



“Best Islamic Bank in Asia (2008)” – Euromoney

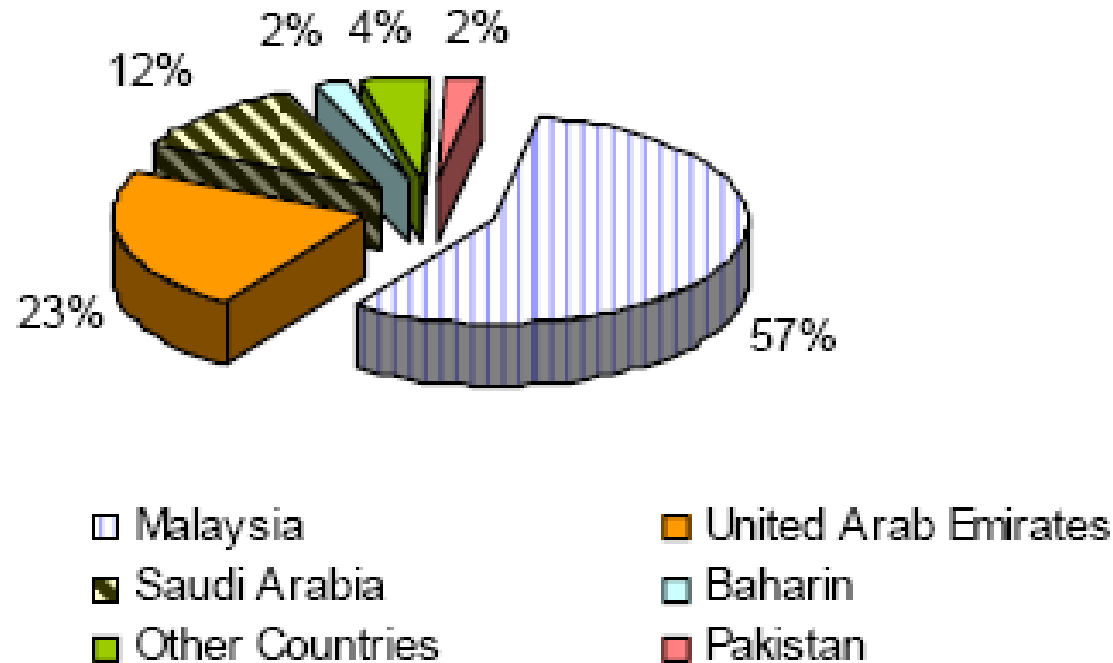
“Best Islamic Finance House (2008)” – Alpha South East Asia

“Islamic Investment Bank of the Year (2007 & 2006)” – The Banker

NOVEMBER 2008

TAPPING THE SUKUK MARKET

Malaysia has the world's largest Islamic Bond Market

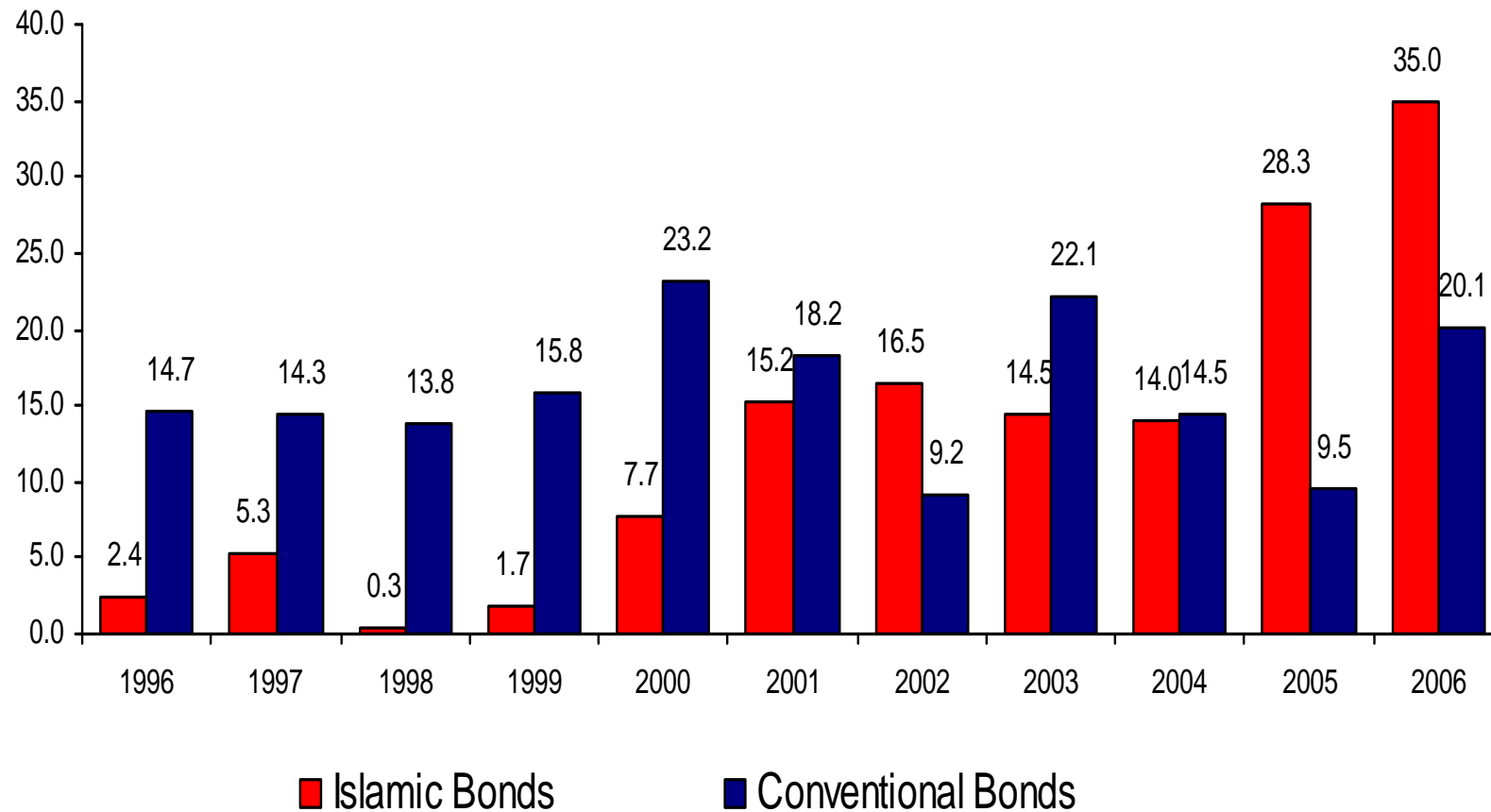


- Our Sukuk market has witnessed exponential growth since 2002
- In 2007, Malaysian Islamic bond issues represented 57% of total global issues.

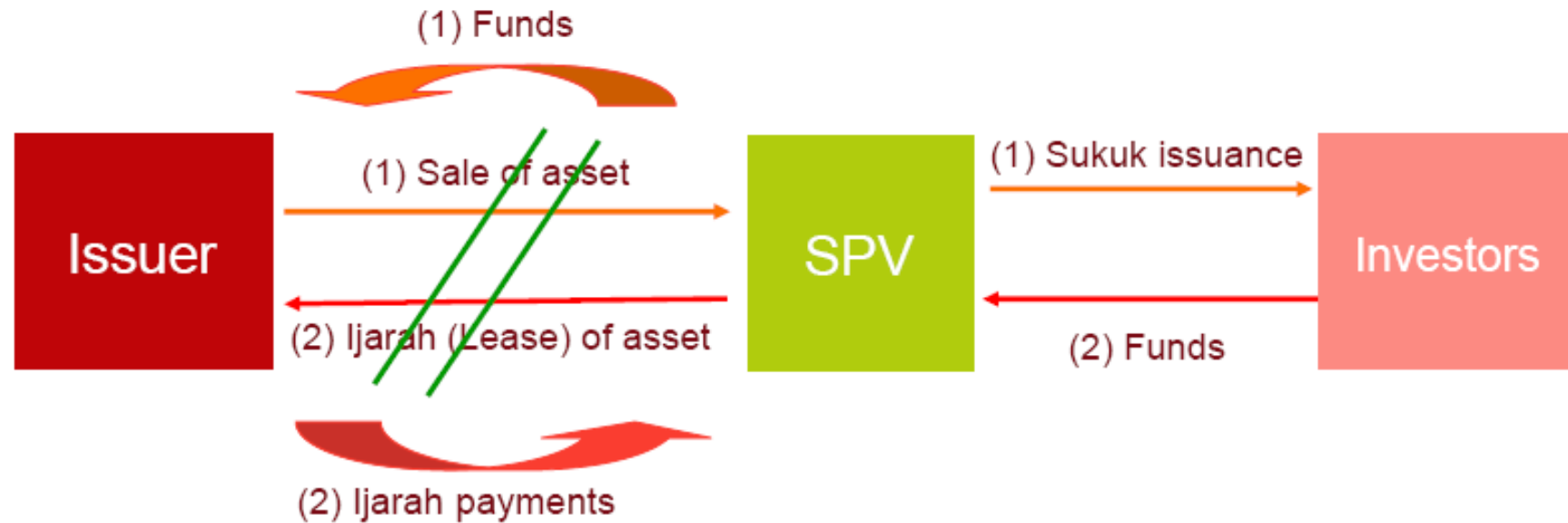
Source: January 2008 Islamic Capital Market Report by the Securities Commission of Malaysia and 2007 Sukuk report by Islamic Finance Information Service

Now Malaysian corporates prefer to issue Islamic papers..

Why the huge spike in 2005?



Malaysia's treatment of transactional taxes for Sukuk



- Due to the additional underlying asset transactions required for Syariah financing, Malaysian Tax Legislation ignores the underlying transactions for tax purposes
- It allows Islamic financing to continue without any tax issues relating to asset transfer or lease
- Tax neutrality treatment is only applicable if transactions have been approved by relevant authorities such as Bank Negara Malaysia, Securities Commission or Labuan Offshore Financial Services Authorities

Malaysia's treatment of transactional taxes for Sukuk (cont'd)

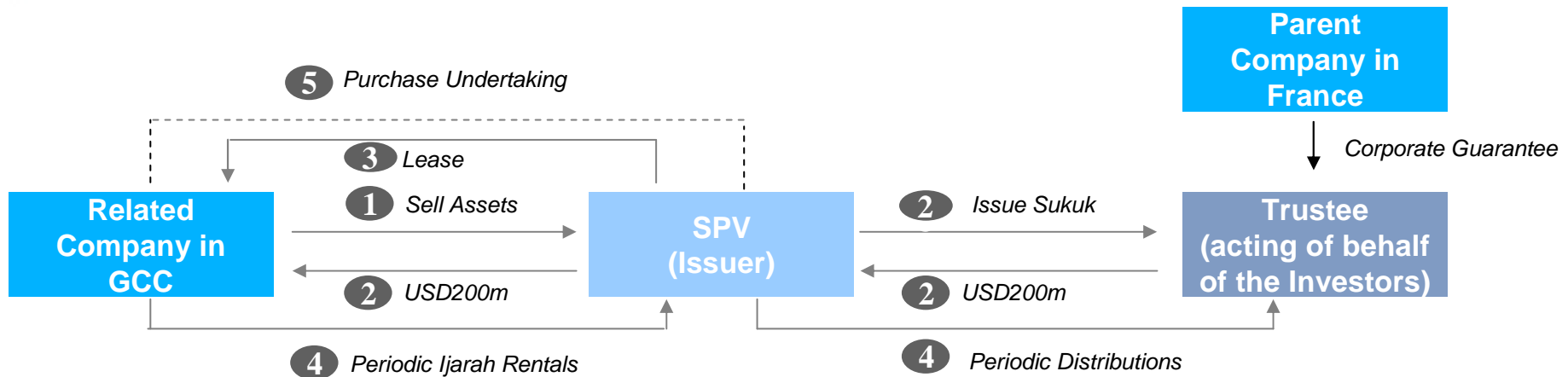
Real Property Gains Tax Act, 1976 ("RPGT Act")

- With effect from 1 April 2007, RPGT has been exempted so that even if the underlying transactions involve properties, no RPGT will be applicable
- In addition, specific RPGT exemptions also apply to Islamic Finance transactions approved by relevant authorities

Stamp Act 1949 ("Stamp Act")

- Stamp duty has also been exempted for issuance of bonds in Malaysia
- In addition, any additional stamp duty as a result of the Islamic finance transaction would also be waived

In the meantime..



Step 1	A special purpose vehicle (“SPV”) shall be incorporated. The SPV shall execute a purchase agreement with the related company in the GCC (the “Company”), under which the Company shall sell beneficial ownership of certain leasable assets (the “Assets”) to the SPV for a mutually agreed purchase price (“Purchase Price”) of say USD200 million.
Step 2	SPV shall issue Sukuk (Trust Certificates) to the Investors which shall evidence the latter’s undivided beneficial ownership of the Assets, which shall entitle the Investors to receive the Ijarah rentals and all other payments in relation to the Assets. The proceeds received by the SPV from the issuance and sale of the Sukuk will be used to pay the USD200 million payable to the Company.
Step 3	The SPV shall lease the Assets back to the subsidiary for a specific lease term of say 5 years via the execution of an Ijarah Agreement.
Step 4	The Company shall pay periodic Ijarah rentals to SPV on a semi-annual basis. SPV shall make periodic distributions to the Investors equivalent to the Ijarah rentals received from the Company.
Step 5	Upon maturity or event of default, the Company shall purchase the Assets from the SPV and the principal amount will be repaid to the Investors.

Sukuk for Tesco Malaysia (guarantee from Tesco UK)

Issuer	Tesco Stores (Malaysia) Sdn Bhd ("Tesco Malaysia")
Guarantor	Tesco Plc
Joint Principal Advisers, Joint Lead Arrangers ("JLAs"), Joint Lead Managers ("JLMs") and Joint Bookrunners	CIMB and SCB
Facilities	<ul style="list-style-type: none"> • 7-years Conventional Commercial Paper ("CP") Programme; • 15-years Conventional Medium Term Notes ("MTN") Programme; • 7-years Islamic CP Programme; and • 15-years Islamic MTN Programme <p>with an aggregate nominal value of up to RM3.50 billion</p>
Ranking	Senior, unsubordinated and unsecured
Rating	AAA
Tenure	For CPs : 1, 2, 3, 6, 9 or 12 months, subject to the tenure of the CP Programme For MTNs : more than 1 year and up to 15 years, subject to the tenure of the MTN Programme
Security	Unsecured

Increasing foreign interest in the Ringgit Sukuk market

- Institutions from abroad are increasingly tapping the deep and liquid Ringgit Sukuk market.
- Malaysia has the second largest bond market in Asia relative to GDP
- The market is deep - The national mortgage corporation, Cagamas, implemented the largest Islamic / Conventional Ringgit Programme amounting RM60 billion
- Ringgit Sukuk transactions by foreign institutions in the past few months include:-

<p>RM3,000 million</p>  <p>Export – Import Bank of Korea</p> <p>Multi-Currency Conventional and/or Islamic Medium Term Notes Programme</p> <p>Joint Lead Manager and Joint Bookrunner 2008</p>	<p>RM3,000 million</p>  <p>Industrial Bank of Korea</p> <p>Multi-Currency Conventional and/or Islamic Medium Term Notes Programme</p> <p>Joint Lead Manager and Joint Bookrunner 2008</p>	<p>RM1,000 million</p>  <p>Tadamun Services Berhad (Islamic Development Bank)</p> <p>Islamic Medium Term Notes Programme</p> <p>Joint Lead Manager and Joint Bookrunner 2008</p>
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- Malaysian investors have tremendous appetite for high grade issuers including sovereigns, quasi-sovereigns and large corporates rated at least A- by an international rating agency.
- More and more companies in the Middle East have expressed interest in the RM Sukuk market.
- Such transactions will further enhance Malaysia's position as the epicentre of Islamic capital market activity.

Sovereign Sukuk Comparisons

Issuer	Issue Date	Tenure (years)	Currency	Issue Size (USD m)	Rating (S&P)	Islamic Principle	Coupon
Malaysia Global Sukuk	Jan-02	5	USD	600	BBB	Ijarah	LIBOR 6M + 95 bps
Government of Qatar	Sep-03	7	USD	700	A+	Ijarah	LIBOR 6M + 40bps
Saxony Anhalt Sukuk	Jan-04	5	EUR	100	AA-	Ijarah	EURIBOR 6M + 1bp
Bahrain Int'l Sukuk	Jun-04	5	USD	250	A-	Ijarah	LIBOR 6M + 45 bps
Pakistan Int'l Sukuk	Jan-05	5	USD	600	B+	Ijarah	LIBOR 6M + 220bps

Source: Bloomberg (ISLM <GO>) as of 17 March 2008

The effects of the credit crunch...

What's happening in the Sukuk market?

- The Ringgit Sukuk market undoubtedly took a knock this year
- It was definitely not insulated from the effects of the credit crunch
- Only RM14.5 billion of Sukuk was raised in the first half of 2008
- Significant decline from the first half of 2007
- Demand for infrastructure based issuance will continue to remain strong
- Difficult for Sukuk issues across the globe to surpass the USD16 billion raised last year due to the adverse market conditions.
- Ringgit and USD Sukuk market expected to regain momentum in the first quarter of 2009

CIMB Islamic in the Sukuk league tables..

- CIMB Islamic has consistently stayed at the top of international Sukuk league tables



**2007 Domestic Islamic League Table
(As at 31 December 2007)**

Rank	Company	Market Share
1	CIMB	41.7%
2	AmInvestment	11.7%
3	Aseambankers	8.4%
4	RHB Investment	8.3%
5	OCBC	7.6%
6	HSBC	5.4%
7	ABN Amro	5.3%
	Others	11.6%

Source: Bloomberg



**2007 Global Islamic League Table
(As at 31 December 2007)**

Rank	Company	Market Share
1	CIMB	26.2%
2	ABN Amro	8.9%
3	Barclays Capital	6.7%
4	HSBC	6.7%
5	JP Morgan	5.5%
6	Deutsche Bank	5.4%
7	Citigroup	4.8%
	Others	35.8%

Source: ISI Emerging Markets – Islamic Finance Information Service



**2007 Global Islamic League Table
(As at 31 December 2007)**

Rank	Company	Market Share
1	CIMB	16.1%
2	HSBC	11.7%
3	Barclays Capital	8.0%
4	JP Morgan	6.6%
5	Deutsche Bank AG	6.3%
6	AmInvestment	4.3%
7	Standard Chartered	3.5%
	Others	43.5%

Source: Bloomberg

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