



*“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

SUKUK FOR THE REAL ESTATE MARKET

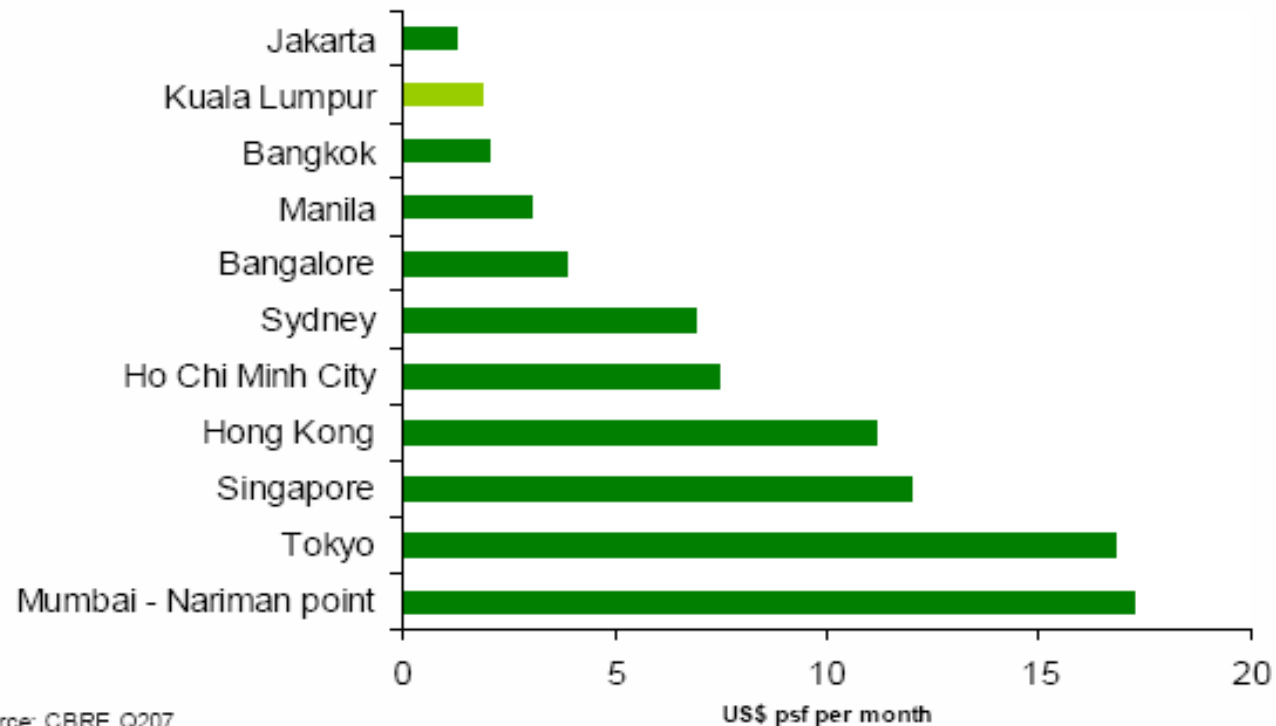
ASSESSING THE TREMENDOUS GROWTH OF THE SUKUK MARKET

# REAL ESTATE MARKET IN ASIA

## Occupancy costs in Asia

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- Occupancy costs in Southeast Asian cities of Manila, Jakarta, Bangkok and Kuala Lumpur are still amongst the lowest in Asia Pacific region.



**Total Occupancy Costs** reflects all costs of occupancy, including base rent and other occupancy-related expenses such as service charge/management fee, property taxes and opportunity cost of any large amount of deposit being paid to landlord on the commencement of the lease term. This corresponds to “inclusive” rents in most of the Asian markets or “gross” rents in the Australia/ New Zealand markets

## Malaysian REIT's vs Regional REIT's

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- As at end June 2008, there are 117 REITs listed around Asia.
- M-REITs were the best performers by average dividend yield.

| Market          | No. of listed REITs | Average Yield | REIT Market Cap (US\$ million) |
|-----------------|---------------------|---------------|--------------------------------|
| Japan           | 42                  | 5.53%         | 38,011                         |
| Singapore       | 21                  | 6.67%         | 18,802                         |
| Hong Kong       | 7                   | 6.67%         | 8,843                          |
| South Korea     | 6                   | 7.79%         | 410                            |
| Taiwan          | 8                   | 4.12%         | 1,903                          |
| Thailand        | 20                  | 7.50%         | 1,741                          |
| <b>Malaysia</b> | <b>13</b>           | <b>8.21%</b>  | <b>1,520</b>                   |

Source: CBRE Research

## Islamic REIT's

- Of the REITs listed in Malaysia, **2 are Islamic REITs** with 1 existing REIT seeking approval to convert into an Islamic REIT.

| REIT                | Price (RM) | Yield   | NAV   | Assets Type                           |
|---------------------|------------|---------|-------|---------------------------------------|
| Atrium              | 0.795      | 10.566% | 0.996 | Industrial                            |
| AmFirst             | 0.885      | 10.115% | 1.050 | Office                                |
| <b>*Al-Aqar KPJ</b> | 0.840      | 9.524%  | 1.020 | Hospital                              |
| Tower               | 1.070      | 9.346%  | 1.449 | Office                                |
| <b>^Axis</b>        | 1.620      | 9.192%  | 1.654 | Office                                |
| Hektar              | 1.050      | 9.143%  | 1.188 | Malls                                 |
| UOA                 | 1.050      | 8.533%  | 1.390 | Office                                |
| Starhill            | 0.840      | 8.312%  | 1.188 | Mall, hotel                           |
| Amanah Raya         | 0.900      | 7.946%  | 0.981 | Office, mall, factory, college, hotel |
| <b>*Al-Hadharah</b> | 1.100      | 6.709%  | 1.050 | Palm oil plantation                   |
| QCT                 | 1.020      | 5.080%  | 1.200 | Office                                |

Note:

\* Islamic REIT

^ Seeking approval for reclassification from conventional to Islamic REIT

# Most Expensive Real Estate in Malaysia

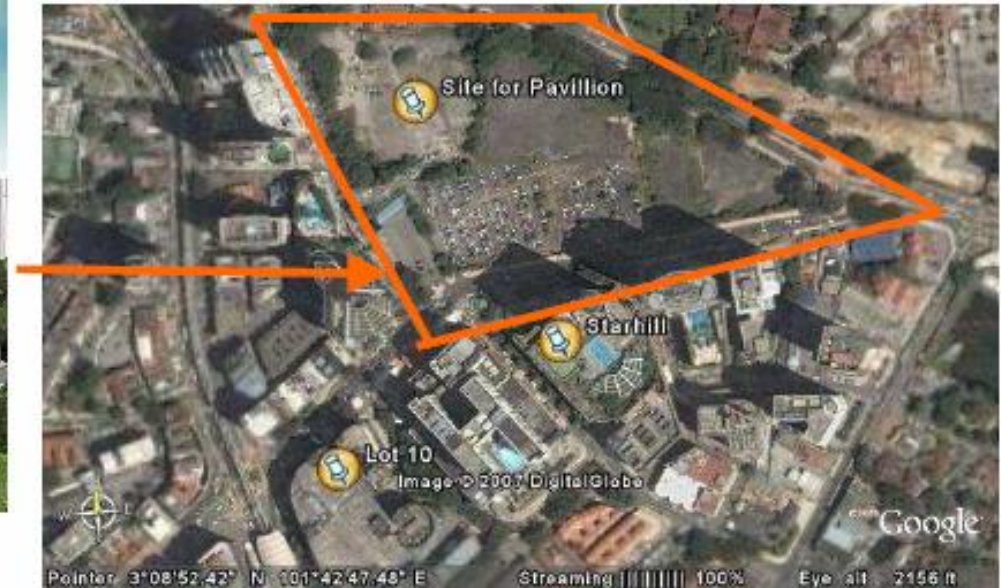
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100-acre KLCC Development comprising of:

- 18.3 m sq ft of integrated mixed-use development
- Commercial, retail, hotel, residential, entertainment, convention/exhibition
- 50-acre public park



# Pavillion financed by Middle Eastern Capital



## KLC's largest development - **Pavilion:**

- Located in the Golden Triangle
- Sprawling over a 13-acre site
- 2.6 m sq ft of integrated mixed-use development
- Commercial, retail, hotel, residential, entertainment
- 2-tower high-end 40 – 47 storey condominiums
- **Financed by Middle Eastern capital**

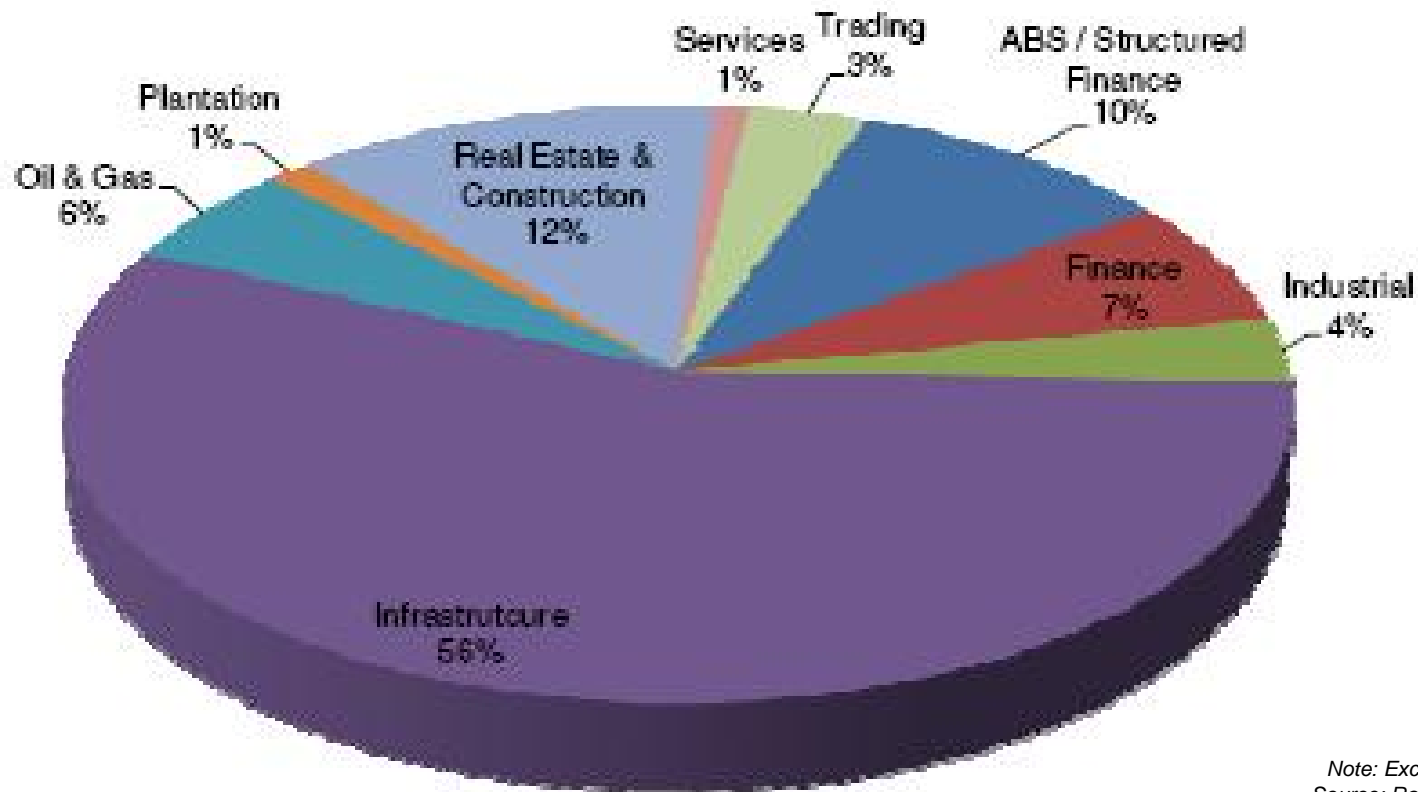


# SUKUK FOR REAL ESTATE PROJECTS

## 2008 Ringgit Sukuk by Economic Sector

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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*

## Putrayaya – New Administrative Capital

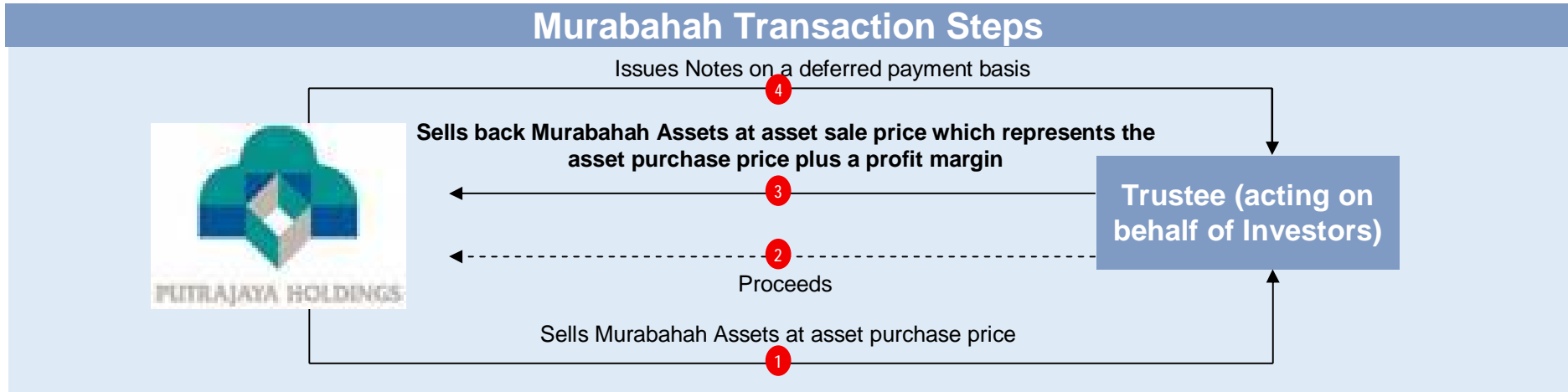
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## Putrajaya Sukuk

|                            |   |
|----------------------------|---|
| <b>Issuer:</b>             | <ul style="list-style-type: none"><li>Putrajaya Holdings Sdn Bhd</li></ul>                      |
| <b>Principal Activity:</b> | <ul style="list-style-type: none"><li>Property Development</li></ul>                            |
| <b>Arrangers:</b>          | <ul style="list-style-type: none"><li>CIMB, Alliance Merchant, RHB Investment</li></ul>         |
| <b>Amount:</b>             | <ul style="list-style-type: none"><li>Up to RM2.2 billion (MTN)</li></ul>                       |
| <b>Issuance Date:</b>      | <ul style="list-style-type: none"><li>2006</li></ul>  |
| <b>Shariah Advisor:</b>    | <ul style="list-style-type: none"><li>CIMB Shariah Committee</li></ul>                          |
| <b>Islamic Principle:</b>  | <ul style="list-style-type: none"><li>Murabahah</li></ul>                                       |
| <b>Tenure:</b>             | <ul style="list-style-type: none"><li>15 years</li></ul>  |
| <b>Use of proceeds:</b>    | <ul style="list-style-type: none"><li>Development of Government offices and buildings</li></ul> |
| <b>Rating:</b>             | <ul style="list-style-type: none"><li>AAA by MARC</li></ul>                                     |
| <b>Assets:</b>             | <ul style="list-style-type: none"><li>Alamanda Shopping Mall and Menara PJH</li></ul>           |
| <b>Security:</b>           | <ul style="list-style-type: none"><li>Unsecured</li></ul>                                       |

# Putrajaya Holdings – Murabahah



|               |   |
|---------------|---|
| <b>Step 1</b> | Under the Murabahah structure, PJH and the Trustee (acting on behalf of the Noteholders) will, from time to time, execute asset purchase agreements under which PJH will, from time to time sell the relevant assets (“Murabahah Assets”) to the Trustee.                   |
| <b>Step 2</b> | The asset purchase price will be the amount to be disbursed.  |
| <b>Step 3</b> | Further to the Murabahah agreement, the Trustee (acting on behalf of the Noteholders) will then sell the Murabahah Assets back to PJH via asset sale agreements. The asset sale price represents the asset purchase price plus a profit margin on a deferred payment basis. |
| <b>Step 4</b> | The obligation of PJH to pay the asset sale price (on deferred payment basis) is evidenced by the Notes.  |

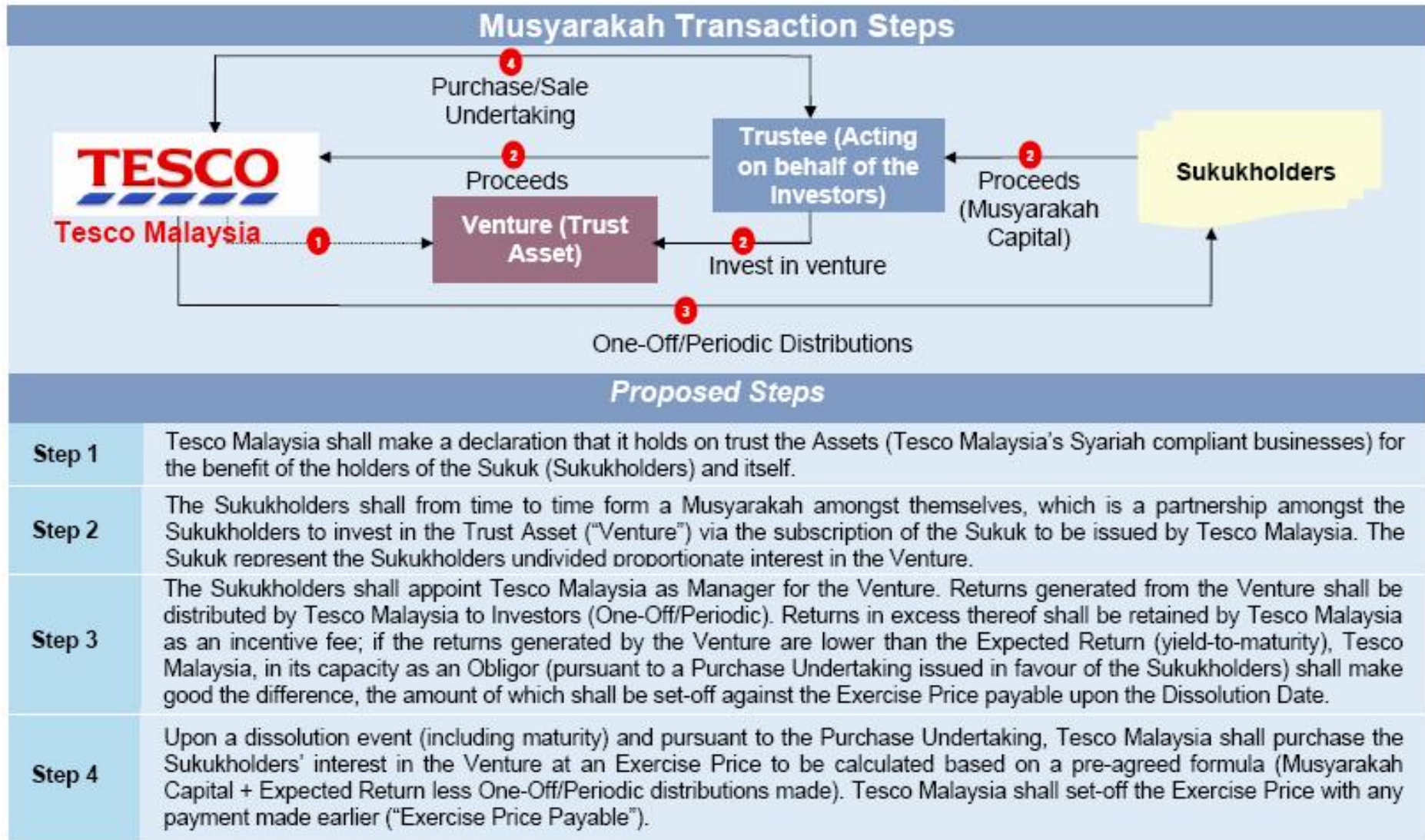
## Indicative Terms and Conditions - Tesco

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

## Landmark Sukuk by Tesco...

|   | <i>Reasons</i>  |
|---|---|
| 1 | <b><i>The first Sukuk by a British owned multi-national company</i></b>   |
| 2 | <p><b><i>One of the few interchangeable Islamic / Conventional CP/MTN Programmes in the world</i></b></p> <ul style="list-style-type: none"> <li>• The world's first combined Islamic / Conventional programme was executed in 2006</li> <li>• Less than a handful of corporate issuers have followed suit</li> <li>• The interchangeable programme allows Tesco the flexibility of simultaneously tapping both the Islamic and conventional bond markets interchangeably depending on, amongst others, the market conditions and investors appetite</li> </ul>   |
| 3 | <p><b><i>One of the largest Ringgit Sukuk programmes in 2007</i></b></p> <ul style="list-style-type: none"> <li>• Third largest after the RM40 billion Islamic / conventional CP/MTN programme by Cagamas Berhad and the RM7.9 billion Islamic CP/MTN programme by MMC Corporation Berhad</li> </ul>  |
| 4 | <p><b><i>One of the few Islamic programmes to combine both Murabahah and Musyarakah principles</i></b></p> <ul style="list-style-type: none"> <li>• A combination of Murabahah and Ijarah have been used regularly in the Ringgit Sukuk market</li> <li>• The combination allows:- <ul style="list-style-type: none"> <li>a) Tesco to opt for Murabahah as and when its tangible Shariah compliant assets grow; and</li> <li>b) Tesco to enjoy tax deduction on all initial expenses (arrangement fees, legal fees, rating fees etc) incurred for this Sukuk issuance until the year of assessment 2010.</li> </ul> </li> </ul> |
| 5 | <p><b><i>One of the few international hypermarkets to tap the Sukuk markets</i></b></p> <ul style="list-style-type: none"> <li>• Traditional issuers include those from the following industries: construction, manufacturing, energy and utilities, property development etc</li> </ul>  |

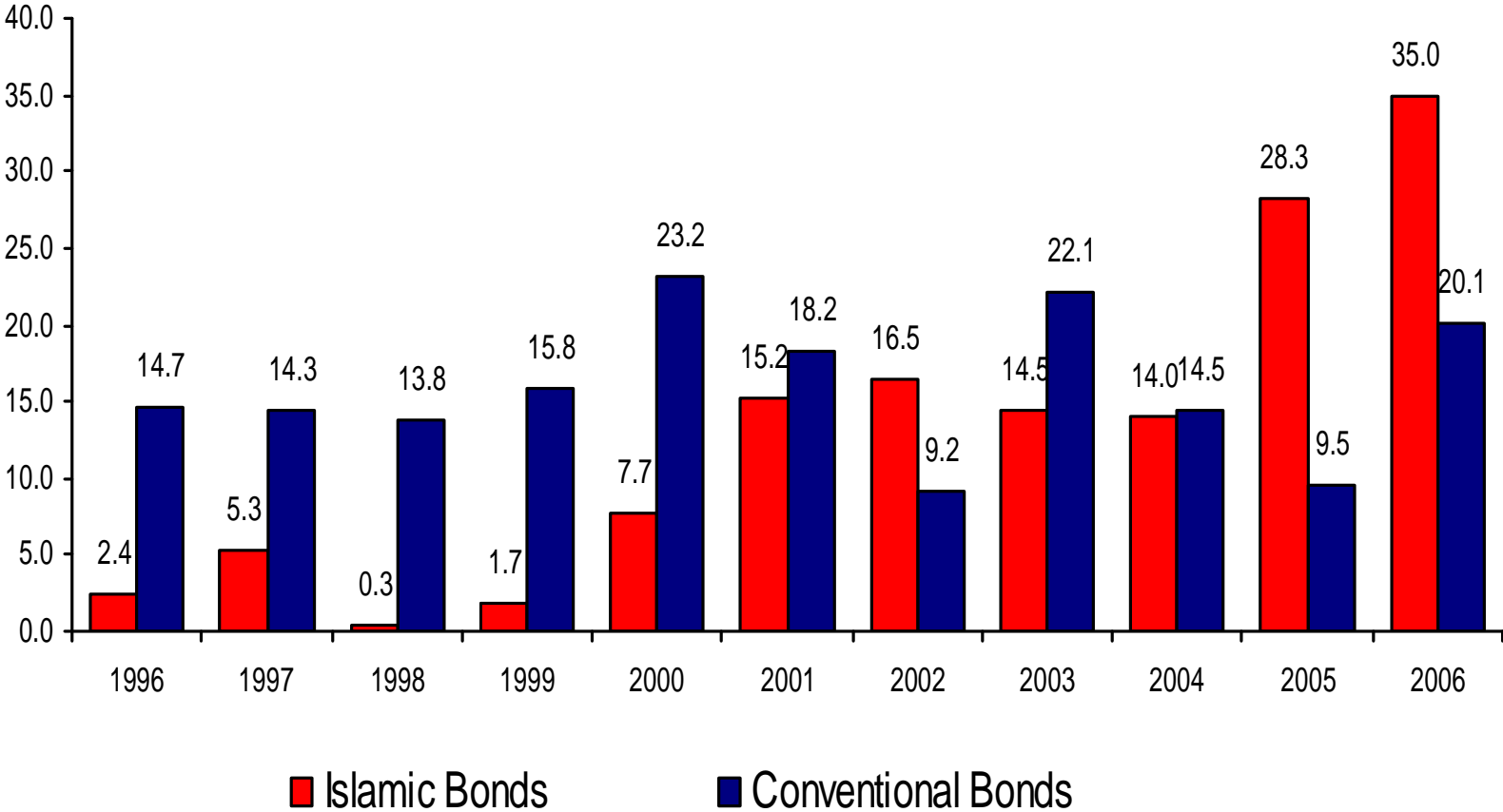
# Musyarakah



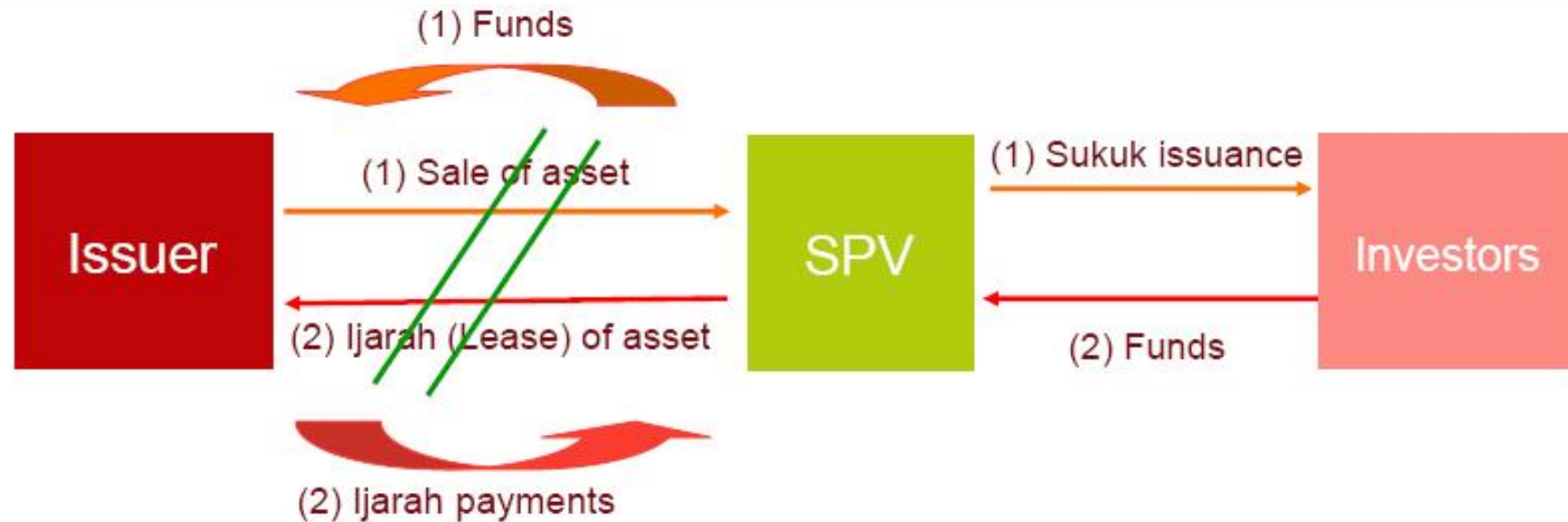
# *GROWTH OF THE RINGGIT SUKUK MARKET*

# 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)

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

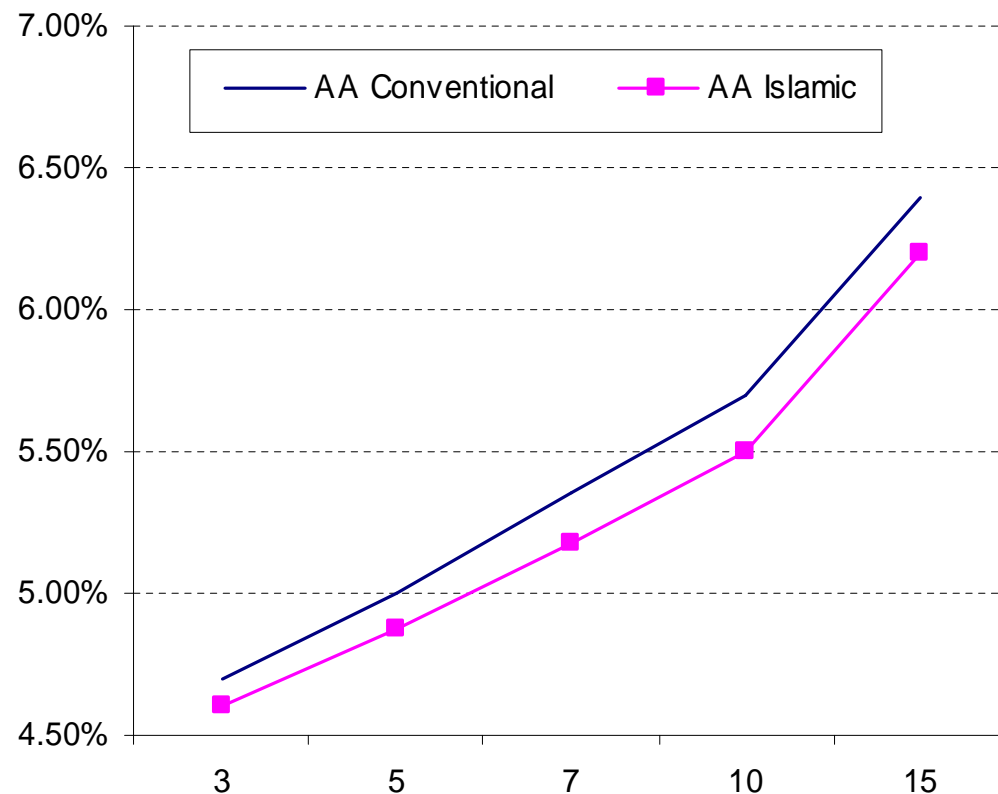
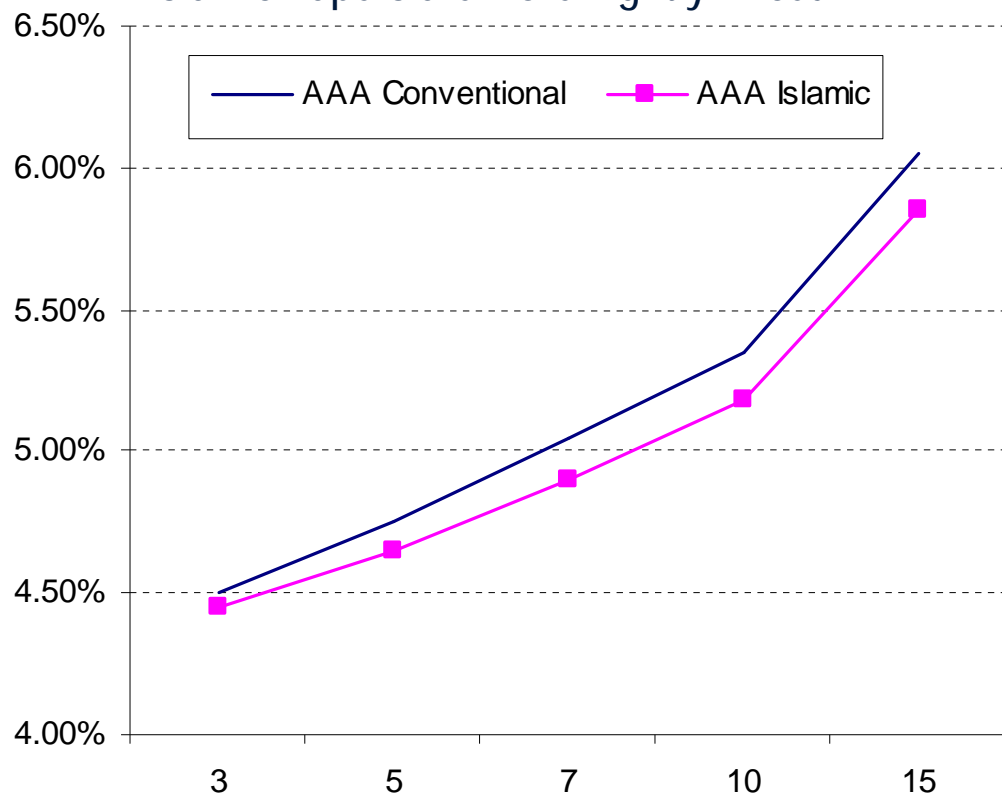
- With effect from 1 April 2007, RPGT has been exempted so that even if the underlying transactions involve properties, no RPGT will be applicable
- In addition, specific RPGT exemptions also apply to Islamic Finance transactions approved by relevant authorities

### 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

# Islamic vs Conventional bonds in Malaysia

## Islamic Papers are More Tightly Priced



Yield differential between Islamic and Conventional papers are in the regions of 4 to 20 bps for tenures 2 to 15 years.

*(Source: CIMB Fixed Income Research 2007)*

## Increasing foreign interest in the Ringgit Sukuk market

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- Ø Institutions from abroad are increasingly tapping the deep and liquid Ringgit Sukuk market.
- Ø Malaysia has the second largest bond market in Asia relative to GDP
- Ø The market is deep - The national mortgage corporation, Cagamas, implemented the largest Islamic / Conventional Ringgit Programme amounting RM60 billion
- Ø 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<br/>Islamic Medium Term Notes Programme</p> <p>Joint Lead Manager and<br/>Joint Bookrunner<br/>2008</p> | <p>RM3,000 million</p>  <p><b>Industrial Bank of Korea</b></p> <p>Multi-Currency Conventional and/or<br/>Islamic Medium Term Notes Programme</p> <p>Joint Lead Manager and<br/>Joint Bookrunner<br/>2008</p> | <p>RM1,000 million</p>  <p><b>Tadamun Services Berhad<br/>(Islamic Development Bank)</b></p> <p>Islamic Medium Term Notes<br/>Programme</p> <p>Joint Lead Manager and<br/>Joint Bookrunner<br/>2008</p> |
|--|---|--|

- Ø Malaysian investors have tremendous appetite for high grade issuers including sovereigns, quasi-sovereigns and large corporates.
- Ø Such transactions will further enhance Malaysia's position as the epicentre of Islamic capital market activity.

# What next for the Islamic capital market in Malaysia?

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

## Shariah-compliant securities on Bursa Malaysia

|  |                |           |          |
|--|----------------|-----------|----------|
| Number of Shariah-compliant securities – May 2008* | 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%    |

\* The SAC of SC releases the updated Shariah-compliant securities list twice a year in May and November.

## 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.

Source: Securities Commission ICM Report – July 2008

- Ø Islamic fund management companies are allowed to be wholly owned by foreigners;
- Ø Islamic fund management companies are allowed to invest all their assets abroad;
- Ø 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;
- Ø 3 new stock broking licenses will be issued to leading stock broking companies that are able to intermediate orders from the Middle East; and
- Ø 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

***For the rest of the Far East, there's a lot of catching up to do but the Malaysian authorities, regulators and banks are more than willing to assist.***

## The effects of the credit crunch...

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*What's happening in the world's largest Sukuk market?*

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

## What's in store for the future?

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- In August 2008, CIMB was mandated by **City Developments Limited** of Singapore, an international property and hotel conglomerate involved in real estate development and investment in 21 countries, to arrange a **S\$1 billion (US\$700m) of Islamic medium-term notes sukuk** programme. The issuance which will be based on ijarah principle will be the first Islamic corporate bond issuance in Singapore that has generated significant interest in the market.
- CIMB is also concurrently working with a few other Singapore corporates and REITs to explore **Shariah-compliant financing alternatives and conversions to Islamic REIT structure**.
- As the leading Islamic investment bank in the region, CIMB Islamic is also actively engaging the relevant authorities in other Asian countries including **Singapore, Thailand, Hong Kong, South Korea, Japan and the Philippines** to develop Islamic capital markets including **Islamic real estate and asset management businesses**.

# 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 |
|----------|----------------|--------------|
| <b>1</b> | <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 |
|----------|------------------|--------------|
| <b>1</b> | <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 |
|----------|--------------------|--------------|
| <b>1</b> | <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

## Contact Details

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