

MEDIA STATEMENT

Kuala Lumpur, 4 September 2014

Khazanah issues USD500 million Mudarabah-Murabahah exchangeable Sukuk priced at negative yield

- First 7-year put 4 exchangeable sukuk priced at a negative yield
- First exchangeable sukuk structured based on the Islamic principles of Mudarabah and Murabahah

Khazanah Nasional Berhad (“Khazanah”) today successfully priced a benchmark USD500 million (RM1.59 billion) exchangeable sukuk to be issued via its Labuan incorporated independent special purpose company, Cahaya Capital Ltd. The sukuk is exchangeable into ordinary shares of Tenaga Nasional Berhad (“TNB”), Malaysia’s largest electricity utility company.

The exchangeable sukuk, priced through an accelerated book-building process at -0.05% yield to maturity with 15% exchange premium is the first 7-year put 4 exchangeable sukuk priced at a negative yield. The transaction drew a demand of 1.6x book size. Khazanah has undertaken repeat issuances of Islamic securities since its inaugural issuance of sukuk exchangeable into Telekom Malaysia Berhad (“TM”) shares in 2006.

This is the first exchangeable sukuk structured based on the combined Islamic principles of Mudarabah and Murabahah¹, while Khazanah’s past issuances were based on Musyarakah² and Wakalah³ structures. The issuance announced today sets a benchmark for exchangeable sukuk offerings, providing future issuers with greater options to access a wider pool of investors. It also supports the Malaysia International Islamic Financial Centre (“MIFC”)’s initiative and reinforces Malaysia’s status as an international marketplace for sukuk offerings and leader of Islamic finance. The exchangeable sukuk will be listed on the Singapore Stock Exchange, Bursa Malaysia (under the exempt regime) and Labuan International Financial Exchange.

Managing Director of Khazanah, Tan Sri Dato’ Azman Hj. Mokhtar said: “Malaysia is a leader in the dynamic Islamic finance sector, continuously pushing the boundaries in product innovation and market depth. The issuance of this exchangeable sukuk is in line with Khazanah’s fund-raising strategy and long term commitment towards a progressive divestment of its investments.”

¹ *Mudarabah* is a profit sharing agreement between an investor and an entrepreneur whereby the investor supplies capital and the entrepreneur supplies expertise in a venture. Profit is shared between the investor and entrepreneur at a predetermined ratio while losses are borne solely by the investor. *Murabahah* is a profit margin contract whereby the seller of the asset sells to the buyer at cost plus a mark-up.

² *Musyarakah* is a partnership with two or more capital-contributing partners in a business venture. The risk and rewards are shared proportionately based on each partner’s capital contribution.

³ *Wakalah* is an agency contract whereby investors appoint an agent to invest on their behalf. Profits and losses are shared between investors while the agent is paid an agency fee by the investors.



TNB represents the sixth underlying security offered by Khazanah in the exchangeable sukuk format after offerings into TM, Axiata Group Berhad, PLUS Expressways Berhad, Parkson Retail Group Ltd. and IHH Healthcare Berhad shares.

TNB is the largest electricity utility provider in Malaysia and a leading utility company in Asia, with a customer base of approximately 8.4 million in Peninsular Malaysia, Sabah and Labuan. TNB is currently listed on the main board of Bursa Malaysia and is an integrated utility company with core businesses in the generation, transmission and distribution of electricity. TNB also has a presence in six other countries, namely in Indonesia, Brunei, Pakistan, Saudi Arabia, UAE and Kuwait.

CIMB, Deutsche Bank and Standard Chartered Bank are the Joint Bookrunners and Joint Lead Managers for this exchangeable sukuk transaction.

End

For further information on Khazanah, please visit www.khazanah.com.my or contact Mohd Raslan Md Sharif at +603 2034 0000, or e-mail at raslan.sharif@khazanah.com.my.

About Khazanah Nasional Berhad

Khazanah is the strategic investment fund of the Government of Malaysia entrusted to hold and manage the commercial assets of the Government and to undertake strategic investments. Khazanah is involved in various sectors such as power, telecommunications, banking, healthcare, airport management, infrastructure, leisure & tourism, property development, broadcasting, investment holding and technology. Some of the key listed companies in Khazanah's investment portfolio include Telekom Malaysia Bhd., Tenaga Nasional Bhd., CIMB Group Holdings Bhd., Axiata Group Bhd., IHH Healthcare Bhd., Malaysia Airports Holdings Bhd. and UEM Sunrise Bhd.

For further information, please visit www.khazanah.com.my