Islamic Finance news Supplements

March 2012

Deals of the Year Handbook

Case studies

SATORP Sukuk certificates | Salik One syndication | Danga Capital Yuan Sukuk | First Sukuk in Jordan

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Europe Deal of the Year

Debut Murabaha Syndication in Russia

Islamic Finance *news*

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Embattled but Unbowed

In a time riddled with uncertainty and trepidation, 2011 was an exceptional year for Islamic finance. The industry witnessed a slew of high-profile issuances, particularly in the project finance and infrastructure arena: testament to the consolidated efforts from regulators, global financial institutions, banks and governments to push forward the Islamic finance agenda.

In the Islamic Finance *news* Deals of the Year 2011 handbook, we document the most groundbreaking and innovative deals from the last year: from issuers who boldly entered the market despite the overall dour economic outlook.

Towards the end of last year, the Islamic capital markets witnessed a refreshing spate of issuances in previously placid markets such as Saudi Arabia, and the projections from 2010 for sectors such as project financing and Takaful had begun to materialize. The successful closing of Saudi Binladin's second short-term Sukuk and the much-welcomed US$1 billion SATORP Sukuk fulfilled the expectations of many. It was good to see Saudi Arabia, the wealthiest Muslim nation in the world, finally open up its Islamic capital markets. This also signaled the dawn of a new era for project and infrastructure financing.

Amid the highs and lows of 2011 we witnessed some truly groundbreaking deals: including the Tawarruq financing agreement for the development of Brewery Square by the Bank of London and the Middle East, and the ITFC's pre-export financing agreement for Indonesia's CV Arvis Sanada and CV Ujang Jaya.

We also saw Islamic capital market activity grow, with the help of organizations such as AAOIFI ramping up its governance efforts, and financial institutions and banks constantly evolving and innovating their product suites to widen the Islamic investor base and thus contribute to the creation of deeper markets.

The case studies documented in the Deals of the Year 2011 handbook represent the best deals in Islamic finance throughout the year, and aim to serve as a guide for future issuers and investors looking for the most optimal structures in today's investment environment.

We would like to thank all our contributors for sharing their experience in structuring these award-winning deals, and we hope to see 2012 awash with quality issuances which will continue to drive the industry forward.

Nazneen Halim,
Editor

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AWARDS DINNER

SATORP Sukuk certificates

Deal of the Year, Project Finance, Saudi Arabia
Deal of the Year

Saudi Aramco Total Refining and Petrochemical Company (SATORP), a joint venture between Saudi Aramco and Total of France, issued its debut Sukuk on the 9th October 2011. The combined value of the Sukuk issuance is SAR3.75 billion (US$1 billion) and received subscription orders in excess of SAR13 billion (US$3.45 billion). The Satorp Sukuk represents the first Shariah compliant project Sukuk instrument in Saudi Arabia and underpins growing demand for Islamic financing facilities by Saudi corporates.

The Saudi capital markets authority approved the public offering of the Sukuk certificates in August this year by Arabian Aramco Total Services Company, the special purpose company which is issuing the Sukuk certificates on behalf of Satorp.

The Sukuk issue was originally scheduled in 2009, but difficulties in its Shariah structuring caused a postponement.

According to Samba Capital & Investment Management Company, the final pricing on Satorp's public offering of the Saudi riyal-denominated Sukuk certificates has been set at a six-month SAIBOR plus a margin of 95 basis points per annum.

This pricing is exceptionally tight given that the yield for the SAR1.8 billion (US$480 million) Sukuk Mudarabah issued by Saudi International Petrochemical Company (Sipchem) in June last year was SAIBOR plus 1.75% per year. Despite this, the Sukuk was still heavily oversubscribed by 3.5 times.

The offering, sale and delivery of the 14 year SAR3.75 billion Sukuk, which matures in 2025, is limited solely to Saudi nationals and those other legal persons with a permanent establishment in the kingdom.

The Sukuk issuance received strong interest from financial institutions, mutual funds, insurance companies and pension funds as well as certain high net worth individuals.

The structure of the issuance is based on a Musharakah structure and also involves a forward lease agreement. The issuer, Arabian Aramco Total Services Company and Satorp are partners under the Musharakah agreement and also co-lessors under the forward lease agreement. Satorp is also the managing partner under the Musharakah agreement and the lessee under the forward lease agreement.

The purpose of the Musharakah will be to earn profits from the application of the respective capital contributions from the partners in accordance with the business plan as set out in the Musharakah agreement. The business plan entails the delivery of the project assets and assets under the agreement to the lessee. The structure of the Sukuk was approved by the Shariah boards of Al-Inma Investment Company, Bank Albilad, Deutsche Bank, Samba Financial Group and Credit Agricole.

Summary of terms & conditions	
Issuer	Arabian Aramco Total Services Company
Obligor	Saudi Aramco Total Refining and Petrochemical Company (Satorp)
Issuance price	SAR3.75 billion (US$1 billion)
Purpose of issuance	The Sukuk will allow investors to participate in the overall financing for the Satorp refinery project in Jubail, a project sponsored by Saudi Aramco and Total.
Tenor	14 years
Coupon rate / return	6 month SAIBOR + 95 basis points
Payment	Twice yearly: 20th June and December of each year
Maturity date	20th December 2014
Joint lead managers and bookrunners	Deutsche Securities Saudi Arabia, Samba Capital & Investment Management, Saudi Fransi Capital
Governing law	Laws of Saudi Arabia
Legal advisors	The Law Office of Abdulaziz AlGasim (in association with Allen & Overy), Meshal Al Akeel Law Firm and Linklaters
Listing	Certificates are listed on Tadawul
Shariah advisor(s)	DB Shariah advisors, Shariah executive committee of Samba Financial Group and The Credit Agricole CIB Shariah supervisory board
Structure	Musharakah
Shariah structure advisors	Al Inma Investment Company and Bank Al Bilad

The proceeds of the Sukuk will be used to finance Satorps' planned crude oil refinery in Jubail. Satorp is 62.5% owned by Saudi Aramco and 37.5% owned by Total. The total cost of the Jubail project is estimated at over US$14 billion.

As such the Satorp Sukuk represents only a small proportion of the total financing required for the entire project. In October 2010, Satorp closed a multi-source US$8.5 billion 16-year financing for the Jubail refinery project including US$4 billion from the Saudi public investment fund and export credit agencies and US$4.5 billion in private placements from various commercial financial institutions.

The financing facilities include dual-currency (US dollar and Saudi riyal) commercial loans; dual-currency Islamic financing facilities; export credit facilities provided by seven export credit agencies and local developmental agencies. The Islamic finance facilities were lead arranged by Al-Rajhi Bank; Alinma Bank; the Islamic Development Bank and Bank AlJazira. The state-of-the-art SATORP's refinery is scheduled to be commissioned sometime in 2013 and is part of Saudi Aramco's strategy to boost Saudi Arabia's refining capacity.

Supporting SMEs in Mauritania

Murabahah Deal of the Year

Operating to world class standards, the ITFC's mission is clear from its mandate to be a catalyst for the development of trade among OIC member countries and with the rest of the world. ITFC aspires to be a recognized provider of trade solutions for OIC member countries' needs; in order to fulfill its brand promise of "Advancing Trade & Improving Lives".

Economic outlook of Mauritania

The structure of the Mauritanian economy, characterized by the predominance of the secondary and tertiary sectors (with 34.7% of gross domestic product (GDP) and 44.8% of GDP respectively) remained almost entirely unchanged between 2009 and 2010. After a fall in GDP of 1.2% in 2009, the economy should rebound in 2010, with GDP expanding by an estimated 5%. This is expected to become stronger in the coming years with a slight decline in the tertiary sector to the advantage of the primary and secondary sectors. This performance is the outcome of the combined effects of the implementation of the public finances reform program agreed with the International Monetary Fund (IMF) and the substantial rise in international minerals prices.

A wide range of projects and reforms have been decided, joining those already launched, with the return of donors including the World Bank, IMF, the Agence Française de Développement (AFD), IDB, the African Development Bank (AFDB), the United Nation Development Program (UNDP) and the Arab Fund for Economic and Social Development. External financing has been obtained after the roundtable meeting for Mauritania in Brussels in June 2010. On this occasion a public investment program covering the 2011-13 period was presented, comprising a portfolio of priority projects worth US$4.2 billion. These projects concern: i) accelerating economic growth and private sector development; ii) concentrating growth amongst the poor; iii) developing human resources and improving access to basic services; and iv) improving governance and institutional development.

Key financial highlights for ITFC to consider

The financial sector in Mauritania is as yet under-developed, with 88% of the sector's assets held by commercial banks. One of the main issues leading to this under-development is the monopolization of the commercial banks' capital by a limited number of shareholders, where the banks' transactions mainly concern operators of the import/export sector, and are essentially based on short-term financing. There is also a lack of diversification in the products and services offered in the market. Consequently, this slows the development of a competitive private sector.

On the other side, political instability adds risk to the economy of the country. As a result, promoters involved in income-generating activities, as well as small and medium enterprises (SMEs) are virtually excluded from bank financing.

ITFC has been always looking for ways to support the SME segment. Adding to the technical assistance, trade capacity development and other trade development activities which can benefit the country's trade bodies and impact indirectly the SMEs' momentum in the economy, ITFC has developed a dedicated financing tool to reach SMEs directly. The Two Step Murabahah is a double Murabahah agreement: first between ITFC and the bank, and second between the bank and the end user (the SME). By implementing such a mechanism, SMEs can benefit from the financing offered by ITFC - a financing which couldn't have been provided if the relationship was directly established between ITFC and the end user, as generally small businesses do not qualify under the direct financing requirements

Helping SMEs gain access to finance

Access to finance remains one of the main obstacles hindering trade in many countries; and this problem is particularly acute in the least developed member countries (LDMCs), one of which is Mauritania. This is why ITFC has made it a priority to support LDMCs to help them gain access to finance.

At the same time, ITFC reaches SMEs through the extension of lines of financing in the form of Two Step Murabahah

financing (2SMF) to local banks. In an example case, ITFC extended a 2SMF to Banque Mauritanienne pour le Commerce international (BMCI), to be dedicated to selected SMEs. Under this mechanism, ITFC makes funds available to local banks, which then provide the onward financing to the SMEs for specific trade finance transactions.

The 2SMF mechanism is implemented as follows:

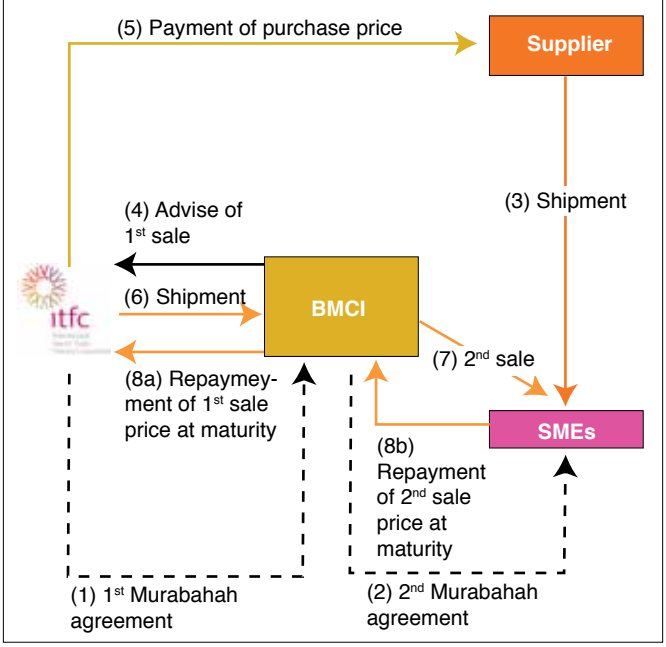
- A Murabahah agreement is signed first between ITFC (as fund provider/first seller) and BMCI (as purchaser);
- Another subsequent Murabahah agreement is signed between BMCI (as second seller) and the end beneficiary (selected SMEs);
- Upon shipment, BMCI advises ITFC to make the payment of the purchase price directly to the supplier;
- After payment, ITFC will then sell the goods to BMCI, which in turn will also sell the goods to the end beneficiary (SMEs) on a Murabahah basis (second sale price);
- At maturity, BMCI shall repay the first sale price to ITFC and approach the end beneficiary (SMEs) for the repayment of the second sale price.

This mechanism transfers the direct credit risk to BMCI, which will be the obligor to ITFC.

Other features of the deal:

- This is the first Shariah compliant Murabahah trade finance deal in favor of a local commercial bank in Mauritania to offer SMEs Shariah compliant solutions (Murabahah) to finance their imports.
- ITFC's financing offers better terms and conditions. The total output cost is very competitive for the SMEs, who will benefit from the line.
- This financing is on a six-month revolving basis. The total amount on a yearly basis should reach US$7.7 million, which is a considerable amount taking into consideration the economy scale in Mauritania.

Deal Mechanics



Summary of terms & conditions	
Instrument	Two step Murabahah Financing
Issuer	BMCI
Issuer principal activities	Shariah compliant trade finance
Issue size & Pricing	US$3.85 million
Date Issuances	31st May 2011
Arranger	IITFC
Legal counsel for issuer	IDB legal department
Guarantor	BMCI, Mauritania
Shariah advisor	IDB legal department
Purpose of issue	To reach SMEs in Mauritania through a local reputable bank

About our client: Why BMCI?

BMCI is the leading private bank in Mauritania. The development policy of BMCI is based on quality of approach, strengthening the network of agencies, enriching the product line and an advanced computing environment.

BMCI's development of commercial activities is widely supported by a network of agencies present in all regions of the country (26 locations) with expansion prospects also undertaken in 2009. The bank employs more than 400 employees specializing in different areas of finance and related activities. Internationally, the bank has a large network of correspondents in all continents. Internationally, BMCI has an extensive network of leading correspondent banks in different European countries and North America. Its main partners include Citibank NY (USA), BNP Paribas (France), Natixis (France), ING BANK (Belgium), Banco Bilbao Vizcaya Argentaria (Spain), British Arab Commercial Bank (London) and UBAE (Rome). For all of these correspondents, BMCI has a line of credit confirmation documentary for a total of more than US$80 million.

In 2010, BMCI received a line of structured financing from the African Export-Import Bank (Afreximbank) for an amount of US$11 million for the purchase of an oil tanker in favor of its clients.

Finally, due to the increasing demand for Shariah compliant products, BMCI has developed new Islamic financing products to help meet the needs of the Mauritanian market, along with other developmental projects to serve the community.

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Salik One US$800 million Wakalah syndicated financing

Structured Finance Deal of the Year

Using an innovative financing structure, the Government of Dubai has raised US$800 million, secured by the future revenues of the Emirate of Dubai's Salik toll road system. The financing included both conventional and Islamic tranches, with the Islamic tranche involving the purchase and sale of Salik vouchers representing the right to use the Salik system.

The first of its kind Shariah compliant financing for a toll road project was spearheaded by Dubai's department of finance, monetizing future collections from the Salik toll road system by way of a sale and subsequent distribution of Salik vouchers representing rights to use the Salik system. Dubai's Roads and Transport Authority (RTA) will continue to own and operate the Salik toll system and all revenues (apart from amounts used to repay the conventional tranche and revenues derived from the vouchers) will continue to flow to the department of finance for general budgetary purposes.

Citibank, Commercial Bank of Dubai, Dubai Islamic Bank and Emirates NBD were appointed by the department of finance as mandated lead arrangers and bookrunners for the dual-currency, dual-tranche syndicated six-year financing. Citi and Dar Al Sharia acted as the Islamic structuring advisors to the transaction. The transaction was oversubscribed and successfully syndicated further to a select group of regional and international banks. The financing is a further evolution of Dubai's funding strategy, and represents the first major Islamic financing of a toll road asset in the region.

The RTA operates the Salik toll system, which has been in operation for approximately three and a half years, and today comprises four toll gantries along Dubai's main artery, the Sheikh Zayed Road. Vehicles are currently charged a flat fee of AED4 (US$1.10) per passing subject to a maximum daily limit of AED24 (US$6.50). All vehicles that pass through the Salik gates are required to use an electronic Salik tag through which credit is automatically deducted.

The Salik structure drew upon concepts developed by Citibank and lawyers at Latham & Watkins for the Mobily Airtime facility and more recently, the Etisalat Sukuk program. Intangible rights hold modern commercial value and these transactions were significant in providing a platform for Islamic investment.

The Salik structure provides for the sale of Salik vouchers, representing quantifiable rights to use the road network to Islamic investors. The road operator is then appointed by the Islamic investors to distribute the Salik vouchers through its network and use collections to make payment. Dubai Islamic Bank acted as the investment agent in respect of the Islamic tranche, receiving funds from the Islamic investors and in turn invested in the vouchers purchased from Salik special purpose vehicle (SPV).

Summary of terms & conditions	
Issuer	Salik One
Issuance size	US$800 million
Purpose of issuance	To monetize future collections from the Salik toll road system. All revenues (apart from amounts used to repay the conventional tranche and revenues derived from the vouchers purchased by the Islamic investors) will continue to flow to the department of finance for general budgetary purposes.
Main lead managers	Citibank, London Branch; Commercial Bank of Dubai; Emirates National Bank of Dubai; Dubai Islamic Bank
Shariah advisor	Dar Al Sharia
Structure	Voucher Structure

The Salik SPV sells the vouchers representing road usage rights to the users of the Salik toll road system and pays such revenue to the investment agent under a distribution agreement, purchase and sale undertaking.

An inter-creditor agreement governs the relationship between the Islamic and conventional tranches, with the result that both rank pari passu. The Islamic investors have the same levels of access and security to the account structure in respect of amounts owed to them under the Islamic finance documents as the conventional funders do in respect of amounts owed to them under the conventional tranche. The financing has recourse to the cash flow consisting of all amounts paid by Salik road users and Salik sales agents.

The SPV, Salik One, is one of the first entities of its kind established under the DIFC's special purpose corporation regulations. The Salik Islamic structure, drawing upon earlier evolutionary steps with respect to such intangible assets, is another important step in the creation of a suite of products to support the region's ambitious developmental ambitions. With transport and social infrastructure being a primary focus of regional governments, the ability to invest in intangible assets in connection with such products is becoming increasingly important.

This case study is written by Christopher Hall, Craig Nethercott, Aaron Bielenberg and Arjun Ahluwalia who are lawyers at Latham & Watkins. They can be contacted at christopher.hall@lw.com, craig.nethercott@lw.com, aaron.bielenberg@lw.com and arjun.ahluwalia@lw.com respectively. Latham advised the Government of Dubai on the transaction.

Nakheel US$2.22 billion restructuring

Restructuring Deal of the Year

The 24th August, 2011 finally saw troubled Dubai property developer Nakheel conclude its long-running financial saga, implementing the restructuring of a total amount in excess of US$16 billion in liabilities and the legal separation of the Nakheel from the rest of the Dubai World group.

The amount and nature of the liabilities involved and the large number of creditors made this one of the most complex restructurings in the region to date. Nakheel's liabilities comprised a series of bank debts, Sukuk, government debt, trade creditor liabilities, customer liabilities and inter-group debt.

The bank debt facilities included a mixture of both conventional and Islamic facilities and a number of hedging arrangements. To make the restructuring even more complex, more than 30 financiers were involved on the debt restructuring side.

The restructuring also involved a unique trade creditor settlement structure due to the complex nature and range of claims involved. This included an agreed claims resolution procedure and, importantly, an element of upfront/ pre-completion settlement payments in order to ensure remobilization/continuation of works at Nakheel's existing property developments.

Agreed trade creditor claims outstanding after the upfront payments are to be settled through Sukuk, AED3.8 billion (US$1.03 billion) of which were successfully issued by Nakheel to trade creditors on the 25th August 2011, immediately following the implementation date for the bank debt restructuring. Tap issuances will follow as further claims are agreed with creditors.

The use of Sukuk to settle outstanding trade creditor claims marks a first for a restructuring in the Middle East. The structure is also the first Sukuk to allow for a tap issue to be fungible with a pre-existing issued series.

The result is that former creditors are now Sukukholders, and as a result this has opened up a new avenue of enforcement action in the region. It should also have a positive knock-on effect for the secondary market as it increases the pool of trade creditors.

It is also worth noting that the separation of Nakheel from the Dubai World group was a huge undertaking, involving the settlement of numerous inter-group liabilities and a large number of asset transfers.

Robin Abraham, a partner at Clifford Chance in Dubai, commented that: "It took a herculean effort on the part of our banking, capital markets and corporate teams to close the bank and trade creditor restructurings, as well as the legal separation from the Dubai World group, all in the same week."

Debbie Walker of Clifford Chance added that: "It was certainly a huge challenge to pull the transaction together. There was no template to follow and there were so many parties involved with different interests."

Summary of terms & conditions	
Instrument	Sukuk al Ijarah program
Issuer	Anka'a Sukuk Limited (Nakheel PJSC as purchase undertaking obligor)
Issue size & pricing	AED 8.5 billion program
Date	Information Memorandum dated 24th August 2011
Issuances	Series 1 AED 3.5 billion certificates with a profit rate of 10% per annum

Nakheel, the developer behind the Palm Jumeirah and the World islands, was at the heart of Dubai's crippling debt crisis in 2008 after a property bust brought the company to its knees. The developer has since offered creditors repayment of 40% cash and the remaining 60% in the form of an (as yet to be listed) AED4.8 billion (US$1.31 billion) Sukuk at a profit rate of 10%.

Ali Rashid Lootah, the chairman of Nakheel, added that the Sukuk will not be backed by the government but by Nakheel's assets, adding that: "No assets have yet been sold as part of the restructuring. It has been a tough 18 months - a period in which we have managed to successfully restructure our debts and the company. This is the end of an era and the start of a brighter Nakheel."

The total restructuring involves some AED59 billion (US$16 billion) of liabilities, including AED32 billion (US$8.71 billion) to the Dubai government, AED19 billion (US$5.17 billion) to trade creditors and AED8 billion (US$2.18 billion) to banks.

The developer said it had settled about 60% of liabilities linked to buyers in its stalled real estate projects, representing about AED10 billion (US$2.72 billion), by offering investors homes in completed Nakheel projects or a credit switch to another investor or project.

"Our liability on the long-term projects is approximately AED10 billion (US$2.7 billion) and we've managed to solve and find and accommodate people for a value of AED6 billion (US$1.63 billion) in one and a half years," said Lootah.

Sanjay Manchanda, the acting CEO and CFO at Nakheel, added that with the new Sukuk the company might not require any further debt issuance. "I do not foresee the need for further debt issuance. Hopefully this is the last one," he said.

Manchanda added that: "At that time, we had a total liability of US$16 billion, part of which was paid by the Dubai government in the form of cash investment - from where we paid our creditors about AED8.6 billion (US$2.34 billion), and the rest was in the form of equity.".

Bank AlJazira SAR1 billion Sukuk

Mudarabah Deal of the Year

The Q&A was conducted with Debashis Dey (partner, head of Capital Markets Middle East) and Alex Roussos (senior associate) of Clifford Chance:

Why did you use this particular Islamic structure? What other structures were considered?
The hybrid Mudarabah and Murabahah structure was employed as it was considered as offering the optimal Shariah sanctioned structure for risk allocation for investors. Investors' exposure to the Sukuk is split 49:51 between the issuer's credit risk and the issuer's business portfolio, respectively; 49% of the proceeds of the offering of the Sukuk have been (and will be) applied towards profit generating Murabahah arrangements entered into by the issuer, and the remaining 51% of the Sukuk proceeds are invested in assets constituting the issuer's business (and, consequently, linked to the returns generated from such assets). In the initial structuring stages of the transaction an additional Musharakah structure was contemplated. However, this was not implemented as it was deemed to add unnecessary complexity to the transaction and was not suited to the issuer's business model.

What will this capital be used for?
The proceeds of the Sukuk offering will be used by the issuer for strengthening its capital base as the Sukuk will comprise Tier II capital for current Saudi Arabian regulatory purposes; and to grow its banking and finance activities.

What were the challenges faced and how were they resolved?
The main challenges faced by the working group were (i) constructing an innovative Sukuk structure appropriate for the issuer's Shariah compliant business model (as the Sukuk is the first issued by a fully Shariah compliant bank in Saudi Arabia) and (ii) determining the Saudi regulatory capital treatment of the Sukuk, which was crucial given that the intention was for the Sukuk proceeds to be used to strengthen the issuer's capital base. With regard to (i), the solution, agreed after extensive discussion among the working parties, was to implement the hybrid Islamic structure described above. In respect of (ii), the issuer engaged in various discussions and meetings with SAMA in order to obtain from SAMA confirmation of the recognition of the Sukuk as Tier II capital under the current Saudi regulatory regime.

Geographically speaking, where did the investors come from?
The offering of the Sukuk was restricted to, and subscribed entirely by, sophisticated investors (as described in Article 10 of the Offers of Securities Regulations issued by the Board of the Saudi Capital Market Authority (pursuant to its Resolution number 2-11-2004, dated 20/8/1425H (corresponding to 4/10/2004G), as amended), tax resident in Saudi Arabia.

Summary of terms & conditions	
Obligor/Issuer	Bank AlJazira
Tenor	10 years, callable in year five with a step-up in margin after year five
Return	Six months SIBOR + 170 bps with a step-up to 550bps if not called on or after year five
Payment dates	Semi-annual in March and September
Maturity date	29th March 2021
Main lead managers	HSBC Saudi Arabia, JP Morgan Saudi Arabia
Bookrunners	HSBC Saudi Arabia, JP Morgan Saudi Arabia
Legal advisors	Clifford Chance and Al-Jadaan and Partners Law Firm for the issuer Law Office of Mohammed A Al-Sheikh in association with Latham and Watkins for the lead managers
Sukukholders' agent	SABB Securities
Governing law	Saudi Arabia
Shariah advisor	HSBC Saudi Arabia Amanah Shariah Committee
Structure	Hybrid Mudarabah and Murabahah

Was this deal rated? If not, explain why.
The deal was unrated. The offering was a private placement to specific sophisticated investors and, in view of the credit rating of the issuer ('A3'- Moody's Investors Service/'A'- Fitch Ratings), it was not considered necessary to obtain a separate credit rating for the Sukuk.

Danga Capital CNY500 million Islamic trust certificates

Cross-Border Deal of the Year

Malaysian sovereign wealth fund Khazanah Nasional issued the world's first Malaysian originated offshore yuan-denominated Sukuk worth CNY500 million (US$78.42 million) on the 20th October 2011. The Sukuk was issued through Khazanah's special purpose vehicle, Danga Capital under their RM10 billion (US$3.15 billion) multi-currency Islamic securities program.

According to Khazanah, the three-year benchmark Sukuk was priced at the tightened end of the price guidance at 2.9%. The issuance drew a demand of 3.6 times the book size, enabling Khazanah to increase the offering amount to CNY500 million from an initial CNY300 million (US$47.05 million).

The issuance had been postponed earlier in the month due to volatile market conditions. The benchmark offering whilst small, attests to Khazanah's continued efforts in pushing the envelope on transaction innovation and the competitive positioning for Islamic structures.

The issuance saw wide participation from Malaysia (37%), Singapore (30%), Hong Kong (26%) and the EU(6%). Investors included financial institutions, asset management companies, private banks and statutory bodies.

The issuance also drew strong support from the conventional sector, accounting for at least 80% of the funds raised.

This Sukuk also represents a move towards increasing capital flows between Malaysia and China, in addition to the robust two-way trade flows the nations enjoy. According to Azman Mokhtar, the managing director of Khazanah: "The particular characteristics of a yuan-denominated Sukuk, with participation from across Asia, illustrate the viability of a 'new silk road' as an investment theme for Khazanah and others."

The Sukuk will be listed on Bursa Malaysia (under its exempt regime) and the Labuan International Financial Exchange. BOC International, CIMB and The Royal Bank of Scotland were joint lead managers for the issuance, while CIMB Islamic served as the Shariah advisor.

According to Mohd Izani Ghani, the director and chief financial officer at Khazanah, there has always been a need for yuan-denominated financing for its Chinese operations.

Khazanah has an overseas representational office in Beijing since 2008 and are involved in the renewable waste energy and education sectors.

As significant as this deal is to the development of the Malaysian Islamic capital market, it is unlikely that Malaysian corporates will follow a similar route to raise funds unless they have specific operational requirements in China.

Summary of terms & conditions	
Issuer	Danga Capital
Obligor	Khazanah Nasional
Issuance price	CNY500 million (US$78.4 million)
Tenor	Three years
Coupon rate / return	2.9%
Currency	Chinese yuan
Joint lead managers	BOC International, CIMB, and The Royal Bank of Scotland
Shariah advisor(s)	CIMB Islamic
Structure	Wakalah
Listing	Bursa Malaysia (exempt regime) and Labuan International Financial Exchange
Investors breakdown	37% — Malaysia, 30% — Singapore, 26% — Hong Kong and 6% — EU

However, as the currency swap rates continue to challenge the markets and scarcity of yuan-denominated notes on the market; it should not be completely ruled out.

Andrew Sheng, the chief advisor to the China Banking Regulatory Commission and a board member of Khazanah who added that the Sukuk was "an innovative, market driven and major step forward in the development of the offshore yuan market and that it supports the Chinese government's move to internationalize the renminbi."

It was only recently that the Chinese government relaxed its grip on the yuan, allowing it to be traded in Hong Kong. China has also been facing pressure from its trading partners to allow a speedier appreciation of the yuan.

The strong demand for ringgit-denominated bonds and Sukuk is currently the biggest hindrance to further developing the multi-currency market in Malaysia. A fact reflected in Malaysia's 2012 budget, which seeks to provides further tax incentives to spur the issuance of foreign currency Sukuk with income tax exemption for non-ringgit Sukuk issuance and transactions extended for another three years.

Tenaga Nasional's US$1.55 billion Islamic securities program

Ijarah Deal of the Year

Tenaga Nasional (TNB), Malaysia's largest power company, on the 25th October 2011 sold RM4.85 billion (US$1.55 billion) of Sukuk in 16 tranches, maturing in five to 20-year tenors at yields between 3.8% and 4.9%.

The Sukuk is the latest in a series of Sukuk brought to market by Malaysian corporates, and cements the dominant position of Malaysia's Islamic finance sector and the strong support from government-linked corporates in tapping the demand for highly-rated government-linked Sukuk.

It is also the second major Sukuk issued by a Malaysian power company in the last few months. In July 2011, Sarawak Energy issued a RM3 billion (US$968 million) Sukuk offering with tenors of five, 10 and 15 years respectively.

The TNB Sukuk was oversubscribed four times. Issued though an existing special purpose vehicle (SPV), Manjung Island Energy, the Sukuk is rated 'AAA' by local rating agencies RAM and MARC. The ratings reflect TNB's government-linked status and the 'AAA' rating from Standard & Poor's and Moody's. The Islamic securities program is also the first foray into the debt market for the power company since 2004.

TNB announced in July 2011 that it would be tapping the Islamic capital market in order to raise up to RM5 billion (US$1.59 billion) and according to Che Khalib Mohamed Noh, TNB's CEO, the proceeds of the Sukuk will be used to finance the construction of the company's latest coal-fired power plant on Manjung island in the state of Perak.

TNB aims to raise the company's power generation capacity to meet rising demand for electricity in peninsular Malaysia and diversify away from a reliance on limited supplies of liquefied natural gas (LNG).

Che Khalib added that the Sukuk drew in orders of RM23 billion (US$7.34 billion) and despite pricing at or below the lower end of the initial yield guidance, Che Khalid said that they were extremely happy with the yields and the oversubscription rate. Manjung island currently houses three 700 megawatt coal-fired plants but with Malaysia's increasing demand for electricity, TNB has chosen to expand its facilities instead of buying power from Sarawak Energy. The US$881 million construction project was awarded in April 2011 to a consortium comprising of French conglomerate Alstom and China Machinery Import and Export Corporation.

TNB recently posted a net profit of RM499.5 million (US$163 million) down from RM3.2 billion (US$1.04 billion) in the last financial year, citing higher fuel costs. According to Che Khalib, the reason for TNB's recent profit slump was because the power utility had to fork out RM2.1 billion (US$670 million) to fund alternative energy supplies including oil, distillates and coal to offset the shortage of natural gas — which usually accounts for 60% of the feedstock of the power industry in Malaysia.
The additional high fuel costs have also had a negative impact on the company's cash flow.

Summary of terms & conditions	
Issuer	Manjung Island Energy
Obligor	Tenaga Nasional
Issuance price	RM5 billion (US$1.55 billion)
Purpose of issuance	The proceeds to be raised will be utilized to purchase certain Shariah compliant leasable assets from TNB Janamanjung (TNBJ), a wholly-owned subsidiary of TNB. Upon receipt of the proceeds, TNBJ shall utilize the proceeds raised for the construction and delivery and working capital requirement for the 1,010 megawatt coal fired power plant in Manjung, Perak
Tenor	28 years from the first issue, across two series. Series 1: 15 tranches — tenors ranging from five to 19 years. Series 2: 1 tranche — a tenor of 20 years.
Coupon rate	Between 3.8% and 4.9%
Currency	Ringgit Malaysia
Joint principal advisors, lead managers and bookrunners	CIMB Investment and Bank Islam
Rating	Series 1 of the Islamic Securities Program has been accorded an indicative rating of 'AAA' and Series 2 of the Islamic Securities Program has been accorded an indicative rating of 'AAA(s)' by RAM

Che Khalib further warned that the third and fourth quarters of this year would be difficult because of the continued gas situation. At the same time Che Khalib estimated that demand for electricity is expected to increase by 4-5% in 2012.

TNB is in talks with the government and national oil company Petronas over the severe shortage of gas. It is expected that TNB's worries will only ease in 2015 when the new plant is operational.

In a tender notice, the national power company has called for a "strategic short and long-term LNG supply management plan for procuring fuel for TNB's power stations". However, TNB's gas shortage troubles may not ease until the second quarter of 2012, when Petronas Gas' import terminal in Malacca is operational and begins importing LNG at market prices.

First Sukuk issuance in Jordan

Sukuk Deal of the Year

Al Rajhi Cement – Jordan (Al Rajhi), a leading cement producer in the Hashemite kingdom of Jordan, issued in February 2011, a JOD85 million (US$119.6 million) Sukuk, marking the first ever Jordanian Sukuk issuance. Capital Investment & Brokerage Jordan Co, acting as the lead manager, was able to effectively draw on a pool of Shariah compliant investors by establishing a special purpose vehicle in the Cayman Islands effectively known as Al Rajhi Cement Sukuk Company (the issuer). Advising on the entire transaction were the Kuwait and Jordan offices of Al Tamimi & Co.

The structure allowed Al Rajhi to forego conventional capital mechanisms prevalent in Jordan. Accordingly, by capturing a wider investor base, especially those seeking Shariah compliance, the Islamic structure enabled Al Rajhi to offer the landmark seven-year Sukuk issuance based on Ijarah Muntahia Bittamilik (lease to own) principles and received the approval of the Ifta' Board of Jordan. Due in 2018, the Sukuk certificates are expected to yield a profit rate of 0.5% above the weighted average of the prime lending rates in Jordan.

Objectives

Given the market conditions prevailing throughout the MENA region, Al Tamimi & Co sought to minimize execution risks for its client and Al Rajhi. By employing the Sukuk and capturing the proper investment base, the parties were able to raise benchmark funds of JOD85 million.

The Al Tamimi and Co team was led by Alex Saleh, partner and the head of the Kuwait office, who proposed the Sukuk structure and who also prepared, drafted and implemented the same, while partner and the head of the Jordan and Iraq offices, Khaled Saqqaf, advised on the Jordanian legal aspects of the Sukuk and its securitization issues.

Sukuk structure

The Sukuk issued in this transaction is based on the Islamic principles of Ijarah, which is a contract whereby a lessor (owner) leases out its assets to a lessee at a predetermined and agreed upon rental rate and period.

In this instance, the proceeds from the sale of the Sukuk certificates to its investors were used by the issuer to purchase certain equipment and machinery (the Sukuk assets) from Al Rajhi. In other words, the Sukuk certificates issued to the investors, which represent a beneficial ownership interest in the Sukuk assets, allowed Al Rajhi to allocate the funds for its recapitalization and funding of its general working capital requirements. The title to the Sukuk assets was held by the issuer on behalf of the holders of the Sukuk certificates pursuant to the Declaration of Trust made by the issuer in its capacity as the trustee.

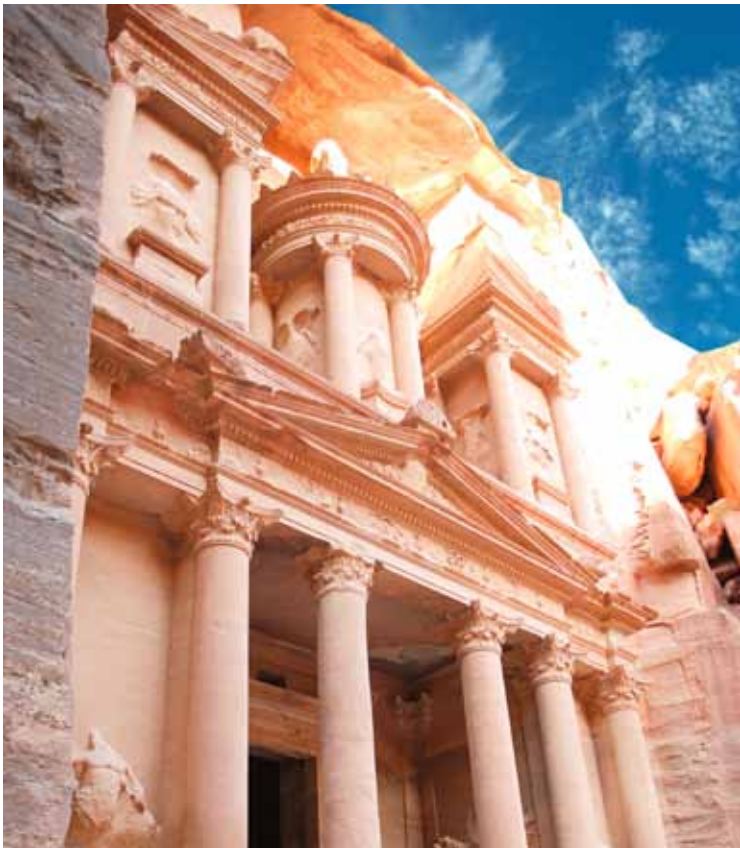
In the second stage of the Ijarah, the issuer, who purchased the Sukuk assets from Al Rajhi, was then able to lease back the assets to Al Rajhi in consideration of rental payments over 14 installments during the seven-year term of the Ijarah. The rental proceeds received by the issuer would be passed on to the holders of the Sukuk certificates and are considered periodic distributions on a predetermined distribution schedule.

At the final stage of the Ijarah structure, the issuer sells the Sukuk assets back to Al Rajhi at an agreed price and in turn, the cash is simultaneously passed on to the holders of the Sukuk certificates for redemption.

Al Tamimi & Co: Response

Both Alex Saleh and Khaled Saqqaf were instrumental in in developing a business case for Al Rajhi to establish a Sukuk structure in order to achieve its recapitalization objectives in lieu of the market conditions of the MENA. Al Tamimi & Co's expertise in Islamic financing was an integral factor in the first ever successful structuring and closing of a Sukuk being issued in Jordan.

"Leading the first Sukuk transaction in Jordan presented a great challenge as the Islamic finance capital market in Jordan is still in its early stages. This means more effort and time had to be spent in understanding the local capital market regulatory framework as well as guiding and explaining the structure, processes and documentation involved in the issuance of a Sukuk Ijarah. We hope that this first Sukuk issuance will open up a path for Jordan and other MENA states to more fully engage in the fast growing Islamic finance capital market," said Alex Saleh.



The Al Rajhi Sukuk transaction illustrates how the regional strength of Al Tamimi & Co allows the firm to seamlessly provide services to clients across multiple jurisdictions by utilizing the strengths of its team regardless of their location. In this case Al Tamimi Kuwait, with its expertise in Islamic finance, and Al Tamimi Jordan, with its knowledge and expertise of the local Jordanian market, combined resources to ensure the success of the Sukuk issuance.

"The Jordan market is undergoing significant changes in an attempt to build a vigorous capital market in accordance with international banking standards. We expect new laws regarding Sukuk to be issued for Jordan in the near future. It is an honor to have the first Sukuk issuance in Jordan receive global recognition," said Khaled Saqqaf.

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Summary of terms & conditions	
Instrument	Ijarah Muntahia Bittamilik
Issuer	Al-Rajhi Cement Co - Jordan P.S.C.
Issuer principal activities	Cement producer
Issue size & pricing	US$120 million
Date	Feb-11
Arrangers	Capital Investment & Brokerage / Jordan Ltd Co
Legal counsel for issuer	Aljazy & Co, Jordan - for Al-Rajhi Cement Co
Legal counsel for arrangers	Al Tamimi & Co and Walkers (Cayman portion)
Guarantor	Al-Rajhi Cement Co - Jordan P.S.C.
Shariah advisor	Ifta Board of Jordan
Purpose of issue	The proceeds from the sale of the sukuk certificates were used by the Issuer to purchase certain equipments and machineries (the "Sukuk Assets") from Al Rajhi Cement and in turn, Al Rajhi Cement would utilize such proceeds for recapitalization and to fund its general working capital requirements.

Restructuring various bilateral debt into Sukuk Al-Wakalah for First Investment Company

Kuwait Deal of the Year

On the 20th February 2011 Liquidity Management House (LMH), serving as structuring advisor on behalf of six Kuwait banking institutions, successfully completed a KWD92 million (US$330.4 million) debt restructuring of First Investment Company (FIC). Serving as lead counsel, the Kuwait office of Al Tamimi & Co represented the creditors' interests in the deal with FIC.

With its expertise in Islamic financing, Al Tamimi & Co was able to structure this transaction in a unique fashion, thus making it the first of its kind in Kuwait with respect to utilizing Sukuk for the purpose of restructuring a company's existing debt obligations. The initial closing occurred in September 2010 involving one of FIC's major creditors, thus creating an opening for the remaining creditors to join in the deal in 2011.

Objectives

The objective for all involved parties was to restructure the bilateral agreements and the corresponding unsecured debts collectively between FIC and its creditors through a syndication which was collateralized with assets equaling 150% of the debts. Thus, LMH proposed rolling the debts into a Sukuk Al-Wakalah. With both FIC and its creditors facing uncertainty with the status quo, a solution needed to be found. The Sukuk transaction allowed FIC to continue to operate despite its outstanding debt with several unsecured creditors while at the same time protecting the creditors by collateralizing FIC's assets.

The LMH team was led by Emad Al Monayea, the chairman and managing director; Masroor Ahmed Siddiqui, the senior vice-president of investment banking; and Mubarak al Refaei, the vice-president of investment banking. Al Tamimi's involvement in the transaction, which included drafting and negotiation of the documentation, was led by Alex Saleh, partner and the head of the Kuwait office, along with partner Philip Kotsis.

Sukuk structure

FIC is a Shariah compliant company and its debt obligations consisted of numerous unsecured bilateral Islamic financing facilities to multiple creditors in Kuwait. According to the terms of the deal, the bilateral agreements were replaced, subject to certain conditions precedent, through the creditors' subscription into the Sukuk Al-Wakalah.

Specifically, the creditors converted the debt with FIC for Sukuk certificates issued by a Cayman Islands special purpose vehicle named FIC Sukuk Company (the issuer). In turn, the creditors' role became that of a Sukuk holder pro rata to the current amount of debt held against the total amount of KWD92 million. Specifically, the Sukuk Al-Wakalah, due in December 2015, was constituted by a declaration of trust made by the issuer in favor of the creditors during the term of the Sukuk.

The issuer's role as trustee allowed it to collect from the Sukukholders (creditors) certain proceeds and in turn use the same to purchase various trust assets from FIC. Upon transferring the trust assets to the issuer, FIC is deemed to have repaid the debt with the proceeds of the capital provided by the Sukukholders.

FIC also executed a purchase undertaking in favor of the issuer, as trustee to the Sukukholders. Correspondingly, FIC undertook to purchase particular trust assets prior to each periodic distribution date and upon dissolution, undertook to purchase all of the remaining trust assets at an amount specified by the issuer.

Al Tamimi & Co: Response

Al Tamimi's expertise in Islamic financing was an integral factor in this unique restructuring of debt into Shariah compliant instruments.

"We believe this innovative deal will provide a positive outcome for both FIC and its creditors. Deals such as these are primarily dependent upon both the debtors and the creditors both wanting a constructive and realistic outcome while ensuring the proper incentives are present to make the transaction worthwhile for the creditors. The goal is not only to protect the creditors in these situations, but to develop a structure to enable the debtor to function in a manner to allow the debts to be satisfied over

time. We believe this deal will achieve the goals and protect the interests of the creditors while providing FIC with a firm basis from which it can fulfill its debt obligations," stated partner Philip Kotsis.

Conclusion

The creditors were able to convert the outstanding debts from an unsecured basis, to requiring FIC to collateralize the vast majority of its local and foreign assets to the security agents acting on behalf of and for the benefit of the creditors. In doing so, the creditors are now poised in a stronger position as owning a secured interest as opposed to unsecured bilateral obligations.

With respect to FIC's interests and perspective, it is now poised via a Shariah compliant vehicle to move forward with its business operations and restructure the debt in a manner intended for the future sustainability and success of the company.

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Summary of terms & conditions	
Issuer principal activities	Investment company
Issue size & pricing	KD 93 Million (approx US$337 million)
Date	Feb-11
Issuances	Sept 2010 & Feb 2011 (Closed Feb 2011)
Arrangers	Liquidity Management House
Legal counsel for issuer	In-house
Legal counsel for arrangers	Al Tamimi & Company
Other Legal Counsels	Appleby (Cayman Islands) for Cayman Law aspects.
Guarantor	First Investment Company (FIC)
Method of issue	Wakala Structured Sukuk - Refinance of bi-lateral debt using Sukuk, secured by company assets
Purpose of issuance	The debtor is to ensure 150% security coverage to the creditors as a condition to the issuance. The assets mainly comprise of securities in Kuwait and various other jurisdictions including the UAE, Saudi Arabia, Qatar, Oman, Bahrain and Cayman Islands.

REDmoney events

2012 Calendar

Islamic Finance news ROADSHOW 2012

SINGAPORE
13th March 2012
Singapore Management University

THAILAND
24th April 2012

AUSTRALIA
8th May 2012

HONG KONG
30th May 2012

JAPAN
21st June 2012

BRUNEI
26th November 2012

EGYPT
3rd December 2012

TURKEY
6th December 2012

IFN FORUM INDONESIA 2012
16th — 17th April 2012

IFN 2012 Issuers & Investors ASIA FORUM
1st — 2nd October 2012

IFN 2012 Issuers & Investors EUROPE FORUM
30th — 31st October 2012

IFN FORUM SAUDI ARABIA 2012
10th — 11th December 2012

www.redmoneyevents.com

AK BARS Bank Murabahah Islamic financing facility

Europe Deal of the Year

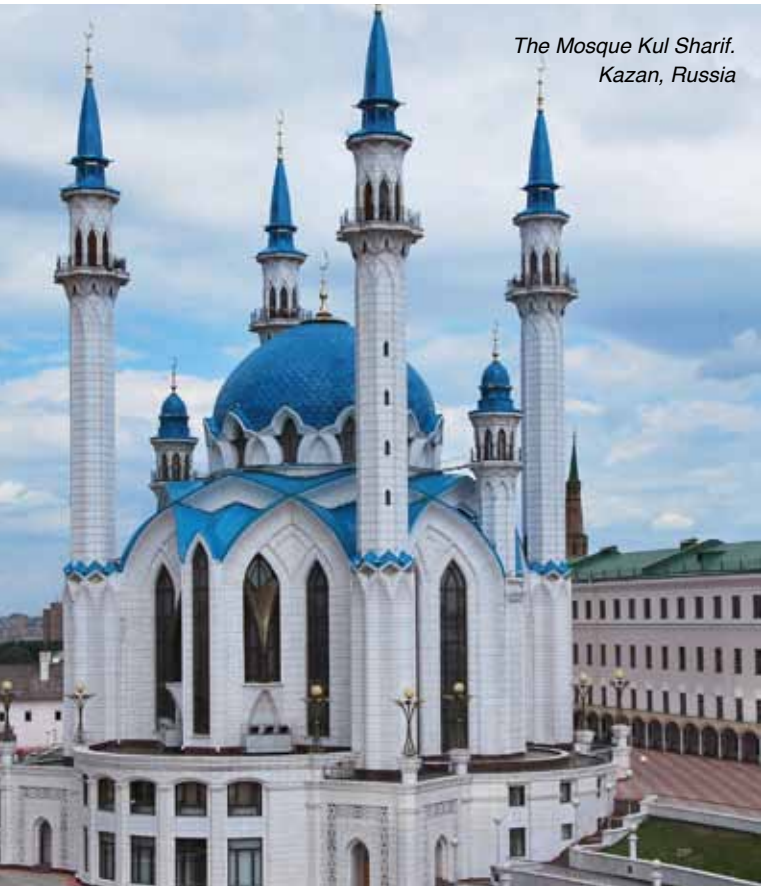
The US$60 million syndicated Murabahah Islamic financing deal, completed in September 2011, is the first international facility compliant with Shariah requirements arranged for a Russian financial institution. AK BARS Bank from Kazan, Tatarstan, executed the debut Islamic finance deal in Russia.

The transaction, being a new benchmark in the CIS and a significant precedent for Russian banks, attracted substantial interest among investors in the Middle East and raised awareness about the Islamic investment community of Russia, specifically the Tatarstan Republic. In the Republic of Tatarstan the government fully supports the Islamic finance proposition and is proactively looking at the Islamic market.

The AK BARS Murabahah syndication team provided unique experience in structuring the deal in accordance with Russian legislation, English law and perfect compliance with Islamic tradition.

Principal documentation

- Master Murabahah agreement between AK BARS Bank (purchaser) and Citibank International (investment agent);
- Investment agency agreement



The Mosque Kul Sharif. Kazan, Russia

Summary of terms & conditions	
Underlying instrument	Commodity Murabahah
Borrower	Joint Stock Commercial Bank AK BARS (OJSC)
Joint lead arrangers	Citibank, Islamic Corporation for the Development of the private sector
Mandated lead arranger	Eurasian Development Bank
Investment agent	Citibank International
Documentation agent	Citi Islamic Investment Bank
Facility amount	US$60 million
Tenor	One year

Deal structure

The investment agent enters into a contract with the broker regarding the purchase of the commodities on a spot basis. Simultaneously, the investment agent agrees to resell the commodities to AK BARS Bank on the basis of immediate delivery and delay of payment at a certain markup and is then appointed as an agent for the resale of the same commodities to a third party on a spot basis. AK BARS Bank is to pay the agreed (cost and price markup) amount before the end of the deferred settlement period.

Specificity of Murabahah documentation is predicated by English law.

Funds allocation

The funds raised under the syndicated Murabahah Islamic financing deal were allocated to finance priority service and airline transport infrastructure development projects in the Republic of Tatarstan, in preparation for Universiade (the World University Sport Games) 2013, which will be hosted by the city of Kazan. Aircraft leasing instruments aim to develop the inter-regional air travel system and stimulate the domestic tourism and business activity of the city.

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Financing for Gambia Groundnuts

Africa Deal of the Year

The International Islamic Trade Finance Corporation (ITFC) has successfully tailor-made a Shariah compliant solution in order to meet the specific needs of the client and enable the client to effectively compete in an aggressive market environment. This is the first structured trade finance deal provided by the IDB Group to the agricultural sector in the Gambia. This deal helped to advance the Gambian agricultural sector through a sustained commitment to improving access to value-added and competitive financing.

Under this financing, the ITFC as an arranger and a financier extended a US$14 million Murabahah financing in favor of the government of the Gambia in order to finance the groundnut trading season.

Groundnuts are the main cash crop of The Gambia and their production and related marketing activities engage a large percentage of the country's population. Traditionally, the industry has been reliant on borrowing funds from local commercial banks, at high rates, to purchase farmers' crops. Besides the high cost of financing, these banks also lacked the capacity to meet the industry's financing requirements. Not surprisingly, this made the operations less viable. The net effect has been a downward trend in groundnut production. Late payment to farmers also aggravated their financial uncertainty as the producers were unable to properly plan the use of their annual earnings. This uncertainty often forced them to resort to taking small loans to meet their daily financial needs.

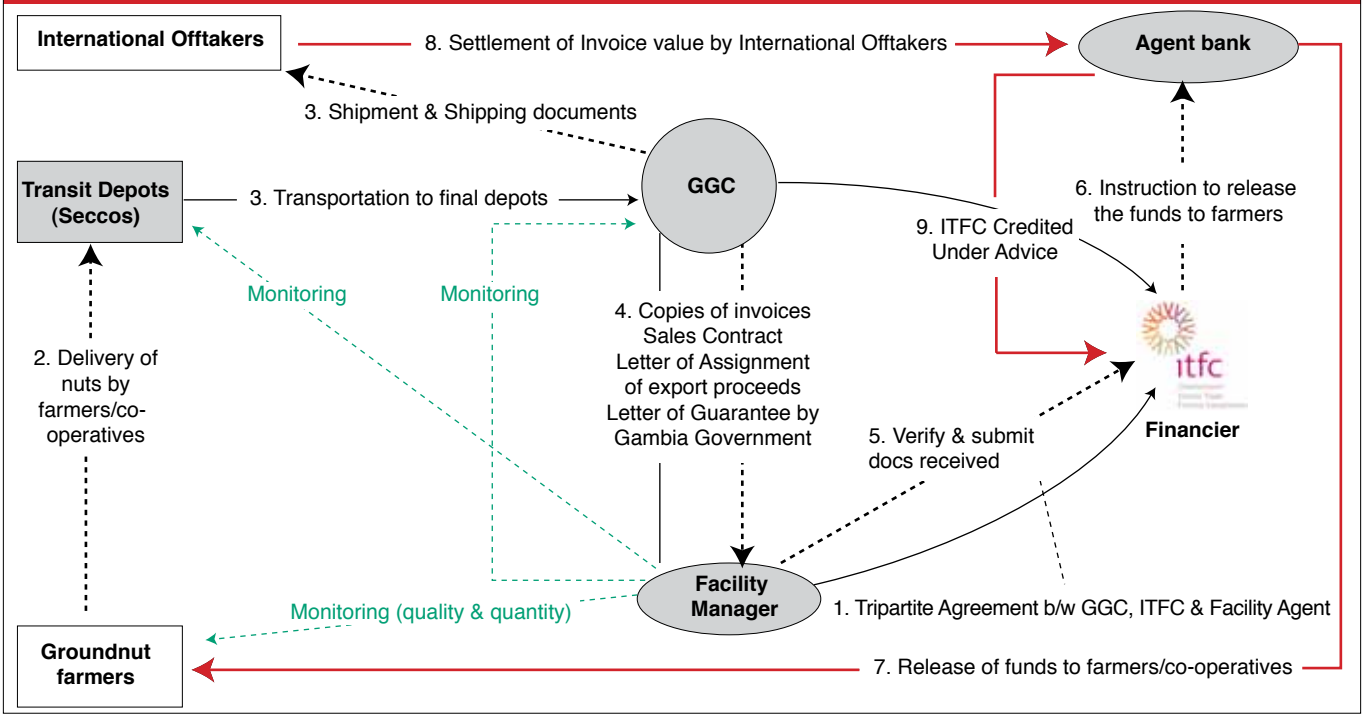
With the availability of financing from ITFC, the Gambian groundnut industry now has access to adequate financing for the purchase of the country's entire commercial crop. The low cost means improved viability for the Gambia Groundnut Corporation (GGC) as financing and operating costs are reduced. During the last season all groundnut purchases were fully paid for and on time without recourse to any form of credit buying. This has also strengthened marketing arrangements for groundnuts. Since farmers are now able to sell their produce and receive cash on delivery, they feel more confident in participating in groundnut production. The result has been increased earnings for them, which in turn leads to poverty reduction.

Increased purchases have also meant increased export of products, which has brought in foreign exchange to the country. Consequently, it has helped improve the country's GDP significantly.

Deal mechanics

The government of the Gambia, on behalf of the agent GGC, made a written request for the financing of the expected bumper harvest of 2010/2011 groundnut season. An estimated 115,000 metric tons was earmarked to be financed at US$14 million. GGC was reluctant to approach local banks for such an amount due to the high interest rates associated with the financing and the inability of the government to provide the funds on time.

Chart 1: Transaction flow



The ITFC braved the risk involved and after making its due diligence, decided to provide the required finance on a six-monthly revolving basis. Mechanisms of creating an escrow account were put in place, a list of off-takers was made available and a facility manager was identified.

GGC identified potential buyers/off-takers and reached an agreement inter-alia the volumes and quantity for Cranswick Pet Product of UK, HPS/Birdfeed and Leisure of France through Ecotrade for oil. Maybank London (the UK commercial banking branch of Malaysia-based Maybank) was nominated as escrow accountholder for the repayment.

After obtaining the purchase approval from the ITFC, the facility manager made sure that the products were insured by "All Risk Coverage" insurance while in the depots or storage facilities with the ITFC being assigned as Loss Payee. The facility manager presents the invoices and warehouse receipts certifying quantity and quality, upon receipt of which the ITFC will release payment to suppliers. Repayments are made by off-takers and, as agreed and signed in a tripartite contact, all proceeds from sales go through the nominated bank, which takes the responsibility of allocating amounts due to the ITFC on time.

A. Disbursements procedure:

I) The executing agent (GGC) receives deliveries of groundnuts from the farmers at warehouses through the co-operative buying societies;

ii) Upon delivery at GGC designated depots, GGC issues warehouse receipts confirming quality and value of stocks held;

Iii) GGC collates these receipts and provides the same to the nominated facility manager, together with the relevant documents for verification;

iv) The facility manager verifies the stock and certifies the receipts after visiting the storage facilities in about nine different depots;

v) The facility manager then submits these verified receipts to the nominated bank for onward transmission to ITFC for payment;

vi) The claim for disbursement and copies of the documents is sent to the ITFC by courier with a confirmation that the originals are being forwarded to the ITFC by the nominated bank.

B. Repayment mechanism:

a) The beneficiary of this operation is the government of the Gambia through the ministry of finance, hence the first obligor is government of the Republic of the Gambia. GGC is appointed as executing agent;

b) GGC ensures all the off-takers acknowledge receipt and acceptance of the assignment of receivables (export proceeds) in favor of the ITFC and that all payments are paid to a US dollar collection account under the control of the ITFC. Repayment of dues from GGC are derived from the proceeds to be held in this account. This arrangement was agreed in an aide memoir signed with the original mission that visited the country;

c) Product cycle: The processing period of the groundnut crop from the farmers to its readiness for export takes about 4.53 months. Full receipt of payments once the products are shipped takes around one month. Based on the above, an agreed period of six months was made for this operation as tenure for the financing.

Summary of terms & conditions	
Instrument	Syndicated Murabahah financing
Issuer	Gambia Groundnuts Corporation
Issuer principal activities	Shariah compliant trade finance
Issue size & Pricing	US$14 million on a six-month revolving basis
Date Issuances	21/02/2011
Arranger	International Islamic Trade Finance Corporation (ITFC)
Legal counsel for issuer	IDB legal department
Guarantor	The government of The Gambia represented by the ministry of finance
Shariah advisor	IDB legal department
Purpose of issue	To finance the groundnut crop that touches the lives of thousands of Gambians

What makes this deal stand out?

- This is the first Islamic structured export financing deal in the Gambia.
- It is fully supported by the government of the Gambia with a sovereign guarantee as extra security in the event that the structure put in place fails to meet the repayment of the financing facility upon its due date.
- The operation was designed to benefit thousands of local farmers, 70% of whom are in rural areas and whose entire life depends on this crop.
- The ITFC was able to use foreign currency to finance the local purchases, thereby earning the country extra foreign currency.
- The ITFC has facilitated increased production of the product since farmers are assured of receiving payments for their products upfront instead of waiting for longer period as it used to be in the past.
- The use of a professional local agent as a facility manager in place of the recognized monitoring and control firms like ACE and SGS.

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Jeddah 21534
Kingdom of Saudi Arabia
Web: www.itfc-idb.org

Kingdom of Bahrain US$750 million Sukuk

Bahrain Deal of the Year

The Kingdom of Bahrain, acting through the Central Bank of Bahrain, priced its US$750 million seven year Reg S fixed rate Sukuk offering on the 22nd of November 2011. This is the kingdom's first seven-year international Sukuk offering and its fourth such sovereign issuance.

The timely issuance comes at an opportune time, just as Bahrain's position as an active promoter in the Islamic finance space was beginning to fade as the kingdom appeared to actively shun the attention in light of the civil unrest that tarnished 2011.

Representatives from the kingdom conducted investor meetings in Asia, the Middle East and London, following which the kingdom accumulated an order book of US$1.8 billion from a final pool of 115 high quality investors. The issuance was raised from US$500 million to US$750 million after the Sukuk was oversubscribed by almost eight times.

Bahrain "quickly realized when they saw the responses coming through [that] they could increase the issue, the only constraint was in terms of assets," said Mohammed Dawood, the head of debt capital markets at HSBC Amanah.

The order book was driven by broad demand, with allocations of 62% to Middle East investors, 20% to European investors, 12% to Asian, and 6% to investors from other regions.

By investor type, 40% of the Sukuk were placed with banks, 22% with asset managers, 20% to central banks, sovereign wealth funds and supranationals, 12% to insurance companies and 3% to private banks, and 3% with other investor types. Approximately a third of the offering was placed with Islamic accounts.

The Sukuk offering was priced in line with the guidance price spread over midswaps of 450 basis points to yield 6.273%. The maturity date of the certificates is the 22nd November 2018 and the certificates are rated 'BBB' by both Standard & Poor's and Fitch. Scarce sovereign sales in the region helped investors overlook Bahrain's slowing economic growth.

"Bahrain's return to the Sukuk market through a longer-dated issue is part of our desire to create a yield curve in the international Sukuk market in the same way that we have in our domestic market," said Sheikh Salman Bin Isa Al Khalifa, the executive director of banking operations at the central bank. "The strong demand from new as well as existing international investors is a confirmation of investor confidence in our credit, particularly in view of the volatile market backdrop," he added.

According to a statement from the central bank: "Despite a very active calendar with over US$3.5 billion in competing Sukuk supply, Bahrain was able to price its seven-year offering in a historically attractive benchmark yield environment."

Summary of terms & conditions	
Issuer	CBB International Sukuk Company (No. 3)
Obligor	Central Bank of Bahrain
Issuance price	US$750 million
Purpose of issuance	To finance approximately 5% of government debt
Tenor	Seven years
Coupon rate / return	6.273%
Currency	US dollar
Maturity date	22nd November 2018
Lead manager(s)	BNP Paribas, Citigroup, Standard Chartered
Spread	450 basis points over midswaps
Listing	London Stock Exchange
Reoffer price	100
Rating	'BBB' by S&P and Fitch
Structure	Ijarah
Investor breakdown	From a pool of 115 investors: Middle East 62%, Europe 20%, Asia 12% and 6% to other regions. By investor type: 40% with banks, 22% with asset managers, 20% to central banks, sovereign wealth funds and supranationals, 12% to insurance companies and 3% to private banks, other investors account for the final 3%. Approximately a third of the offering was placed with Islamic accounts.
Denominations	US$100,000; US$1,000

The transaction was smoothly executed despite softer market conditions on the day of pricing. This meant that the benchmark-sized US dollar five-year Sukuk was priced at the lower end of expectations at a spread of 340 basis points over five-year US treasuries. The issuance is a sign that the Middle East is beginning to warm up to longer tenored Sukuk. Sheikh Salman also added that the issuance was "a testament to Bahrain's strong credit and the confidence which international markets place on the kingdom's financial sector".

BNP Paribas, Citigroup and Standard Chartered Bank were hired to manage the sale. Bahrain is expected to use the money to finance a budget deficit of about 5%.

According to Rasheed Al Maraj, the governor of the Central Bank of Bahrain, the country is not planning to issue further international Sukuk and the size of its public debt is still within safe limits.

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Perusahaan Penerbit SBSN Indonesia II US$1 billion trust certificate issuance

Indonesia Deal of the Year

On the 14th November 2011, the Republic of Indonesia returned to the global Sukuk market for the second time, selling US$1 billion worth of seven-year Reg S/144A fixed-rate trust certificates through an intra-day execution strategy. The sale was announced to Asia in the morning and the transaction closed before the New York close, thus making the most of a well-executed window of opportunity in the global market.

The certificates were priced at par to yield 4% with the pricing achieved at 25 basis points tighter than the initial price guidance of 4.25%. The transaction marks the second benchmark deal done by the republic this year and its second international Sukuk transaction since 2009.

According to the ministry of finance: "The transaction was executed in line with the republic's funding roadmap for 2011 and its ongoing objective of promoting Islamic finance in Asia."

The deal was well-received by investors, accumulating an orderbook in excess of US$6.5 billion across 250 accounts. The offering also achieved the lowest coupon ever for an international US dollar-denominated issue by the republic.

Indonesia opted to issue a seven-year tenor Sukuk that enabled it to stretch out its maturity profile and yet capitalize on demand from Islamic investors who tend to prefer shorter tenors. Five-year tenors offer the deepest liquidity from Middle Eastern and Islamic investors. However, Indonesia already has five-year bonds in the market and a 10-year offering would have alienated key Middle Eastern investment.

The book was driven by broad demand across four regions: with allocations of 30% to Middle East investors, 12% to Indonesia, 32% to the rest of Asia, 18% to Europe and the remaining 8% to the US. The transaction followed on from a series of investor meetings in the Middle East conducted in mid-October last year. By investor type, the initial split was 59% to funds, 17% to banks, 11% to central banks and sovereign wealth funds, 7% to private banks and 6% to insurance companies.

The ministry of finance added that: "The government appreciated the strong support from investors for the republic's second global Sukuk issuance and that the transaction supported Indonesia's growing footprint in the Islamic capital markets."

According to market data, the seven-year Sukuk was sold at 100 US cents on the dollar. Indonesia last tapped the global Sukuk market in April 2009 with a US$650 million five-year debt yielding 8.8%.

Summary of terms & conditions	
Issuer	Perusahaan Penerbit SBSN Indonesia II
Obligor	Government of Indonesia
Issuance price	US$1 billion
Purpose of issuance	The benchmark transaction was executed in line with the republic's funding roadmap for 2011 and its ongoing objective of promoting Islamic finance in Asia
Tenor	7 years
Coupon rate / return	4%
Structure	Ijarah
Currency	US dollar
Maturity date	21st November 2018
Joint lead managers and bookrunners	Citi, HSBC and Standard Chartered Bank
Listing	Singapore Stock Exchange
Rating	'Ba1' by Moody's, 'BB+' by Standard and Poor's and 'BB+' by Fitch

The sale has been much anticipated by the market due to Indonesia's credit rating improvement and the health of its economy. Standard & Poor's raised Indonesia's foreign-currency rating to 'BB+' in April, with a positive outlook, signaling a possible revision to its investment grade, while Indonesian president Susilo Bambang Yudhoyono has targeted economic growth of 6.5% this year: the fastest since the Asian financial crisis in 1998.

"The global Sukuk yield reflects the market's view that Indonesia should have investment grade credit rating," said Rahmat Waluyanto, the director general of the finance ministry's debt management office.

This latest sovereign Sukuk issuance is expected to spur the revival of Indonesia's Sukuk market, supported further by the Indonesian government's US$140 billion five-year development program.

Sukuk offerings in Indonesia have declined to IDR2.3 trillion (US$260 million) since the 30th June 2011 from IDR14 trillion (US$1.6 billion) in the first six months of 2011, according to market data. This is the lowest level since the country recorded orders of IDR970 billion (US$108 million) in the first half of 2008.

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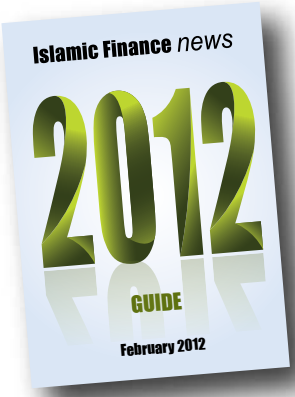

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KT Sukuk Varlik Kiralama US$350 million certificates

Turkey Deal of the Year

Kuveyt Türk Katilim Bankasi (Kuveyt Türk), the Turkish incorporated participation bank majority-owned by Kuwait Finance House, launched its sophomore Sukuk into turbulent market conditions on the 30th October 2011. This was the first Sukuk issuance for Kuveyt Türk since its inaugural US$100 million three-year Sukuk Wakalah in 2010.

That particular issuance was targeted solely at Kuveyt Türk's well-established Turkish and European investors. The US$350 million follow-up to its inaugural Sukuk has taken on a more international dimension with investor meetings specifically targeting foreign jurisdictions in Asia, the Middle East and Europe alongside the usual plethora of global investors. This was to guarantee a strong orderbook in light of challenging metrics originating out of Europe as a result of sovereign debt crisis.

The issuance was ultimately oversubscribed by approximately 145%. Banks accounted for 81%, while fund managers and insurance firms took 8% and sovereigns and supranationals took 10%. 69% went to Middle East investors, while Asian investors took 19% and European investors took 12%.

The issuance was rated 'BBB' by Fitch Ratings in line with the long-term foreign currency default rating of Kuveyt Türk, and one level above the foreign exchange rating of Turkey.

The Sukuk was issued by KT Sukuk Varlık Kiralama, a Turkish-based special purpose company established pursuant to the recently imposed Communiqué on Lease Certificates of the Capital Markets Board.

The joint lead managers and bookrunners of the deal were HSBC, Standard Chartered and Liquidity Management House, while Abu Dhabi Islamic Bank and Commerzbank were also lead managers. Co-managers were Bank Islam, Kuwait Finance House Malaysia, Kuwait International Bank, Qatar Islamic Bank, Bank Islam Brunei Darussalam; and the legal advisors were King & Spalding, Mutlu Halaçoğlu-Yalçin-Ayaz Avukatlik Ortakliği, Allen & Overy, Paksoy Ortak Avukat Bürosu.

Under the Ijarah agreement, KT Sukuk Varlik Kiralama will use the proceeds to purchase from Kuveyt Türk a portfolio of real estate Ijarah assets, non-real estate Ijarah assets and Murabahah receivables. In accordance with the lease agreement (in relation to the real estate Ijarah assets), Kuveyt Türk will then lease back the real estate Ijarah assets and will pay rent to the issuer who will in turn pay the profit distribution to the certificate holders.

Summary of terms & conditions	
Issuer	KT Sukuk Varlık Kiralama
Obligor	Kuveyt Türk Katilim Bankasi
Issuance price	US$350 million
Purpose of issuance	General corporate purposes
Tenor	Five years
Coupon rate / return	5.875%
Payment	30th April and October of each year
Currency	US dollar
Trustee	HSBC Corporate Trustee Company (UK)
Maturity date	Oct 30 2016
Listing	London Stock Exchange
Rating	'BBB' Fitch
Spread	447.5 over US treasuries
ISIN / Common code	XS0698260758 / 069826075
Structure / instrument	Ijarah
Face value / minimum investment	US$100,000 and multiples of US$1,000 thereafter

Ufuk Uyan, CEO of Kuveyt Türk, said in his assessment that: "Upon the interest shown in the first Sukuk issuance, Kuveyt Türk had reached a significant point, releasing a new issuance in line with our target to bring long-term funds into the Turkish economy whilst reinforcing their leadership in originating Turkish Sukuk".

This Sukuk also represents a first-of-its-kind transaction from a number of perspectives. It is the first five-year Sukuk transaction to be originated out of Turkey; it is the first asset-backed, true sale (backed by a real estate component) Sukuk out of Turkey; and it is the first Sukuk structured in accordance with the revised Turkish legislation on rental certificates that came into effect early 2011.

This is also the first Sukuk issued pursuant to the revised tax legislation that deemed the transaction tax neutral and waived all land charges providing certain conditions were met.

It is also important to note that during the time period that the transaction closed, a number of publicly announced Sukuk issuances were being postponed even after their roadshows had taken place due to in part to investor sentiment but predominantly as a result of market turmoil.

In recognition of the unique nature and groundbreaking achievements the issuance was awarded the Turkey Deal of the Year at the Islamic Finance *news* Awards 2011.

Islamic Finance news Awards

Deals of the Year 2011

In a gloomy year for the conventional markets, the Islamic markets, notably the infrastructure and project finance sectors shone brightly. Both the GCC and ASEAN markets were filled with good opportunities: Malaysia and Saudi Arabia led the way with the highest volumes and array of deals. As a result, our selection process was made more stringent that left many good deals which were nominated, unselected. Size does matter, but more so the quality of these deals. Several of our choices are influenced by the unique achievements of some of the smaller deals nominated. Nonetheless, we felt that these deals are scalable and present opportunities which may be applied elsewhere in the world for deals of any size.

DEAL OF THE YEAR, PROJECT FINANCE DEAL OF THE YEAR & SAUDI ARABIA DEAL OF THE YEAR SATORP Sukuk Certificates				
Size	SAR3.749 billion			
Issuer	Saudi Aramco Total Refining and Petrochemical Company (SATORP) as obligor			
Financial Institution	Deutsche Securities Saudi Arabia	Samba Capital & Investment Management Company	Saudi Fransi Capital	Credit Agricole
Law Firms	Allen & Overy (as international legal counsel to AATSC, SATORP and the sponsors)	Abdulaziz AlGasim Law Firm in association with Allen & Overy (local legal counsel to AATSC, SATORP and the sponsors)	Linklaters (International deal counsel)	Meshal Al Akeel Law Firm, in affiliation with Hourani & Associates (local legal counsel)

SATORP (Saudi Aramco Total Refining and Petrochemical Project) sets itself apart as one of the most important projects among a universe of deserving projects. This transaction – Saudi Aramco's maiden voyage into the Sukuk market – is a highly complex project that was made up of an Istisnah /Ijarah structure. The deal also represented the first time that Bank Al Bilad and Bank Al Inma played leading roles in bringing a Sukuk to the market as well. The Tadawul listed SAR3.75 billion (US$1 billion) issuance represents a move from the syndication market to the Sukuk market for important project finance transactions in Saudi Arabia. Part of the multi-source US$8.5 billion financing for 400,000 barrels per day refinery and petrochemicals plant in Jubail with an expected total cost of US$14 billion, SATORP is the first green field project Sukuk in the GCC; and the first Saudi issuance via a special purpose company. The transaction required management of complex inter-creditor and security arrangements.

MOST INNOVATIVE: Pre-Export Finance in Favour of CV Arvis Sanada and CV Ujang Jaya	
Size	2 operations: US$1 million each
Issuer	CV Arvis Sanada and CV Ujang Jaya
Financial Institution	International Islamic Trade Finance Corporation
Law Firm	IDB Legal Department

Most Innovative: The International Islamic Trade Finance Corporation pre-export finance for CV Arvis Sanada and CV Ujang Jaya. In 2011, there were numerous innovative deals, some of them very large. Yet, the application of basic Islamic business concepts to demonstrate scale in different ways is important to the development of the industry and in the case of IITFC, the salam advances supporting pre-export activities of six thousand farmers in five cooperatives whilst generating new buyers is a model for future growth of commodity agriculture finance. This deal's innovation is the creation of a replicable model for the benefit of agricultural commodity producers throughout the Islamic financial space. The salam model also meant that there were no interest charges or variable costs to the farmers from the finance side of the deal.

The other leading contenders included HSBC's US$5 billion program of which US$500 million was issued in June 2011; Salik One, Pakistan Mobile Communications Limited; Government of Malaysia; and, Pakistan International Airways.

CORPORATE FINANCE: Emaar Malls Financing	
Size	AED3.6 billion
Issuer	Emaar Malls Group
Mandated Lead Arranger	Dubai Islamic Bank, National Bank of Abu Dhabi (Conventional tranche), Standard Chartered Bank
Law Firms	Norton Rose, Habib Al Mulla, Allen & Overy

The Emaar Malls Group AED3.6 billion (US$980 million) dual tranche Shirkat al Milk financing of real estate is the 2011 corporate finance winner. This deal unlocks Emaar's retail real estate value via partial purchases of underlying real estate from time to time to deliver partial funding as required. The syndication also allowed Emaar Malls Group to refinance existing debt.

The other leading corporate finance deals worth mentioning were Natrindo Telepon Selular (Axis Indonesia); Barwa Bank's acquisition of International Bank of Qatar's retail Islamic operations; Pakistan International Airways; Pakistan Mobile Communications; and, Salik One.

CROSS-BORDER: Danga Capital Multi-currency Islamic Trust Certificates			
Size	CNY500 million		
Issuer	Khazanah Nasional		
Joint Lead Managers	BOC International, The Royal Bank of Scotland, CIMB Bank (L) Limited		
Law Firms	Malaysian law (issuer) Kadir, Andri & Partners	English law (arrangers) Linklaters Allen & Gledhill	Malaysian law (arrangers) Zaid Ibrahim & Co.

Danga Capital (Khazanah) is the top cross-border deal and makes it a repeat winner. The Danga deal represents incremental innovation on the same business / Sukuk platform. Generally regarded as the first 'dim sum Sukuk', it became the first renminbi issuance, raising hopes to pave the way to the Chinese market. The issuance led by BOC International, CIMB and The Royal Bank of Scotland raised CNY500 million (US$1.57 million) achieving wide international distribution and was listed on the Labuan International Financial Exchange and Bursa Malaysia. The underlying concept of Wakalah bi Istithmar in an underlying universe of Khazanah investee companies with a partial application of proceeds to Tawarruq to generate an underlying certain return.

The other top cross-border deals that were nominated included Telepon Selular (Axis Indonesia); Securus Australia No. 2 Pty; Al-Aqar Healthcare REIT; and, Sharjah Airport SAIFZA.

TRADE FINANCE: PT Natrindo Telepon Selular (Axis Indonesia) financing	
Size	US$1.2 billion
Issuer	PT Natrindo Telepon Selular (AXIS Indonesia),
Financial Institution	China Development Bank, Deutsche Bank, HSBC
Law Firms	Norton Rose, White & Case, Clifford Chance, Baker & McKenzie

The winner is the complex and well structured Natrindo Telepon Selular (Axis Indonesia). This was the largest private sector Islamic financing in Indonesia in 2011 and first Islamic financing involving the China Development Bank supporting the procurement of product and civil works services from Huawei Technologies Company for US$400 million. The deal also included a US$450 million syndicated Murabahah; and a US$350 million equipment purchase from Ericsson funded by AB Svensk Exportkredit and backed by EKN Sweden's export credit agency. The transaction also included a political risk guarantee from the World Bank Group's Multilateral Investment Guarantee Agency.

SYNDICATED: Abu Dhabi Islamic Bank AED250 million (US$68.06 million) Syndication		
Size	AED250 million	
Issuer	Emirates National Factory for Plastic Industries	
Financial Institution	Abu Dhabi Islamic Bank, Al Hilal Bank, Mubadala GE Capital, Al Khalij Commercial Bank (al khaliji), Al Khaliji France, Ajman Bank, First Gulf Bank	
Law Firms	Legal counsel for issuer SNR Denton	Legal counsel for arrangers Simmons & Simmons

Abu Dhabi Islamic Bank led the syndication for Emirates National Factory for Plastic Industries. This syndicated master sale-and-lease back facility generated AED250 million (US$68.06 million) for the expansion of production facilities in Abu Dhabi.

Close competitors in the syndication category included Port & Free Zone World US$850 million of which US$430 million is Shariah compliant; Al-'Aqar Healthcare REIT; ITFC Syndicated Oil import for Bangladesh; and Emaar Malls Group.

STRUCTURED FINANCE: Salik One US$800 million Syndicated Multi Tranche Financing				
Size	US$800 million			
Issuer	Salik One			
Mandated Lead Arranger	Citigroup, Dubai Islamic Bank, Emirates NBD, Commercial Bank of Dubai, ADCB, Bank of America Merrill Lynch, Bawag PSK, Intesa Sanpaolo, NBAD, Samba, WestLB			
Bookrunner	Citigroup, Dubai Islamic Bank, Emirates NBD, Commercial Bank of Dubai			
Lead Arranger	Arab Bank, Mubadala GE Capital, Natixis			
Law Firms	Legal counsel for issuer Latham & Watkins	Lead counsel for arrangers Herbert Smith	Local counsel for arrangers Afridi & Angell	Maples & Calder

Salik One SPC is the top structured finance deal for 2011. The transaction raised US$800 million in a co-financing involving two currencies with conventional and Islamic tranches. The underlying asset is based on the monetization of toll receipts in the pre-issuance phase. To make this work, the transaction deals a special in Islamic Salik vouchers which are sold by the Road & Transport Authority to the Islamic participants and then distributed to the public allowing for return of capital with a profit. Pre-paid user toll receipts are swept offshore and used to amortize the obligations.

This was also a good year for structured finance and CIMB Islamic Bank's RM250 million (US$78.86 million) Tier-2 Junior Sukuk competed well along with Natrindo Telepon Selular; Pakistan International Airways; and Pakistan Mobile Communications.

IPO/EQUITY: Bumi Armada IPO	
Size	RM2.662 million
Issuer	Bumi Armada Berhad
Joint Principal Advisers & Joint Global Coordinators	CIMB , Maybank Investment Bank, RHB Investment Bank, CIMB
Joint Global Coordinator	Credit Suisse
Law Firms	Kadir Andri & Partners, Zul Rafique & Partners, Linklaters Allen & Gledhill

The top IPO and equity deal was Bumi Armada. The company which is the largest operator of offshore vessels servicing the hydrocarbon sector in Malaysia and Southeast Asia, issued 644.3 million new shares to the Malaysian and foreign shareholders. This was the second largest IPO in Southeast Asia when priced at RM3.03 (US$0.95)/share and closed at RM4.14(US$1.30)/share. Bumi Armada is already deemed by Bursa Malaysia to be a Shariah counter. The transaction enjoyed wide international and domestic attraction among investors in Asia, Africa and Latin America.

Honourable mention: The Hail Cement Company was the leading competitor and raised SAR489.5 million (US$130.54 million) in an IPO offered only to Saudi retail investors.

REAL ESTATE: Brewery Square Development GBP14 million (US$21.8 million) Tawarruq Financing Agreement	
Size	GBP14 million
Issuer	The Brewery Square Development Company
Financial Institution	Bank of London & Middle East
Law Firm	SNR Denton

Brewery Square Development Company was a GBP14 million (US$21.8 million) deal structured and funded by Bank of London and the Middle East (BLME). The deal funded phase two of a town center regeneration project in Dorchester, UK. The transaction required complex structuring so that BLME funded only the permissible aspects of the development. No exposure to cinema, certain shops, and restaurants. Particular attention had to be paid to manage flying freeholds and other complex aspects of the property.

Other honorable mentioned include Emaar Malls Group AED3.6 billion (US$980 million) dual tranche Shirkat al Milk financing of real estate represents one of the first large scale real estate deals to apply such a structure. The funding is derived from partial purchases from time to time delivering partial funding as required.

The Anka'a Sukuk with Nakheel as the purchase undertaking obligor raised AED3.5 billion (US953 million) in the first draw of an AED8.5 billion (US$2.31 billion) program. The deal was the first of sorts that allows Sukuk to settle trade debts, and it is structured to allow new certificates to be issued into pre-existing series.

Sharjah Airport International Free Zone Authority (SAIFZA) raised US$91 million in a dual currency tranche facility that included Islamic and conventional segments. A non-recourse deal, the Tawarruq deal raised funds to expand SAIFZA.

RESTRUCTURING: Nakheel	
Size	US$2.22 billion
Issuer	Nakheel
Financial Institution	Barclays, Dubai Islamic Bank, National Bank of Abu Dhabi
Law Firms	Legal counsel for financiers Allen & Overy Maples & Calder

Honourable mention: First Investment Company's restructuring of its bilateral debt into Sukuk. The Sukuk Wakalah is based on underlying assets which are able to generate 150% coverage.

Tabreed AED2.8 billion (US$762 million) involved six Islamic and several conventional restructured with the Islamic consolidated into four facilities based on Ijarah.

SOVEREIGN: Wakalah Global Sukuk				
Size	US$2 billion			
Issuer	Government of Malaysia			
Arrangers	Maybank Investment Bank, CIMB, Citi, HSBC			
Senior co-lead managers	Emirates NBD, National Bank of Abu Dhabi			
Co-managers	AmBank, Islamic Development Bank, NCB Capital, Standard Chartered Bank			
Law Firms	US and English Counsel to the Government of Malaysia Linklaters	Malaysian counsel to the Government of Malaysia and Treasury Solicitor Lee Hishamuddin Allen & Gledhill	Malaysian counsel to the joint lead managers Kadir Andri & Partners	US and English counsel to the joint lead managers Clifford Chance

Government of Malaysia is one of the more interesting deals, not just because of its size, but its blending of the Ijarah and Tawarruq features. Yet, this deal is by one of our favorite issuers and a repeat leader in the categories of innovation, size and quality. The government of Malaysia will earn accolades later in this list.

MALAYSIA: Wakalah Global Sukuk				
Size	US$2 billion			
Issuer	Government of Malaysia			
Arrangers	Maybank Investment Bank, CIMB, Citi, HSBC			
Senior co-lead managers	Emirates NBD, National Bank of Abu Dhabi			
Co-managers	AmBank, Islamic Development Bank, NCB Capital, Standard Chartered Bank			
Law Firms	US and English Counsel to the Government of Malaysia Linklaters	Malaysian counsel to the Government of Malaysia and Treasury Solicitor Lee Hishamuddin Allen & Gledhill	Malaysian counsel to the joint lead managers Kadir Andri & Partners	US and English counsel to the joint lead managers Clifford Chance

The government of Malaysia's Dual Tranche Sukuk Al Wakalah just piped Indonesia to be the largest sovereign offering in Sukuk history at US$1.2 billion; and represented the first 10-year sovereign Sukuk issued as yet. The deal blends of Ijarah and Tawarruq features. The Ijarah underliers provide sufficient tangible assets for global Sukuk tradability, and the Tawarruq features give the government flexibility to raise funds without having to lock down an asset. 52% purchase beneficial ownership of government assets: 26% of leasable assets and 26% Shariah compliant shares; 48% to buy commodities on Bursa Suq Al-Sila'.

SUKUK: Al Rajhi Cement US$120 million Sukuk	
Size	US$120 million
Issuer	Al Rajhi Cement - Jordan
Financial Institution	Capital Investments
Law Firm	Al Tamimi & Co

Al-Rajhi Cement-Jordan's US$120 million Ijarah Muntahia Bittamleek tradable Sukuk was used to finance the acquisition of plant and project equipment as well as to provide working capital of the operation. This was the first Jordanian Sukuk transaction.

The other contenders comprise HSBC Amanah Certificates Issuance Program US$50 billion via Cayman Islands and Almana Sukuk 2011 US$215 million.

MURABAHAH: A Direct 2 Step Murabahah finance in favor of Banque Mauritanienne pour le Commerce International	
Size	US$3.85 million
Issuer	Banque Mauritanienne pour le Commerce International (BMCI)
Financial Institution	International Islamic Trade Finance Corporation
Law Firm	IDB Legal Department

The International Islamic Trade Finance Corporation has developed a two step Murabahah product that allows trade creditors to support SMEs in IDB member states without country risk. In effect, the IDB buys supplies from designated suppliers and sells on to a domestic bank which provides the end credit to the local customers. In 2011, the IDB executed a revolving US$3.85 million (capacity US$7.7 million per annum) two step Murabahah for the Banque Mauritanienne pour le Commerce International in support of the SME sector in that country.

Honorable mention: Mashreq Al Islami's US$1 million Secured Dana Gas Sukuk Limited Trust Certificates, due this year. This is a margin product applying Murabahah whereby the bank buys a capital markets product for sale to the customer. The bank holds the securities in custody, cashflows on the securities are matched to cover some of the financing costs.

IJARAH: Tenaga Nasional's US$1.55 billion Islamic Securities Program		
Size	US$1.55 billion	
Issuer	Manjung Island Energy	
Financial Institution	CIMB Investment, Bank Islam Malaysia	
Law Firms	Legal counsel for Issuer Zul Rafique & Partners	Legal counsel for Arranger Zaid Ibrahim & Co

TNB Janamanjung (Manjung Island Energy) RM5 billion (US$1.57 billion) Ijarah project finance via sale-and-lease back of property, plant and machinery elements of the deal.

Honorable mention: Telekom Malaysia and Northgate Company

MUDARABAH: Bank AlJazira SAR1 billion (US$2.77 million) Sukuk		
Size	SAR1 billion	
Issuer	Bank AlJazira	
Financial Institution	HSBC Saudi Arabia, JP Morgan Saudi Arabia	
Law Firms	Legal advisor to issuer Clifford Chance, Al Jadaan & Partners Law Firm	Legal advisor for the lead managers Law Office of Mohammed A Al-Sheikh in association with Latham and Watkins

Honorable Mention: 1 Warisan double Mudarabah, issuer is a SPV, therefore enters a second Mudarabah with Gema Padu and two other project companies for the development of projects. Property in Kota Warison township and nearby.

MUSHARAKAH: Ranhill Power RM800 million (US$252 million) Sukuk	
Size	RM800 million
Issuer	Ranhill Power
Principal Adviser, Lead Arranger, Lead Manager	Maybank Investment Bank
Law Firm	Zaid Ibrahim & Co

Ranhill Power US$252 million Sukuk created a first of sorts as it is the first and only ringgit-based transaction to be co-guaranteed by a bank and financial guarantee insurer, Danajamin. Of the total amount, Danajamin provided guarantee for the tranche with the longer maturities of nine to 15 years amounting to RM500 million (US$158 million). The guarantee allowed Ranhill to tap long tenured financing of up to 15 years, unheard of in such volatile times. The Sukuk also provided cost efficient financing to Ranhill by refinancing its 12.5% US$220 million bond facilities for better cash flow management and asset liability management for the Ranhill group.

Honorable Mention: ANIH RM2.5 billion (US$789 million) Sukuk Musharakah program, and AmIslamic Bank subordinated RM600 million (US$189 million) 4.4% certificates.

TAWARRUQ: TH Indo Plantations US$183 million Commodity Murabahah	
Size	US$183 million
Issuer	PT TH Indo Plantations
Financial Institution	Maybank Investment Bank, Maybank Syariah Indonesia
Law Firms	Roosdiono & Partners, Albar & Partners

TH Indo Plantations Tawarruq applied to refinance shareholder advances from Tabung Haji. The cross-border transaction involves funding properties in Indonesia and addressing local regulations and language requirements.

Honorable Mention: Ramunia Holdings RM201.3 million (US$63.5 million) swapped to US dollars to buy deep water equipment.

BAHRAIN: Kingdom of Bahrain US$750 million Sukuk		
Size	US$750 million	
Issuer	CBB International Sukuk Company	
Financial Institution	BNP Paribas, Citigroup, Standard Chartered Bank	
Law Firms	Legal counsel to issuer Freshfields Bruckhaus Deringer	Legal counsel to arrangers Allen & Overy

2011 was a year of significant challenges for the financial sector in Bahrain. Yet, at least two deals attracted multiple nominations. Viva for KOB is the more interesting and unusual deal — a rare Murabahah for real estate acquisition in which the financier HSBC Bank Middle East buys and sells a property to Viva Bahrain to its use as headquarters. Bahrain retuned to market with US$750 million due in 2018. Expanded maturities.

INDONESIA: Perusahaan Penerbit SBSN Indonesia II US$1 billion Trust Certificate Issuance		
Size	US$1 billion	
Issuer	Perusahaan Penerbit SBSN Indonesia II	
Bookrunners	Citi, SBC Bank, Standard Chartered Bank	
Law Firms	Legal counsel to issuer Norton Rose	Legal counsel to arrangers Allen & Overy

Indonesia's US$1 billion issuance via Perusahaan Penerbit SBSN Indonesia II represented Indonesia's return to the capital markets with a better credit rating, better pricing, and a bigger size.

Honorable mention: Natrindo Telepon Seluler (Axis) US$1.2 billion with an HSBC/SEK US$350 million tranche was the largest private sector financing in the country.

KUWAIT: First Investment Company Sukuk Issuance & Restructuring	
Size	KD93 million
Issuer	First Investment Company
Financial Institution	Liquidity Management House
Law Firms	Al Tamimi & Co, Appleby

QATAR: Barwa Bank & IBQ Acquisition	
Size	Not available
Issuer	Barwa Bank, International Bank of Qatar
Law Firms	Linklaters, Eversheds

Barwa Bank's acquisition of International Bank of Qatar's IBQ Al Yusr is the Qatar Deal of the Year. The acquisition followed the Central Bank of Qatar's mandate for conventional banks to exit the Islamic financial businesses. The acquisition was not easy to execute and followed significant angst and efforts in the market to discern how conventional banks could exit their Islamic businesses with the least disruption to client business. The acquisition assists Barwa Bank to accelerate its local market penetration. Complexities in the deal included removing assets from a conventional bank's balance sheet, Al Yusr was a window and not a subsidiary; and, managing differences in Shariah style between the two banks as well as the Shariah parameters relating to the transfer of the assets was certainly a challenge.

PAKISTAN: Foundation Wind Energy I & Foundation Wind Energy II	
Size	US$20.5 million
Issuer	Foundation Wind Energy
Financial Institutions	Islamic Development Bank , National Bank of Pakistan, CapAsia , Asian Development Bank, Bridge Factor
Law Firm	Mohsin Tayebaly & Company

The Islamic Development Bank (IDB) and Asian Development Bank (ADB)'s Islamic Infrastructure Fund's first investment supporting wind farms in Pakistan wins the Pakistan Deal of the Year. The fund applied Ijarah and Musharakah for this green field project: This is the first investment from the IDB/ADB infrastructure fund and is the first triple green winner: Islamic, greenfield, and clean/renewable energy. The deal also represents a successful cooperation between the public and private sectors. In Pakistan, the key sponsor was Fauji Foundation. US$20 million equity invested in the parent wind power companies and an Ijarah structure facilitated funding from both the IDB and ADB as well as Musharakah funding from domestic banks for US$32.5 million in each project. All the project funding was 100% Shariah compliant.

Honorable Mention: Pakistan Mobile Communications (PMCL) closed the largest syndicated deal in local currency PKR 7.1 billion (US$78.77 million) based on the application of services Ijarah. The concept monetized airtime which was acquired by the syndicate and delivered onwards to users to generate a return for the financiers. PMCL acts as agent to distribute the airtime.

EUROPE: AK Bars Revolving Syndicated Murabahah Financing Facility		
Size	US$60 million	
Issuer	AK Bars Bank	
Co-Arrangers/ Participants	Islamic Corporation for the Development of the Private Sector (ICD), Eurasian Development Bank, Citibank Kazakhstan, London Forfaiting Company	
Law Firms	Legal counsel for issuer White & Case	Legal counsel for arrangers — English & Russian Law King & Spalding

AK Bars Bank raised US$60 million in the initial syndicated Tawarruq in the Russian Federation. The funds allow AK Bars Bank to have Shariah compliant funds for anticipated Islamic deals.

AFRICA: International Islamic Trade Finance Corporation Syndicated Murabahah Financing in Favor of the Gambia Groundnut Corporation (GGC)	
Size	Syndicated for two rounds of US$14 million each
Issuer	Gambia Groundnut Corporation (GGC)
Financial Institution	International Islamic Trade Finance Corporation
Law Firm	IDB Legal Department

TURKEY: KT Sukuk Varlik Kiralama				
Size	US$350 million			
Issuer	KT Sukuk Varlik Kiralama A.S			
Joint Bookrunner/Joint Lead Manager	HSBC, Liquidity Management House, Standard Chartered Bank			
Joint Lead Manager	Abu Dhabi Islamic Bank, Commerzbank Aktiengesellschaft			
Co-Arrangers	Bank Islam Brunei Darussalam, Kuwait Finance House (Malaysia), Kuwait International Bank, Qatar Islamic Bank			
Law Firms	Legal counsel for obligor/ issuer: English law King & Spalding	Legal counsel for obligor/ issuer: Turkish law Mutlu	Legal counsel for arrangers: English law Allen & Overy LLP	Legal counsel for arrangers: Turkish law Paksoy

2011 was a good year for the participation banks to raise funds in the Turkish market with three major syndications and Kuveyt Turk's return to the market. In March Turkiye Finans Katilim Bankasi raised US$300 million via syndicated Tawarruq in March 2011; Kuveyt Turk Katilim Bankasi's US$350 million deal built on improvements in local law as introduced by Turkey's Capital Markets Board and was the first application of a domestic special purpose company for issuance which acted as an agent instead of the usual trustee for investors and the replacement of the delegate with a certificate holder's representative. Funds are raised on a medium term basis for application in the domestic economy. Pricing was tighter than what conventional banks achieved in the same period in Turkey. The deal includes a purchase and lease back of KTK's real estate assets and participation in various Murabahah receivables for which KTK acts as Wakeel to manage the portfolio.

Islamic Finance news Awards

Deals of the Year 2011

KL Awards Dinner

15th February 2012
Shangri-La Hotel
Kuala Lumpur

Deal of the Year


Cross Border Deal of the Year


Trade Finance Deal of the Year


Equity/IPO Deal of the Year


Sovereign & Malaysia Deal of the Year


Ijarah Deal of the Year


Musharakah Deal of the Year


Tawarruq Deal of the Year


Indonesia Deal of the Year


Pakistan Deal of the Year

Islamic Finance news Awards

Deals of the Year 2011

Dubai Awards Dinner

29th February 2012
Dusit Thani Hotel
Dubai

Deal of the Year


Most Innovative Deal of the Year


Corporate Finance Deal of the Year


Trade Finance Deal of the Year


Structured Finance Deal of the Year

Syndicated Deal of the Year


Real Estate Deal of the Year


Murabahah Deal of the Year


Sukuk Deal of the Year


Restructuring Deal of the Year

Mudarabah Deal of the Year

Islamic Finance news Awards

Deals of the Year 2011

Dubai Awards Dinner

29th February 2012
Dusit Thani Hotel
Dubai

Project Finance & Saudi Arabia Deal of the Year


Africa Deal of the Year


Bahrain Deal of the Year


Kuwait Deal of the Year


Pakistan Deal of the Year


Qatar Deal of the Year


Europe Deal of the Year


Turkey Deal of the Year