



RHB Islamic Bank Berhad
MALAYSIAN CORPORATE CONFERENCE

6 October 2008

Islamic Banking

OPENING STATEMENT

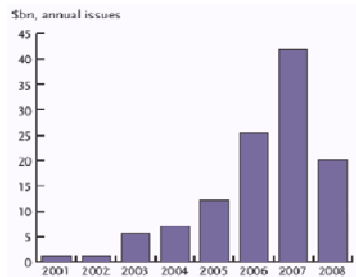
- ❖ SUKUK HAS GROWN DRASTICALLY OVER THE PAST 10 YEARS AS ONE OF THE CHOICE TO RAISE FUNDS. TO DATE ALMOST 50% OF THE BONDS OUTSTANDING ARE RAISED ARE FROM SUKUK
- ❖ JOIN INITIATIVES FROM THE PLAYERS, GOVERNMENT AND VARIOUS RELATED AGENCIES HAS MADE THE DEPTH AND WIDTH OF THE INDUSTRY TO GROW IN TANDEM
- ❖ STRUCTURES OF THE SUKUK HAS ALSO EVOLVED AND ADVANCED SINCE ITS FIRST ISSUANCE IN 2001 TO MEET THE SHARIAH STANDARDS
- ❖ DEMAND FOR SUKUK IS ENLARGING; APPARENT FROM THE RECENT OVERSUBSCRIPTION OF SUKUK ISSUED WORLDWIDE
- ❖ MALAYSIA HAS BEEN ACTIVE IN PROMOTING SUKUK ISSUES IN BOTH RM AND FOREIGN CURRENCIES
- ❖ NEW INITIATIVES IS TO PROMOTE RM DENOMINATED ISSUES FOR FOREIGN ISSUERS

Islamic Banking

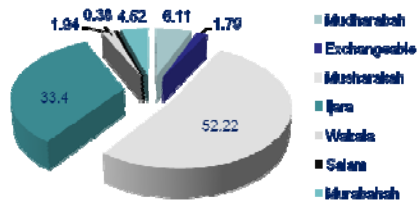
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GLOBAL SUKUK OVERVIEW

- ❖ Sukuk issuance grown from USD1 billion in 2002 to USD42 billion in 2007, but fell to USD20 billion due to global market slowdown
- ❖ Long term prospect is still strong, especially from the Middle East, both from the issuers and investors
- ❖ More Islamic principals is being explored with majority of the issuance still dominated by Musyarakah



SUKUK TYPE BREAKDOWN

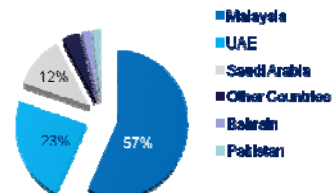


MALAYSIA AS A SUKUK HUB

- ❖ To date 58% of the outstanding bond is Sukuk with an annual growth rate from 2001 of more than 20% p.a
- ❖ Almost 60% of the outstanding Sukuk globally and 80% of the outstanding in Asia are from Malaysia
- ❖ Active secondary market with ample liquidity in the primary and secondary market

| Outstanding Sukuk | 2006 | 2007 | 2008 |
|---|-------------------|--------------------|--------------------|
| Size of outstanding Sukuk (exclusive of Government Sukuk) | MYR 105.2 billion | MYR 135.8 billion | MYR 152.8 billion |
| % of outstanding Sukuk to total outstanding bonds | 47.75% | 56.0% | 57.0% |
| Sukuk approved by SC | 2006 | 2007* | 2008 |
| Number of Sukuk | 64 | 59 | 47 |
| Size of Sukuk | MYR 42.02 billion | MYR 121.30 billion | MYR 43.23 billion |
| Size of total bonds approved | MYR 75.83 | MYR 158.80 billion | MYR 139.99 billion |
| % of size of Sukuk to total bonds approved | 55.41% | 76.4% | 30.9% |

- ❖ Issuance size shrunk in 2008 and 2009 but market share remains



NOTABLE MYR SUKUK ISSUANCE

| Issuer | Facility / Amount | Year of issue | Subscription Rate | Transaction Highlights |
|--|-------------------|---------------|-------------------|---|
| Shell MDS Sdn Bhd | MYR 125m | 1990 | Private Placement | <ul style="list-style-type: none"> World 1st MYR Islamic corporate bond issued Foreign-owned non Islamic company |
| Sarawak Shell | MYR320 million | 1991 | Private Placement | <ul style="list-style-type: none"> Foreign-owned non Islamic company |
| Kuala Lumpur International Airport | MYR2.2 billion | 1996 | Private Placement | |
| Nestle Foods (M) Sdn Bhd | MYR700 million | 2003 | N.A | <ul style="list-style-type: none"> Foreign-owned non Islamic company |
| International Finance Corporation (World Bank) | MYR 500m | 2004 | 4.3X | <ul style="list-style-type: none"> 1st MYR Sukuk supranational |
| International Bank for Reconstruction & Development (World Bank) | MYR 760m | 2005 | 1.9X | <ul style="list-style-type: none"> Largest supranational deal in MYR |
| Cagamas MBS Berhad | MYR2.05 billion | 2005 | Bought-deal | <ul style="list-style-type: none"> World's 1st Islamic residential mortgage backed securities issued under Musharakah. |
| PLUS | MYR9.17 billion | 2006 | Bought-deal | <ul style="list-style-type: none"> Complex and innovative structure – conversion of existing debts into Shariah compliant financing. |

Source: MIFC

NOTABLE MYR SUKUK ISSUANCE

| Issuer | Facility / Amount | Year of issue | Subscription Rate | Transaction Highlights |
|---------------------------------------|--|---------------|-------------------|--|
| Rantau Abang Capital | MYR10 billion 1 st Issue: MYR2.2 billion MTN, MYR1.0 billion CP | 2006 | 2.2X, 6X | <ul style="list-style-type: none"> One of Malaysia's largest issuance for 2006 |
| Cagamas Berhad | MYR 60 billion Amt issued: MYR20 billion 7 years MYR40 billion 40 years | 2007 | N.A | <ul style="list-style-type: none"> Largest & longest term funding programme in Malaysia 1st combined Islamic and conventional programme |
| AEON Credit Services | MYR400m | 2007 | Bought –deal | <ul style="list-style-type: none"> 1st consumer financing company in Malaysia to issue Sukuk Musharakah 1st Japanese-owned company issuing Sukuk |
| Nucleus Avenue (Malakoff Corporation) | MYR8 billion 7 years CP/MTN 20 years Senior Sukuk 50 years Junior Sukuk | 2007 | Bought-deal | <ul style="list-style-type: none"> 1st of its kind hybrid Sukuk in the world |
| Tesco Stores | MYR3.5 bil program (USD1.094m) MYR400m, MYR300m | 2007 | 6X 4X | <ul style="list-style-type: none"> 1st Sukuk issuance by a British owned MNC |
| Khazanah Nasional (Cherating Capital) | MYR850m | 2007 | 13X | <ul style="list-style-type: none"> Priced at the tightest end – a record LIBOR swap minus 90 bps |
| Binariang GSM (Maxis Comm.) | MYR 15.35bil (USD4.8bil) | 2007 | 2X | <ul style="list-style-type: none"> Largest –ever Sukuk issue in the world |

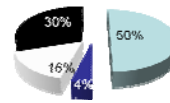
Source: MIFC

DEMAND FOR NON-RINGGIT SUKUK

ISSUANCE

USD600 m Malaysia Sovereign Sukuk (2002–2007)

INVESTOR BASE

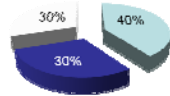


■ Middle East
■ USA
■ Europe
■ Asia

SUBSCRIPTION RATE

2x oversubscribed

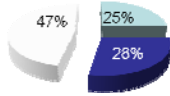
USD750 m Khazanah Exchangeable Sukuk 2006
Exchangeable into shares of Telekom Malaysia



■ Europe
■ Middle East
■ Asia and Others

6x oversubscribed

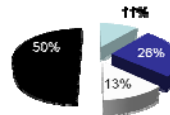
USD850 m Khazanah Exchangeable Sukuk 2007
Exchangeable into shares of PLUS Expressway Bhd



■ Europe
■ Asia & Other
■ Middle East

13x oversubscribed

USD850 m Khazanah Exchangeable Sukuk 2007
Exchangeable into shares of Parkson Retail Group



■ US Offshore
■ Europe
■ Asia & Others
■ Middle East

10x oversubscribed

PETRONAS USD1.5 b – 4x oversubscribed

Moody's Report; More than 80% Sukuk investors are conventional institutions

COMMONLY USED SUKUK PRINCIPAL

| Parameter | Sukuk |
|------------|--|
| Ijarah | <ul style="list-style-type: none"> ❖ Sale and lease-back of asset, generally for long term financing ❖ Requires Shariah compliant tangible and leasable assets e.g. property, machinery, etc. |
| Musharakah | <ul style="list-style-type: none"> ❖ A partnership contract between two or more parties, each contributing capital. ❖ The profit is shared among the parties based on the profit sharing ratio agreed in the contract and any loss is shared among the parties based on the contribution ratio ❖ Generally for projects that requires capital to construct/own/operate the assets |
| Mudharabah | <ul style="list-style-type: none"> ❖ A contract of profit sharing where one party contributes his entrepreneurial efforts while the other provides capital ❖ The entrepreneur and the financier will share the profit according to an agreed ratio in the contract. Any loss is exclusively borne by capital provider unless the losses due to the Mudharib's negligence and misconduct. |

STACKING UP THE OPTIONS

| | Sukuk Musharakah | Sukuk Ijarah | Sukuk Mudharabah | Exchangeable Sukuk |
|---|---|--|--|--|
| Underlying asset | <ul style="list-style-type: none"> Shariah-compliant underlying assets required | | | |
| Ownership of assets | <ul style="list-style-type: none"> Transfer of legal ownership not necessary. The concept of beneficial ownership is acceptable under Islamic Finance. | | | |
| Usage of funds | <ul style="list-style-type: none"> Funds raised from Sukuk issuance has to be for Shariah-compliant purposes | | | |
| Identification of business venture | <ul style="list-style-type: none"> Musharakah Venture has to be identified | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Business Venture has to be identified | <ul style="list-style-type: none"> Dependent on the underlying Sukuk structure |
| Issuance size restriction | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Restricted to the value of underlying assets | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Dependent on the underlying Sukuk structure |
| Tradability | <ul style="list-style-type: none"> In accordance with AAOIFI standards, the Sukuk must be backed by at least 33% tangible assets in order for the Sukuk to be traded in the secondary market | | | |
| Profit sharing ratio | <ul style="list-style-type: none"> Profit sharing ratio agreed upfront | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Profit sharing ratio agreed upfront | <ul style="list-style-type: none"> Dependent on the underlying Sukuk structure |
| Losses to be borne | <ul style="list-style-type: none"> By all Musharakah Partners (i.e. Sukuk holders and issuer) in accordance to the proportion of capital contribution | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> By Sukuk holders only (unless proven negligence of Mudharib) | <ul style="list-style-type: none"> Dependent on the underlying Sukuk structure |
| Conversion to shares | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> N/A | <ul style="list-style-type: none"> Option to convert to shares, which has to be Shariah-compliant |