



ISLAMIC FINANCE AND CAPITAL AND LIABILITY MANAGEMENT

Khazanah continues to
lead in Islamic finance and
building true value

Khazanah remains focused in its effort to promote understanding and deepening its offering of Islamic Finance products. The Sustainable and Responsible Investment (SRI) Sukuk is one of many of such endeavours. Issued in 2015, Sukuk Ihsan was Malaysia's first SRI Sukuk which combined the concepts of sukuk financing with philanthropy. This is in line with Khazanah's key philosophy that Islamic finance must be linked to real economic activities that emphasises socioeconomic development through innovative and fair financial policies and products. Proceeds from Sukuk Ihsan were channelled to Yayasan AMIR, a not-for-profit organisation incorporated to improve the accessibility of quality education in Malaysian government schools.

In June 2017, Khazanah issued the second tranche of RM100 million SRI Sukuk which includes a RM5.0 million retail offering. This was the first time individual investors in Malaysia were presented with a unique opportunity to invest in a social impact sukuk. Investors of Sukuk Ihsan could also give back to society via exercising the sukuk's unique waiver option which will waive the principal and profit invested at any time during its tenure. Additionally, Khazanah launched a reward crowdfunding campaign to cater to individuals who wish to participate in Sukuk Ihsan but were unable to subscribe to the sukuk directly.

Khazanah's strong credit standing and reputation have been key to preserving our capability in securing competitive funding. Recently, we priced our eighth Exchangeable Sukuk exchangeable into CITIC Securities Co. Ltd shares on 17 January 2018 which garnered strong investor support across Asia and Europe. Such transactions continue to highlight Malaysia as



Ng Eu Gin
Vice President, Finance

Khazanah is at the forefront of innovation in Islamic finance. Our efforts contribute to the development of the business ecosystem in Malaysia which has the capacity to innovate and the required market depth to continue attracting global investors, market players and talent.

a competitive and preferred sukuk destination, as evidenced by Malaysia's prestigious position as the world's biggest Islamic debt market with 37.5% of global sukuk issuance as at end December 2017¹.

At Khazanah, we are disciplined in managing our liability, and actively match our borrowings with our assets. All our capital market activities are strictly driven by investment requirements with the nation's long-term economic interest in mind. We are also meticulous in our divestment approach enabling us to reinvest monetised value from our portfolio into new sectors and geographies.

Khazanah does not receive regular infusions of capital from the Government, nevertheless we diligently assist the Government to reduce its contingent liabilities. In 2016, we issued a USD750 million Sukuk to refinance Penerbangan Malaysia Berhad's USD1.0 billion guaranteed notes. In October 2017, we redeemed RM1.0 billion Khazanah Government Guaranteed Sukuk, making our total redemption to date to RM3.0 billion out of our RM20.0 billion programme. We will continue the Government Guaranteed Sukuk redemptions until the final redemption date in 2032.

Our fundraising activities have advanced and redefined the landscape of Islamic finance since we structured and issued the first Exchangeable Sukuk into Telekom Malaysia Berhad and Axiata Group Berhad shares in 2006. Khazanah went on to issue many world's firsts including the first Singapore Dollar-denominated Sukuk in 2010 and the world's first Renminbi-denominated Sukuk in 2011. Khazanah, together with our investee companies, will continue to pave the development of Islamic capital markets by embracing Islamic finance as a preferred method to raise capital and to maintain Malaysia's position as a global and competitive Islamic finance marketplace.

¹ Source: RAM Ratings' press release "Malaysian sukuk performance remained resilient in 2017", published on 21 February 2018

KHAZANAH'S SUKUK ISSUANCES

2017

Second Tranche of SRI Sukuk

- Size: RM100 million
- First SRI sukuk in Malaysia to feature a retail portion for individual Malaysians to participate
- Received 3 awards to date



Global Islamic Finance Awards

Islamic Social Responsibility Award - 7th Global Islamic Finance Awards (GIFA)



Best Sukuk Deal of the Year in Southeast Asia 2017



IPO (Sukuk) Deal of The Year

2016

US Dollar-Denominated Straight Sukuk

- Size: USD750 million
- First USD straight sukuk issuance by Khazanah
- Third foreign currency issuance under its Multicurrency Islamic Securities Programme
- Attracted demand of 1.5x booksize
- Received 1 award to date

Beijing Enterprises Water Group Limited (BEWG) Exchangeable Sukuk

- Size: USD398.8 million
- First Sukuk to offer exposure into China's growing water utility sector
- Highest exchange premium achieved for an exchangeable Sukuk by Khazanah
- Achieved the highest exchange premium for a zero coupon and zero yield exchangeable Sukuk since 2007
- Received 2 awards to date

2015

Sustainable and Responsible Investment (SRI) Sukuk

- Size: RM100 million
- World's first RM-denominated SRI sukuk
- Received 8 awards to date

2006

Government Guaranteed Sukuk Programme by Khazanah

- Size: RM20 billion

Islamic Commercial Paper (ICP) / Medium Term Notes of (IMTN) by Rantau Abang Capital Berhad

- Size: RM10 billion
- One of the largest ICP / IMTN Programme set up by a corporate
- Received 1 award

TM/Axiata Exchangeable Sukuk

- Size: USD750 million
- World's first Shariah compliant exchangeable sukuk
- Received 17 awards

2007

PLUS Exchangeable Sukuk

- Size: USD850 million
- 13 times book cover and priced at the tightest end of the range
- Tight pricing was achieved despite being priced amidst an environment of volatile interest rates
- Largest equity-linked issue of Malaysia in 2007
- Third largest equity-linked issue out of Asia-Pacific excluding Japan/Australia in 2007
- Received 3 awards

2008

Parkson Exchangeable Sukuk

- Combined offering of USD550 million exchangeable sukuk and USD97 million equity placement
- 11 times book cover attracting more than 200 investors reflecting strong demand for quality Malaysian credit
- The first sukuk that offers Islamic investors exposure to China's retail consumption growth story, continuing the innovation in structured Islamic financial products
- Received 11 awards



Nurul Iman
Vice President,
Investments

We explore overseas opportunities and cultivate relationships with conglomerates, such as those in Japan. We look outwards in order to develop internally, by exchanging best practices with our Japanese peers and creating opportunities for knowledge transfer to become globally competitive.



2014

Tenaga Exchangeable Sukuk

- Size: USD500 million
- First internationally distributed sukuk structured based on Mudarabah and Murabahah principles
- Received 3 awards

2013

IHH Healthcare Exchangeable Sukuk

- Size: SGD600 million
- First SGD-denominated exchangeable sukuk
- First exchangeable sukuk in Asia offering exposure to the healthcare sector
- Oversubscribed by 5.5 times
- Achieved tightest end of pricing and premium guidance
- Received 7 awards

2012

Parkson Exchangeable Sukuk

- Size: USD357.8 million
- Achieved tightest end of pricing and premium guidance
- World's first sukuk to be priced at negative yield
- First Malaysian equity-linked deal since early 2010
- Oversubscribed by 3 times
- Received 3 awards

2009

Multicurrency Islamic Securities Issuance Programme by Danga Capital Berhad

- Size: RM10 billion
- Structure: Musyarakah (Profit Sharing Agreement) and Wakalah (Agency Agreement)

2010

Islamic Medium Term Notes Issues by Danga Capital Bhd

- Size: SGD1.5 billion
- Largest sukuk issuance in Singapore
- Largest SGD issuance by a foreign issuer in Singapore
- First SGD sukuk issuance out of the Malaysian International Islamic Financial Centre initiative
- Longest-tenured SGD sukuk
- Largest sukuk to date by Khazanah
- Received 8 awards

2011

Islamic Medium Term Notes Issues by Danga Capital Bhd

- Size: CNH500 million
- World's First Offshore RMB sukuk
- First CNH offering by an ASEAN quasi-sovereign issuer
- Oversubscribed by 3.6 times
- Upsized from CNH300 million to CNH500 million due to investor demand
- Received 6 awards