



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

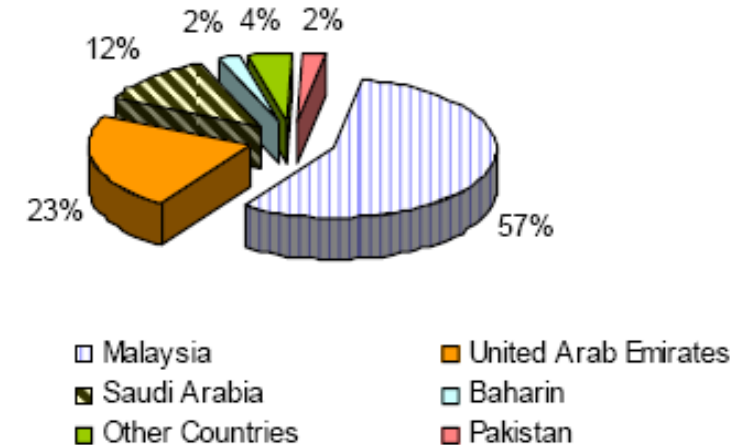
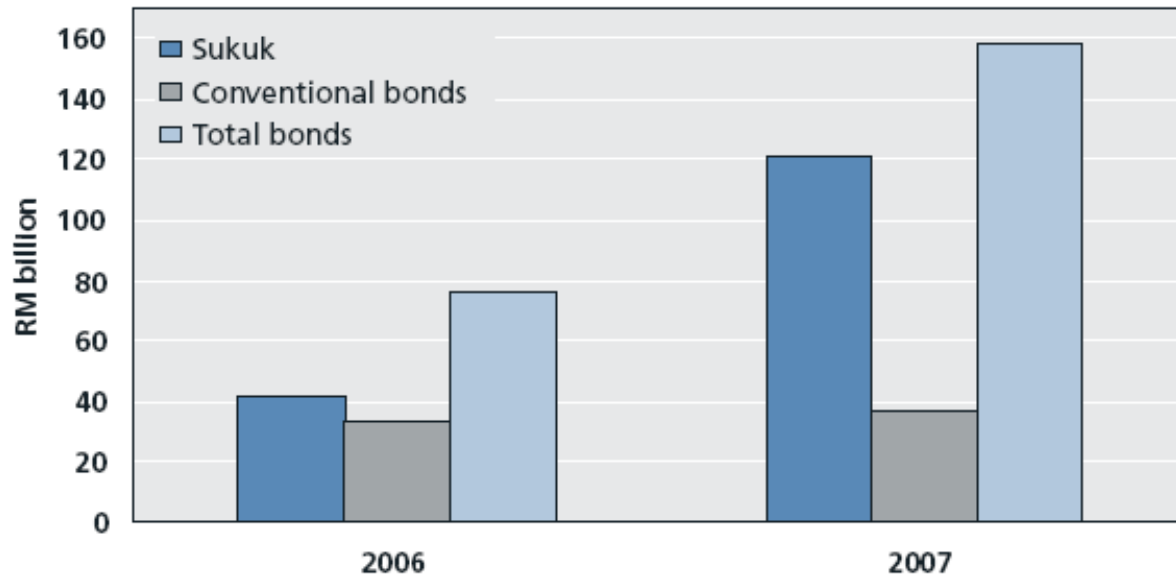
*“Best Islamic Finance House (2008)” – Alpha South East Asia*

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

OCTOBER 2008

## AN OVERVIEW OF THE ISLAMIC CAPITAL MARKET IN MALAYSIA

## Malaysia – the Sukuk hub of the world



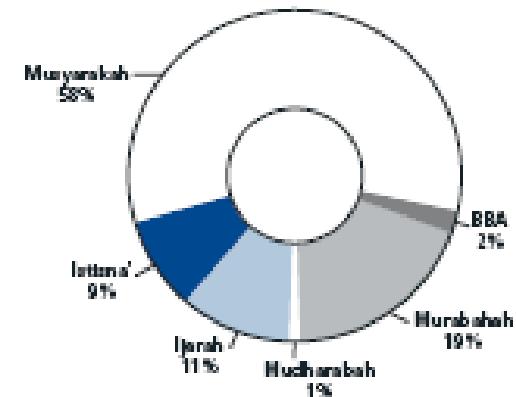
- Our Sukuk market has witnessed exponential growth since 2002
- 2002 was a significant year as we witnessed more Islamic bonds being issued than conventional bonds for the first time by RM2.6 billion.
- After the tax neutrality announcement in 2004, the Sukuk market in 2005 shot up to represent 71.4% of total bonds. This figure was 48% in the previous year.
- The trend of RM Islamic being more than RM conventional continued in 2005, 2006 and 2007
- In 2007, Malaysian Islamic bond issues represented 57% of the 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

## Malaysia – the Sukuk hub of the world (cont'd)

	2006	2007
Size of outstanding sukuk (exclusive of Government sukuk)	RM 105.2 bln	RM 135.8 bln
% of outstanding sukuk to total outstanding bonds	47.75 %	56.0 %
Sukuk approved by the SC	2006	2007+
Number of sukuk	64	59
Size of sukuk	RM 42.02 bln	RM 121.30 bln
Size of total bonds approved	RM 75.83 bln	RM158.80 bln
% of size of sukuk to total bonds approved	55.41 %	76.4 %

Sukuk approved based on various Shariah principles<sup>++</sup>

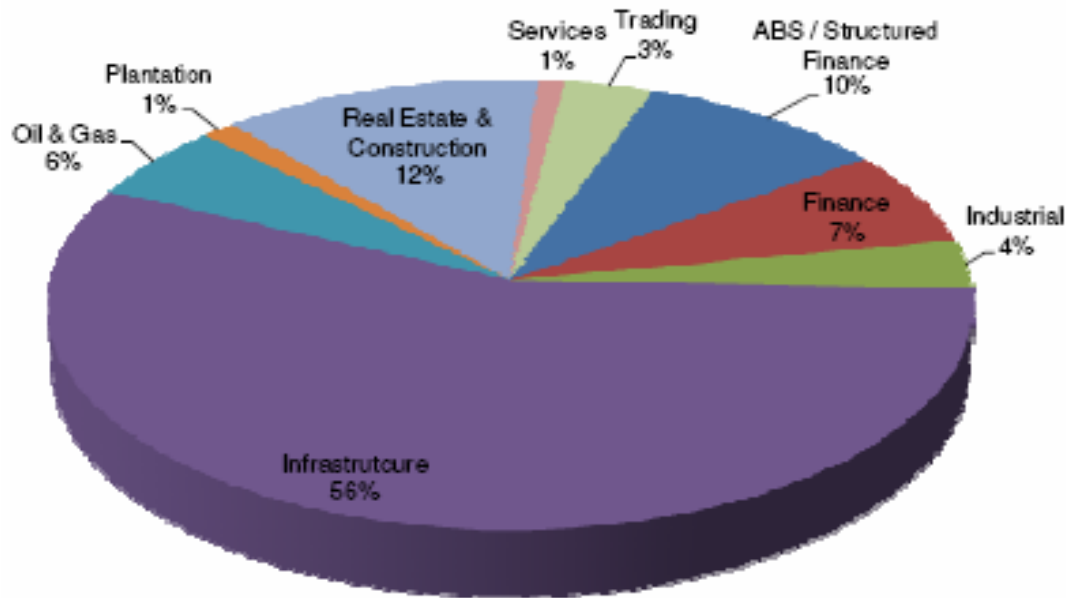


- 56% of all outstanding bonds in Malaysia are Islamic bonds
- Islamic bonds accounted for 76% of all the Malaysian bonds approved in 2007
- Due to tax incentives, there is a drive to widen the range of Sukuk products
- In the 2009 Budget, it was announced that there will be a tax exemption for a period of three years for fees and profits earned by institutions undertaking activities relating to the arranging, underwriting, distributing and trading of non-ringgit sukuk issued in Malaysia and distributed outside Malaysia.

Source: January 2008 Islamic Capital Market Report by the Securities Commission of Malaysia. Malaysian Budget 2009.

# Ringgit Sukuk slowdown in 2008

Sukuk Programme by Economic Sector  
Total Rated Facility Programme = RM14.50 Billion  
as at End-June 2008



Note: Excludes sovereign and quasi-sovereign issues  
Source: Rating Agency Malaysia (RAM) June 2008 issue

## *What's happening in the world's largest 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

## Increasing foreign interest in the Ringgit Sukuk market

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- 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><b>Export – Import Bank of Korea</b></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><b>Industrial Bank of Korea</b></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><b>Tadamun Services Berhad (Islamic Development Bank)</b></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.
- Such transactions will further enhance Malaysia's position as the epicentre of Islamic capital market activity.

# Clear drive to promote other components of the Islamic capital market

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## ***In Malaysia, there is a drive to further develop the Islamic equity and Islamic asset management markets***

- Islamic fund management companies are allowed to be wholly owned by foreigners;
- Islamic fund management companies are allowed to invest all their assets abroad;
- Fund management companies are given income tax exemption of all fees in respect of all fees received in respect of Islamic fund management activities until the year of assessment 2016;
- 3 new stock broking licenses will be issued to leading stock broking companies that are able to intermediate orders from the Middle East; and
- Withholding tax on dividends received by foreign institutional investors from REIT's will be reduced from 20% to 10%. For foreign and local individual REITs investors, tax rate will be reduced from 15% to 10%.

*Source 2008 and 2009 Malaysian Budgets*

## Attractive Islamic Equity Capital Market

### Shariah-compliant securities on Bursa Malaysia

Number of Shariah-compliant securities – May 2008 <sup>+</sup>	843 securities		
% to total listed securities	85 %		
Latest Market capitalisation – Jun 2008	(RM billion)		
Shariah-compliant	590.74		
Total market	901.24		
% of Shariah-compliant securities to total market	65.5%		
Equity market indices	31 May 08	30 Jun 08	% change
KL Composite Index (KLCI)	1,276.10	1,186.57	-7.0%
FBM EMAS Shariah	9,067.73	8,587.00	-5.3%
FBM Hijrah Shariah	10,329.14	9,723.32	-5.9%

<sup>+</sup> The SAC of SC releases the updated Shariah-compliant securities list twice a year in May and November.

- 843 Shariah compliant equities or 85% of total listed equities on Bursa Malaysia
- The market capitalization of Shariah compliant equities stood at 66% of the total amount

Source: July 2008 Islamic Capital Market Report by the Securities Commission of Malaysia

## Strong growth in Islamic asset management

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### Shariah-based unit trust funds

Number of approved funds	2007	2008*
Shariah-based	134	136
Total industry	521	530
Net asset value (NAV) of approved funds		
Shariah-based (RM billion)	16.90	17.98
Total industry (RM billion)	169.40	159.85
% of Shariah-based to total industry	10.0%	11.2%

\* As at June 2008.

- In 2007, there were 134 Shariah compliant funds in Malaysia (100 Islamic funds in 2006)
- The bulk of Islamic stocks in Malaysia are listed on the Main board of Bursa Malaysia
- The NAV of Islamic funds increased from RM9.2 billion in 2006 to RM16.9 billion in 2007
- In March 2007, the Mutual Recognition Agreement was signed between the SC and the DFSA
  
- Positive development for **Islamic ETF, REIT, wealth management and venture capital** as well

Source: June 2008 Islamic Capital Market Report by the Securities Commission of Malaysia

## Other important developments in our Islamic capital market..

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### **Shariah developments**

- Three frameworks must be perfected in order for any Islamic capital market to develop efficiently - regulatory, legal and Shariah.
- The Shariah Advisory Council of the Securities Commission was established since 1996
- Resolutions of the Malaysian Shariah Advisory Council have already been published twice
- New project to foster greater understanding and acceptance between the various schools of Islam

### **Developing Talent**

- Over 800 students at the International Centre for Education in Islamic Finance (INCEIF)
- Countries of participating students:-

*Algeria, Australia, Bahrain, Bangladesh, Bosnia, Britain, Brunei, Canada, Egypt, Ethiopia, Ghana, Holland, Hong Kong, India, Indonesia, Iran, Italy, Japan, Jordan, Kenya, Kazakhstan, Korea, Kuwait, Kyrgyzstan, Lebanon, Mauritius, Morocco, Nigeria, Pakistan, Philippines, Russia, Saudi Arabia, Singapore, Somalia, South Africa, Sri Lanka, Sudan, Syria, Thailand, Trinidad, Tunisia, Turkey, UAE, USA, Uzbekistan and Yemen.*

Source: June 2008 Islamic Capital Market Report and INCEIF website

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## In summary..

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- Malaysia has and will continue to be at the forefront of Islamic capital markets
- Our Sukuk market is a tremendous success
- The objective going forward is to make other components of our Islamic financial market as successful as our Sukuk market through various incentives.
- Regulators and market players will continue to provide guidance and advice to other regulators, authorities and institutions all across the globe.
- The Islamic capital market in the Far East, spearheaded by Malaysia, is developing faster than any other region in the world.
- Due to unrivalled Government support, the Islamic capital market will continue to flourish in Malaysia for many more years to come.

## *APPENDIX - CIMB ISLAMIC*

# 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	<b>CIMB</b>	<b>41.7%</b>
2	AmlInvestment	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	<b>CIMB</b>	<b>26.2%</b>
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	<b>CIMB</b>	<b>16.1%</b>
2	HSBC	11.7%
3	Barclays Capital	8.0%
4	JP Morgan	6.6%
5	Deutsche Bank AG	6.3%
6	AmlInvestment	4.3%
7	Standard Chartered	3.5%
	Others	43.5%

Source: Bloomberg

# CIMB Islamic – Leader in Islamic Finance

CIMB Islamic offers a wide range of products and services covering Islamic investment banking, Islamic asset management and Islamic consumer banking. CIMB Islamic has achieved numerous global awards over the past years:

**Best Islamic Bank in Asia**  
2008

**Best Islamic Finance House (Malaysia)**  
2008

**Islamic Investment Bank of the Year (2006) (2007)**

**Best Islamic Finance Deal - Khazanah Nasional Berhad's USD750m Exchangeable Bonds**  
2007

**The World Islamic Capital Markets Excellence Award 2007**

المؤتمر العالمي لأسواق رأس المال الإسلامي  
المؤتمر العالمي لصناديق الاستثمار الإسلامي

**No.1 in Lead Manager Award (Islamic Issue Value)**  
2007, 2008

**Top Lead Manager for Corporate Sukuk**  
2006, 2008

**Blueprint Awards Malaysia Innovation of the Year (Malakoff Corporation Bhd)**  
2008

# CIMB Islamic's Selected Sukuk Transactions in 2007 and 2008

US\$550 million



**KHAZANAH NASIONAL**

**Khazanah Nasional Berhad**

Islamic Exchangeable Trust Certificates due in 2013

Joint Bookrunner and Joint Lead Manager  
2008

RM3,000 million



**Korea Eximbank**

**Export – Import Bank of Korea**

Multi-Currency Conventional and/or Islamic Medium Term Notes Programme

Joint Lead Manager and Joint Bookrunner  
2008

RM3,000 million




**IBK 기업은행**

**Industrial Bank of Korea**

Multi-Currency Conventional and/or Islamic Medium Term Notes Programme

Joint Lead Manager and Joint Bookrunner  
2008

RM2,000 million



**prasarana**

**Syarikat Prasarana Negara Berhad**

Government Guaranteed Sukuk Ijarah

Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Joint Bookrunner  
2008

RM1,000 million



**Tadamon Services Berhad (Islamic Development Bank)**

Islamic Medium Term Notes Programme

Joint Lead Manager and Joint Bookrunner  
2008

RM1,500 million



**PUTRAJAYA HOLDINGS**

**Putrajaya Holdings Sdn Bhd**

Sukuk Musyarakah Medium Term Notes Programme

Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager  
2008

RM1,000 million



**TOYOTA CAPITAL SERVICES**

**UMW Toyota Capital Sdn Bhd**

Islamic Medium Term Notes Programme

Joint Lead Arranger  
Joint Lead Manager  
2008

RM 20 billion



**KHAZANAH NASIONAL**

**Khazanah Nasional Berhad**

Structuring Adviser  
Government Guaranteed Bond Issuance Facility Under Islamic Principle of Musyarakah  
2007

# CIMB Islamic's Selected Sukuk Transactions in 2007 and 2008 (cont'd)

RM60,000 million



**Cagamas Berhad**

RM20 billion Conventional/Islamic Commercial Papers & RM40 billion Conventional/Islamic Medium Term Notes Programme

Joint Principal Adviser, Joint Lead Manager & Joint Lead Arranger

2007

RM15,370 million



**BINARIANG GSM SDN BHD**

Joint Lead Arranger & Joint Lead Manager  
Islamic Commercial Papers & Islamic Medium Term Notes

Sole Lead Arranger  
Cumulative non-cumulative Islamic Junior Sukuk

2007

RM 7,900 million



**Malakoff Corporation Berhad**

Sole Lead Arranger & Sole Lead Manager  
Medium Term Note Programme & Cumulative Islamic Junior Sukuk

2007

RM1,800 million



**SiTerra Capital Berhad**

Government Guaranteed Sukuk Ijarah Trust Certificates due 2014 & Cross Currency Interest Rate Swap

Joint Lead Arranger, Joint Bookrunner & Swap Provider

2007

RM700 million




**MTD Infraperdana Berhad**

Joint Lead Arranger & Joint Lead Manager  
Islamic Medium Term Notes Programme

2007

RM 2,500 million



**MISC Berhad**

Islamic Medium Term Notes Programme

Joint Lead Arrangers & Joint Lead Managers

2007

RM3,500 million



**Tesco Stores (Malaysia) Sdn Bhd**

Conventional/Islamic Commercial Papers Programme & Conventional/Islamic Medium Term Notes Programme

Joint Principal Advisers, Joint Lead Managers & Joint Bookrunners

2007

RM800 million



**United Growth Berhad**

Joint Lead Arranger & Joint Lead Manager  
Islamic Medium Term Notes Programme

2007

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