economic resilience, inclusivity and promoting sustainable growth through the development of Labuan IBFC's captive ecosystem. The strategic adoption of Labuan captive structures including pure captives, association captives and PCCs, the programme positions these vehicles as effective instruments for risk financing.

INSURANCE

DISTRIBUTION OF GROSS PREMIUMS

TOP 6 CLASSES OF BUSINESS UNDERWRITTEN BY SECTOR:

ENGINEERING & CONTRACTORS' ALL RISKS	LIABILITY	FIRE
33.8%	26.8%	10.1%
MARINE	**CYBER LIABILITY**	**AVIATION**
6%	3.6%	3.5%

- In terms of market segment, Asia-Pacific remains the primary focus, with Indonesia and Japan combined accounted for 58.1% of total captive premiums underwritten in Asia-Pacific region.
- Notably, Labuan captives underwrote a higher volume of Cyber Liability risks during the year. This is in line with Labuan IBFC's Strategic Roadmap 2022-2026 which promotes the use of captives as a tool for managing emerging risk exposures of businesses.

Labuan IBFC Handbook on Captain-Tech & TakaCapt-Tech

Labuan FSA has issued a *Handbook on Captain-Tech and TakaCapt-Tech Innovations in Labuan IBFC*, providing forward-looking guidance for Labuan captives in navigating digital transformation and emerging risk landscapes.

The Handbook articulates a structured pathway for integration of advanced technologies into captive and captive takaful operations, including:

- Data analytics to enhance underwriting precision;
- Artificial intelligence to strengthen risk modelling;
- Automation to improve operational efficiency; and
- Digital platforms to streamline claims management and regulatory reporting.

Collectively, these initiatives reinforce Labuan IBFC's position as a progressive and innovation-ready domicile for captive insurance.

INSURANCE

UNDERWRITING AND INVESTMENT PERFORMANCE

USD421.8 MILLION
EARNED PREMIUMS

Net Claims Incurred
USD251.5 million

Commission
(USD7.4 million)

Management Expenses
USD17.7 million

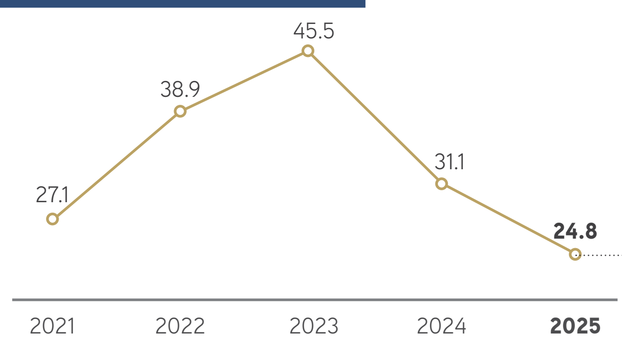
Underwriting Profit
USD160.1 million

USD11.7 million 11.5%
Investment Income

- The Labuan captive business recorded mixed financial performance in 2025. While captive earned premiums grew to USD421.8 million, this was offset by inflated claims by 52.6% to USD251.5 million.
- Consequently, underwriting margin declined by 25.1% to USD160.1 million (2024: USD213.8 million).
- Investment income for the year rose by 11.5%, reaching USD11.7 million.

INSURANCE INTERMEDIARIES

PROFITABILITY (USD MILLION)

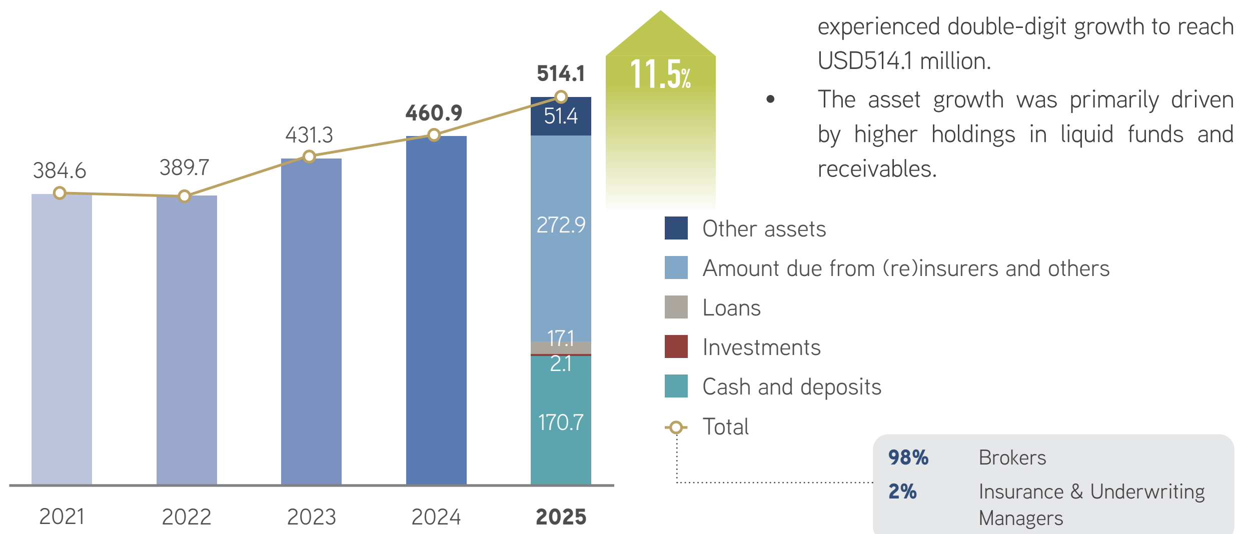


- Profits declined by 20.1% to USD24.8 million. The growth in aggregate brokerage earned was offset by higher operating costs such as increase headcount, management fees and bad debt write-offs.

94.5%	Brokers
5.5%	Insurance & Underwriting Managers

INSURANCE

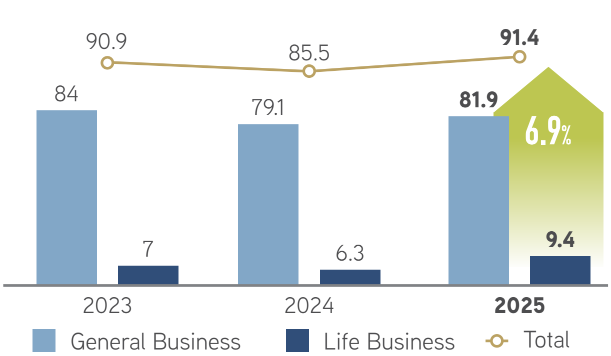
TOTAL ASSETS (USD MILLION)



- Insurance intermediaries' asset volume experienced double-digit growth to reach USD514.1 million.
- The asset growth was primarily driven by higher holdings in liquid funds and receivables.

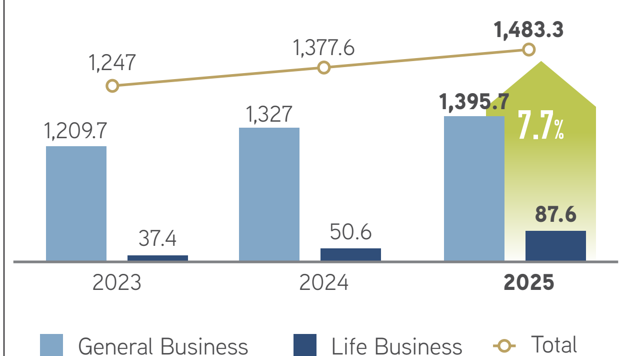
INSURANCE BROKING BUSINESS

BROKERAGE FEES EARNED (USD MILLION)



- In 2025, brokerage fees increased to USD91.4 million, supported mainly by continued growth in both general and life insurance markets.

PREMIUM PLACEMENTS (USD MILLION)



- Premiums placements trended strongly with annual average growth of 7.7% to reach USD1.5 billion in 2025.
- The higher placement volume was primarily driven by growth in the general reinsurance and retakaful segments.

INSURANCE

PLACEMENTS OF BROKED PREMIUMS

USD1.48 BILLION
PREMIUMS/CONTRIBUTIONS

94.1% General Business	*5.9% Life Business*
59.3% - Malaysian Business	**25.6%** - Malaysian Business
40.7% - Non-Malaysian Business	**74.4%** - Non-Malaysian Business

Placement by Labuan Insurance Brokers

Placed with (re)insurers in:	*Placed with (re)insurers in:*
22.5% - Labuan	**26.4%** - Labuan
33% - Malaysia	**0.5%** - Malaysia
44.5% - Others	**73.1%** - Others

- Premiums broked for Malaysian risks were largely placed with the domestic and Labuan (re)insurers, supporting the optimisation of Malaysia's underwriting capacity. Meanwhile Labuan brokers generally placed non-Malaysian risks with international (re)insurers.
- This reflects (re)insurers typically focus on risks in markets where they have stronger familiarity, expertise and risk appetite.

EMPLOYMENT

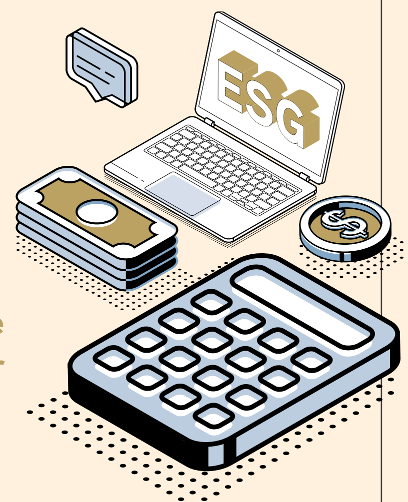
1,775
TOTAL NUMBER OF EMPLOYEES

86%
Malaysian

14%
Non-Malaysian

CAPITAL MARKET

Capital market conditions in 2025 reflected gradual normalisation across the Asia-Pacific region, supported by stabilising financial conditions and improving investor sentiment. Confidence strengthened alongside a measured return of capital flows and a cautiously constructive outlook. Fundraising activities showed signs of recovery, underpinned by selective risk-taking and disciplined capital allocation. Financial technology continued to reshape capital market dynamics, with growing interest in asset tokenisation as an alternative capital-raising channel. Sustainable finance also maintained strong momentum, supported by stronger demands for ESG-linked instruments. This included green, sustainability-linked and transition financing, reflecting the shift toward climate-aligned and long-term investment strategies.



The Labuan capital market sector remained resilient and adaptive during the year, continuing to advance fund management, advisory and securities structuring activities, supported by sustained growth in assets under management and mandates. Financial innovation gathered further momentum, with digital structuring initiatives increasingly complementing traditional offerings. The issuance of the world's first *RMB200 million Climate Sukuk* under the Labuan IBFC framework further reinforced the Centre's innovation in fusing Shariah-principles with green finance, digital tokenisation and carbon credit monetisation.

NUMBER AND ORIGIN OF CAPITAL MARKET INTERMEDIARIES

45 Fund Managers	71	26 Securities Licensees
67%	ASIA-PACIFIC	62%
13%	FAR EAST	19%
9%	EUROPE	15%
7%	AMERICA	4%
4%	MIDDLE EAST & AFRICA	0%

- The total intermediaries remained stable at 71.
- Asia-Pacific-based intermediaries continued to dominate the sector, including those hailing from Singapore, Thailand, New Zealand and Malaysia.

Note: The total entities in this sector refer to licensed entities and included digital financial services providers.

ASSETS UNDER MANAGEMENT BY FUND MANAGERS

USD1.2 BILLION
ASSETS UNDER MANAGEMENT

86% Investments

3.8% Cash

10.2% Others

- The sector's Assets under Management (AUM) recorded a 9.4% growth to reach USD1.2 billion (2024: USD1.1 billion).
- Equity investments remained the dominant component, accounting for 86% of the AUM.

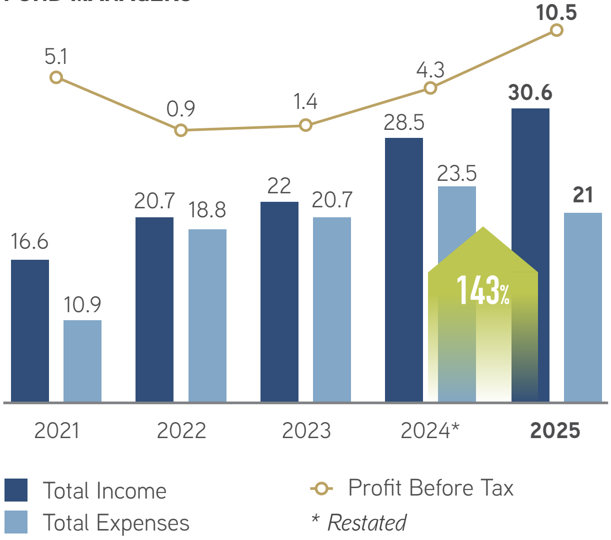
WORLD'S FIRST RMB CLIMATE SUKUK ISSUED FROM LABUAN IBFC

Labuan IBFC achieved a major milestone in sustainable finance with the inaugural issuance of the world's first private RMB-denominated Climate Sukuk valued at RMB200 million. The Sukuk is linked to energy efficiency and carbon reduction initiatives, with proceeds channelled to project-based activities generating energy savings and certified carbon credits. Featuring a hybrid return structure, investors may receive part of their returns in verified carbon credits tradable in carbon markets.

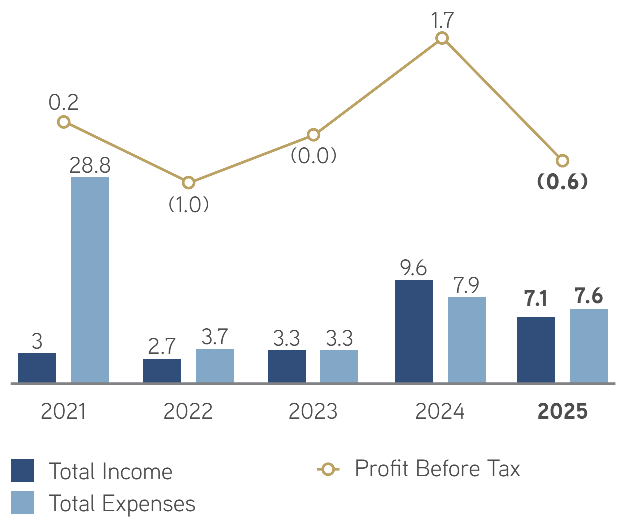
CAPITAL MARKET

PROFITABILITY (USD MILLION)

FUND MANAGERS



SECURITIES LICENSEES



- The fund management segment sustained solid performance in 2025, with income rising 7.4% to USD30.6 million. Profitability strengthened markedly, increasing 143% to USD10.5 million. This was primarily supported by higher management fees and improved cost efficiency.
- Conversely, securities licensees segment recorded a contracted income of USD7.1 million, primarily due to an almost halving of management fee income.

EMPLOYMENT

FUND MANAGERS

123

TOTAL NUMBER OF EMPLOYEES

80% Malaysian

20% Non-Malaysian

SECURITIES LICENSEES

58

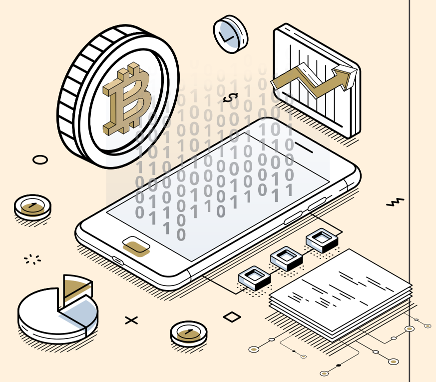
TOTAL NUMBER OF EMPLOYEES

90% Malaysian

10% Non-Malaysian

DIGITAL FINANCIAL SERVICES

Global digital financial services continued to expand, supported by fintech advancement, wider adoption of digital payments and growing demand for seamless financial solutions. Reflecting this structural shift, the Statista's Digital Payments estimated that global digital payments transaction value would reach approximately USD9.28 trillion in 2025. As digital activities become more cross-border and complex, especially in crypto-asset and tokenisation markets; robust cybersecurity, compliance, and data will remain critical to preserving trust as well as market integrity.



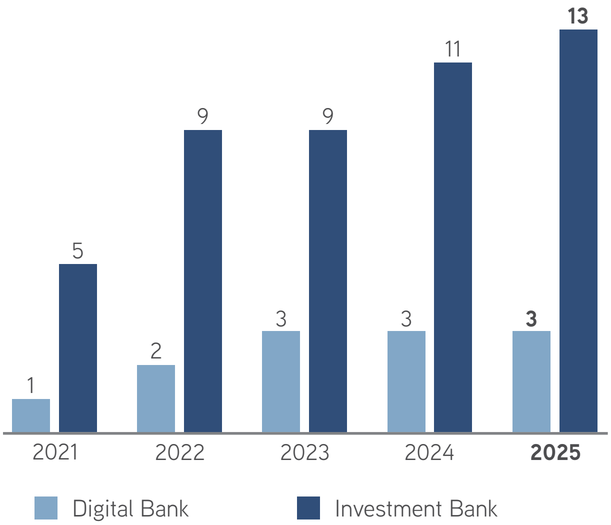
The Labuan digital financial services (DFS) sector remained stable, continuing to facilitate cross-border digital finance innovation under strengthened regulatory expectations and intensified supervisory oversight. Improved risk resilience and sustained compliance standards have helped in strengthening market confidence in the Centre's digital asset intermediation activities.

96 DFS PROVIDERS

Money Brokers	40	Fund Managers	3
Payment System Operators	19	Digital Banks	3
Investment Banks	13	General (Re)insurers	2
Credit Token Licensees	11	Securities Licensee	1
Financial Exchanges	4		

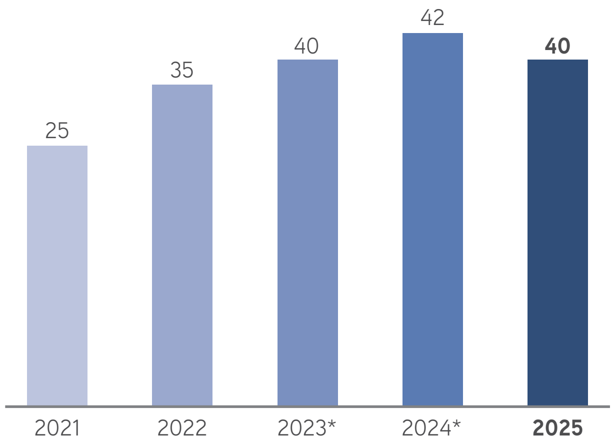
DIGITAL FINANCIAL SERVICES

NUMBER OF BANKS



- In 2025, the number of banks providing DFS increased, with two existing Labuan investment banks approved to undertake the digital banking activities.
- This reflects a strategic move by the Labuan banks to strengthen digital capabilities and remain competitive in the evolving international banking space.

NUMBER OF MONEY BROKERS



* *Restated*

- The total number of DFS money brokers slightly moderated to 40 in 2025.
- DFS money brokers mainly facilitate digital asset trading and exchange platform services.

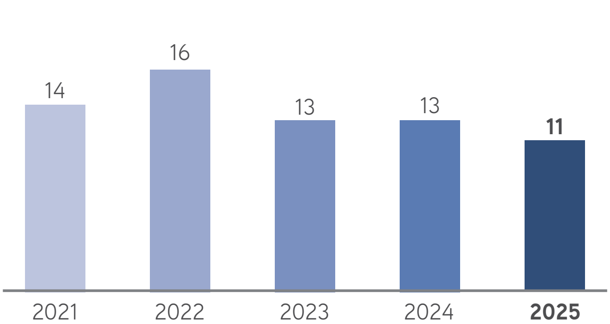
STRENGTHENING DIGITAL MONEY BROKING GOVERNANCE

The Guidelines on the Management of Digital Money Broking Platform introduced several enhancements to strengthen the governance and operational framework of Labuan money brokers. The updated guidelines called for:

- More robust internal controls;
- Effective oversight; and
- Proportionate risk management for digital operations.

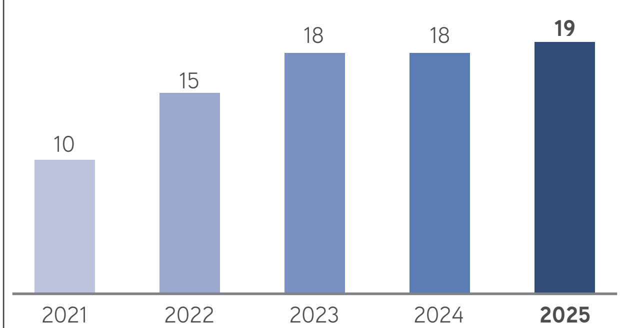
DIGITAL FINANCIAL SERVICES

NUMBER OF CREDIT TOKEN LICENSEES



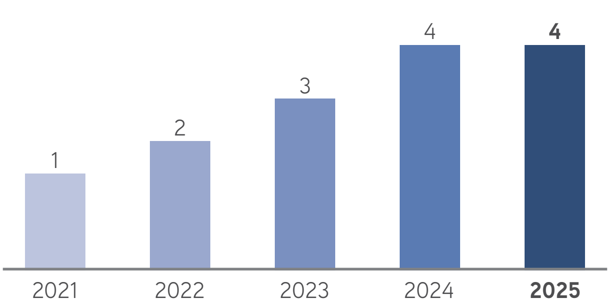
- The number of credit token licensees moderated to 11, with majority engaged in asset-backed tokenisation.

NUMBER OF PAYMENT SYSTEM OPERATORS



- The number of payment system operators increased to 19, with most offering innovative payment solutions, including e-wallet services.

FINANCIAL EXCHANGE



- The number of digital exchanges remained stable at four. These exchanges mainly facilitate the issuance, listing or trading of securities tokens, including Shariah-compliant securities tokens (RAMZ).
- RAMZ listed on Labuan Exchanges continue to record growth in 2025.

LABUAN IBFC:
AN INTERNATIONAL WEALTH MANAGEMENT HUB BUILT FOR THE NEW PARADIGM

The wealth management landscape is evolving as cross-border strategies and multi-jurisdictional structures gain traction for legacy planning, asset preservation, and succession. Global cross-border wealth exceeds USD12 trillion, with total assets under management projected to reach USD200 trillion by 2030, highlighting the growing role of well-structured estate solutions.

Digital and tokenised assets are also entering mainstream portfolios, with market capitalisation at around USD2 trillion and projected to approach USD10 trillion by 2030, reflecting strong investor demand for innovative opportunities within credible, regulated jurisdictions.

Labuan IBFC has established itself as a regional financial hub offering wealth management solutions across conventional finance, digital innovation and Shariah-compliant structures. Strategically positioned within the Malaysia-ASEAN financial corridor, Labuan IBFC complements well Asia's established centres in the likes of Singapore and Hong Kong, supported by an integrated regulatory framework that enables seamless cross-border operations.

MALAYSIA'S MULTI-LAYER WEALTH ECOSYSTEM

Malaysia's wealth and capital market framework is structured across complementary platforms, each performing a distinct role within the intended broader ecosystem for the country. Labuan IBFC acts as the foundational structural layer for asset holding, governance, and cross-border wealth as well as succession planning. Meanwhile, Johor is emerging as a base for operational family offices and on-the-ground wealth management activities, while venture capital and private equity (VC/PE) channels capital into domestic growth. Together, these components form a coordinated national framework that supports investment, regulatory compliance and long-term wealth continuity.

INTERNATIONAL

Labuan IBFC's complete structuring tools for wealth holding, governance, investment pooling and risk management

- **3% tax on audited net profit for Labuan trading activities**
- **0% tax for Labuan non-trading activities**

Subject to Economic Substance Requirements

DOMESTIC

Forest City Single Family Office Incentive

Venture Capital Companies (VCCs) and Venture Capital Management Companies (VCMCs) Incentives

LABUAN IBFC: AN INTERNATIONAL WEALTH MANAGEMENT HUB BUILT FOR THE NEW PARADIGM

Labuan IBFC offers a well-integrated ecosystem that supports wealth preservation, investment activity and legacy planning within a trusted, internationally recognised regulatory environment.

LABUAN WEALTH STRUCTURING IN A SNAPSHOT

CORE PLATFORMS AND SUPPORTING SOLUTIONS

STRUCTURAL LAYER

- Trusts (Common Law)
- Foundations (Civil Law)
- Private Trust Companies

INVESTMENT VEHICLES

- Labuan Mutual Fund Including Protected Cell Companies (PCC)

CORPORATE & HOLDING PLATFORM

- Labuan Partnerships
- Labuan Companies
- Holding Companies

LABUAN FUND MANAGEMENT OPERATORS

- **Fund Manager**
- **Securities Licensee**
- **Fund Administrator**

ADDITIONAL SOLUTIONS

Enhancing Capability Across Layers

- Captive Insurance & Reinsurance
- Digital Financial Services

Key advantages include:

- Availability of civil-law-based foundations and common law trusts enables wealth owners and corporates to structure asset ownership, governance and philanthropic within a single jurisdiction.
- Innovative fund structures, via LLP and PCC mutual funds, support diverse investment strategies across traditional and emerging asset classes, such as VC/PE. Typically:
  - LLPs are widely used for regional capital pooling and cross-border deployment.
  - PCC mutual funds allow segregation of asset and liability across multiple investment strategies housed within a single legal entity.
  - Under Malaysia's VC/PE incentive framework administered by the Securities Commission Malaysia, entities established under the *Labuan Limited Partnerships and Limited Liability Partnerships Act 2010* that elect to be taxed under the Income Tax Act 1967 are eligible for the relevant tax incentives.

LABUAN IBFC: AN INTERNATIONAL WEALTH MANAGEMENT HUB BUILT FOR THE NEW PARADIGM

- Corporate conglomerates or family enterprises may establish a Labuan captive insurance to manage cross-border risks such as employee benefits, property exposure or business interruption. This allows greater control over coverage and improves alignment with their operational and risk management needs.
- For those seeking to formalise their philanthropic commitments, a Labuan charitable foundation offers a structured platform to centralise regional CSR initiatives. It operates under a transparent and well-governed framework, supporting sustainable and long-term social impact.

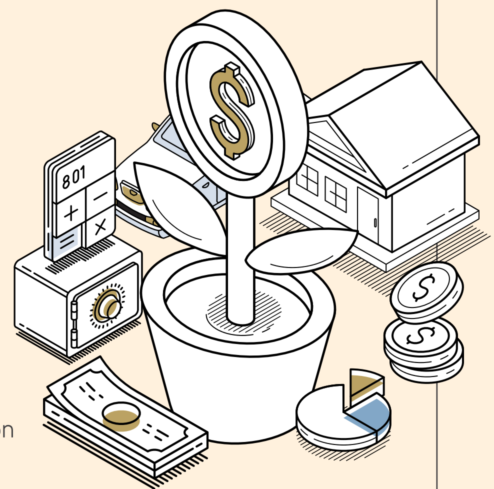
REINFORCING MALAYSIA'S POSITION AS A LEADING INTERNATIONAL FINANCIAL CENTRE

Labuan IBFC offers a trusted platform for bespoke wealth solutions within a well-regulated environment. We invite prospective investors and advisers to explore innovative structures within the Centre's dynamic ecosystem. By fostering collaboration and embracing forward-looking solutions, Labuan IBFC seeks to reinforce Asia's wealth management landscape and support Malaysia's aspiration to advance as a competitive international financial centre.

*The **"Handbook on Wealth Management and Legacy Planning in Labuan IBFC"** was published to provide a concise guide to the Centre's offerings, covering wealth management and succession planning overview, and cross-border structuring via various wealth structure options in a single reference.*

WEALTH MANAGEMENT

High-net-worth individuals (HNWIs) are adopting increasingly sophisticated approaches to intergenerational wealth transfer. These have evolved in the recent years as demand has broadened beyond traditional advisory to encompass enhanced digital engagement and more strategic allocations to digital and alternative assets, alongside other value-added wealth solutions. Asia-Pacific remains a key global wealth management market with solid medium term growth prospects.

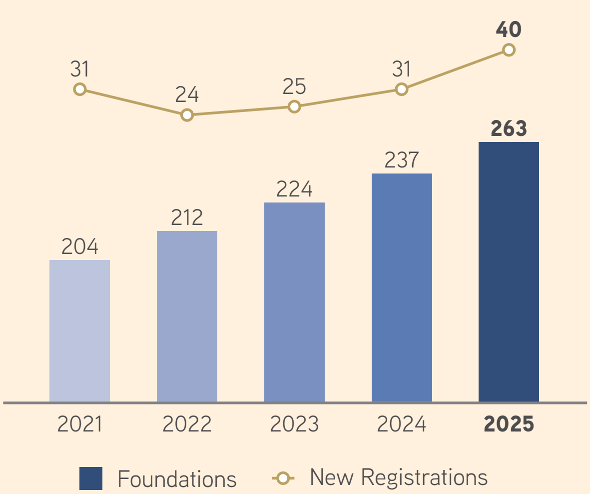


In line with these trends, Labuan wealth management structures in the form of foundations and trusts, continue to be widely opted for asset protection, succession planning, and philanthropic objectives under conventional and Shariah-compliant frameworks. Supported by Labuan IBFC's diverse ecosystem, HNWIs benefit from the integrated professional services spanning trust administration, corporate structuring, tax planning and wealth management solutioning.

FOUNDATIONS

In 2025, new Labuan foundation registration expanded by 29% - the highest level recorded since 2021, bringing the total to 263, a 11% overall increase. This strong momentum underscores the growing prominence of Labuan wealth management structures amongst Asia's HNWIs.

TOTAL FOUNDATIONS & NEW REGISTRATIONS



- 7.5% of the newly registered foundations were established for private estate management. The remaining 92.5% foundations were formed for charitable and philanthropic purpose.
- 98.5% of the total foundations comprises conventional vehicles and four Shariah-compliant vehicles.

WEALTH MANAGEMENT

ASSET UNDER MANAGEMENT

Foundations

USD802.2 MILLION

67.6%	27.1%	3.1%	2.2%
Cash	Equity Shares	Property & Real Estates	Portfolio Investments & Others

Registered Trusts

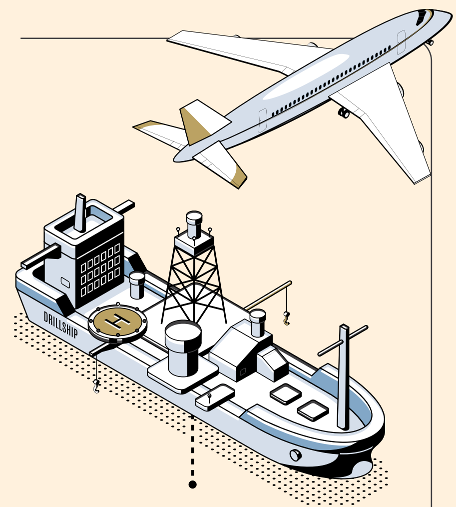
USD194.2 MILLION

55.8%	27%	17.2%
Property	Shares	Cash

- Labuan foundations Asset Under Management increased by 12% to USD802.2 million (2024: USD716.6 million).
- Cash holdings remained the preferred form of endowment.
- Assets held in trusts declined by 18.6%, mainly due to a deduction in property holding.

LEASING

The global leasing industry remained resilient in 2025, with the market volume projected reaching almost about USD2.08 trillion. The growth was supported by the increasing demand for flexible financing and asset-light business models across sectors such as transportation, construction, industrial operations and information technology infrastructure. Specialised leasing segments continued to drive activity, particularly in aviation. Global passenger traffic grew by about 5% in 2025, with international demand rising by 7.1%, supporting fleet modernisation and strengthening demand for aircraft leasing solutions.



The global leasing growth lent momentum to support the expansion in Labuan leasing sector, particularly in the aviation segment. Specifically, expansion was observed in additional new and renewed transactions for aviation leasing.

NUMBER AND ORIGINS OF LEASING COMPANIES 177

ASIA-PACIFIC	87%
EUROPE	5%
AMERICA	4%
FAR EAST	3%
MIDDLE EAST & AFRICA	1%

- Almost 90% of the Labuan leasing companies are of Asia-Pacific origins which included Singapore and Vietnam aside from Malaysia.
- In 2025, six new entrants were licensed.

NEW ASSETS LEASED

TOTAL NEW ASSETS LEASED
USD1.8 BILLION

BY SECTOR	VALUE
Aviation	USD1.1 Billion
Oil & Gas	USD0.7 Billion

- In 2025, the sector recorded USD1.8 billion in new assets leased, predominantly from the aviation sector which accounted for 64.2% of the total.
- The new aviation leases comprised aircraft, aircraft engines, and business jets, which are utilised by commercial airlines, air cargo operators, and private jet charter companies.

Note: The total entities in this sector refer to licensed entities.

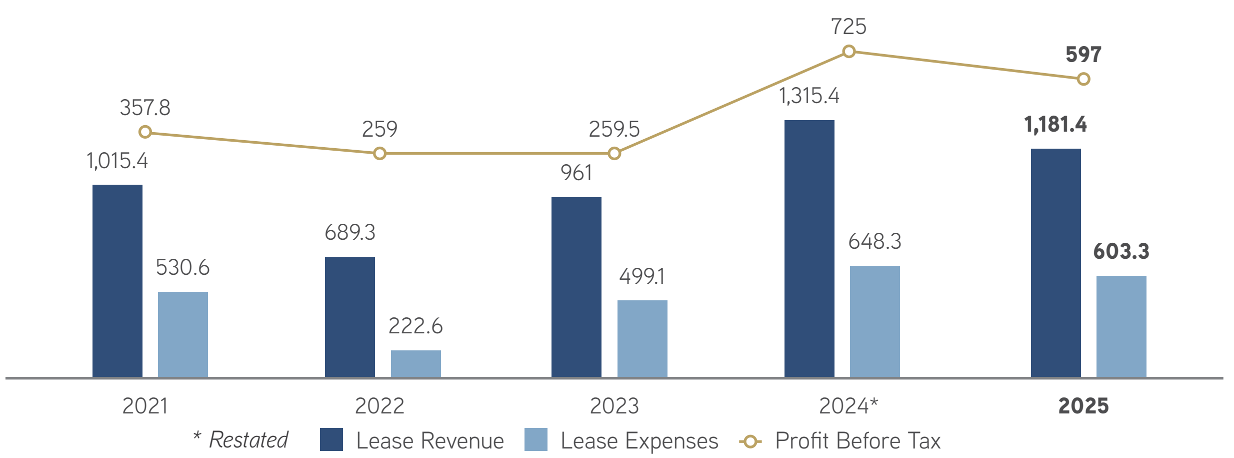
LEASING

TOTAL LEASED ASSETS BY SECTORS

USD37 BILLION
TOTAL LEASED ASSETS

USD23.6 BILLION	USD12.3 BILLION	USD1.1 BILLION
Aviation	Oil & Gas	Others

PROFITABILITY (USD MILLION)



- Total revenue moderated to USD1.2 billion, reflecting the sector's experience in a softer leasing environment. The lower lease expenses incurred indicates stronger cost discipline and more efficient operations across the sector.
- Driven by revenue contraction during the year, the profitability recorded USD597 million.

EMPLOYMENT

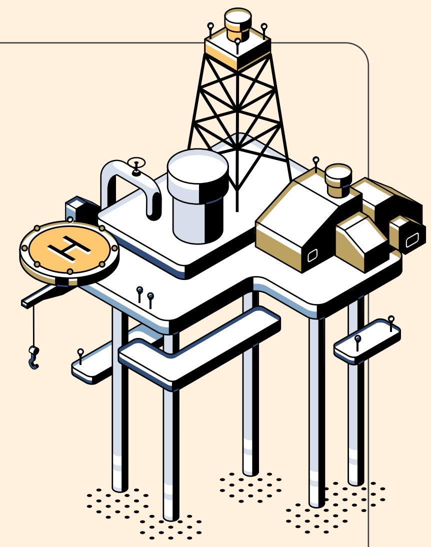
345
TOTAL NUMBER OF EMPLOYEES

98% Malaysian	2% Non-Malaysian

INTERNATIONAL COMMODITY TRADING

Global oil prices softened moderately during the year, with Brent crude declining from around USD79 per barrel early in 2025 to about USD63 per barrel by year-end. The moderation occurred amid steady output from major producers with global oil production averaging close to 103 million barrels per day[1] during the year.

Global trade developments continued to shape the performance of Labuan International Commodity Trading Companies (LITCs) in 2025, particularly in liquefied natural gas (LNG) and petroleum-related products, which accounted for most traded volumes. Softer oil prices compressed trading margins, reflecting the sector's concentration in oil and gas-related activities. Heightened global trade uncertainties and commodity price volatility further increased operational pressures on the LITCs.



NUMBER AND ORIGIN OF LITCs 39

ASIA-PACIFIC	84%
FAR EAST	5%
AMERICA	5%
EUROPE	3%
MIDDLE EAST & AFRICA	3%

- In terms of geo-spread, 84% of the LITCs were from the Asia-Pacific market, predominantly from India and Thailand, aside from Malaysia.

COMMODITIES TRADED BY TYPES

USD40 BILLION

BY SECTOR	VALUE
LNG	USD20.2 Billion
Crude Oil	USD18.5 Billion
Others	USD1.2 Billion

- Petroleum-related products continued to dominate trading activity, with LNG and crude oil representing 97% of total transactions, amounting to USD38.7 billion.

Note: The total entities in this sector refer to licensed entities.

[1] *International Energy Agency (IEA) – Oil Market Report 2025*

INTERNATIONAL COMMODITY TRADING

COMMODITIES TRADED BY TYPES

MAJOR COMMODITIES TRADED

CRUDE OIL

VOLUME ('000) 2024*	VOLUME ('000) 2025	VALUE (USD BIL) 2024*	VALUE (USD BIL) 2025
346,480	**353,135.5**	21.8	**18.5**

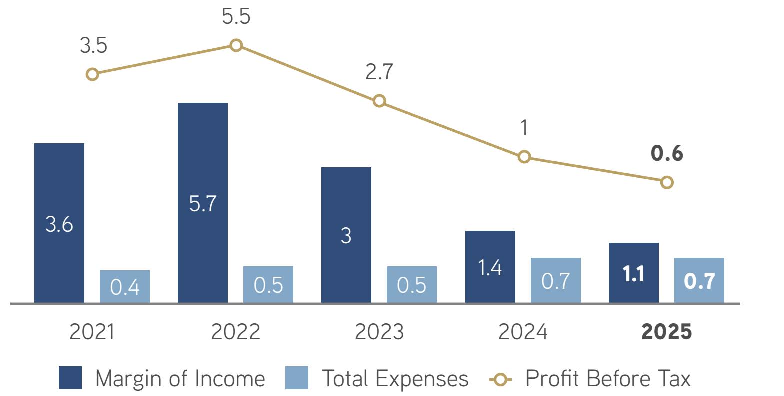
LNG

VOLUME ('000) 2024*	VOLUME ('000) 2025	VALUE (USD BIL) 2024*	VALUE (USD BIL) 2025
39,387	**43,262.6**	20.6	**20.2**

**Restated*

- Despite higher export volumes for crude oil and LNG, total export value declined amid softer average selling prices.

PROFITABILITY (USD BILLION)



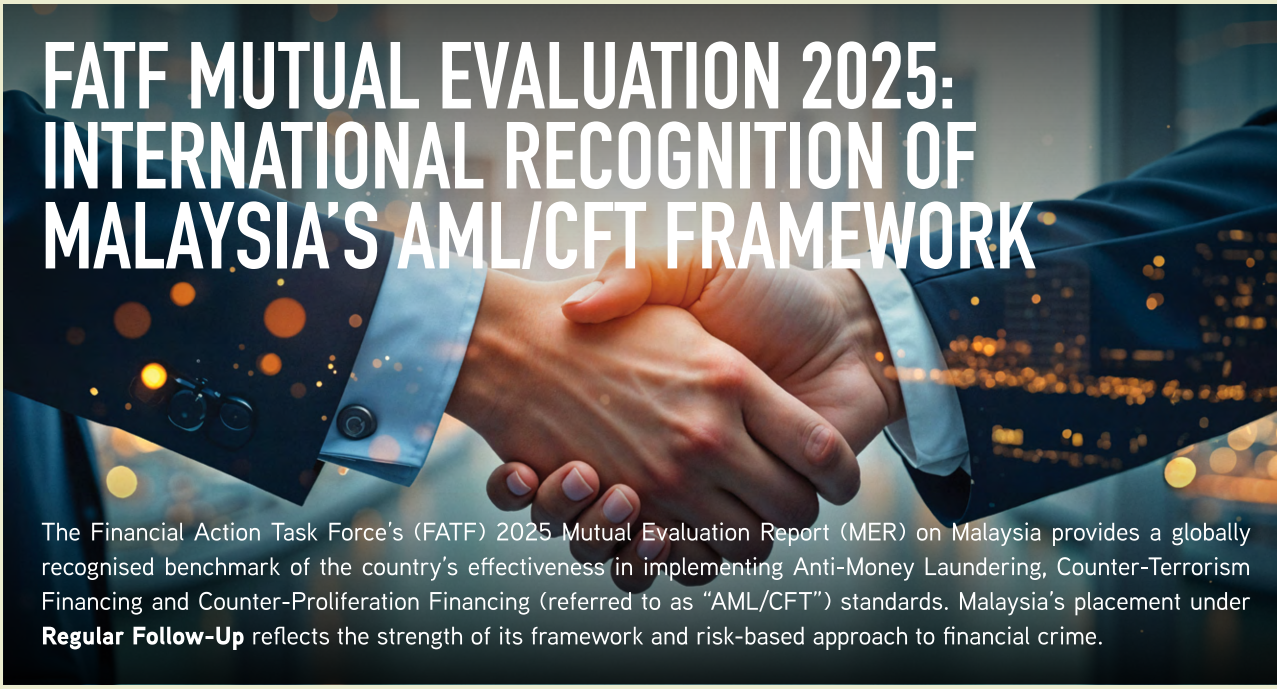
EMPLOYMENT

- Margin of income moderated to USD1.1 billion due to tighter profit margins and lower commodity sale volumes.
- The narrower income margins led to a lower profit before tax of USD0.6 billion.

LABUAN IBFC: A GATEWAY TO GLOBAL SUSTAINABLE FINANCE

LITCs provide a compliant and efficient platform for carbon credit trading and facilitation. Supported by international standards, regulatory guidance and tax incentives, the ecosystem reinforces Labuan IBFC's role as a regional hub for cross-border sustainable finance.

Labuan IBFC Sustainability Taxonomy (LiST) provides guidance for classifying economic activities based on environmental and social impact. It supports Labuan entities in aligning sustainability objectives and participating more effectively in carbon-related initiatives.



FATF MUTUAL EVALUATION 2025: INTERNATIONAL RECOGNITION OF MALAYSIA'S AML/CFT FRAMEWORK

The Financial Action Task Force's (FATF) 2025 Mutual Evaluation Report (MER) on Malaysia provides a globally recognised benchmark of the country's effectiveness in implementing Anti-Money Laundering, Counter-Terrorism Financing and Counter-Proliferation Financing (referred to as "AML/CFT") standards. Malaysia's placement under **Regular Follow-Up** reflects the strength of its framework and risk-based approach to financial crime.

The outcome reinforces international confidence in Malaysia's regulatory credibility, with Labuan IBFC recognised as a contributor to the country's positive assessment. Specifically, the evaluation highlighted Malaysia's strengthened safeguards against illicit finance, underpinned by enhancements to legal and regulatory framework, supervisory approaches and domestic coordination.

POSITIVE OUTCOME OF MALAYSIA's FATF MUTUAL EVALUATION 2025

Strengthened Legal & Regulatory Framework

- Enhanced alignment with FATF standards

Sound Understanding of ML/TF Risks

- National risk assessment guide policy & supervision

Effective Risk-based Supervision

- Higher-risk sectors receive targeted oversight

Robust Domestic Coordination

- Authorities work collaboratively across agencies

Enhanced Beneficial Ownership (BO) Transparency

- Improved availability of accurate BO information

Effective Use of Financial Intelligence

- Financial intelligence supports investigations and enforcement actions

POSITIVE EVALUATION OUTCOME: WHAT IT MEANS FOR LABUAN IBFC

It further strengthens Labuan IBFC's reputation as a well-regulated and credible international financial centre, supported by a highly compliant ecosystem with strong supervisory oversight.

FATF MUTUAL EVALUATION 2025: INTERNATIONAL RECOGNITION OF MALAYSIA'S AML/CFT FRAMEWORK

KEY OBSERVATIONS FOR LABUAN IBFC

FATF 2025 MER sets out key observations relevant to the supervisory and regulatory arrangements

1 **Risk Understanding and Supervisory Approach**	Supervisory authorities apply a structured understanding of ML/TF/PF risks supported by risk assessments and coordinated oversight. For Labuan IBFC: - Sector-specific assessments support a risk-based supervisory approach. - Supervisory attention considers cross-border activities, customer risk profiles and internationally oriented business structures.
2 **Preventive Measures including Virtual Asset Activities**	Supervisors demonstrate understanding of risks across financial institutions and virtual asset service providers and apply mitigating measures to address these risks. For Labuan IBFC: - Customer due diligence, transaction monitoring and controls over virtual asset transfers address higher-risk transactional activities.
3 **Licensing and Gatekeeping Controls**	The licensing and registration framework aims to prevent criminals or their associates from entering financial and designated non-financial sectors. For Labuan IBFC: - Labuan trust companies act as gatekeepers in the establishment and administration of legal persons and legal arrangements. - This serves as a control point against misuse of legal structures within Labuan IBFC.
4 **BO Information and Transparency**	Mechanisms exist to obtain BO information through registries and reporting institutions. For Labuan IBFC: - Labuan FSA registry data supports supervisory monitoring and access to ownership information. - Labuan trust companies identify and verify beneficial owners and maintain ongoing due diligence records. - These provide multiple sources for obtaining and reviewing BO information.
5 **Usage of Network Analysis**	Uses analytical tools to examine ownership relationships across entities. For Labuan IBFC: - Labuan FSA uses registry information, network analysis establishes links between beneficial owners across multiple companies. - This supports identification of complex ownership structures, risk-based sampling and ongoing supervisory monitoring.

FATF MUTUAL EVALUATION 2025: INTERNATIONAL RECOGNITION OF MALAYSIA'S AML/CFT FRAMEWORK

THE MUTUAL EVALUATION'S TAKE ON LABUAN REPORTING INSTITUTIONS (RIs)

Risk Understanding and Risk-Based Controls

- RIs demonstrated an understanding of ML/TF/PF risks and apply risk-based controls within their compliance frameworks.
- Institutional risk assessments form part of internal risk management processes.
- Risk assessments considered findings from the National Risk Assessment (NRA) and relevant sectoral risk assessments.

Customer Due Diligence Implementation

- Customer identification and verification procedures are implemented as part of due diligence processes.
- BO information is obtained and verified during customer onboarding.
- Enhanced due diligence measures are applied for higher-risk customers and business relationships.

Beneficial Ownership Transparency

- BO information is obtained and maintained as part of customer due diligence processes.
- Labuan trust companies play an important gatekeeper role in the establishment and administration of legal persons and legal arrangements, supporting BO transparency.
- Information maintained by RIs supports access by competent authorities when required.

Suspicious Transaction Reporting and Financial Intelligence

- Reporting institutions contributed to financial intelligence framework through suspicious transaction reporting.
- Monitoring processes support the identification of suspicious activities and relevant risk indicators.
- Reporting and escalation procedures form part of institutional compliance and internal control frameworks.

Targeted Financial Sanctions Implementation

- Screening of customers and transactions against sanctions lists forms part of sanctions compliance processes.
- Potential matches are reviewed and documented in accordance with internal procedures.
- Confirmed matches are escalated and reported in accordance with regulatory obligations.

Overall, Labuan RIs demonstrated that their AML/CFT measures are increasingly risk-based, proportionate, and supported by appropriate documentation, broadly aligning with FATF expectations. This sits well within Malaysia's broader progress in attaining a higher level of AML/CFT maturity.

HIGHER GOVERNANCE CONTROLS
GREATER RISK AWARENESS
WIDER ADOPTION BY RIs

FATF MUTUAL EVALUATION 2025: INTERNATIONAL RECOGNITION OF MALAYSIA'S AML/CFT FRAMEWORK

LABUAN IBFC IMPACT: CONFIDENCE, CREDIBILITY AND GROWTH

The positive ME outcome **affirms that Labuan IBFC's AML/CFT/CPF framework is effectively implemented and aligned with international standards.**

It further **strengthens trust and confidence amongst cross-border stakeholders** in the Centre's regulatory system and supervisory vigilance.

CONFIDENCE

...in Labuan IBFC is strengthened as the assessment confirms that supervisory expectations and preventive measures operate effectively in practice. Investors, financial institutions and international counterparties can engage with greater certainty, supporting Labuan IBFC's standing as a well-regulated financial centre.

"This confidence translates into tangible benefits for Labuan IBFC key sectors, supporting stability in correspondent and cross-border arrangements within the banking sector, while strengthening insurance underwriting confidence within a sound regulatory framework"

CREDIBILITY

...of Labuan IBFC is further enhanced through demonstrated alignment with FATF standards and recognised international regulatory expectations. This supports continued recognition by foreign regulators and correspondent institutions, particularly in relation to banks and insurance counterparties, and facilitates smoother cross-border banking arrangements and other financial transactions across sectors.

"The positive outcome reinforces Labuan IBFC's standing as a jurisdiction where supervisory and regulatory oversights, transparency and AML/CFT/CPF controls are applied consistently and proportionately"

GROWTH

...of Labuan IBFC over the longer term is supported by sustained credibility and confidence in its regulatory framework.

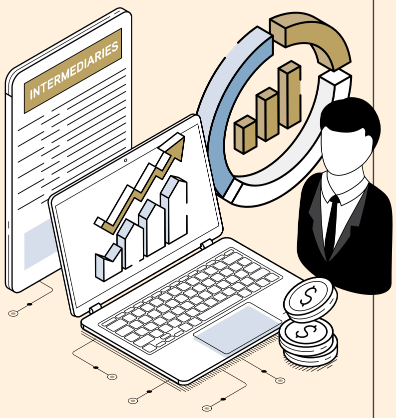
"A transparent and well-governed operating environment encourages stable market participation and facilitates sustainable expansion of financial activities within Labuan IBFC and beyond"

BEYOND THE 2025 MUTUAL EVALUATION

The Mutual Evaluation is not an endpoint but a defining step towards higher compliance maturity and sustained market credibility. As risks and financial activities evolve, RIs and supervisory authorities must continue to apply risk-based controls consistently and remain vigilant to prevailing international requirements. In doing so, Labuan IBFC will continue to reinforce regulatory integrity whilst maintaining a commercially enabling environment for legitimate international businesses to grow.

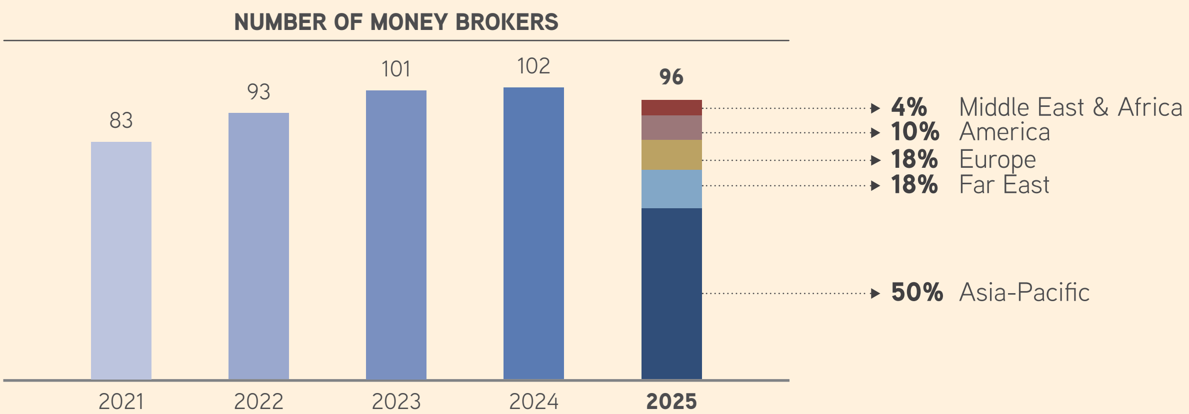
OTHER MARKET INTERMEDIARIES

Other market intermediaries comprise Labuan money brokers, credit token licensees, payment system operators and financial exchanges, serving as both intermediaries and infrastructure providers that facilitate financial transactions, market access, and payment flows.



In 2025, the Labuan money brokers (LMBs) entered a transition phase as they aligned their business with the updated "Guidelines on The Management of Digital Money Broking Platform", effective on 1 January 2027. The enhanced requirements are intended to strengthen their market discipline, service standards, internal controls and risk management. This is to ensure that LMBs maintain sufficient internal controls and sound risk management practices commensurate with their business operations.

MONEY BROKERS

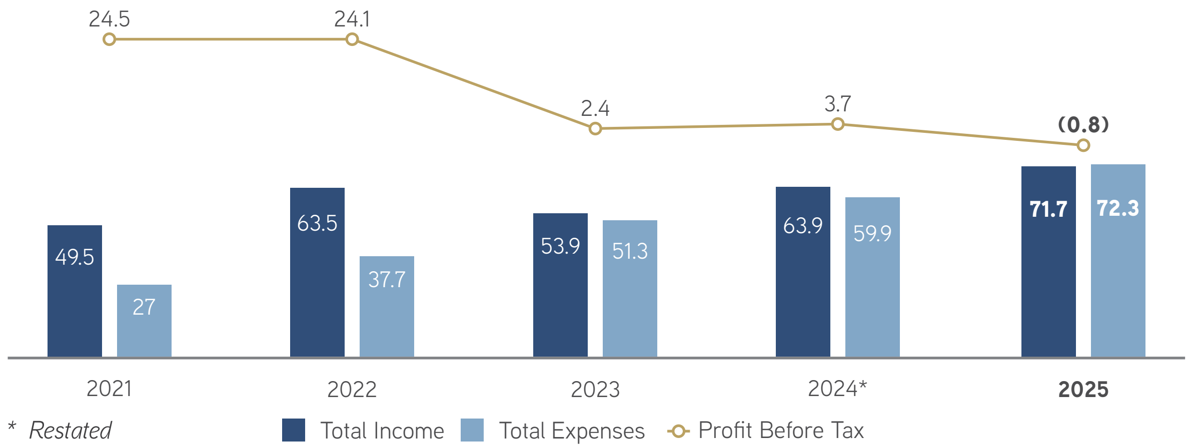


- In 2025, the sector recorded nine new entrants with some consolidation, bringing the total to 96.
- In terms of geographical mix, half of the sector originated from Asia-Pacific, mainly Singapore and Malaysia.

Note: The total entities in this sector refer to licensed entities and included DFS.

OTHER MARKET INTERMEDIARIES

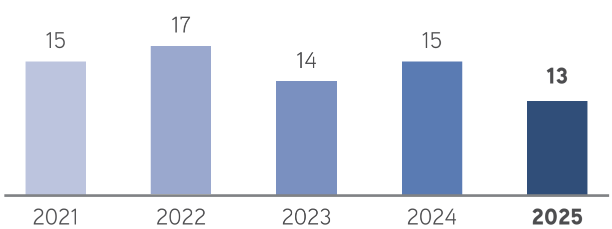
PROFITABILITY (USD MILLION)



- Total income continued to rise, reaching USD71.7 million. However, expense growth outpaced revenue, resulting in a loss before tax of USD0.8 million.

CREDIT TOKEN LICENSEES

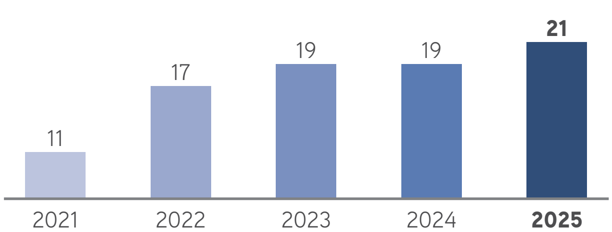
NUMBER OF CREDIT TOKEN LICENSEES



- The number of credit token licensees moderated to 13, reflecting tighter compliance standards and consolidation within the sector.
- They mainly provide token-based mechanisms for credit transactions.

PAYMENT SYSTEM OPERATORS

NUMBER OF PAYMENT SYSTEM OPERATORS



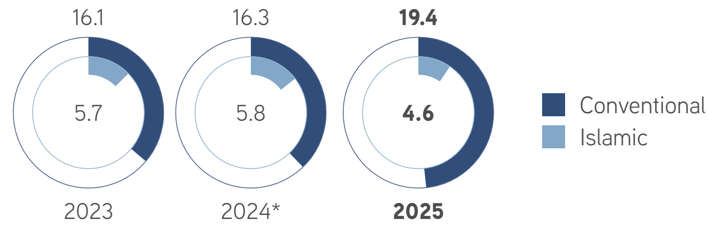
- The number of payment system operators increased to 21, with two new entrants.
- These operators mainly provide systems for transfer, clearing or settlement of funds or securities.

OTHER MARKET INTERMEDIARIES

FINANCIAL EXCHANGE

TOTAL MARKET CAPITALISATION (USD BILLION)

USD23.9 BILLION
MARKET CAPITALISATION



** Restated*

- Labuan International Financial Exchange (LFX), the sole conventional financial exchange in Labuan IBFC, recorded three new conventional listings in 2025, bringing total listed instruments to 25 (18 conventional and 7 Islamic).
- Conventional debt securities accounted for 60% of total listings, followed by Islamic notes at 28%, reflecting continued demand for both conventional and Shariah-compliant instruments.
- Total market capitalisation increased by 8.6% to USD23.9 billion (2024: USD22 billion).

EMPLOYMENT

389
TOTAL NUMBER OF EMPLOYEES

78%
Malaysian

22%
Non-Malaysian

TRUST COMPANIES

Trust and corporate services continued to be supported by demand for cross-border structuring, intergenerational wealth transfer and compliance outsourcing. The sector is undergoing structural change as digital transformation and rising compliance demands reshape traditional advisory models. Trust companies are also investing in technology and regulatory solutions to improve efficiency, while new opportunities emerge in areas such as ESG advisory, alternative investments and advanced wealth structures. This shift is also driving market consolidation, favouring trust companies with strong digital capabilities, regulatory expertise and cross-border service capacity.

In 2025, the Labuan trust companies (LTCs) sector remained stable, and it continued to serve as key on-boarding intermediaries for Labuan IBFC.

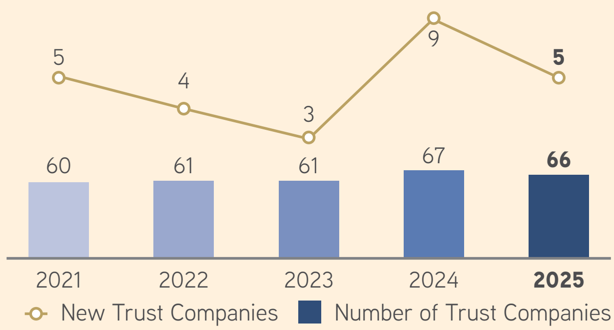
69 TRUST COMPANIES

40 *Full-fledged*

26 *Managed*

3 *Private*

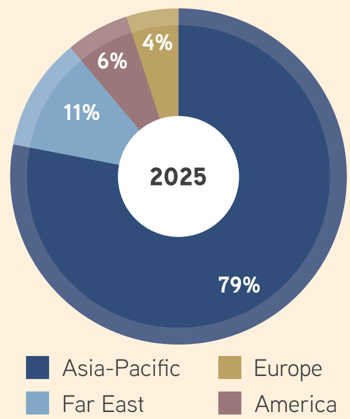
NUMBER OF FULL-FLEDGED AND MANAGED TRUST COMPANIES



Note: Exclude Private Trust Companies.

- In 2025, the number of LTCs was stable, comprising mainly full-fledged trust companies.
- The sector expanded with additional five new trust companies, comprising three full-fledged trust companies and two new managed trust companies. This reflects the continued strengthening of the sector.

ORIGIN OF TRUST COMPANIES

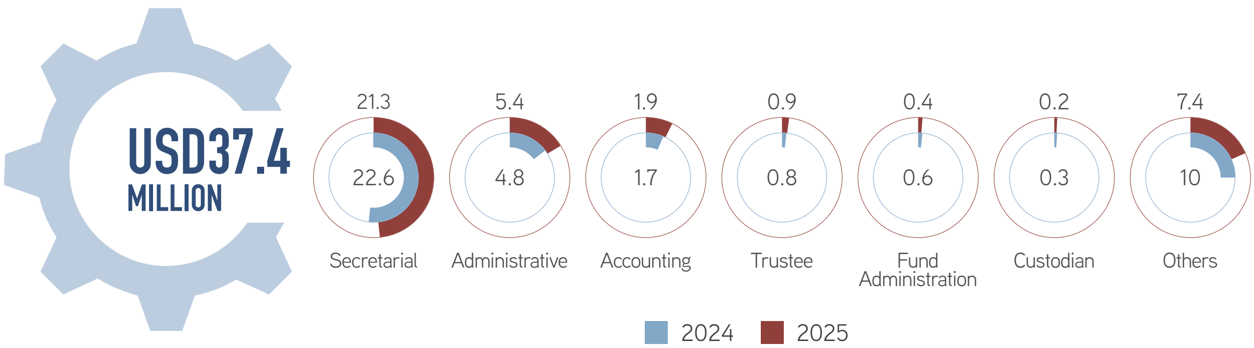


- The concentration of LTCs, largely from Asia-Pacific and Far East, reflects growing regional demand for trust and corporate services and importance of sustained market engagement.

Note: The total entities in this sector refer to licensed entities.

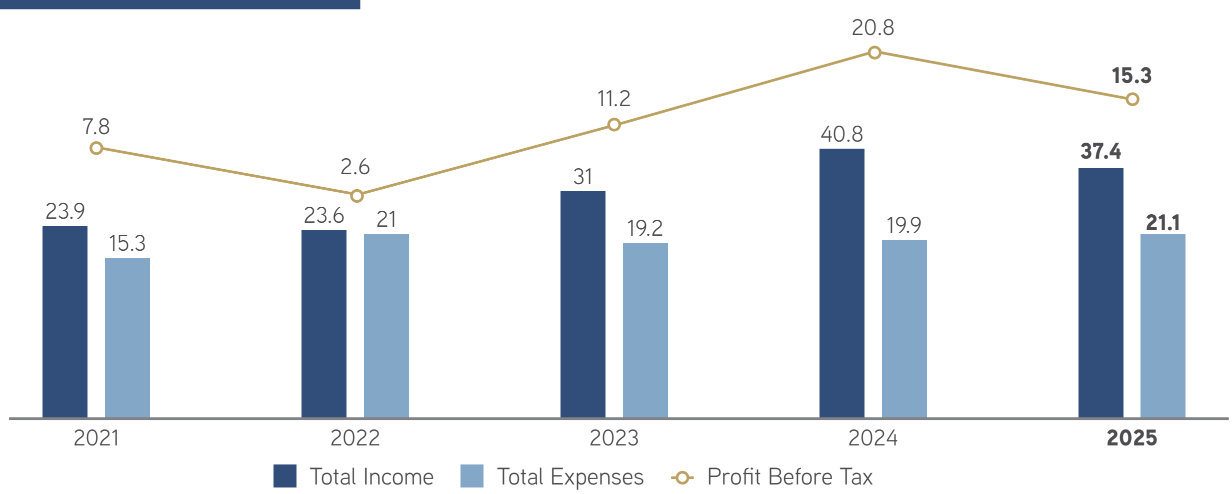
TRUST COMPANIES

SOURCE OF INCOME (USD MILLION)



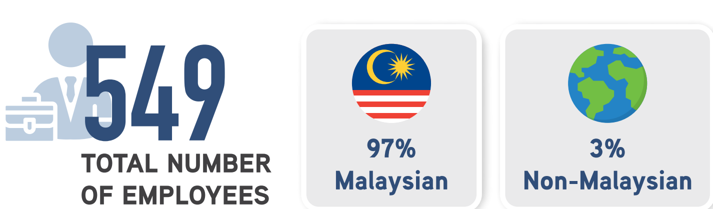
- LTC's total income moderated to USD37.4 million, primarily due to lower fee contributions from the secretarial and backroom services.
- Income from secretarial services remain primary revenue driver for LTCs.

PROFITABILITY (USD MILLION)



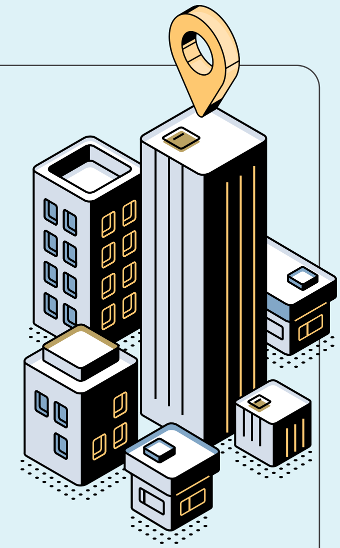
- As a result of lower total income, profitability declined to USD15.3 million.

EMPLOYMENT



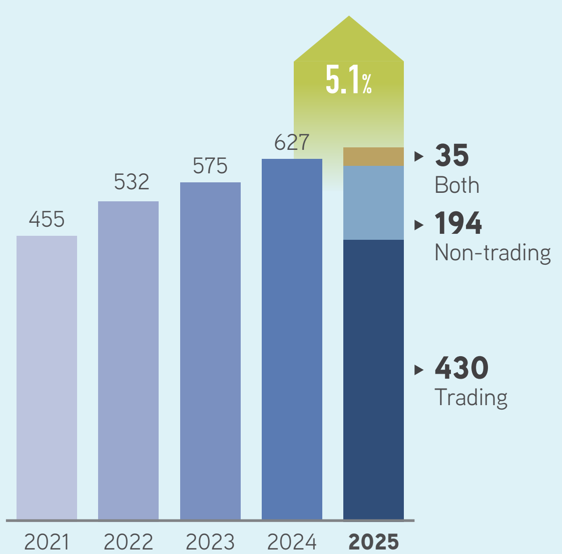
COMPANIES

Asia-Pacific economic landscape continued with its resilient performance trends accentuated by new business opportunities and cross-border investment flows. In tandem with the improving business sentiment, Labuan new incorporations and registrations grew by 5.1% to 659. This growth momentum was attributable to Labuan company incorporations and other segments such as partnerships, foundations and trust formations. The sustained increase in incorporations was driven mainly by corporates established for management and administrative services alongside a notable growth in the technology and digital-related businesses. This trend mirrors the global shift towards digitalisation and AI-driven business appetite.



After 35 years, Labuan IBFC continued to be a relevant and well-regulated international market with growing demands for its unique corporate solution offerings. This is driven by progressive regulatory developments and strengthened business ecosystem supporting conventional, Islamic and digital innovation.

NEW INCORPORATIONS



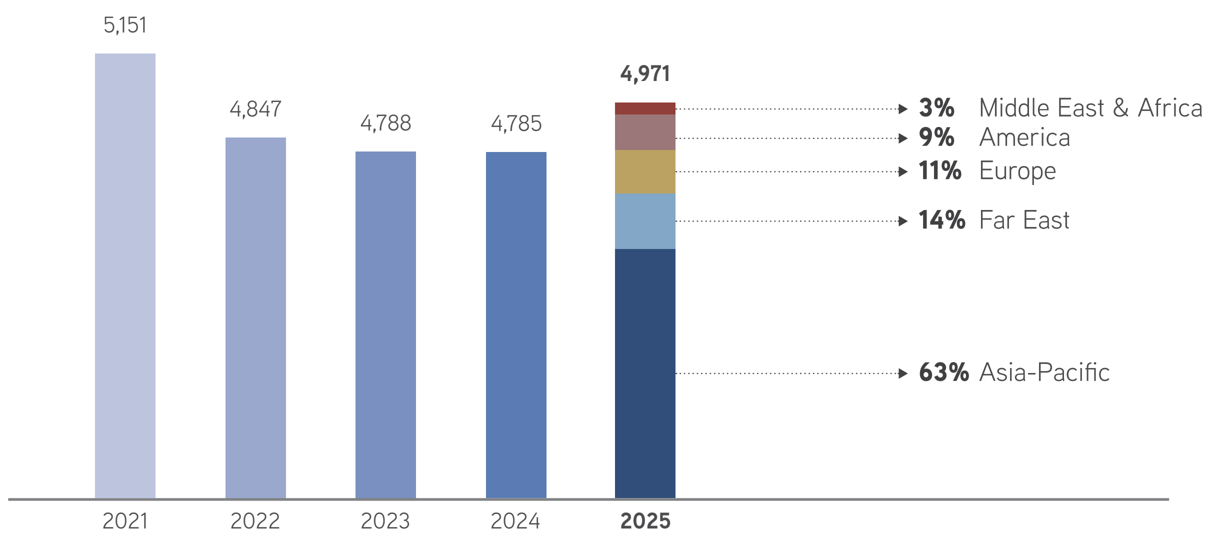
NUMBER AND ORIGIN OF NEW INCORPORATIONS **659**

ASIA-PACIFIC	60%
FAR EAST	18%
EUROPE	14%
AMERICA	5%
MIDDLE EAST & AFRICA	3%

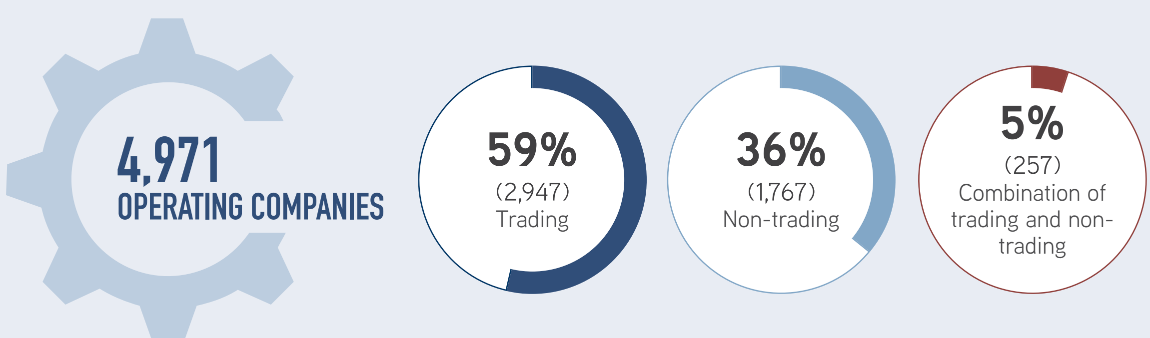
- 71% of new incorporations relate to finance-focused professional services.
- By geographical spread, 60% of the companies were from the Asia-Pacific region, primarily Malaysia (56.6%), with the remainder from other markets such as Pakistan, Singapore and Indonesia.

COMPANIES

OPERATING COMPANIES BY REGION



- The total operating company grew by 3.9% to 4,971.
  - 63% of the total operating companies originated from Asia-Pacific region, and majority of these companies were from Malaysia at 71.6%.



- Trading companies engaged in multiple business services, including licensed institutions, technology services, agency, management and administrative, digital and IT, as well as professional and advisory services.
- Non-trading companies, comprising investment holding entities, including both pure and non-pure equity holdings.

PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS FOR THE MAJOR SECTORS IN LABUAN IBFC

FINANCIAL INDICATORS	2023*	2024*	2025	OBSERVATIONS
Economic size and financial capacity (USD Million)				
Market Capitalisation	16,504.5	16,988.5	**22,484.1**	*Hike in equity holdings showed industry's expanded capital volume.*
Growth	12.2%	2.9%	32.3%	
Total Assets	83,991.4*	83,276.5*	**94,083.2**	*Banking, insurance and LITC sectors collectively drove the asset growth in 2025.*
Growth	2.9%	-0.9%	13.0%	
Profitability (USD Million)				
Total income	9,492.4	8,203.8	**8,114.4**	*A slower decreasing profitability trend buoyed by better expense management.*
Growth	-9.5%	-13.6%	-1.1%	
Total Expenses	5,453	5,837.8	**5,675.7**	
Growth	32.3%	7.1%	-2.8%	
Profit Before Tax(PBT)	3,990.4*	2,630.5*	**2,345.3**	
Growth	-34%	-34.1%	-10.8%	
ROA (Profit before tax / total asset)	4.8%	3.2%*	**2.5%**	
Growth	-35.9%	-33.5%	-21.1%	
Efficiency				
Cost Efficiency	57.4%	71.2%	**69.9%**	*Industry's better expense management depicted through higher cost efficiency.*
Growth	46.2%	23.9%	-1.7%	
Employment				
Total employment number	4,825	5,039*	**5,090**	*Workforce in Labuan IBFC remained stable.*
Growth	14.2%	4.4%	1%	

* *restatements.*

Notes:

1) *Include nine sectors: Banking, Insurance, Money Broker, Trust Company, Fund Manager, Leasing, Securities Licensee, LITC and Labuan Exchange.*
2) *Labuan Exchange was excluded in MR 2024.*
3) *Cost Efficiency refers to Total Expenses/Total Income.*

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Secretary: **Mr. Noor E-Akbar Bin Ali Akbar**

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Chairman: **Datuk Chin Chee Kee**
Secretary: **Ms. Rita Mohd Sharif**

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Secretary: **Mr. David Yeoh Eng Hock**

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Labuan FSA
Financial Services Authority

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