



JOINT NEWS RELEASE

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BANK RAKYAT AND CAGAMAS SIGN ISLAMIC FINANCING FACILITY ARRANGEMENT

Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) and Cagamas Berhad (Cagamas) today signed an Islamic financing facility arrangement which inks Bank Rakyat as Cagamas' first participating institution in the sale/transfer of new asset classes namely Rahn Financing (RF) and Islamic Personal Financing (IPF).

With the signing of the agreement, the range of asset classes that can be sold/transferred to Cagamas on with recourse basis is expanded from *Home Financing-i Manzili* and *Hire Purchase-i AnNaqlu* to *Personal Financing-i Aslah* and *Pawn Broking-i ArRahnu/Az-Zahab*. This will provide Bank Rakyat and the Islamic banking institutions (IBIs) with an avenue for asset/liability and risk management as well as an alternative source of funding.

The inclusion of *Personal Financing-i* and *Pawn Broking-i* is very timely as they offer numerous benefits to various parties. "The new schemes will enable Bank Rakyat to offer both product at more competitive rates to our customers" added Datuk Kamaruzaman Che Mat, Managing Director of Bank Rakyat.

The new asset classes will enable Cagamas to expand its current business by offering more innovative and diverse Islamic products to Bank Rakyat and the IBIs apart from its existing Islamic house financing and Islamic hire purchase. As a result, Cagamas will be able to issue more Islamic debt securities to the market.

"Linking these financing assets to the capital market improves Bank Rakyat's and the IBIs' access to funding, thus reducing the reliance on their traditional funding sources.

The issuance of Cagamas Islamic securities to fund these financing assets further enhances the development of the capital market” added Mr. Steven Choy, President and Chief Executive Officer of Cagamas.

The *Pawn Broking-i* offered by Bank Rakyat is a form of micro financing collateralised by gold. This provides petty traders, who may face difficulties in obtaining financing, with the much-needed funding for their business working capital. With the inclusion of RF as an asset class, it will encourage Bank Rakyat and the IBIs will be encourage to offer RF to their customers.

“This is part of Cagamas’ initiative to increase the availability of Islamic finance instruments in line with the Government’s objective to increase the range of Islamic products available in the market and to promote Malaysia as an international Islamic Financial Centre (MIFC)” concluded Mr Steven Choy.

As at end December 2007, Bank Rakyat’s outstanding for *Pawn Broking-i ArRahnu/Az-Zahab* was RM594.7 million, accounting for 90% of the market share while its outstanding *Personal Financing-i Aslah* stood at RM17 billion or 69% of the total outstanding Islamic personal financing in the market.

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FACT SHEET ON RAHN FINANCING (RF) AND ISLAMIC PERSONAL FINANCING (IPF)

These financing facilities are offered on with recourse basis where the risk of the underlying assets still lies with the Originator, even though the IPF and RF (i.e. the financing assets) have been sold/transferred to Cagamas.

Under these facilities, the Originator can sell/transfer his financing assets to Cagamas at an agreed tenure for a cash consideration. A specified eligibility criteria has to be complied by the Originator prior to the sale/transfer of financing assets to Cagamas. Cagamas will issue unsecured Islamic securities to the capital market to fund the sale/transfer of financing assets to Cagamas.

After the sale/transfer, the financing assets will continue to be in the custody of the Originator, who will administer the financing assets. The Originator will repurchase from Cagamas, the financing assets that become defective or ineligible and offer to sell/transfer to Cagamas an equivalent amount of the financing assets as replacement for the repurchased financing assets at specified intervals. At the end of contracted tenure, the Originator may repurchase the outstanding financing assets from Cagamas.

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ABOUT BANK RAKYAT

Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat), the largest Islamic cooperative bank in Malaysia, is already a major force in the fast-growing Islamic banking in Malaysia after fully converting its conventional assets to be Syariah-compliant at the beginning of 2003.

The path ahead for Bank Rakyat is exciting as Malaysia's Islamic banking sector undergoes rapid growth and transformation. The bank is now reaching out to wider sectors of the economy in its effort to maintain its leadership in Malaysia's Islamic Banking industry.

Bank Rakyat offers a wide range of commercial financing and consumer banking products and services to cater for the various segments of the market. Bank Rakyat is also actively involved in the capital market activities as part of its effort to offer complete corporate financing services.

Recently Bank Rakyat received the Most Outstanding Islamic Retail Banking award in conjunction with the *Fourth Kuala Lumpur Islamic Finance Forum 2007 (KLIFF2007)*. The award is given in recognition of Bank Rakyat's excellent performance in its consumer banking products and services.

The Rating Agency Malaysia (RAM) has also reaffirmed Bank Rakyat's long and short term financial institution ratings at AA₃ and P1 respectively; the long term rating has a stable outlook.

Bank Rakyat is also ranked fourth in the *International Cooperative Alliance (ICA)* Developing 300 Project list. The list ranked cooperatives in terms of their relative importance in national economies while *The Asian Banker Forum – Benchmarking Malaysian Banks* against the 'Bank We Like' listed Bank Rakyat as the 12 ranking in the world from 150 Islamic banking institution in Asian.

To date, Bank Rakyat has a strong 113 branch network with 160 ATMs bolstered by 7 Electronic Banking Centres and 7 Ar Rahn X Change throughout the country. The bank also has an integrated call centre, **tele-RAKYAT 603-21179000** and internet banking services, ***irakyat.com.my***. For more information, visit www.bankrakyat.com.my

ABOUT CAGAMAS

Cagamas Berhad (“Cagamas”), the National Mortgage Corporation and leading securitisation house, was established in 1986 to promote the secondary mortgage market in Malaysia. Cagamas has, through the years, evolved and diversified its business model from that of a national mortgage corporation seeking to aid Malaysians with affordable housing, to becoming a leader in securitisation. It issues debt securities to finance the purchase of housing loans and other consumer receivables from financial institutions, selected corporations and the Government. The provision of liquidity at a reasonable cost to the primary lenders of housing loans encourages further financing of houses at an affordable cost.

Since incorporation in 1987, Cagamas has cumulatively issued RM210.9 billion of Conventional and Islamic debt securities. Cagamas is the second largest issuer of debt instruments after the Government of Malaysia.