

# Islamic Finance *news*

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**Islamic Finance** *news*  
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## Islamic finance goes Down Under

When Barack Obama addressed the Muslim world a week ago, he mentioned the innovations that Muslim communities had developed over the centuries: the order of algebra; magnetic compass and tools of navigation; mastery of pens and printing; understanding of how disease spreads and how it can be healed. But the US president never mentioned Islamic finance, that ethical and principles-based way to fund real economic activities to which more and more people, especially non-Muslims, are turning to following the global financial and economic crisis.

A blogger remarked: "Obama could have caused a great infusion of cash into the US economy by mentioning Islamic finance and Islamic banking, or a long term JFK-like Man on the Moon vision, by aiming for a dual banking system, conventional and Islamic, or as the British call it, conventional and alternative, which is their euphemism for all things 'Islamic' without using the word Shariah.

"Had Obama even said 'Islamic finance' once, he could have caused a net inflow of Shariah compliant capital flight into US money centers, banks and financial markets."

Obama said his Cairo speech was meant to seek a new beginning between the US and Muslims around the world, one based on mutual interest and respect. Shouldn't the mutual interest include Islamic finance, which a growing number of US financial players believe can help get the sector back on track?

The rest of the world is obviously not waiting for Obama to set the direction. Australia, which sees itself as a western nation trapped in an eastern environment, has decided on Islamic finance as a cornerstone of its ambition to make Sydney a financial services hub

for Asia. "There're great opportunities such as Islamic finance," said financial services minister Chris Bowen.

"The majority of the world's Islamic population lives in Asia, and Singapore and Kuala Lumpur are trying to corner this market for themselves, and Australia can play a role. Even if we only take a small percentage of the market it could generate a lot of wealth and a lot of jobs in Australia."

Bowen, regretting that Australia has not yet passed a law allowing the operation of Islamic finance institutions, described Islamic finance as an untapped opportunity for Australia. "We are very good at managing money, and in superannuation we have the fourth-largest pool of funds under management in the world. We've developed really good skills but we don't export those skills."

While Australia is morale-boosting news for the Islamic finance industry, measures still need to be undertaken to make Islamic finance more presentable and acceptable to the rest of the world that dabbles in finance. A clearer reflection of corporate governance practices is one, as little has been written on governance structures in Islamic banking, especially in relation to Shariah advisors. Strengthened regulation is another.

The malpractices and playing fast and loose with the rules were what brought conventional finance to its knees. These could happen in Islamic finance, too. "Islamic finance is not immune from such pitfalls," said Saudi Arabian Monetary Agency governor Muhammad Sulaiman Al-Jasser.

A timely warning as Islamic finance seeks fresh fields to conquer. ☺

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## NEWS

- **Al Baraka Bank** to list on JSE by end of 2010
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- **Amara Holdings** enters JV with **Shanghai Ding Hai Investment Management**
- Australia eager to attract Islamic finance opportunities
- **IDB** to provide US\$720 million financing for projects in Bangladesh
- **Liquidity Management House for Investment** to issue US\$500 million Sukuk by year-end
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- **AIHuda CIBE** survey: 71% of respondents appreciate Islamic banking and Takaful
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- Calls for Turkey to amend regulations for Shariah compliant banking
- **Islamic International Rating Agency**: Islamic banks face liquidity challenges
- **SEI Investments**: Shariah investments outperforms conventional ones
- **Noor Islamic Bank** calls for greater consolidation in UAE's banking sector
- **Tadawul's** Sukuk and bond market to be launched on the 13<sup>th</sup> June
- **Ezdan Real Estate** to sell assets to generate funds for new projects
- **Emirates Islamic Bank** proposes a US\$300 million rights issue to raise capital

- **Amlak** and **Tamweel** to reveal funding solutions when authorized to do so
- **Central Bank of Yemen**: Amended law boosts Islamic banking in the country
- **Albaraka Banking Group** prepared to spend US\$120 million on acquisitions
- **Sorouh Real Estate** and **Tameer Holding Investment** dissolve JVs on two projects
- **Dubai Bank** launches **Amirah**, a women-only banking service
- **Dolphin Energy** to refinance its US\$953 million debt
- **Abu Dhabi Investment Company** changes its brand name to **Invest AD**
- **Nakheel's** US\$3.5 billion Sukuk closely monitored by credit rating agencies
- US\$400 million financing for Saudi banks to boost mortgage lending
- Bahrain increases size of its five-year Sukuk issue to US\$750 million
- **Kuwait Finance House-Bahrain** to use **International Turnkey Systems'** solution
- **Saudi Electricity** to issue second Sukuk worth US\$1.3 billion
- **Saad Group** appoints Lawrence Graham to restructure **Awal Bank's** debts
- **Dubai Islamic Bank** selects **Moody's** credit risk assessment tool, **RiskAnalyst**
- **ADCB Meethaq** launches credit card in association with the **Red Crescent Authority**
- **First Bahrain** cancels US\$450 million project in Seef

## TAKAFUL

- **Oliver Wyman**: UK and Germany biggest untapped western markets for Takaful
- **The Institute of Chartered Accountants of Pakistan** signs for **Pak-Qatar Family Takaful** coverage
- **Nurbank** and **ICIEC** to offer insurance and export credit worth US\$150 million
- **Noor Takaful Insurance Company** launches foreign travel insurance

## RATINGS

- AM Best affirms **African Reinsurance Corporation** with a stable outlook
- MARC retains **Oilcorp's** US\$20 million MUNIF/IMTN on MARCWatch Negative
- Fitch Ratings affirms **Malaysian Reinsurance's** 'A-'
- **Awal Bank's** foreign currency ratings downgraded to 'D' (default) from 'BBB+'
- **Albaraka Banking Group's** investment grade rating reaffirmed at 'BBB- / A-3' (short term)
- Bahrain's US\$500 million Sukuk Ijarah gets a preliminary 'A' credit rating
- Moody's affirms Kuwait's 'Aa2' sovereign rating but with a negative outlook
- Citigroup downgrades **First Gulf Bank**, **Abu Dhabi Commercial Bank** and the **National Bank of Abu Dhabi**

## MOVES

- **Standard Chartered** appoints David Law as head of origination and client coverage team for MENA
- Jonathan Golub is **ING Investment Management's** new chief market strategist
- Md Towhidur Rahman has been appointed **Shahjalal Islami Bank's** new chairman
- **Citigroup** hires James von Moltke to head its corporate mergers group
- **Barclays Capital** appoints Jim Chapman as head of the power and utilities group
- **Societe Generale** appoints Marc Frenkenberg and Bruno Magnouat as co-heads of acquisition and leveraged finance
- Mark Naysmith is **Deloitte's** director of resilience in its security, privacy and resilience group
- William Newby joins **UBS's** investment banking department
- Jack Taylor joins **Prudential Real Estate Investors** as a managing director
- **Credit Suisse** appoints Ken Pang and Min Park as head of equity derivatives and convertibles

## AFRICA

### Al Baraka to list on JSE

**SOUTH AFRICA:** Shariah compliant Al Baraka Bank plans to list on the stock exchange in Johannesburg, JSE, by the end of next year and the money raised from the initial public offering will be used to add branches in the country while boosting the capital it needs to expand lending. The bank may also use South Africa as a hub to expand into southern Africa, said chairman Adnan Ahmed Yousif.

Meanwhile, Stephen Meintjies, research head at Imara SP Reid, said shares in the bank would do well on the JSE. "We would have to look at the prospectus and the numbers, but it sounds like they are well resourced and, if they use South Africa as a gateway to Africa, then it would be good for investment," he added.

Al Baraka Bank is one of 12 subsidiaries of Bahrain-based Al Baraka Banking Group (ABG), which owns 57% of the local lender. <sup>(f)</sup>

## ASIA

### Islamic finance skills at a premium

**MALAYSIA:** The private sector needs to help develop skilled human resources in Islamic banking in line with the country's aim to become a world-renowned Islamic finance hub, said Jamil Khir Baharom, minister in the prime minister's department.

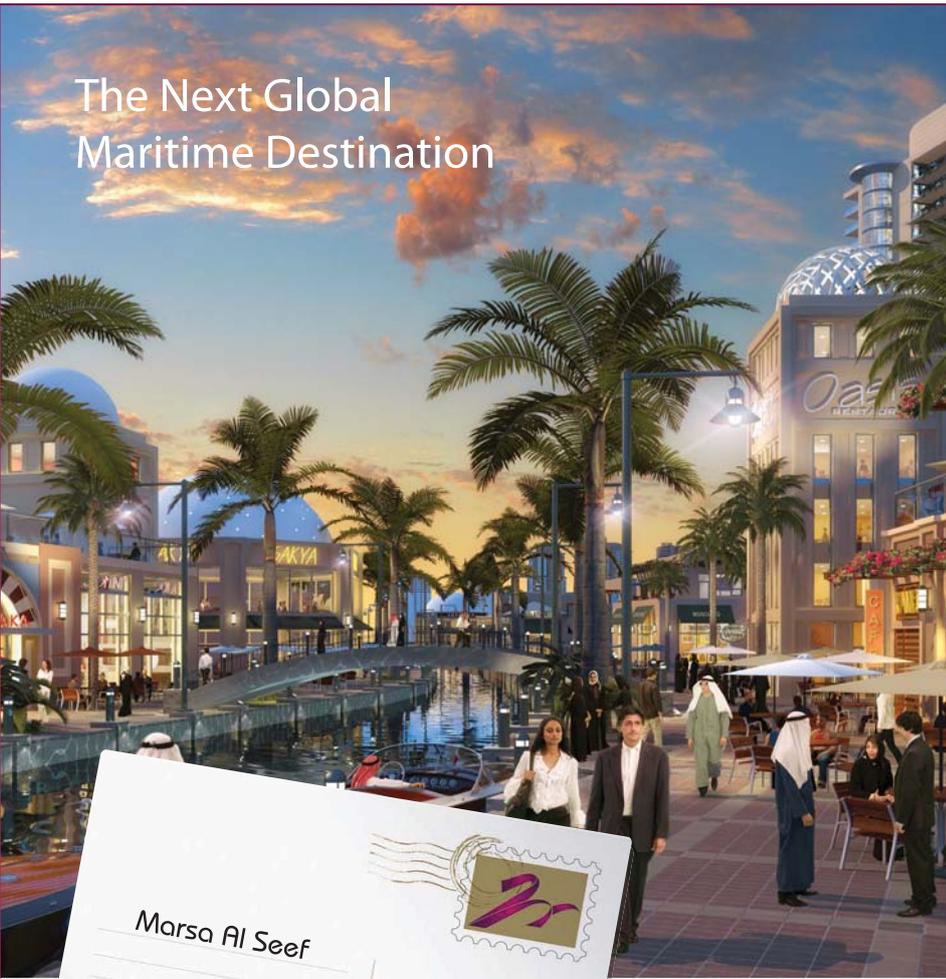
Human resource and recruitment experts say the financial crisis will further boost the global demand for specialist positions in Islamic banking and finance given its growing popularity as an alternative to conventional finance. <sup>(f)</sup>

### Sukuk called off

**INDONESIA:** Apexindo Pratama Duta has cancelled its plan to issue IDR250 billion (US\$25 million) worth of Sukuk, its corporate secretary, Ade R Satari, confirmed but did not elaborate.

In April, the drilling company said it aimed to raise funds via the Sukuk issuance as well as IDR500 billion (US\$50 million) of conventional bond for working capital. As recently as last week, Apexindo announced *continued...*

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it intended to increase the size of the bond to IDR600 billion (US\$60 million).

The firm had also appointed Mandiri Sekuritas, DBS Vickers Securities, CIMB Niaga, Indo Premier Securities and Optima Kharya Capital Securities as underwriters. (2)

### Bank aid for Axis REIT

**MALAYSIA:** Axis Real Estate Investment Trust (Axis REIT) has accepted a RM170.4 million (US\$48.4 million) Islamic financing facility on a club deal arrangement jointly offered by CIMB Islamic Bank and Public Islamic Bank.

Axis REIT Managers said the term loan has two maturity tenures, RM70.4 million (US\$20 million) for three years and RM100 million (US\$28.4 million) for five years, both upon initial drawdown.

Proceeds from the financing will be used to refinance part of Axis-REIT's existing short-term borrowings maturing progressively from now to the end of the year.

Axis REIT said with the term loan in place, it will structure its long/medium term borrowings to short-term borrowings ratio to approximately 65:35 at an indicative blended all-in interest rate of 4.5% yearly. (2)

### Amara investment venture in China

**CHINA:** A Shariah compliant Dubai-based investment company, Amara Holdings, has entered into an equity joint venture agreement with New China Trust's subsidiary – Shanghai Ding Hai Investment Management— to seek Islamic investments in the country.

The new partnership is testament to Amara's commitment to foster strong economic ties between China, home to more than 20 million Muslims, and the Gulf Cooperation Council (GCC) region, said executive chairman Musab Jassim.

New China Trust specializes in capital raising for infrastructure and also provides structured trust products. Amara invests in private equities and private placement

opportunities in China and the Middle East and North Africa (MENA) region. (2)

### Sydney aims to be Islamic finance hub

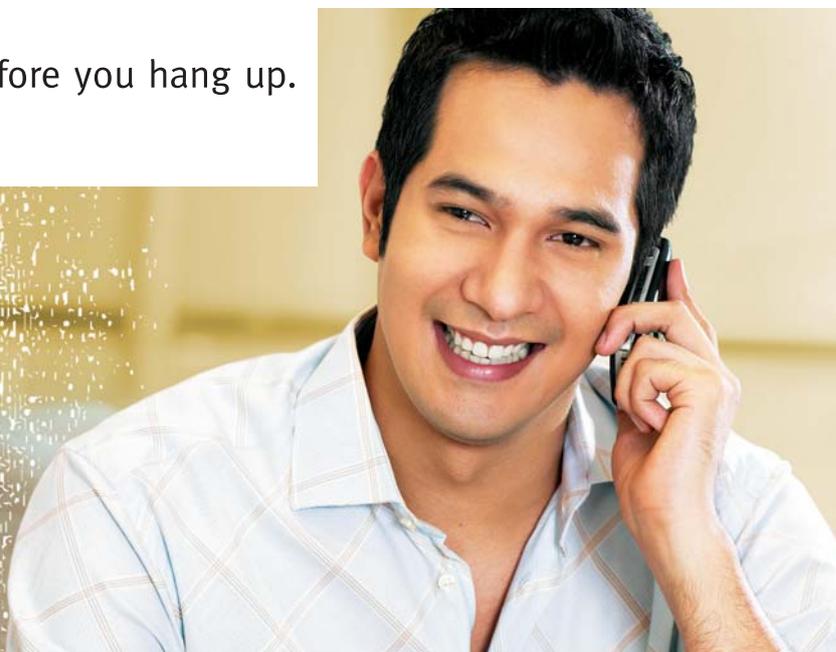
**AUSTRALIA:** Sydney should lure Islamic finance to beat the global recession, attract wealth and create more job openings, said Chris Bowen, Australia's new minister for financial services, superannuation and corporate law, as well as its minister of human services. He claims that the city is also under-selling itself as a financial hub in Asia.

"The majority of the world's Islamic population lives in Asia, and Singapore and Kuala Lumpur are trying to corner this market for themselves, but Australia can also play a role," Bowen said, adding that even holding a small percentage of the Islamic financial services market could generate wealth and jobs in Australia. (2)

(Also see IFN Report on page 13)

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## More IDB aid

**BANGLADESH:** The Islamic Development Bank (IDB) will provide about US\$720 million worth of financing for several projects in the country, said finance minister Abul Maal Abdul Muhith.

About US\$400 million is for oil imports, US\$20 million for a solar energy project and US\$300 million for a bridge to be built across the Padma River.

The IDB financing for the bridge was increased from the initial US\$130 million after Bangladesh sought additional financing, he added. (F)

## Liquidity House to issue US\$500 million Sukuk

**MALAYSIA:** Liquidity Management House for Investment – the international investment arm for the Kuwait Finance House (KFH) Group – plans to issue between US\$300 million and US\$500 million worth of Sukuk this year.

Chairman and managing director Emad Yousef Al Monayea said Liquidity House, together with KFH Malaysia, was keen to capitalize on the opportunities provided by the country's Sukuk regulatory framework.

Commenting on the global Sukuk market, Al Monayea said: "There is no full recovery. The storm has not permanently settled. Sukuk issuance will not yet return to the record level of 2007."

Liquidity House's main objective is to become a principal player in the international Sukuk market and Shariah-compliant structured finance arena. (F)

(Also see IFN Report on page 13)

## Amana ensures compliancy

**SRI LANKA:** Amana Investments has set up the Sharia Risk Management Framework (SRMF) to ensure that all its distribution profits to depositors are Shariah compliant, said Moulavi Siraj, the investment company's Shariah supervisor.

"We have identified areas in which non-compliance of Shariah can occur, for instance, in documentation policies and procedures, and during marketing and selling of our products and services," he explained.

The SRMF also includes a rating system, the Sharia Risk Scorecard, which rates all departments and branches based on their Shariah compliancy to streamline the process. (F)

## Thumbs up from majority

**PAKISTAN:** About 71% of the businessmen and professionals surveyed appreciate Islamic banking and Takaful while 13% think it is the same as conventional banking and insurance while the rest are ignorant about Islamic banking. The survey was conducted by AlHuda Centre of Islamic Banking and Economics.

Aimed at analyzing the trends, problems, opportunities and challenges in the Islamic banking and the Takaful industry, it also

revealed that only 11% of the respondents availed themselves of the benefits of Islamic banking while 89% who had their accounts in conventional banks claimed they would favor Islamic banking if they were offered the same facilities. (F)

## September decision on double taxation?

**INDONESIA:** The country may decide by September whether to amend its double taxation law that makes Islamic financial transactions less affordable than conventional deals, according to a member of the Indonesian parliament Mechias Markus Mekeng.

*continued...*



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continued...

Parliament is currently debating a bill to change the double taxation law, which bankers and lawyers say is holding back the expansion of the Islamic financial services industry.

Bank Indonesia, the central bank, said Islamic financial assets are expected to make up between 10% and 15% of the national banking assets by 2015. They accounted for about 2.1% last year. <sup>(f)</sup>

## Path to Karachi

**PAKISTAN:** Path Solutions has chosen the country as part of its expansion plan based on market studies that show the annual growth of Islamic banks doubling by 2013.

"We are not only opening a support office in Karachi to serve our existing clients, but rather a new resource hub that will cater to all our clients in South Asia, the Middle East and Europe," said the president of the Shariah compliant banking solutions provider Naji Moukadam. <sup>(f)</sup>

## EUROPE

### Premier service from IBB

**UK:** The Islamic Bank of Britain (IBB) has launched a high-quality personal banking service to meet the strong demand from affluent and high net worth individuals looking for the personal touch as well as tailored Shariah compliant products to accommodate their specific financial requirements.

Eligible customers for the premier banking service need to have a minimum annual income of GBP100,000 (US\$161,000), investment or savings amounting to GBP75,000 (US\$121,000) and GBP250,000 (US\$402,000) of finance for properties in the UK through IBB's Home Purchase Plan, a Shariah compliant mortgage alternative. <sup>(f)</sup>

### Call to amend Turkish banking regulations

**TURKEY:** The country head of TAIB Bank, Sanjeev Kathpalia, said the country still had its work cut out before Islamic finance can garner a bigger share of the financial services market.

"There is a long way to go in terms of regulation but Turkey is moving in that direction," he said, adding that participation banks, as Islamic banks are known in Turkey, signified "the beginning of Islamic finance in Turkey".

Kerim Alain Bertrand, general manager of ISI Emerging Markets, said Islamic finance, with its rapid growth globally, can be an alternative source of financing for Turkey, but legislation should be first changed.

Selim Kervanci, head of investment banking at HSBC Turkey, echoed his views. "We need new regulations in the country to establish a presence for Shariah compliant finance." <sup>(f)</sup>

## GLOBAL

### Liquidity issue

**BAHRAIN:** A study by the Islamic International Rating Agency (IIRA) on the position of Islamic banks has concluded that they face challenges in managing their liquidity in adverse markets.

It said liquidity indicators deteriorated in 2008 compared to 2007, but for some banks it simply means holding less liquid assets and reserves compared to a year ago, while a few still face challenges.

The research was conducted by selecting key Islamic commercial banks in a few countries and analyzing their financial statements for 2007 and 2008.

The report pointed out that although Islamic banks are somewhat protected from the financial meltdown, they are not entirely immune from the impact of decreasing real estate values and restricted real estate lending. <sup>(f)</sup>

### Shariah investments set track record

**GENERAL:** The Dow Jones Islamic Developed World Index outperformed the conventional MSCI World index as at the end of April, said Jahangir Aka, senior executive officer of SEI Investments for the Middle East in a report titled "Shariah Investing: Creating a Track Record".

The assumption that Shariah performance is inversely correlated to the recovery of financial stocks appeared both fair and correct in April 2009, he noted.

However, he said the gap between the two is expected to narrow in the future, as the Shariah index will eventually lose its strong performance. "The alpha that has been built over the credit crisis will begin to give way as conventional markets and financials, in particular, move into recovery," he cautioned.

Still, the future is bright for Islamic finance. "Shariah investing has passed its first major test in one of the worst economic episodes and it is not unfair to expect that it will perhaps do so again in the boom and bust cycles typical to a debt related economy," said Jahangir. <sup>(f)</sup>

## MIDDLE EAST

### Bigger is better: NIB

**UAE:** Noor Islamic Bank (NIB) has called for greater consolidation of the country's banking sector and has not ruled out a merger in the future.

"If that merger meets our interests and it has mutual benefits to us monetarily or strategically, yes we will do so," said CEO Hussain Al Qemzi. He also said the UAE needed fewer and larger banks if it were to compete with other financial economies across the world.

"When you live in an isolated economy you don't need it, but today we are facing the world. We need bigger banks to survive," said Al Qemzi.

In January this year, the bank had said merger talks with other Islamic banks were not under consideration as it had its own expansion plans. In April, it announced a net profit of US\$139 million, but also said it would be putting its global expansion plans on hold.

Noor Islamic Bank was established in January 2008. <sup>(f)</sup>

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## Tadawul to launch Sukuk, bond market

**SAUDI ARABIA:** Bourse regulator, the Capital Market Authority (CMA), has approved the creation of a Sukuk and bond market to be launched on the 13<sup>th</sup> June by Tadawul, the stock exchange.

Tadawul said it had completed all preparations and tests successfully with all market members. The new debt securities market will provide a range of services electronically such as listing, order submission, trade execution, clearing and settlement and publication of price data.

The CMA announced earlier this week that it would set up a market for debt securities as part of efforts to enhance the Saudi capital market.

Howard Handy, chief economist at Samba Financial Group, commented: "This is a very important development as it provides opportunities for institutions to access longer term funding through the capital market as it is now limited. The launch of the Sukuk and bond market will also help in broadening and deepening the capital market." (👉)

## Ezdan to sell assets

**QATAR:** Shariah compliant Ezdan Real Estate plans to sell part of its real estate portfolio to generate funds for new projects in the next five years.

The company is in talks with a real estate investment trust in Malaysia to sell about 4% or QAR600 million (US\$165 million) worth of its portfolio, and is also looking at similar real estate investment trust (REIT) vehicles in Singapore and the Dubai International Financial Centre, said deputy CEO Samer Wahbeh. Samer also revealed that the company's planned takeover of the International Housing Group may be finalized before the fourth quarter of the year. (👉)

## EIB plans rights issue

**UAE:** Emirates Islamic Bank (EIB) has proposed a AED1.1 billion (US\$300 million) rights issue in a bid to raise its capital, in line with the central bank's call to increase the capital adequacy ratio to a minimum of 11% by the 30<sup>th</sup> June this year, and a minimum of 12% a year later.

EIB's parent, Emirates NBD, had said earlier that it will raise AED3 billion (US\$817 million) in 2010 through debt issues and

convert US\$1.72 billion worth of government deposits into Tier 2 capital. (👉)

## The Amlak-Tamweel saga to end soon?

**UAE:** Cash-strapped mortgage lenders Amlak and Tamweel said the government has completed its due diligence to assess their financial needs, and that they would divulge the scale of their funding solutions at the right time.

In separate statements, the two state-owned companies denied media reports claiming

that they needed a combined total of AED 18.7 billion (US\$5 billion) to resume their financing operations.

"Amlak would like to stress that a full diligence exercise has been done by the steering committee, and it is fully aware of our requirements. We await the formal response from the committee in this regard," the firm said on its website.

Tamweel said: "The findings of the steering committee's review and recommended solutions have been presented to the government and details will be released once the required approval is received." (👉)

## MAPLES



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## Amended law boosts Islamic banking

**YEMEN:** Islamic banking has grown dramatically in the country following the amendment to the Shariah banking law, said the governor of the Central Bank of Yemen (CBY), Ahmed Al-Smawi.

The amendment, he said, has allowed conventional banks to open Islamic branches and removed the limitation on foreign banks to participate in Islamic banking in the country.

CBY is now preparing to implement Shariah compliant financial instruments to help Islamic banks boost their market share and also provide funds for banks to finance local projects, the governor added.

Islamic financing and loans account for 40% of the total facilities and funding for the entire banking sector in Yemen. ☺

## ABG in acquisition mode

**BAHRAIN:** Albaraka Banking Group (ABG) is prepared to spend up to US\$120 million on acquisitions this year as asset valuations drop amid the global financial crisis, said president and CEO Adnan Ahmed Yousif.

"We will be opportunistic this year," he said, adding that the bank only targets majority stakes.

He said ABG has already increased its majority stake in Jordan Islamic Bank, Al Baraka Turk in Turkey and South Africa's Albaraka Bank.

ABG is also eyeing expansion in Indonesia, India and China this year. "We had plans to

acquire a bank in Indonesia but we are now reviewing the value and price of its assets," Yousif said.

Besides that, ABG also plans to open an Islamic bank in France and is finalizing legal documents to enter the European market, he added. ☺

## Sorouh, Tameer dissolve joint ventures

**UAE:** Shariah compliant developers Sorouh Real Estate and Tameer Holding Investment have dissolved their joint ventures on two real estate projects in Abu Dhabi. It is understood the move is to "tidy up" contracts between the two firms.

Sorouh and Tameer signed a memorandum of understanding (MoU) in September 2006 to establish a joint venture company to develop six towers at the Gate District and another company to build the Abu Dhabi Towers at Shams Abu Dhabi. The estimated cost of the projects at the time was AED13 billion (US\$3.5 billion). ☺

## For women only

**UAE:** Dubai Bank has launched Amirah (meaning princess in Arabic), for female customers to carry out their banking transactions in exclusive areas within some branches.

"Our enhanced and more personalized banking service will help women customers experience our products and services within a more discrete setting, which is expected to appeal to women of all ages and social backgrounds," said Mohammad Amiri, head of the retail banking group at the Shariah compliant bank.

Amirah has been introduced in the Ras Al Khaimah branch of the bank, with plans to expand it to six other branches across the UAE this year. ☺

## Sukuk to part refinance Dolphin's debt?

**UAE:** Dolphin Energy is in the final documentation stage for the refinancing of its AED3.5 billion (US\$953 million) loan which matures next month, said Greg Fewer, assistant director and advisor of the project and corporate finance unit at Mubadala Development that owns 51% of Dolphin.

He said the refinancing may include an Islamic tranche, but no decision has been made. Fewer also said the company is not worried about refinancing the debt as it has bridge loans in place with different banks. He did not give further details.

Financing in 2005 for the Dolphin Energy project, a pipeline that brings natural gas from Qatar to the UAE, was through a US\$1 billion Islamic loan and a US\$2.5 billion conventional loan. ☺

## Name change for ADIC

**UAE:** Abu Dhabi Investment Company (ADIC) has changed its brand name to Invest AD, as part of its strategy to attract institutional investors to invest in the Middle East and North Africa (MENA region). Invest AD is a subsidiary of the Abu Dhabi Investment Council.

Invest AD also announced four new MENA equity funds to provide institutional investors with access to regional investment

continued...



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Khaled Mersi  
Global Head of Strategy  
HSBC Amanah

*continued...*

opportunities and to boost its existing private equity and infrastructure funds.

“Most international portfolios are underweight in this region. We want to play our part in rectifying that. We also want to encourage local investors to focus on opportunities in their backyard,” said Nazem Fawwaz Al Kudsi, CEO of Invest AD. ☺

## Nakheel is acid test for rating agencies

**UAE:** The refinancing of Nakheel’s US\$3.5 billion Sukuk is being closely monitored by credit rating agencies as it will determine how they assess government-controlled companies in Dubai, according to a senior analyst at Moody’s Investors Service. The agency does not have a rating for Nakheel, the developer of Dubai’s Palm Islands.

“It’s a highly strategic company that, from our view, does not have the stand-alone capacity to repay this bond.

This leaves one question open: how will this bond be addressed in December?” said Philipp Lotter, the senior vice-president of corporate finance at Moody’s.

Moody’s rates DP World, DIFC Investments, Jebel Ali Free Zone, Dubai Electricity and Water Authority, Dubai Holding Commercial Operations Group and Emaar Properties.

Dubai has successfully refinanced the debt issued by several of its companies this year, but Nakheel faces a much greater test in solving its debt problems because of its exposure to the property sector, especially high-end, off-plan homes, said Lotter. ☺

## US\$400 million boost for mortgage market

**SAUDI ARABIA:** The International Finance Corporation (IFC) and three Saudi Arabian government funds — the Public Investment Fund, the General Organisation for Social Investment and the Public Pension Agency — will provide US\$400 million worth of Shariah compliant financing to Saudi banks to boost mortgage lending.

Saudi British Bank will get US\$150 million, and a similar amount will be injected to Saudi Home Loans, a venture among Arab National Bank, Kingdom Installment and

Dar Al Arkan Real Estate Development. The remainder is for a Saudi Investment Bank venture with Amlak Finance. The firms will get the funds before the end of the year.

Saudi Arabia plans to introduce its first mortgage law this year, as well as a company similar to the Federal National Mortgage Association (Fannie Mae) in the US that will buy mortgages from financial institutions and develop the country’s Sukuk and debt markets.

IFC, a member of the World Bank Group, promotes sustainable private sector investment in developing countries. ☺

## Bahrain ups Sukuk size

**BAHRAIN:** Bahrain has increased the size of its five-year Sukuk issue to US\$750 million and tightened the pricing to 340 basis points (bps) over US Treasuries. The initial price guidance was set at 350 bps over US Treasuries.

Bahrain’s central bank said in April it would issue a US\$500 million Sukuk, the first sovereign Sukuk issue from the Gulf region this year. The lead managers are Calyon, Deutsche Bank and HSBC.

*continued...*

# Islamic Finance *briefings*

## RESTRUCTURING ISLAMIC FINANCINGS AND SUKUK

6<sup>th</sup> OCTOBER 2009, TOWERS ROTANA, DUBAI

### Introduction & Overview

This timely 1-day workshop examines the issue of restructuring Islamic transactions and Sukuk. Workshop leader, **Rahail Ali, partner at Lovells**, will lead delegates through the complex issues involved and will demonstrate the options available to banks and issuers. The workshop will cover the essential legal, practical and Shariah issues for restructuring Islamic financings.

### Workshop Agenda

This program will be run on an interactive and consultative basis. The workshop leader will introduce key topics which will then be presented in detail through worked examples and cases. Instructor-led discussion will enable delegates to acquire a comprehensive understanding of all the relevant issues associated with restructuring Islamic financial transactions.

9.00am – 4.00pm

Key points for discussion:

- Examining defaults, breach of covenants and late payments by borrowers and debt issuers
- Evaluating options open to banks and borrowers/issuers to reschedule, refinance or restructure
- Evaluating ‘cash’ options versus ‘non-cash’ options
- Assessing legal aspects surrounding exchange offers and exit consent solicitations
- Understanding crucial Shariah implications of restructuring financial transactions

### Workshop Leader

Rahail Ali is a partner at Lovells and is the firm’s Global Head of Islamic Finance. Rahail is based in Lovells’ Dubai office. He studied international law at the University of Cambridge, after graduating from the University of Birmingham. He is widely acknowledged to be one of the world’s leading Islamic finance lawyers, reflected in numerous accreditations from leading awards industry and legal publications. Rahail has worked on many of the most innovative and high value Islamic finance deals closed to date. In the last two years alone, the deals he led have won more than twenty awards. Amongst other articles, publications and organisations, he is the consulting editor of *“Islamic Finance - A Practical Guide”* and a member of HM Treasury’s Islamic Finance Experts Group.

For more information, please contact **Subashini Jaganathan** for more details. Telephone +603 2162 7800 ext. 32

continued...

The Gulf Arab Sukuk market has been lying largely idle during the first months of 2009, with corporates looking to sovereign issues to help them gauge investors' appetite. (f)

## KFH-Bahrain to use ITS banking solution

**BAHRAIN:** Kuwait Finance House-Bahrain (KFH Bahrain) has appointed computer group International Turnkey Systems (ITS) to provide an integrated ethical banking solution to support its expansion plans.

CEO and managing director of the Islamic bank, Abdulhakeem Alkhayat, explained why the bank chose ITS as its technology partner:

"We identified their close alignment with our strategies and they were the best equipped to help us fulfill our business objectives."

The one-year contract includes upgrading the bank's core banking system, integrating the branch automation system, trade finance, Islamic finance, and internet banking, among others. (f)

## Saudi Electricity to issue Sukuk again

**SAUDI ARABIA:** Saudi Electricity Company (SEC) will issue up to SAR5 billion (US\$1.3 billion) worth of Sukuk to finance an increase in electricity generating capacity.

The Sukuk, structured to resemble a floating rate note, will be offered from the 13<sup>th</sup> June to the 28<sup>th</sup> June, with an expected five-year maturity period. It is the second issue by the Gulf's largest utility firm; the first issue in July 2007 raised SAR5 billion.

SEC is looking to tap the Islamic bond market to finance its expansion to meet the growing domestic power demand.

"This is the first issue in 2009. There may be more issues over the next few years," said CEO Ali Al Barrak. (f)

## Law firm for Awal Bank restructuring

**SAUDI ARABIA:** Saad Group, headed by billionaire Maan Al-Sanea, has appointed law firm Lawrence Graham to work with BDO

Capital Finance to restructure its obligations and liabilities towards Bahrain-based Shariah compliant lender, Awal Bank, that it owns.

Saad, a privately held conglomerate, also said it was pushing ahead with the debt restructuring of its other subsidiaries.

It previously said the economic meltdown led to a short-term liquidity squeeze that is affecting its companies in the Middle East.

It also denied newspaper reports that its accounts in Kuwait are frozen.

Late last week, a Kuwaiti newspaper said the Kuwaiti central bank had frozen Saad's accounts, as well as those of another Saudi firm, the Al-Gosaibi Group, because of defaults.

Saad made the news late last month after bankers said the Saudi Arabian Monetary Authority had ordered a freeze on Al-Sanea's accounts, as well as some of his family members. (f)

## DIB picks Moody's credit risk tool

**UAE:** Dubai Islamic Bank (DIB) has selected Moody's Analytics credit risk assessment tool, RiskAnalyst, to strengthen its credit risk assessment processes.

The partnership will enable DIB to assess its credit relationships with its clients to facilitate the credit underwriting process and monitor the status of their portfolios, said Moody's.

The tool will be used in the corporate, contracting, small- and medium-sized enterprises, and commercial real estate sectors, and will include the development of an internal rating model for unrated financial institutions. (f)

## Islamic credit card with a heart

**UAE:** Abu Dhabi Commercial Bank's (ADCB) Shariah compliant unit, ADCB Meethaq, has signed an agreement with the Red Crescent Authority (RCA) to launch the ADCB Meethaq Islamic credit card.

The card is the first of its kind in the country and is in line with the bank's objective to promote corporate social responsibility.

ADCB Meethaq will make donations to RCA for each card taken up by a customer, as well as for each transaction made by card users. The donations will be made by Meethaq without any deduction from the cardholder's account. (f)

## First Bahrain cancels US\$450 million project

**BAHRAIN:** Shariah compliant real estate firm First Bahrain will not continue with a mixed-use project in Seef due to current market conditions, said general manager Amin Ahmed Al Arrayed.

The BHD170 million (US\$450 million) project was expected to feature a Shariah compliant five-star hotel, service apartments, offices and residential towers.

The withdrawal will not affect the firm's balance sheet, operations or projects due to a built-in financial buffer, clarified Amin. He added that the land will be retained as the firm mulls over the best way to utilize the asset. (f)

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## AMERICAS

### Takaful moves West

**US:** Two of the biggest untapped western markets for Takaful could be the UK and Germany, said Andrew Rear, director and head of EMEA (Europe, the Middle East and Africa) insurance at consultancy firm Oliver Wyman.

He said western markets with large Muslim populations could offer Takaful companies opportunities for growth because of their much higher gross domestic product (GDP).

Rear says the main challenge Takaful companies face is that of price competitiveness. The overhead costs of a Takaful company are likely to be higher than those of a conventional company because of the complexity of their business model, he explained.

However, he believes that entrance into the Takaful market can prove lucrative because, at present, demand outstrips supply. "It is a very attractive market," says Rear.

"The main reason that the market is still relatively small is because there isn't enough Takaful insurance capacity, and Shariah law allows Muslims to use conventional insurance when there is no good alternative." ☺

## ASIA

### ICAP signs on for Takaful

**PAKISTAN:** The Institute of Chartered Accountants of Pakistan (ICAP) has signed an agreement with Pak-Qatar Family Takaful (PQFT) for its members, students and employees to receive group Family Takaful protection.

PQFT will provide Takaful coverage in cases of natural death, accidental death, permanent disability due to sickness, as well as accidents, for up to a sum of PKR2 million (US\$25,000).

Meanwhile, PQFT and Pak-Qatar General Takaful plan to set up an Islamic bank in the country, said chairman, Sheikh Ali Abdullah Thani Al-Thani.

He said both firms also aim to expand their Islamic insurance operations in the country

and urged other Qatari business leaders to follow suit by investing in Pakistan. ☺

### Nurbank, ICIEC cooperate

**KAZAKHSTAN:** Commercial bank Nurbank has partnered Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) to offer its clients insurance services and export credit worth US\$150 million in their transactions with ICIEC countries.

Nurbank is the country's first bank to enter such a collaboration with ICIEC.

ICIEC covers Shariah compatible export credit and insurance, investment insurance and reinsurance for its 35-member countries that are also members of the Organization of the Islamic Conference.

A member of the Islamic Development Bank Group, ICIEC was established in

1994 to support and facilitate exports and investments among member countries. ☺

## MIDDLE EAST

### Travel Takaful 24x7

**UAE:** Noor Takaful Insurance Company, the Islamic insurance arm of Noor Investment Group, has teamed up with Mondial Assistance Group, the world's largest provider of emergency services, to launch a spectrum of support services for contingencies arising during foreign travels.

Travel Plus and Travel Gold are value-added, tailor-made Takaful packages designed to assist customers who may need assistance during flight cancellation and delays, loss of luggage, and emergency situations, among others. ☺



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## AFRICA

### AM Best affirms Africa Re



**NIGERIA:** AM Best has affirmed the financial strength rating of 'A-' (Excellent) and the issuer credit rating of 'a-' of African Reinsurance Corporation (Africa Re) with a stable outlook for both ratings.

The ratings reflect Africa Re's strong competitive position within its core African markets, robust overall earnings and likely solid prospective risk-adjusted capitalization. (F)

## ASIA

### Oilcorp still on watch



**MALAYSIA:** Malaysian Rating Corporation (MARC) has retained the 'MARC-2ID/A-ID' ratings of Oilcorp's RM70 million (US\$20 million) Murabahah underwritten

notes issuance facility / Islamic medium term notes facility (MUNIF/IMTN) on MARCWatch Negative. They were first placed there on the 22<sup>nd</sup> May 2008.

MARC's continued negative watch placement is prompted by the lack of improvement in the company's liquidity position, which could be tightened further as it requires working capital to fund its increased order book. (F)

### 'A-' for Malaysian Re



**MALAYSIA:** Fitch Ratings has affirmed the 'A-' Insurer Financial Strength (IFS) rating of Malaysian

Reinsurance (Malaysian Re) with a stable outlook.

The rating reflects the company's dominant position in the Malaysian market, its maintenance of a healthy capital position, and prudent management. (F)

## MIDDLE EAST

### Awal's ratings withdrawn



**BAHRAIN:** Capital Intelligence has downgraded the foreign currency ratings for Awal Bank to 'D' (default) from 'BBB+' and 'A2' long-term

and short-term, respectively. Its financial strength rating is also lowered to 'D'.

The rating action follows Awal Bank's decision to initiate restructuring of its financial obligations to other banks and financial institutions.

Capital Intelligence has withdrawn the ratings upon Awal Bank's request. (F)

### Stable outlook for ABG



**BAHRAIN:** Standard & Poor's (S&P) has reaffirmed Albaraka Banking Group's (ABG)

investment grade rating of 'BBB- / A-3' (short term) with a stable outlook.

The reaffirmation indicates the financial strength of ABG as an institution and its ability to weather the adverse effects of the current economic turmoil.

Its president and CEO Adnan Ahmed Yousif said the reaffirmation of the rating gives ABG the impetus to pursue its expansion policies in markets that welcome Islamic banking. (F)

### 'A' for Bahrain's Ijarah



**BAHRAIN:** S&P has assigned a preliminary 'A' credit rating to the US\$500 million trust certificates (Sukuk al Ijarah) to be issued by CBB International

Sukuk Company (No 2), a special-purpose entity, wholly owned by the Central Bank of Bahrain ('A/Stable/A-1').

The preliminary rating on the certificates equals the rating on Bahrain ('A/Stable/A-1').

S&P said the equal ratings are based on the fact that Bahrain will treat equally its obligations under the transaction, the performance of the certificates, and the debt service of its conventional debt. (F)

### Negative sovereign outlook



**KUWAIT:** Moody's Investors Service has affirmed Kuwait's 'Aa2' sovereign rating, but with a negative

outlook, citing the government's tumultuous relationship with the parliament.

The international debt rating agency confirmed the investment grade rating on the country's local and foreign currency

government bond ratings and its country ceiling for foreign currency bank deposits. The negative outlook, however, means that downgrades are possible. (F)

### Citigroup downgrades three UAE banks



**UAE:** Citigroup has downgraded First Gulf Bank to 'hold' from 'buy', Abu Dhabi Commercial Bank to 'sell' from 'buy', and the National Bank of Abu Dhabi to 'hold' from 'buy'.

Citigroup said slower economic activity should lead to subdued balance sheets and profit growth among the banks. It also said it was concerned about asset quality deterioration among UAE banks given their significant exposure to the construction and real estate sector. (F)

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## AUSTRALIA

### Matilda waltzing to Islamic Finance

While several major economies in Asia have been racing to embrace Islamic finance as the global financial and economic crisis hit home, Australia has been rather nonchalant about it. All that is about to change, following the cabinet reshuffle last weekend that saw Chris Bowen taking on the dual post of Minister for Financial Services, Superannuation and Corporate Law, as well as Minister for Human Services.

Bowen, the youngest federal minister, has announced what is termed as "an ambitious plan" to promote Sydney as Asia's financial services hub that would include Islamic Finance. He spoke of the great opportunities in the financial sector, such as Islamic Finance which Australia should take advantage of. "Even if we only take a small percentage of the market it could generate a lot of wealth and a lot of jobs in Australia," he said.

Islamic finance is not a new concept in Australia despite it being oblivious to the majority of its population. The Muslim Community Co-operative (Australia) (MCCA), established in 1989, has been one of the few institutions catering to the Shariah compliant funding and saving needs of some 340,000 Muslims living Down Under. It currently has about 10,000 members.

MCCA chairman Professor Akhtar Kalam told *Islamic Finance news* that the institution is delighted with the initiative taken by Bowen to encourage and support the development of Islamic finance in Australia. "MCCA welcomes the opportunity to collaborate with the government and regulators from all levels to fast track the formation of an Islamic bank in Australia," he said.

Kalam said that with Islamic banking outpacing the other sectors in the finance industry and gaining greater importance and relevance following the global financial crisis, it was bound to be an eventuality for a full fledged retail Islamic bank to operate in Australia. "Bowen's initiatives are to be applauded as he has spoken to act on what many in the banking and financial industry have been advocating for some time now," he said, adding that MCCA's senior representatives look forward to meeting Bowen and sharing their views on Islamic finance.

Asked how MCCA expects to assist the government in furthering Islamic finance, Kalam said the institution, being the sector pioneer in Australia, could offer its support in many ways such as providing general advice and sharing its experience as well as its Shariah board, facilitating key contacts, as well as helping organize events and public relations exercises to build community support.

Kalam pointed out that there are hurdles in the tax, regulatory and legislative framework to be overcome, as well as the efforts needed to create a level playing field with conventional finance for Islamic finance to be fully practiced in Australia. Nonetheless, he is confident that Australia has the potential to be the Asia Pacific hub of Islamic banking.

"This is due to our solid regulatory framework, stable economy and a huge demand from the local population. All that's needed is government support. There is a huge potential for funds from all over the Muslim world to enter the Australian economy. It just requires leadership and vision," he said. ☺

## MALAYSIA

### A Sukuk 'House' for Corporates

As Sukuk issuances begin to slowly but surely increase, the second largest global Islamic bank is capitalizing on this opportunity to revitalize the Islamic bond market. Kuwait Finance House's (KFH) subsidiary, investment company Liquidity Management House, has lead-managed eight transactions since it was set up last September. Its latest transaction is the US\$125 million three-year debut syndicated Ijarah facility for Burgan Company for Well Drilling Trading and Maintenance.

Liquidity House was given an introduction in Malaysia this week, where its chairman and managing director Emad Al Monayea expressed his confidence in the global Sukuk market. He believed the Sukuk market would return on more solid ground. "The momentum for new issuances is building up this year and I believe the appetite remains strong," he said.

Al Monayea said that Liquidity House itself was working on a few Sukuk structures and plans to issue about US\$500 million worth this year. However, he was pessimistic that issuances would return in the very near future to their record level of 2007.

Liquidity House investment banking executive vice-president Iqbal N Mohammed told *Islamic Finance news* that the institution would focus on supporting the corporate sector and provide it with an opportunity to issue Sukuk, especially in this current economic climate. "If you want to get back to market normalcy, we need to support the corporates and ensure that their businesses flourish. Without that, the issuances will be over," he acknowledged.

Mohammed also said many financial institutions are focusing on government papers, conventional or Islamic, thus leaving out the corporates. "As a dominant player in the region and having a strong corporate network, we are willing to undertake a corporate Sukuk if there is an interest," he said.

However, he said Liquidity House will apply strict requirements before agreeing to manage corporate Sukuk as only companies with good credit record, strong cash flow and good fundamentals will be considered. "At the end of the day, everyone wants to make sure the company is resilient. The money will be protected, legally and commercially, by having a covenant on the borrowing. This will satisfy the needs of both investors and banks," he said.

Asked about Sukuk issuance in Kuwait, Mohammed said the government is setting up a platform which would be operational by the end of the year, at the earliest. "The implementation of the infrastructure is underway and once it is established, we will have a platform to enable us to issue Sukuk out of Kuwait," he said. Kuwait has yet to make the necessary changes to its legislation to allow the issuance of domestic Sukuk on a broad scale, forcing companies to go abroad.

Mohammed added that the government's enthusiasm to issue Sukuk led to the setting up of Liquidity House as it was done at the request of the country's central bank. "It wants KFH to lead and it wants to be a major player with regard to Sukuk issuance. KFH is there to support the Kuwaiti government," he concluded. ☺

*Reports by Raphael Wong*

## Sharing the Love the Islamic VC Way

By Islamic Finance news

While discoursing on the vagaries of the various Sukuk out in the market, Moody's Khalid Howladar paused awhile to veer off to a seemingly unrelated topic: "Private equity investments in the technology companies of Silicon Valley in the US are inherently compliant with the Shariah investment principles, despite the absence of any Islamic terminology."

Asked why, the vice president and senior credit officer of asset-backed & Sukuk finance was characteristically succinct: "Sharing, asset-backed financing, discouraging of unsecured debt and leverage, focus on ethics, morals and the community." This means that venture capital, even without the requisite Arabic name, is Shariah compliant.

What does this mean for a self-styled "Islamic VC" the first in Malaysia? Musharaka Venture Management MD Nor Idzam Yaakub paused a while to reflect: "We are basically more benevolent."

**"Most Islamic banks ignore the true spirit of Islamic finance, slapping Arabic labels on slightly tweaked conventional products and hoping no one would notice"**

Benevolent? "We don't expect profit guarantees and while we may have put options, we don't have coupons on preference shares, if we ever employ preference shares, that is. Even then, our preference shares have to pass Shariah scrutiny and we treat other shareholders fairly. Our preference shares are there to provide an exit for us for tax advantage purposes, namely, return on capital to shareholders."

He pointed out that if investee companies don't meet their milestones for good reasons, Musharaka won't take them to the cleaners. "Most conventional VCs give them a month to pay up regardless of circumstances, even though they know that these companies will have to struggle to find the replacement money."

"And our term sheets are not oppressive," he added.

Idzam maintained that most conventional VCs expect an annual return of 25% on their money. "For a long time, 25% was the industry benchmark and I think it still remains at that level for many of them."

The name of the company says it all. "Musharaka is not a product, like many Islamic bankers would have you think. Musharaka is a joint venture. And when you go into a joint venture, the risk of losing money is real. You either accept it, or you stay out of it. Conventional VCs place all sorts of options on the deal to their advantage, charge interest, fix profit levels. The arrangement is lopsided, if not oppressive."

Idzam contended that most Islamic banks ignore the true spirit of Islamic finance, slapping Arabic labels on slightly tweaked conventional products and hoping no one would notice. "Islamic finance and conventional finance can never meet because they come from two

different worldviews. If you want to go into Islamic finance you have to embrace the underlying belief system. You cannot be greedy or oppress those who are weaker or at a disadvantage."

Most conventional VCs, he added, are tyrannical about milestones. "If you don't meet the milestones, they whack you. It's pay up in one month, or else. In fact, they act like banks. But a VC is not a bank."

He claims that Musharaka Venture Management goes in with a different mindset. "We are friendlier, more equitable. That's not to say we are suckers and can be taken for a ride. I've been in this business for 17 years and know how to spot discrepancies. But for those sincere in their efforts to make a go of what we think is a good business, we're in it for the longer term."

Musharaka Venture Management is Malaysia's first Islamic venture capital fund. It is part of government-funded Malaysia Venture Capital Management's (Mavcap)'s second Outsource Partners Programme (OSP 2). Under OSP, Mavcap allocates funds to seed a number of new VC companies in Malaysia to promote investments in high growth firms.

Musharaka received RM30 million (US\$8.58 million) from Mavcap in July last year and Idzam had to raise the remaining RM5 million (US\$1.43 million) to make it a fund of RM35 million. It will focus on investments in information, communications and technology. The company is in the midst of another fund raising exercise.

The outfit, with an office in the suburbs outside Kuala Lumpur, is still a small operation with a handful of front managers and support staff. However, it is steadily expanding and when Idzam advertised for more staff, he was blown away by the number of applications he received from all over the world.

"I didn't realize how many people want to learn about Islamic VC. When I advertised for a position online and forgot to mention that I was only looking for people in Malaysia, I received applications from all over the world including the UK, Australia and the GCC. It was eye-opening."

Musharaka has already closed one deal, an investment of RM3 million (US\$860,000) in an early stage company dealing in a medical-related technology and is finalizing another investment in a software company, which has already gone regional and is looking to expand into India soon. "Both deal in applied rather than conceptual ICT, which is what we prefer."

Idzam said Musharaka has a few more deals in the pipeline which it hopes to close by the end of the year. "Basically, in terms of sourcing deals, we're like any other VC. We have our networks, our fraternity of friends and industry practitioners."

Then we go through the same process of due diligence to assess these companies. The difference comes later when we are hammering out the details."

Having said that, does it only invest in Muslim companies? "No, we're like Hard Rock Café. We love all. We serve all. Minus the alcohol and live bands, of course." ☺

## GBCORP Targets Surefire Sectors

By Islamic Finance news

**Bahrain is synonymous with Islamic finance in the Middle East, recognized as a, if not the, global leader. It has the largest concentration of Shariah compliant financial institutions—36 Islamic banks operate in the kingdom while several conventional banks have Islamic windows.**

According to the Central Bank of Bahrain (CBB), the total value of Islamic banking assets in Bahrain increased in 2008 to US\$24.6 billion from US\$16.4 billion the previous year. The figures are astounding when seen in the context of the global economic meltdown which led to many conventional financial giants such as Citigroup and RBS having assets depreciated by as much as 60%.



Incorporated in Bahrain, Islamic investment bank Global Banking Corporation (GBCORP) primarily focuses on private equity, real estate and infrastructure development, energy, asset management, advisory services in corporate finance and capital markets and portfolio management services.

GBCorp's head of investment banking, Ahmed Mohammed Al Khan (*pic*), recently gave *Islamic Finance news* his take on the country's financial situation during the crisis, investors' sentiments and the bank's activities going forward.

Al Khan was confident that Bahrain's banking sector would move through this crisis as it has a very strong foundation. He said the principles of Islamic banking have been well-proven and shown to be successful over decades. "Things will evolve further as new, well-tested, specialized and diversified products gradually become available," he added.

According to Al Khan, the crisis has had no significant impact on GBCORP as the bank is new, now only in its third year of operation. "Our recent entry into the competitive investment banking market has allowed us to pick up lessons without cost, to avoid risks and take advantage of the opportunities.

"The short answer is that we have not been directly affected by the crisis. If anything, our clients are expecting more portfolio diversification. They are asking us to do more than what we have been doing for them," he said.

Many investors had resorted to hoarding cash as a means to shelter themselves from the global economic downfall. Al Khan confirmed that this is happening, explaining that investors tended to adopt a "wait-and-see" approach as they were now risk averse and very reluctant to invest.

He foresaw this pattern persisting until the global markets regain their regular momentum. The GCC markets, and Bahrain in particular, are not being spared as they are an integral part of the global economy.

"Liquidity exists in different pockets and policy makers have become very aggressive and proactive in dealing with the crisis by guaranteeing deposits, lowering reserve requirements, placing deposits in banks and recapitalizing some banks, all to ensure that liquidity is available to banks. They have also encouraged spending in addition to increasing budgets to stem the drop in demand. This will ensure that the banks remain in good shape and that liquidity is available to ensure economic growth," he said.

**"Central to the bank's success is the ability to move beyond simply selling investment products to developing sustainable relationships with investors"**

On the key sectors that remain attractive to investors, Al Khan described them as those that are less sensitive to the economic cycle and that tend to be cash rich, like telecommunications and healthcare. But investors are also paying more attention to sectors that will emerge stronger from the current downturn due to natural demand growth, for example energy agriculture and food.

GBCORP's financial results for the year ended the 31<sup>st</sup> December 2008 showed that total income increased 8.1% to US\$53.1 million while net profit reached US\$21.2 million for a return on equity of 12.4%. Total assets saw a huge increase, by 93%, to US\$455.9 million. Funds under management stood at US\$723 million. GBCORP defied the odds by posting a US\$1.1 million profit in the fourth quarter of 2008.

It is little wonder that Al Khan described 2008 as a good year for GBCORP as it had met its targets. "We have realigned our investment strategy for moving forward successfully in 2009 and beyond," he said. GBCORP is shifting to a more diversified business model to include private equity investments in several key industries.

Energy, for instance, is a middle stream, steady revenue generating business model that is not subject to the price turbulence of the underlying commodities which include services, maintenance and safety, renewable energy and alternative energy.

Another sector is healthcare, which Al Khan said is often regarded as recession proof and is clearly growing globally. Other industries GBCORP is keen on include agriculture, food and consumer products, infrastructure, education and hospitality.

Al Khan stressed that although opportunities arise during a crisis, GBCORP remains prudent. The bank will continue with its approach of considering segments that have always fared well in

*continued...*

## GBCORP Targets Surefire Sectors (continued)

recessions and carefully analyzing the situation before making decisions for its clients.

“Information, know-how and hard work will and always be key. Our success so far has been based on the expertise of our management and these insights allowed us to generate returns for our clients. Central to the bank’s success is the ability to move beyond simply selling investment products to developing sustainable relationships with investors. In turn, this will spin off fees in corporate and personal advisory services, plus in-house money management,” he elaborated.

Bahrain’s property sector has not been impacted as severely as the other GCC countries but real estate firms have reported that consumer demand has been virtually silent since January. Only two major projects were announced in Bahrain in the last six months. One was the Marsa Al Seef, GBCORP’s high-end residential project. Observers have expressed surprise at this, as most developers are steering away from high-end residential projects in favor of industrial and affordable housing projects.

Al Khan, however, begs to differ. He explained that Marsa Al Seef was launched after GBCORP’s robust year end results, and the project is also a reaffirmation and recognition of its business strategies and a strong reflection of GBCORP’s market standing.

“Despite very challenging market trends, Marsa Al Seef has won the confidence of institutional and individual investors who have found

value in the project and expressed faith in GBCORP as the project’s fund manager, financial advisor and placement agent.

Added to this is the fact that Bahrain as a business and tourist destination continues to attract potential investors due to the vision of the country’s leaders in ensuring transparency and adopting business friendly policies, legal jurisprudence and strong regulatory guidelines from the CBB,” he said.

Al Khan stressed that in the current market climate, project timing is critical and GBCORP believes that the low construction costs and availability of resources make this the perfect time to launch Marsa Al Seef and position it as a project that is distinguished from other projects.

“GBCORP is three years old and has not been and will not be over exposed. When you look at our entry points to certain investments and the segments which we have entered, you will notice that all decisions were based on many years of high quality experience and insights that enabled us to make healthy decisions for our investors and clients,” he said.

Al Khan said GBCORP has set its sights in Asia and specifically China, which he believes would become one of the main drivers of the global economy. “GBCORP is interested in the Asian market. We are looking to source deals, secure capital and effect exit strategies in stable growth markets,” he added. ☺

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## LMC Focuses on Short-Term Sukuk Products

By Liquidity Management Centre

Liquidity Management Centre (LMC), incorporated in July 2002, aims to provide optimal Islamic financing and investment solutions that contribute to the growth of the Islamic capital market. The Islamic investment bank plays an active role in the primary and secondary Islamic financing markets delivering innovative, adaptable and tradable Shariah compliant short- and medium-term financial instruments to Islamic financial institutions. In addition, it provides Islamic advisory services, including for structured finance, project finance and corporate finance.

With an authorized capital of US\$200 million and a paid-up capital of US\$51 million, LMC has forged close working relationships with each of its equal shareholders, all renowned in the Islamic financial market for their contribution to the industry: Bahrain Islamic Bank, Dubai Islamic Bank (UAE), Islamic Development Bank (Saudi Arabia) and Kuwait Finance House (Kuwait).

Since its incorporation almost seven years ago, LMC has scored significant achievements with a sound track record that is acknowledged by industry leaders around the world. LMC is led by CEO Ahmed Abbas and supported by a professional technical and placement team as well as a highly experienced and qualified management team. The bank has proven to be a leading arranger of Sukuk instruments, having issued several innovative Sukuk with recognized structures that have been reflected in other Sukuk issued in the region.

LMC, along with the Central Bank of Bahrain (CBB), developed a Shariah compliant tri-party repo structure which generated and administered liquidity within Islamic financial institutions and helped raise short-term liquidity against their longer-term instrument in qualifying Sukuk. The Islamic Sukuk Liquidity Instrument (ISLI) serves as an equivalent instrument to the conventional repo product announced by the CBB.

The bank's focus has not only been on bringing medium- to long-term financing opportunities but also developing short-term Shariah compliant investment opportunities. It pioneered the structure of its short-term Sukuk program, a tradable low-risk liquidity management product which allows investors to invest in short-term Sukuk. Monthly tenors are secured by a diverse portfolio of asset backed corporate and sovereign Sukuk instruments managed by LMC.

The short-term Sukuk program is the first such repackaged Sukuk product to be offered on the Islamic banking market. At a total size of US\$300 million, sustained growth is highly anticipated in the long term. For its short-term investment services, LMC conducts extensive Sukuk asset sourcing and repackaging as well as provides offering, placement and administration services.

LMC's structured finance services provide an end-to-end solution tailored to meet the needs of its clients in the international marketplace. Services offered include raising finance and private equity. In the structuring, issuance, marketing and post-issuance administration of tradable Islamic capital markets instruments, LMC's approach centers on structuring attractive transactions in partnership with clients and placement agents. Its role includes being an arranger, structuring adviser, documentation agent and placement agent.

To raise private equity, LMC models transactions, identifies and resolves prospective legal and corporate issues that arise, prepares offering documentation and presentation materials, articulates all placement related activities, and conducts the offering process.

LMC's strategic advisory services comprise analysis and advice to clients on their business development activities. LMC also focuses on ensuring that clients optimize their capital structures with a view to facilitating access to new and efficient sources of equity and other forms of Islamic compliant transactions.

### PRIMARY MARKET ARRANGEMENT TRACK RECORD

1.	<b>BAHRAIN:</b> US\$250 million Bahrain Monetary Agency Ijarah Sukuk issued in June 2003
2.	<b>UAE:</b> US\$65 million EMAAR Sukuk issued in June 2004
3.	<b>BAHRAIN:</b> EUR76 million (US\$101 million) FIRSAN Euro Sukuk issued in October 2004
4.	<b>BAHRAIN:</b> US\$152.5 million Durrat Khaleej Al Bahrain Sukuk issued in January 2005
5.	<b>KUWAIT:</b> US\$100 million Commercial Real Estate Company Ijarah Sukuk issued in May 2005
6.	<b>BAHRAIN:</b> US\$134 million Bahrain Financial Harbour-Al Marfa'a Al Mali Sukuk issued in July 2005
7.	<b>UAE:</b> US\$50 million Bukhatir Investments Sukuk issued in May 2006
8.	<b>KUWAIT:</b> US\$200 million Lagoon City Sukuk issued in December 2006
9.	<b>UAE:</b> US\$100 million Thani Investments Sukuk issued in November 2007
10.	<b>UAE:</b> US\$130 million Berber Investment Agency Sukuk issued in September 2007
11.	<b>SUDAN:</b> EUR68 million (US\$91 million) Sudan Salam Sukuk issued in November 2007

Backed by its strong operating performance, LMC looks forward to entering a high growth phase. With its plans to increase capital in 2009, LMC envisages being equipped to harness further activities and expand its service offering to include a range of investment banking solutions including debt capital markets, asset management, equity capital market and private equity in compliance with Shariah principles. (2)



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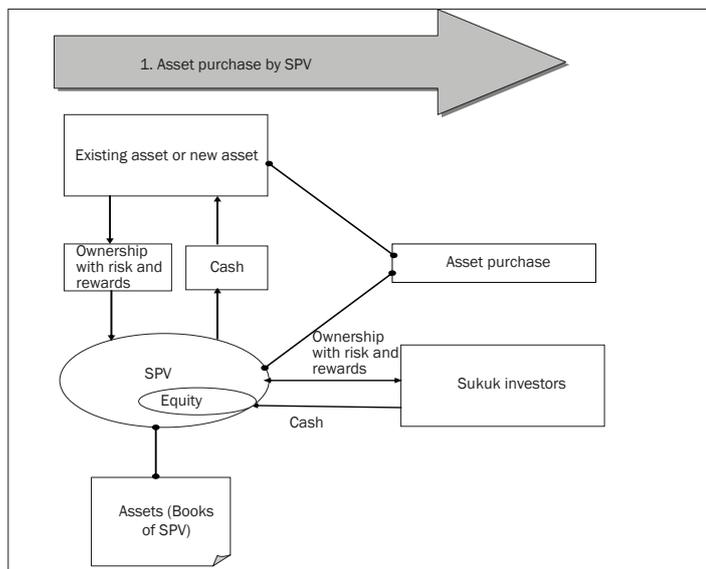
# An Islamic Alternative to Securitization – Final Part

By Mohammad Aamir

The writer explained, in the first part of this article, why the conventional securitization model should be replaced by a Shariah compliant version – the Real Asset Benefit (RAB) Realization or the RAB Asset Vitalization model.

The special purpose vehicle (SPV) will be set up independently by the seller to raise funds for the purchase of assets through the buyer, from the capital and financial market investors, by pooling financial resources to acquire the asset. The objective would be to make a profit in return for foregoing usufruct or economic benefits associated with the asset.

Therefore, in essence, the funding, to be provided by the investors, is not in the form of a fixed obligation debt. Instead, it is in the form of participatory capital that can also be treated as equity in the SPV, in contrast to a heavily leveraged debt-ridden conventional SPV. Therefore, this should lead to the absence of any fixed financial obligation in the SPV's books.



## Extending use of an asset to seller/third party

The terms of extending the use of an asset will depend on the type of relationship that the investors and SPV have with the seller/asset-user. It can take any of these Sukuk arrangements:

- Toll manufacturing (no partnership with the seller/asset-user)
- Musharakah Al-Aqd
- Musharakah Al-Milk
- Ijarah (pure rental arrangement with the seller/asset-user)
- Mudarabah

The cash flow from each of the above arrangements will differ in its behavior and predictability, as for example, the cash flow from an Ijarah arrangement will be more certain when compared to the Musharakah Al-Aqd. Therefore, the asset and liability aspects of the SPV can be structured according to the risk and return appetite of SPV investors, where the cash flow stream from the asset can be certain (Ijarah or toll manufacturing) or dependent on the operating performance of the asset-user (Musharakah Al-Aqd). The cash inflow stream can be shared with the investors by way of a pass-through arrangement.

## Profit/return determination and distribution

The net profit/return would be distributed among the SPV investors as per the terms to be agreed upon in the related agreements. For example, in the case of Sukuk Al-Ijarah, 100% of the rental amount, after adjusting for expenses of running and maintaining the assets, can be distributed to the investors.

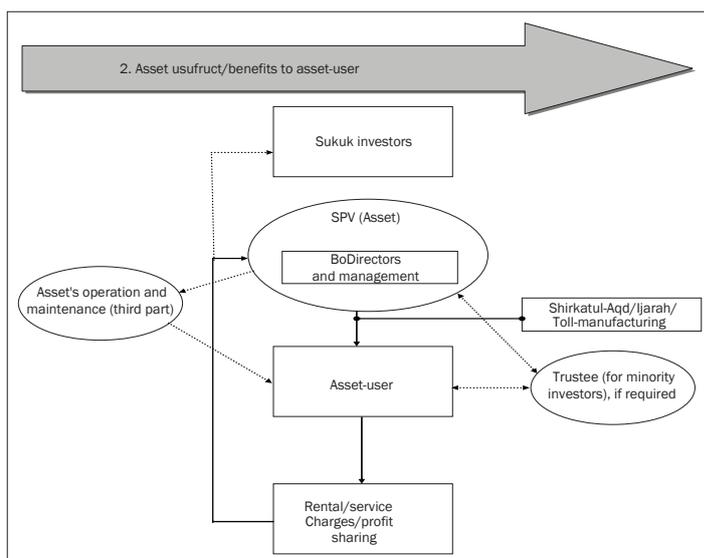
Under Musharakah Al-Aqd Sukuk, however, the profit share received from the asset-user partner would be distributed directly to the investors, according to their entitlement to the profit earned by the SPV.

## Operation and maintenance of assets

Under the Ijarah or toll manufacturing-based RAB Realization or Asset Revitalization, for example, the SPV will be responsible for the arrangement of the asset operation and maintenance through a third-party operation and maintenance contract. Alternatively, the asset usufruct availing party (conventionally called the originator) can be appointed as the SPV's agent.

Both the above options are equally possible and practical as third-party technical services are commonly employed under operating lease finance facilities globally. Moreover, the asset-user party, in most cases, is competent to operate and maintain the asset because of his prior experience and technical know-how.

The third-party arrangement, therefore, should be a preferred mode of operating and maintaining the asset as it helps to establish a technical-vendor network for such vehicles.



## Asset liquidation or sale by SPV at investors' exit

The asset under ownership of the SPV can be purchased by the asset-user according to the Shariah injunctions applicable to the mode of extending asset usufruct or benefits.

*continued...*

**An Islamic Alternative to Securitization – Final Part (continued)**

This can be grouped according to the mode of asset participation:

**Shirkatul-Milk or Ijarah**

The asset-user can purchase the asset at an agreed price or value. The price can be further divided into a pre-determined number of units having a certain value per unit for this purpose.

The units can then be purchased by the asset-user from the SPV or the investor at a mutually agreed time or period. Each unit will signify the transfer of ownership from the SPV or the investor to the asset-user, upon its purchase, with full entitlement to a corresponding share of the risk and reward in the subject asset.

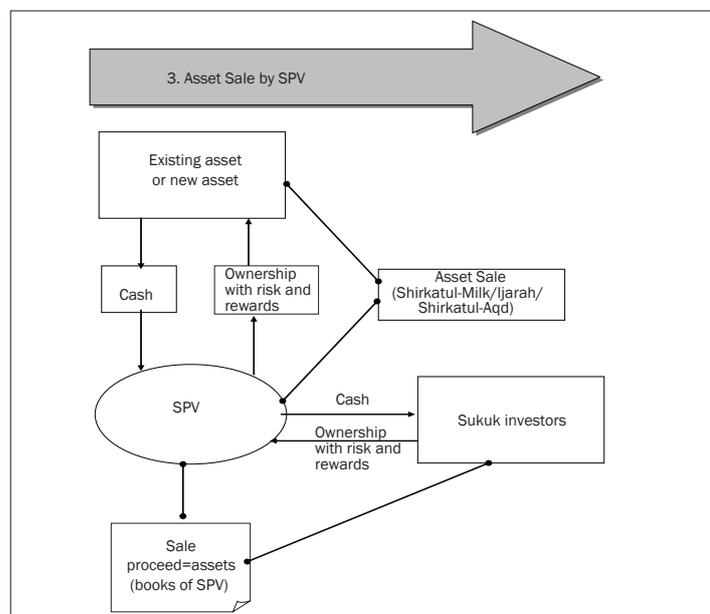
**Shirkatul-Aqd or Toll-Manufacturing**

In the case of Shirkatul-Aqd or the toll-manufacturing arrangement, the asset or a share in it, in the form of units, should be purchased by the asset-user at its market value.

This is because the arrangement is based on a pure partnership, as in the case of Shirkatul-Aqd, or purely on a service-oriented basis, while retaining the ownership of the asset, as in the case of the toll-manufacturing arrangement.

This will be done on the same basis, which is adopted for acquiring the shareholding in a company of one partner or shareholder by the other partner or shareholder at fair market value.

The essence of both equity share acquisition and purchase of an asset under Shirkatul-Aqd or toll-manufacturing is the same, that is, acquiring or taking over a running commercial venture with ownership risk-and-reward rights attached. The purchase can take place at an appointed time, or in tranches at different periods.



**The common denominator**

The unlocking of cash flow or future economic benefit is the common feature of asset revitalization and securitization. The unlocking is done when an investor sells his share in the asset, in the form of a Sukuk certificate, to another investor and realizes the cash.

As for securitization, it is done by packaging potential cash flow from financial receivables in the form of bonds, and making them tradable in the capital market. However, there is a key difference between the two when it comes to valuing and trading the Sukuk vis-à-vis a securitization-based bond.

The difference is that when a bond is valued, it is done on the basis of the sum of cash flow potential from the given financial receivables and the in-built interest income. In the case of asset revitalization, however, a Sukuk is valued on the basis of its underlying real asset. The estimated value is in terms of its worth and profitability potential from the SPV venture, such as income from Ijarah rental or business profitability prospects under the Shirkatul-Aqd arrangement.<sup>(3)</sup>

*(This is the second and final part of the article. The first part appeared in Vol 6 Issue 22, the 5<sup>th</sup> June 2009)*

Mohammad Aamir is an investment banker with more than 12 years experience in accounting firms in Pakistan.

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## What are the consequences and significance of the UAE's withdrawal from the GCC monetary union? What effect will it have on investors' confidence, the goal of a single currency, and the overall Islamic finance industry?



The decision by the UAE to withdraw from the Gulf Cooperation Council (GCC) monetary union is a major setback for the organization and its plans for a single currency. The UAE had aspired to host the GCC central bank, Abu Dhabi being the preferred location, but when the other members decided that the bank should be located in Riyadh, the UAE regarded this as unacceptable, as Riyadh is already the headquarters for the GCC secretariat. The concentration of GCC political, economic and monetary power in Riyadh was strongly opposed by the UAE.

This political decision makes the GCC monetary union unlikely for the foreseeable future as the UAE is the region's second largest economy, while Oman had previously indicated it would not participate, and Kuwait's currency is pegged to a trade-weighted basket of currencies rather than being pegged to the US dollar, as is the case with Saudi Arabia, Qatar and Bahrain.

From the perspective of Islamic finance the decision is regrettable, as monetary union and the eventual emergence of a single GCC currency would have facilitated the creation of a GCC wide Sukuk market. It would also have encouraged the mobility of Shariah compliant investment funds throughout the region and encouraged the creation of more regional Islamic banks and cross border mergers in Islamic financial services more generally.

Although currency and rate of return risks are only part of investment exposure, they should not be underestimated. Ironically it is the UAE which may suffer most, as it hosts a significant amount of Saudi Arabian investment, with flows in the opposite direction being minimal.

**PROFESSOR RODNEY WILSON: Faculty of Islamic Studies, Qatar Foundation**

### **BENER LAW OFFICE** Istanbul – Turkey

The decision for withdrawal has several consequential aspects. Any direct negative impact can be measured against the EU monetary union not including the UK and Denmark. The outside world will just do business as usual.

The slowdown in internal market development, on the other hand, could be more noticeable. While a single monetary unit enhances internal trade and growth, part of that upside will be left out. Also, the subsequent financial politics entail a strong signal from that market to the outside world. That signal will be slightly weaker and have slightly less impact.

It is however difficult to monitor or measure these consequences. It will be rather hard to define missed opportunity and probably cannot be weighed against actual losses or setbacks.

As 41.2 % of the global Shariah compliant assets are in the GCC and with the UAE holding approximately 18 % of that, the impact on the dominance of the single market unit as a settlement currency for global Shariah compliance is significant.

**PAUL WOUTERS: Partner, Bener Law Office**



The UAE is the second largest economy in the GCC and its withdrawal will likely have an impact on the decision of the four remaining GCC members to continue with the monetary union. The long-term impact, however, is at this point in time unclear. Some of the conclusions drawn by the popular press resulting in headlines such as "the monetary union is dead" may be slightly premature.

The example of the European Union (EU) can be used to provide further insight. The EU in its current form comprises 27 member states across western and eastern Europe. It has not always been this large, starting with only six members (Belgium, the Netherlands, Luxembourg, Italy, France and Germany). Similar to the GCC, the mission of the European Economic Community (EEC) was to facilitate economic integration including the provision of a single market.

Only 16 of the 27 member of the EU have joined the European Monetary Union (EMU), with countries such as the UK, Denmark and Sweden not having joined. Although this has been challenging for the EU at times, it has not resulted in it being a failure. As long as the GCC monetary union provides economic benefits to the four remaining countries, they should go ahead as planned and work towards successful implementation.

**DR NATALIE SCHOON: Head of product management, Bank of London and the Middle East**

*continued...*



The debate over a GCC monetary union harkens back to the early days of the European Monetary Union, when nations were sensitive about losing their sovereign right to structure an appropriate monetary policy, in favor of the economic benefit of integration into a greater whole. Indeed, the UK ultimately decided that the goals of the EMU were near-term incompatible with its own economic policy and opted to leave the Sterling independent of the Franco-German relationship.

There may be parallels in the UAE, where authorities recognize the tensions between reflation of the economy and maintaining confidence in the currency. Ultimately, the currency is a reflection of investors' faith in sound governance and macroeconomic management, not vice-versa.

The growth of the Islamic finance industry will be affected by policy wherewithal, not granulation in foreign exchange rates. The debate is of course largely academic, since most regional currencies are effectively pegged to the US dollar, relinquishing monetary policy to the US Federal Reserve Board.

Given the dearth of GCC institutions in the UAE, there may be a fair amount of brinkmanship taking place between the Saudis and the Emiratis. The population of Riyadh alone, for instance, may equal the entire population of the UAE. Certainly the ongoing economic crisis provides cover for this brinkmanship to play out over time.

**DOUGLAS CLARK JOHNSON: CEO, Codexa Capital**



The UAE's withdrawal from the GCC monetary union marks the end of the concept of a GCC single currency issued by a Gulf central bank. This is bad news for that part of the overall Islamic finance industry providing an Islamic veneer of respectability to the distinctly unIslamic practice of deficit-based banking.

The good news is that a monetary union is still possible without a Gulf central bank. This may be achieved simply through the consensual adoption, by those countries wishing to participate, of a common unit of measure or "standard" for the clearing of bilateral credit obligations. A clearing union, in other words, and a common rather than single currency.

As a former director of a global energy exchange, I propose a simple but radical extension to the clearing union concept — firstly, the use of an energy standard, for which I use the term petro for the necessary energy unit of measure.

Secondly, I advocate the creation and issue by all littoral Gulf states — not just limited to GCC countries — of units redeemable in natural gas or other carbon-based fuels such as gasoline, diesel and fuel oil (but not crude oil). These redeemable units would become currencies with global validity. These units would not be petro, but rather, priced by reference to the petro.

The outcome is not only an extensible Gulf energy clearing union, which is self evidently Shariah compliant, but also a huge opportunity for a new generation of regional and global investment in renewable energy and energy efficiency. This will be based upon the entirely different economic assumptions that flow from accounting in energy — which has intrinsic value in exchange — rather than in IOUs, which have no intrinsic value.

I believe that in this way the GCC and other regional states and the Islamic finance industry could lead the necessary transition from immense — but finite and widely wasted — reserves of carbon-based energy to the almost unlimited renewable solar and wind energy in the region.

**CHRIS COOK: Principal, Partnerships Consulting**

### Next Forum Question

**The international Islamic money markets remain a figment of our imagination. The present markets aren't making any headway beyond their national borders, so what needs to be done to turn this vision into reality?**

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Forum Editor, at: Christina.Morgan@REDmoneygroup.com before Wednesday, 24<sup>th</sup> June 2009.

## Islamic Finance news talks to leading players in the industry



**Name:** Yusaini Sidek  
**Position:** CEO  
**Company:** Damansara REIT Managers  
**Based:** Malaysia  
**Age:** 41  
**Nationality:** Malaysian

### Could you provide a brief journey of how you arrived where you are today?

I started my professional career as an officer in Malaysia's finance ministry, and have more than 20 years experience in the real estate industry. I held various positions in a number of public-listed companies before joining Johor Corporation Group nine years ago. I started as the CEO of Damansara REIT Managers upon establishment of Al-Aqar KPJ REIT in 2006, the world's first listed Islamic real estate investment trust (REIT), in Malaysia.

### What does your role involve?

As the CEO, I am responsible for all aspects of the company. However my focus can be categorized into three key areas: operations, performance and growth. So not only do I have to ensure the smooth operations of the Al-Aqar KPJ REIT, but also have a responsibility to the unit holders to generate good returns. I also look into the ongoing promotion of the Al-Aqar KPJ REIT, creating awareness of our product and marketing it to potential investors. This is all part and parcel of driving the growth of the fund.

### What do you consider your greatest achievement to date?

Going solely by the numbers, the Al-Aqar KPJ REIT has already achieved our target for the next five years. When we launched the Al-Aqar KPJ REIT in 2006, we set out to achieve RM1 billion (US\$284.3 million) in total asset size by 2011. However we exceeded this within the first three years. The product was awarded the I-REIT Deal of the Year 2006 by *Islamic Finance news*.

### Which of your products/services do you feel deliver the best results?

We are very proud of the Al-Aqar KPJ REIT as it has set many milestones in the industry. Besides being the world's first listed Islamic REIT, it is also the first healthcare REIT in Asia, first REIT listed in Malaysia under the Securities Commission's guidelines for Islamic REITS, and it has set a benchmark and paved the way for the development of Islamic REITs globally.

The Al-Aqar KPJ REIT also delivers a consistent income return due to several key factors – a stable rental income from the hospital

buildings, a 100% occupancy rate, minimum risk and single exposure in the healthcare business. The fund's investors will also gain from the anticipated capital appreciation on the units purchased.

### What are the strengths of your company?

Our uniqueness lies in our pioneering status as the first Islamic REIT and that our focus is in the healthcare industry. Therein lie our strengths. We also have a very reputable sponsor of the REIT, KPJ Healthcare (KPJ), which is the healthcare arm of Johor Corporation and is the first homegrown healthcare group in Malaysia. KPJ has more than 25 years experience in the healthcare industry and is one of the largest groups of private healthcare providers in Malaysia.

### What are the factors contributing to the success of your company?

As managers of the fund, Damansara REIT Managers has been the driving force behind the success of Al-Aqar KPJ REIT. We also have supportive board members who have vast experience in the industry. Our alliances with our business partners such as advisors and lawyers have also contributed to the success of our endeavors. And, of course, the cornerstone of our success has always been the steadfast support of our unit holders.

### What are the challenges/obstacles the company faces today?

The current economic climate has affected almost all businesses. However, Damansara REIT is prepared to weather the storm. On a more specific note, the biggest challenge we face is the need for more education and awareness on REITs, especially in the Malaysian market.

A lot needs to be done to aggressively promote REITs as an attractive investment product for individuals and corporations. In this respect, the regulatory bodies can play an important role by providing incentives for firms to take up REITs. For instance, a tax reduction on dividends for corporate investors would most definitely help boost the growth of REITs in the country.

### Where do you see the Islamic finance industry in, say, the next five years?

The global economic crisis has helped to shed light on Islamic finance as a strong and credible alternative to conventional financing. In some ways, the crisis could have been averted by utilizing Shariah principles of transparency, risk mitigation and asset-backed transactions.

Islamic finance has grown by leaps and bounds in the past five years and I am confident that it will assume a more prominent role in the coming years, especially in western countries.

### Name one thing you would like to see change in the world of Islamic finance.

The lack of standardized documentation and practices has often been highlighted as one of the main constraints to the global Islamic finance industry. For the continued growth of the industry, a framework should be developed based on internationally recognized principles and standards. This would also boost confidence and encourage more market players to adopt Islamic finance and banking practices. (3)

## Seafield Capital's Sukuk Musharakah

<b>FACILITY DESCRIPTION</b>	Sukuk issuance of up to RM1.5 billion (US\$425.4 million) in nominal value established under the Musharakah principles
<b>ISSUER</b>	Seafield Capital
<b>PRINCIPAL ACTIVITIES</b>	Seafield Capital is a special purpose vehicle incorporated in connection with Expressway Lingkaran Tengah (ELITE), the concessionaire for three expressway links in Malaysia
<b>ISSUANCE DATE</b>	27 <sup>th</sup> May 2009
<b>JOINT PRINCIPAL ADVISOR/LEAD ARRANGER</b>	CIMB Investment Bank
<b>SOLICITORS</b>	Adnan Sundra & Low
<b>SECURITY TRUSTEE</b>	Universal Trustee (Malaysia)
<b>SHARE TRUSTEE FOR THE ISSUER</b>	CIMB Trustee (which will hold the shares of the issuer for and on behalf of charitable organizations)
<b>FACILITY AGENT</b>	CIMB Investment Bank
<b>SHARIAH ADVISOR</b>	CIMB Islamic Shariah Committee
<b>ACCOUNTANTS</b>	Ernst & Young
<b>LEAD MANAGER</b>	CIMB Investment Bank
<b>CONCESSION ASSETS TRUSTEE</b>	ELITE
<b>MANAGER OF THE TRUST ASSET</b>	Seafield Capital
<b>OBLIGOR</b>	ELITE
<b>BOOKRUNNER</b>	CIMB Investment Bank
<b>UTILIZATION OF PROCEEDS</b>	The utilization of the proceeds shall be for Shariah compliant purposes only: <ol style="list-style-type: none"> <li>1) Refinance ELITE's existing borrowing under the RM800 million (US\$227 million) nominal value Bai Bithaman Ajil Islamic debt securities facility (BaIDS)</li> <li>2) Fund the fees, costs, expenses and all other amounts payable under or in relation to the Sukuk program</li> <li>3) For general funding, capital expenditure and working capital requirements of ELITE</li> </ol>
<b>RATINGS</b>	RAM Ratings has assigned a long-term rating of 'AA2' with a stable outlook

For more termsheets, visit [www.islamicfinancenews.com](http://www.islamicfinancenews.com)

## STANDARD CHARTERED

**UAE:** The bank has appointed David Law as managing director and regional head of the origination and client coverage team for the Middle East and North Africa (MENA) region, effective the 1<sup>st</sup> September. He will continue to be based in Dubai and be part of the bank's MENA regional management committee.

Law has experience in mergers and acquisitions, leveraged finance and equity capital markets, having worked in both Europe and the Asia-Pacific region. Law was previously at Morgan Stanley, where he was chairman of investment banking for MENA, based in Dubai. He joined Morgan Stanley in 2001 from Goldman Sachs. (🔗)

## ING IM

**US:** ING Investment Management (ING IM) Americas has hired Jonathan Golub in the newly created position of chief market strategist to provide market and economic insights, as well as investment ideas to the company's institutional and financial advisor clients. He will also be part of the asset allocation team.

Golub was previously chief investment strategist at Bear Stearns & Co where he helped to set asset allocation policy. Prior to that, he was at JP Morgan's asset management division, where he served as US equity strategist and co-head of US equity client portfolio management. (🔗)

## SHAHJALAL ISLAMI BANK

**BANGLADESH:** Md Towhidur Rahman has been appointed as the bank's new chairman. He is an industrialist, businessman, and engineering specialist with experience in industrial management, administration and quality control. Towhidur is also the chairman and managing director of Fresh Foods, Sea Fresh, Libas Textiles, and Euro-Trend. He is a director of Takaful Islami Insurance Company. (🔗)

## CITIGROUP

**US:** The bank has hired James von Moltke from Morgan Stanley to head its corporate mergers group based in New York. He will be in charge of evaluating the company's acquisitions and major business sales, and will replace Vincent Fandozzi. While at Morgan Stanley, von Moltke covered

brokerages, exchanges and financial technology companies.

Citi Private Bank, meanwhile, has appointed Peter Charrington as CEO of its North American business, responsible for all private banking activities in the US and Canada. He is now head of the Private Bank's businesses in the UK, Israel and Monaco, based in London. He joined Citi as a management associate in 1994 and became a private banker in 1997. (🔗)

## BARCLAYS CAPITAL

**HONG KONG:** The investment banking division of Barclays Bank has appointed Jim Chapman, from Bank of America-Merrill Lynch, as its new head of the power and utilities group for Asia ex-Japan.

Chapman will join as managing director and be responsible for all investment banking transactions in the sector for the region, including mergers and acquisitions, and debt and equity financing. (🔗)

## SOCIETE GENERALE

**HONG KONG/JAPAN:** The corporate and investment banking unit has appointed Marc Frenkenberg and Bruno Magnouat as new co-heads of acquisition and leveraged finance for Asia-Pacific effective the 1<sup>st</sup> August, succeeding Pierre-Louis Auzel and Thierry Magnan, respectively.

Frenkenberg moved to Asia from Societe Generale's London office in 2006 where he worked with the leveraged finance group. He was initially based in Hong Kong and moved to Tokyo in 2008.

Magnouat started his career at Calyon in New York where he focused on project finance for the energy and utilities sector. In 2001, he joined Societe Generale's strategic and acquisition finance division in Paris and later transferred to Hong Kong to join the Asia-Pacific team. (🔗)

## DELOITTE

**UK:** The business advisory firm has appointed Mark Naysmith as director of resilience in its security, privacy and resilience group. Naysmith previously led the business continuity function for the operator of the Frankfurt Stock Exchange, Deutsche Borse. He also established an independent

operation risk consultancy specializing in business resilience.

The real estate team at Deloitte's has promoted specialists Helen George and Sarah O'Reilly to associate partners. George specializes in providing audit services across the sector, from FTSE 100 corporate real estate investors to specialist funds. O'Reilly is a chartered surveyor specializing in real estate strategy, operations and due diligence advice. (🔗)

## UBS

**US:** William Newby has joined the financial firm's investment banking department as a managing director and head of Americas gaming and leisure coverage in the real estate investment banking group.

He is based in Los Angeles and joins from Bank of America, where he served as senior client manager and was responsible for setting up and building the gaming banking franchise into a leading gaming industry banking group. (🔗)

## PREI

**UK:** Jack Taylor has joined Prudential Real Estate Investors (PREI) as a managing director and head of its global high yield debt business, along with Steven Plust and Stephen Alpart, both hired as managing directors as well.

Before joining Prudential, Taylor was a partner at Five Mile Capital Partners and the portfolio manager for its flagship structured income fund. Plust was most recently a managing director and member of the investment committee at the same firm, working extensively with Taylor. Alpart was most recently a managing director and co-head of opportunistic lending in the debt funds business at Capmark Investments. (🔗)

## CREDIT SUISSE

**HONG KONG:** The group has appointed Ken Pang and Min Park as the new co-heads of equity derivatives and convertibles for Asia-Pacific. They previously led the Asian equity derivatives business at UBS. Pang will be responsible for the trading of equity derivatives and convertibles, while Park will focus on the sales of related products. (🔗)

# Deal tracker

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Another **Islamic Finance** news exclusive

ISSUER	SIZE (million)	INSTRUMENT
Terengganu Investment Authority	US\$1.42	Islamic medium-term notes
Berlian Laju Tanker	US\$48.12	Sukuk Ijarah
Dubai Department of Finance	US\$10 billion	Sukuk
Sakana Holistic Housing Solutions	US\$50	Sukuk
Dar-Al Dhabi Holding	US\$346.4	Sukuk
Indonesia	US\$490.67	Sukuk
Saudi Electricity	US\$1.3 billion	Sukuk
Unicorn Investment Bank	US\$425	Sukuk Ijarah
Tourism Development and Investment Company	TBA	Sukuk
Japan Bank for International Cooperation	US\$200	TBA
Bank Negara Indonesia	US\$50	Sukuk
Majlis Bandaraya Melaka Bersejarah	US\$27.63	Sukuk
Qatar Gas Transport	US\$500	Sukuk
Islamic Development Bank	US\$500	Sukuk
Islamic Bank of Thailand	US\$1.4 billion	Sukuk
HSBC	TBA	TBA
Cagamas	US\$565.35	Sukuk
Bahrain	US\$750	Sovereign Sukuk
Chemical Company of Malaysia	US\$40.61	Musharakah CP/MTN program
Agni	US\$71	Sukuk
Danga Capital	US\$2.82 billion	Sukuk Musharakah
Tamweel	Up to US\$544.5	Sukuk
Dubai Bank	Up to US\$500	Sukuk
Bakrieland Development	Up to US\$32.85	Sukuk
TSH Resources	Up to US\$115.3	Sukuk Ijarah
RAK Properties	US\$2 billion	Sukuk
Malaysian Debt Ventures	Up to US\$449.07	Sukuk
Bumiputra-Commerce	US\$1.84 billion	Islamic and conventional CP/MTN program
Islamic Bank of Thailand	US\$178.77	Ijarah

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 Thomson Reuters

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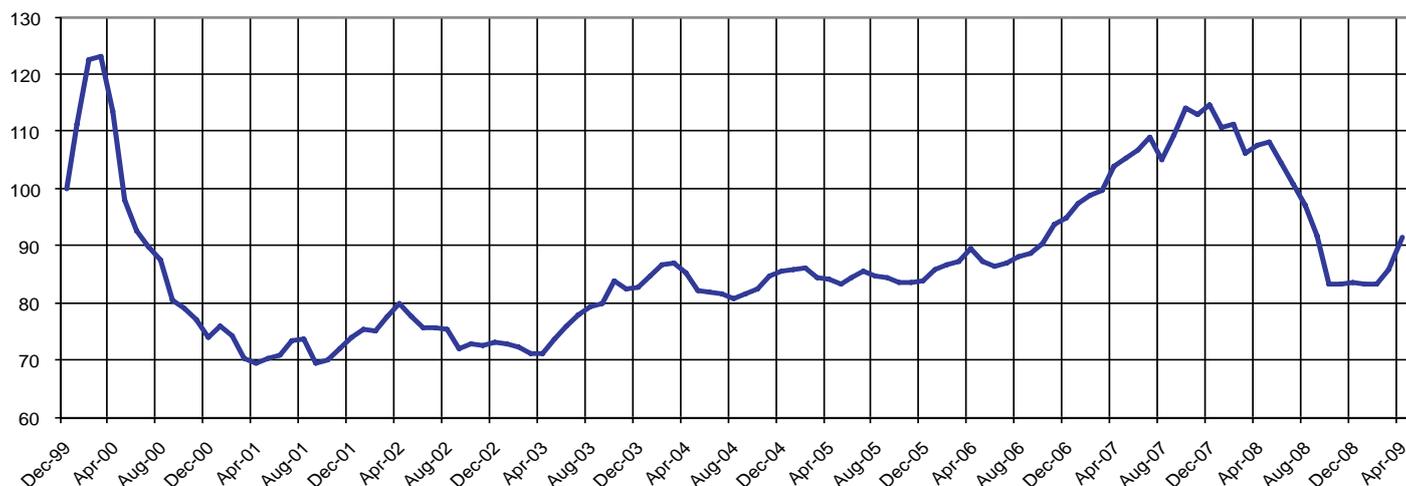
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**Mr Paul Wouters**  
 Partner  
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**Prof Rodney Wilson**  
 Director of Postgraduate Studies  
 Durham University

**Mr Sohail Zubairi**  
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 Dar Al Sharia Legal & Financial  
 Consultancy

## EurekaHedge Asia Pacific Islamic Fund Index



### YTD returns for ALL funds (as of the 10<sup>th</sup> June 2009)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 Azzad Ethical Mid Cap	Azzad Asset Management	15.88	US
2 Islamic Al Yusr Certificate on the ABN AMRO US Opportunities A	ABN AMRO Bank	15.43	Not disclosed
3 Azzad Ethical Income	Azzad Asset Management	11.37	US
4 Alfancar Europe	TT International	10.20	British Virgin Islands
5 Noor Islamic US Equity Small Cap	Noor Financial Investment Company	9.64	Kuwait
6 AlAhli Islamic Europe Equitybuilder Certificates	The National Commercial Bank	9.13	Germany
7 The Iman	Allied Asset Advisors	8.77	US
8 Noor Islamic US Equity Mid Cap	Noor Financial Investment Company	8.50	Kuwait
9 Amana Growth	Saturna Capital	7.85	US
10 AlAhli Europe Trading Equity	The National Commercial Bank	7.53	Saudi Arabia
<b>EurekaHedge Developed Markets Islamic Fund Index*</b>		<b>7.22</b>	

### Sharpe ratio for ALL funds (as of the 10<sup>th</sup> June 2009)

FUND	FUND MANAGER	PERFORMANCE MEASURE	FUND DOMICILE
1 BNI Dana Plus Syariah	BNI Securities	30.77	Indonesia
2 TRIM Syariah Saham	Trimegah Securities	29.73	Indonesia
3 TRIM Syariah Berimbang	Trimegah Securities	27.93	Indonesia
4 Syariah Fortis Pesona Amanah	Fortis Investments	25.03	Indonesia
5 CIMB Islamic Equity Growth Syariah	CIMB-GK Securities	24.32	Indonesia
6 Amanah Saudi Equity	The Saudi British Bank	21.69	Saudi Arabia
7 AlAhli Saudi Trading Equity	The National Commercial Bank	21.56	Saudi Arabia
8 Mandiri Investa Atraktif - Syariah (Mitra Syariah)	Mandiri Manajemen Investasi	21.46	Indonesia
9 Gulf Islamic	Gulf Investment Corporation	21.27	Bahrain
10 Manulife Dana Ekuitas Syariah	Manulife Aset Management Indonesia	21.17	Indonesia
<b>EurekaHedge Emerging Markets Islamic Fund Index*</b>		<b>6.65</b>	

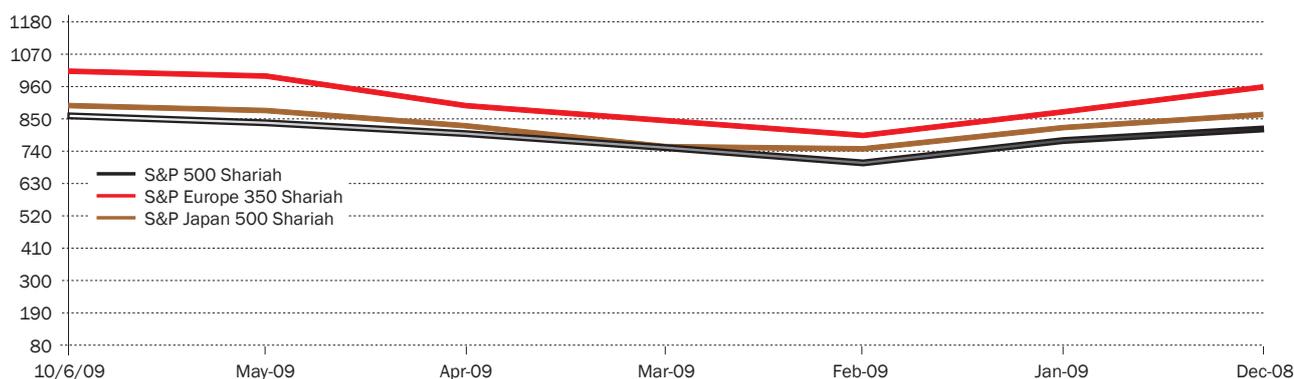
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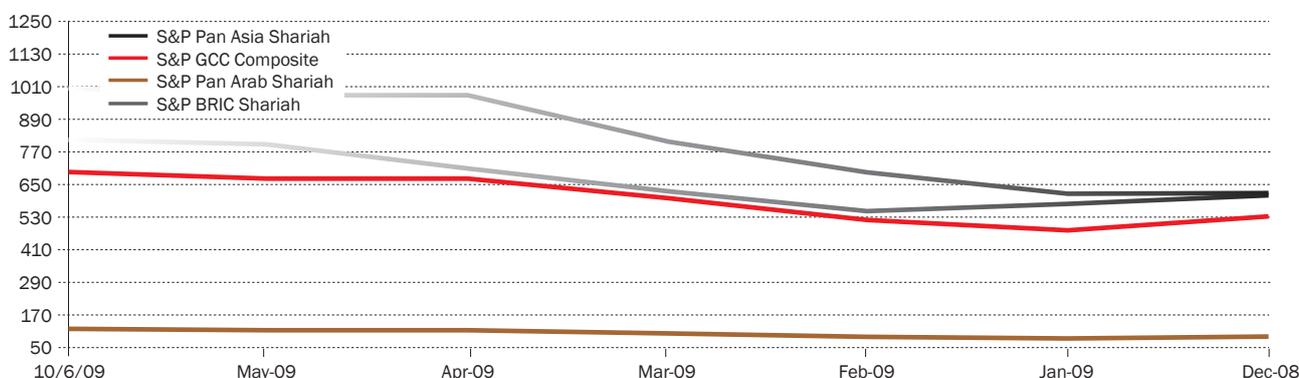
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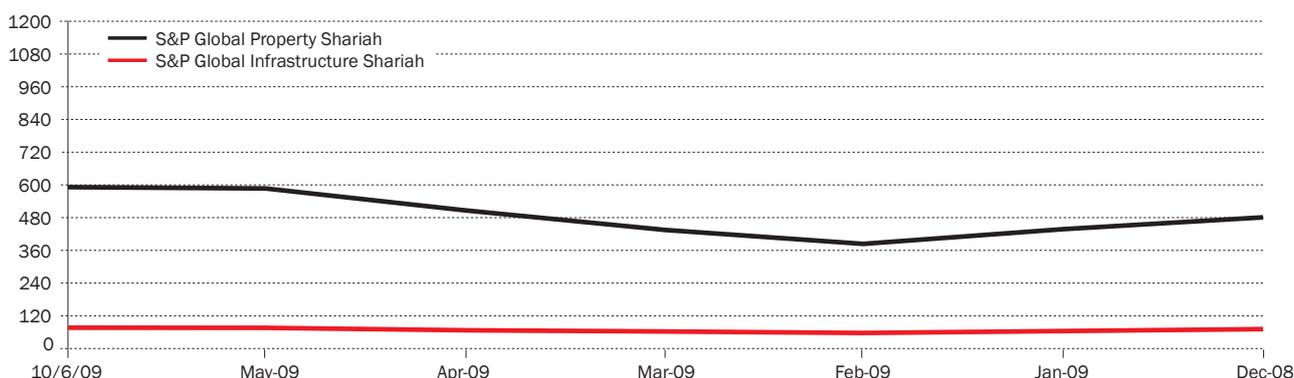
S&P Shariah Indices Price Index Levels



Index Code	Index Name	10/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
SPSHX	S&P 500 Shariah	860.25	836.573	799.755	752.048	700.074	776.118	815.565
SPSHEU	S&P Europe 350 Shariah	1012.14	995.630	894.958	843.893	793.619	873.796	958.391
SPSHJU	S&P Japan 500 Shariah	895.13	878.263	826.363	755.552	748.018	820.175	864.821

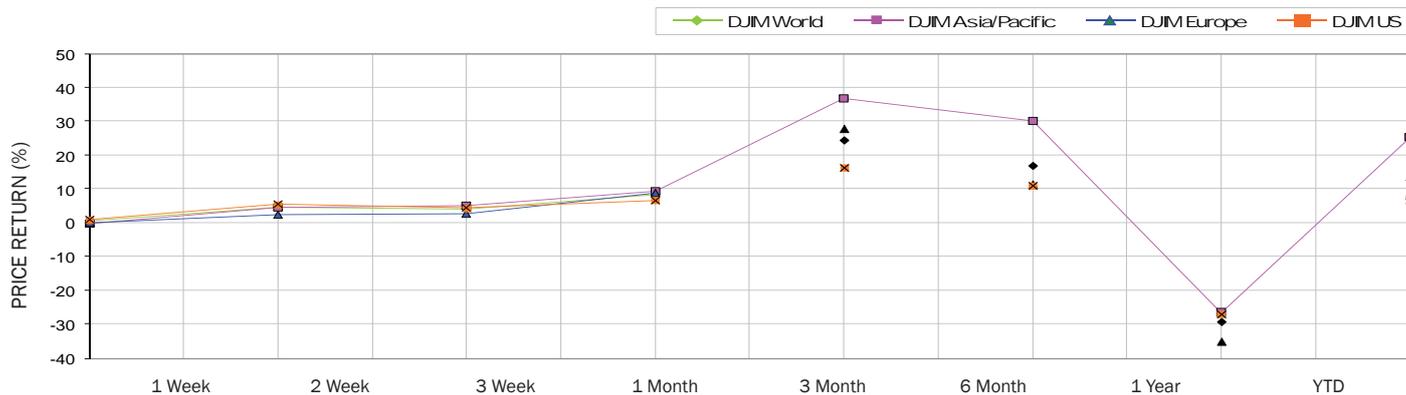


Index Code	Index Name	10/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
SPSHAS	S&P Pan Asia Shariah	814.90	797.647	708.922	624.982	552.018	578.671	610.200
SPSHG	S&P GCC Composite Shariah	695.95	671.614	671.614	599.648	519.529	481.323	532.742
SPSHPA	S&P Pan Arab Shariah	118.98	113.860	113.860	102.133	89.561	83.589	90.597
SPSHBR	S&P BRIC Shariah	1004.61	978.497	978.497	807.592	694.799	616.078	618.487



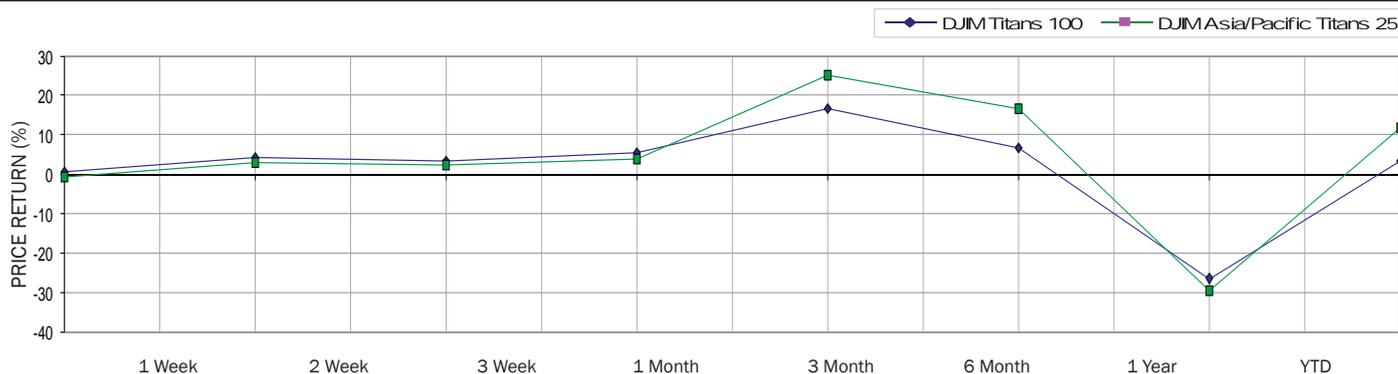
Index Code	Index Name	10/6/09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08
SPSHGU	S&P Global Property Shariah	591.79	586.922	506.477	434.684	383.755	437.696	481.061
SPSHIF	S&P Global Infrastructure Shariah	76.40	75.918	66.983	62.583	57.085	64.288	71.250

### PERFORMANCE OF DJ INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM World	0.61	4.54	4.18	8.28	24.48	16.95	-29.14	12.66
DJIM Asia/Pacific	-0.28	4.49	5.04	9.21	36.88	29.98	-26.44	25.39
DJIM Europe	0.05	2.37	2.53	8.82	27.85	11.47	-34.98	8.20
DJIM US	0.94	5.50	4.41	6.68	16.35	11.06	-26.91	6.85

### PERFORMANCE OF DJ TITANS INDEXES



INDEX	PRICE RETURN (%)							
	1 Week	2 Week	3 Week	1 Month	3 Month	6 Month	1 Year	YTD
DJIM Titans 100	0.42	4.20	3.32	5.46	16.78	6.67	-26.51	3.12
DJIM Asia/Pacific Titans 25	-0.77	2.96	2.34	3.70	25.25	16.56	-29.45	11.76

Index	Component number	Market Capitalization (US\$ billions)						Component Weight (%)	
		Full	Float adjusted	Mean	Median	Largest	Smallest	Large	Small
DJIM World	2532	14228.22	11098.59	4.38	0.83	364.89	0.00	3.29	0.00
DJIM Asia/Pacific	838	2167.98	1522.62	1.82	0.46	101.75	0.01	6.68	0.00
DJIM Europe	330	3283.15	2485.84	7.53	1.69	163.67	0.12	6.58	0.01
DJIM US	621	5994.6	5614.57	9.04	2.23	364.89	0.09	6.5	0.00
DJIM Titans 100	100	6137.18	5448.55	54.49	38.48	318.68	11.16	5.85	0.20
DJIM Asia/Pacific Titans 25	25	920.96	600.43	24.02	15.98	69.57	11.16	11.59	1.86

Mean, median, largest, smallest and component weights are based on float adjusted market capitalization, not full market capitalization.

For more information, please visit [www.djislamicmarkets.com](http://www.djislamicmarkets.com) or contact

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TOP ISSUERS OF ISLAMIC BONDS							JUNE 2008 – JUNE 2009
	Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager
1	Terengganu Investment Authority	Malaysia	Murabahah MTN	1,422	1	13.4	AmInvestment
2	Republic of Indonesia	Indonesia	Sukuk Ijarah	1,162	2	11.0	Barclays Capital , HSBC, Standard Chartered
3	Sun Finance	UAE	Mudarabah Sukuk Asset-backed Securities	1,093	1	10.3	Citigroup Global Markets, Abu Dhabi Commercial Bank, National Bank of Abu Dhabi, First Gulf Bank, Noor Islamic Bank
4	Khazanah Nasional	Malaysia	Sukuk Musharakah	840	4	7.9	CIMB, AmInvestment
5	Cagamas	Malaysia	Murabahah MTN	833	4	7.9	HSBC, CIMB, Aseambankers
6	Danga Capital	Malaysia	Sukuk Musharakah	444	1	4.2	CIMB, AmInvestment
7	Penerbangan Malaysia	Malaysia	Murabahah MTN	411	1	3.9	CIMB, AmInvestment
8	PLUS SPV	Malaysia	Musharakah MTN	385	2	3.6	CIMB
9	Rantau Abang Capital	Malaysia	Sukuk Musharakah	381	1	3.6	CIMB
10	Islamic Republic of Pakistan	Pakistan	Sukuk	350	3	3.3	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
11	MRCB Southern Link	Malaysia	Sukuk Istisna	320	2	3.0	HSBC, CIMB, RHB Investment Bank
12	Tamweel Sukuk	UAE	Sukuk	299	1	2.8	Standard Chartered, Dubai Islamic Bank, Badr Islami
13	RIM City	Malaysia	Bai Bithaman Ajil MTN	277	2	2.6	CIMB
14	Seafield Capital	Malaysia	Musharakah MTN	269	1	2.5	CIMB
15	Purple Island	Saudi Arabia	Sukuk Mudarabah	267	1	2.5	HSBC
16	Saudi Hollandi Bank	Saudi Arabia	Sukuk	207	1	2.0	Saudi Hollandi Bank
17	Projek Lintasan Shah Alam	Malaysia	Sukuk Ijarah	174	4	1.7	RHB Islamic Bank
18	Jimah Energy Ventures Holdings Sdn	Malaysia	Istisna MTN	149	2	1.4	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia, Aminvestment
19	Malaysia Debt Ventures	Malaysia	Murabahah MTN	145	1	1.4	Bank Islam Malaysia, RHB Investment Bank, CIMB
20	Syarikat Bekalan Air Selangor	Malaysia	Bai Bithaman Ajil MTN	140	1	1.3	Bank Islam Malaysia, CIMB, HSBC
	<b>Total</b>			<b>10,579</b>	<b>74</b>	<b>100.0</b>	



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 Phone: +852 2804 1223

TOP ISSUERS OF ISLAMIC BONDS							MARCH 2009 – JUNE 2009
Issuer or Group	Nationality	Instrument	Amt US\$ m	Iss.	%	Manager	
1	Terengganu Investment Authority	Malaysia	Murabahah MTN	1,422	1	38.2	AmInvestment
2	Republic of Indonesia	Indonesia	Sukuk Ijarah	650	1	17.5	Barclays Capital , HSBC, Standard Chartered
3	Danga Capital	Malaysia	Sukuk Musharakah	444	1	12.0	CIMB, AmInvestment
4	Seafeld Capital	Malaysia	Musharakah MTN	269	1	7.2	CIMB
5	Cagamas	Malaysia	Murabahah MTN	236	1	6.3	CIMB, HSBC, Aseambankers
6	Khazanah Nasional	Malaysia	Sukuk Musharakah	199	1	5.4	CIMB, Maybank Investment Bank
7	Islamic Republic of Pakistan	Pakistan	Sukuk	190	1	5.1	Standard Chartered (Pakistan), Dubai Islamic Bank Pakistan
8	Putrajaya Holdings	Malaysia	Musharakah MTN	82	1	2.2	Commerce International, Maybank Investment Bank, AmInvestment
9	Jimah Energy Ventures Holdings	Malaysia	Istisna MTN	60	1	1.6	AmMerchant Bank, Bank Muamalat Malaysia, RHB Investment Bank, MIMB Investment Bank, Bank Muamalat Malaysia, Aminvestment
10	Projek Lintasan Shah Alam	Malaysia	Sukuk Ijarah	29	2	0.8	RHB Islamic Bank
11	Dawama	Malaysia	Musharakah MTN	29	1	0.8	MIMB Investment Bank
12	Tadamun Services	Malaysia	Sukuk Musharakah	27	1	0.7	CIMB, Standard Chartered, RHB Capital
13	TH Group	Malaysia	Sukuk Ijarah	26	1	0.7	Commerce International
14	Matahari Putra Prima	Indonesia	Sukuk Ijarah	20	1	0.5	Ciptadana Sekuritas, HSBC Securities Indonesia, Indo Premier Securities
15	TH Plantations	Malaysia	Murabahah MTN	14	1	0.4	BIMB Holdings, Maybank Investment Bank
16	Tesco Stores (Malaysia)	Malaysia	Sukuk	11	1	0.3	CIMB, Standard Chartered
17	Berlian Laju Tanker	Indonesia	Sukuk Ijarah	10	1	0.3	Andalan Artha Advisindo, Danatama Makmur
<b>Total</b>			<b>3,718</b>	<b>18</b>	<b>100.0</b>		

## ARE YOUR DEALS LISTED HERE?

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 Telephone: +852 2804 1223



ISLAMIC BONDS		JUNE 2008 – JUNE 2009		
Manager or Group	Amt US\$ m	Iss.	%	
1	CIMB	2,733	32	25.8
2	AmlInvestment	2,266	16	21.4
3	HSBC	996	11	9.4
4	Standard Chartered	643	10	6.1
5	Maybank Investment Bank	469	12	4.4
6	RHB Capital	400	11	3.8
7	Noor Islamic Bank	219	1	2.1
7	National Bank of Abu Dhabi	219	1	2.1
7	First Gulf Bank	219	1	2.1
7	Citigroup	219	1	2.1
11	Abu Dhabi Commercial Bank	219	1	2.1
12	Barclays Capital	217	1	2.1
13	Saudi Hollandi Bank	207	1	2.0
14	(Persero) Danareksa	204	3	1.9
15	Trimegah Securities	193	2	1.8
16	BIMB Holdings	178	4	1.7
17	Dubai Islamic Bank Pakistan	175	3	1.7
18	Bank Mandiri	171	1	1.6
19	Mashreqbank	100	1	0.9
19	Dubai Islamic Bank	100	1	0.9
<b>Total</b>	<b>10,579</b>	<b>74</b>	<b>100.0</b>	

ISLAMIC BONDS BY COUNTRY		JUNE 2008 – JUNE 2009		
	Amt US\$ m	Iss.	%	
Malaysia	6,974	56.0	66	
UAE	1,393	2.0	13	
Indonesia	1,354	9.0	13	
Saudi Arabia	473	2.0	4	
Pakistan	386	5.0	4	
<b>Total</b>	<b>10,579</b>	<b>74.0</b>	<b>100</b>	

ISLAMIC BONDS BY CURRENCY		JUNE 2008 – JUNE 2009		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	6,974	56	65.9	
UAE dirham	1,393	2	13.2	
Indonesian rupiah	704	8	6.7	
US dollar	650	1	6.1	
Saudi Arabian riyal	473	2	4.5	
Pakistan rupee	386	5	3.7	
<b>Total</b>	<b>10,579</b>	<b>74</b>	<b>100.0</b>	

ISLAMIC BONDS		MARCH 2009 – JUNE 2009		
Manager or Group	Amt US\$ m	Iss.	%	
1	AmlInvestment	1765	5	47.5
2	CIMB	670	8	18.0
3	Standard Chartered	410	5	11.0
4	HSBC	223	2	6.0
5	Barclays Capital	217	1	5.8
6	Maybank Investment Bank	213	4	5.7
7	Dubai Islamic Bank Pakistan	95	1	2.6
8	RHB Capital	44	3	1.2
9	EON Bank	44	2	1.2
10	Bank Muamalat Malaysia	15	1	0.4
11	BIMB Holdings	7	1	0.2
12	Indo Premier Securities	7	1	0.2
13	Danatama Makmur	5	1	0.1
13	Andalan Artha Advisindo	5	1	0.1
<b>Total</b>	<b>3,718</b>	<b>18</b>	<b>100.0</b>	

ISLAMIC BONDS BY COUNTRY		MARCH 2009 – JUNE 2009		
	Amt US\$ m	Iss.	%	
Malaysia	2,848	14.0	77	
Indonesia	679	3.0	18	
Pakistan	190	1.0	5	
<b>Total</b>	<b>3,718</b>	<b>18.0</b>	<b>100</b>	

ISLAMIC BONDS BY CURRENCY		MARCH 2009 – JUNE 2009		
	Amt US\$ m	Iss.	%	
Malaysian ringgit	2,848	14.0	77	
US dollar	650	1.0	17	
Pakistan rupee	190	1.0	5	
<b>Total</b>	<b>3,718</b>	<b>18.0</b>	<b>100</b>	

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ALL DATA AS OF THE 10<sup>th</sup> JUNE 2009

SUKUK MANAGERS		(12 months)	JUNE 2008 - JUNE 2009	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	19,961,773,382	219	56.6
2	CIMB	3,620,555,787	154	10.3
3	AMMB Holdings	2,603,210,153	112	7.4
4	Malaysian Industrial Development Finance	1,240,704,483	314	3.5
5	HSBC Banking Group	889,400,758	53	2.5
6	Malayan Banking	855,211,177	122	2.4
7	UAE(Government)	722,026,696	6	2.0
8	RHB Banking Group	677,038,624	61	1.9
9	Standard Chartered	616,931,002	17	1.8
10	OCBC Bank	501,987,516	61	1.4
11	Barclays Bank	435,500,000	3	1.2
12	Affin Holdings	428,449,746	51	1.2
13	Citigroup	403,863,190	4	1.1
14	Indonesia (Government)	336,425,597	8	1.0
15	Cagamas	305,224,307	29	0.9
16	Hong Leong Financial Group	231,686,544	15	0.7
17	Danareksa Sekuritas	224,100,091	6	0.6
18	Trimegah Securities	216,532,738	5	0.6
19	OSK Holdings	162,549,694	19	0.5
20	Bukhary Capital	160,002,840	17	0.5

SUKUK MANAGERS		(3 months)	MARCH 2009 - JUNE 2009	
Manager	Manager Commitment (in US\$)	Issues	Market Share %	
1	Malaysia (Government)	4,771,540,565	57	44.3
2	AMMB Holdings	1,911,415,706	34	17.7
3	CIMB	1,641,754,768	55	15.2
4	HSBC Banking Group	507,638,361	13	4.7
5	Standard Chartered Bank	492,285,916	8	4.6
6	Barclays Bank	435,500,000	3	4.0
7	Malaysian Industrial Development Finance	264,546,030	72	2.5
8	RHB Banking Group	200,170,360	20	1.9
9	Malayan Banking	144,601,533	25	1.3
10	Affin Holdings	82,907,439	12	0.8
11	EON Capital	73,821,696	30	0.7
12	Cagamas	64,948,894	8	0.6
13	OSK Holdings	39,750,144	5	0.4
14	United Overseas Bank	26,973,310	3	0.3
15	Bukhary Capital	26,405,452	2	0.2
16	Hwang-DBS (Malaysia)	22,714,367	3	0.2
17	Hong Leong Financial Group	17,603,635	3	0.2
18	OCBC Bank	11,357,184	5	0.1
19=	DBS Group	7,952,950	1	0.1
19=	Indonesia (Government)	7,952,950	1	0.1

SUKUK ISSUERS		(12 months)	JUNE 2008 - JUNE 2009	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	Bank Negara Malaysia	12,636,390,085	191	30.6
2	Malaysia (Government)	5,366,269,165	22	13.0
3	Bank Indonesia	2,707,520,910	52	6.6
4	Khazanah Nasional	1,845,542,306	5	4.5
5	Terengganu Investment Authority	1,419,647,927	8	3.4
6	Indonesia (Government)	1,300,000,000	2	3.2
7	Perusahaan Penerbit SBSN Indonesia	1,133,270,382	4	2.7
8	Sun Finance	1,093,979,842	3	2.7
9	Aldar Properties	1,021,520,022	1	2.5
10	Cagamas	1,013,628,620	30	2.5
11	DEWA Funding	871,697,085	1	2.1
12=	PLUS SPV	511,073,254	13	1.2
12=	Rantau Abang Capital	511,073,254	2	1.2
14	Danga Capital	454,287,337	2	1.1
15=	Penerbangan Malaysia	425,894,378	1	1.0
15=	ESSO Malaysia	425,894,378	12	1.0
17	Pakistan (Government)	348,311,445	3	0.8
18	Malakoff	340,715,503	2	0.8
19	Tamweel Sukuk	299,645,873	1	0.7
20	MRCB Southern Link	296,422,487	20	0.7

SUKUK ISSUERS		(3 months)	MARCH 2009 - JUNE 2009	
Issuer	Issuer Commitment (in US\$)	Issues	Market Share %	
1	Bank Negara Malaysia	2,784,033,469	49	22.7
2	Terengganu Investment Authority	1,419,647,927	8	11.6
3	Indonesia (Government)	1,300,000,000	2	10.6
4	Malaysia (Government)	1,277,683,135	6	10.4
5	Bank Indonesia	1,069,116,708	14	8.7
6	Khazanah Nasional	709,823,964	2	5.8
7	Danga Capital	454,287,337	2	3.7
8	Penerbangan Malaysia	425,894,378	1	3.5
9	Seafield Capital	269,733,106	9	2.2
10	Cagamas	259,795,571	8	2.1
11	PLUS SPV	211,527,541	6	1.7
12	Pakistan (Government)	191,682,301	1	1.6
13=	ESSO Malaysia	170,357,751	4	1.4
13=	Malakoff	170,357,751	1	1.4
13=	Projek Lebuhraya Utara Selatan	170,357,751	1	1.4
16	Perusahaan Penerbit SBSN Indonesia	144,599,100	1	1.2
17	Putrajaya Holdings	85,178,876	3	0.7
18=	Tesco Stores (Malaysia)	73,821,692	4	0.6
18=	Jimah Energy Ventures	73,821,692	5	0.6
20	Hubline	52,526,973	5	0.4



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Islamic Sukuk league tables reflect Shariah compliant bonds showing evidence of ownership of assets or their earnings. These results include (but are not limited to) the following securities/assets: Sukuk Salam, Sukuk Mudarabah, Sukuk Ijarah, Sukuk Murabahah, Sukuk Istisna and Sukuk Musharakah.

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ALL DATA AS OF THE 10<sup>th</sup> JUNE 2009

LOAN MANDATED LEAD ARRANGERS		JUNE 2008 - JUNE 2009			
	Lender	Pro Rata (\$)	Full Credit (\$)	Deals	Market Share
1	Dubai Islamic Bank	1,515,903,212.63	5,533,225,701.00	5	9.5
2	Standard Chartered	999,303,212.63	5,819,225,701.00	8	6.3
3	HSBC Banking Group	862,619,511.28	7,115,597,556.42	6	5.4
4	Calyon Corporate & Investment Bank	824,286,177.95	6,975,597,556.42	4	5.2
5	Noor Islamic Bank	807,430,303.03	5,503,000,000.00	7	5.1
6	Samba Financial Group	784,686,177.95	3,971,597,556.42	4	4.9
7	Mashreqbank	728,226,281.83	3,772,620,283.00	5	4.6
8	Royal Bank of Scotland	640,530,303.03	6,875,000,000.00	4	4.0
9	Commercial Bank of Qatar	609,006,514.56	4,800,714,391.00	3	3.8
10	Emirates Bank	563,736,545.96	3,987,225,701.00	6	3.5
11	Al Hilal Bank	504,863,636.36	2,974,000,000.00	2	3.2
12	Qatar National Bank	450,000,000.00	2,775,000,000.00	2	2.8
13	BNP Paribas	430,833,333.33	3,380,000,000.00	4	2.7
14	Citigroup	398,489,711.53	3,240,741,391.00	4	2.5
15	Al Rajhi Banking & Investment	361,786,177.95	2,225,597,556.42	2	2.3
16	National Bank of Abu Dhabi	359,350,000.00	2,593,700,000.00	2	2.3
17	National Commercial Bank	320,119,511.28	1,600,597,556.42	1	2.0
18	Masraf Al Rayan	312,500,000.00	2,500,000,000.00	1	2.0
19	Al Khalij Commercial Bank	296,506,514.56	2,300,714,391.00	2	1.9
20	Union National Bank	283,200,000.00	283,200,000.00	1	1.8
21	Deutsche Bank	225,013,500.00	2,400,027,000.00	2	1.4
22	Barclays Bank	204,400,000.00	2,522,000,000.00	2	1.3
23=	Abu Dhabi Islamic Bank	179,766,848.99	1,847,225,701.00	2	1.1
23=	First Gulf Bank	179,766,848.99	1,847,225,701.00	2	1.1
25	Qatar Islamic Bank	173,476,211.53	840,714,391.00	2	1.1
26=	Fortis Bank SA/NV	168,333,333.33	505,000,000.00	1	1.1
26=	Brunei Investment & Commercial Bank	168,333,333.33	505,000,000.00	1	1.1
28	Development Bank of Singapore	166,666,666.67	500,000,000.00	1	1.0
29=	Arab Banking Corp	150,000,000.00	350,000,000.00	2	0.9
29=	Dubai Bank	150,000,000.00	2,250,000,000.00	1	0.9
29=	UBS AG	150,000,000.00	2,250,000,000.00	1	0.9
29=	Morgan Stanley	150,000,000.00	2,250,000,000.00	1	0.9
29=	JP Morgan	150,000,000.00	2,250,000,000.00	1	0.9
34	Qatar International Islamic Bank	137,500,000.00	275,000,000.00	1	0.9
35=	Abu Dhabi Commercial Bank	136,363,636.36	1,500,000,000.00	1	0.9
35=	Commercial Bank of Dubai	136,363,636.36	1,500,000,000.00	1	0.9
35=	Standard Bank Group	136,363,636.36	1,500,000,000.00	1	0.9
35=	Commerzbank	136,363,636.36	1,500,000,000.00	1	0.9

LOAN BOOKRUNNERS		(12 Months)		JUNE 2008 - JUNE 2009	
	Lender	Pro Rata (US\$)	Full Credit (US\$)	Deals	Market Share %
1	HSBC Banking Group	1,695,298,778.21	6,390,597,556.42	4	12.0
2	Calyon Corporate & Investment Bank	1,581,548,778.21	4,725,597,556.42	3	11.2
3	Noor Islamic Bank	1,322,000,000.00	5,503,000,000.00	7	9.4
4	Citigroup	1,145,727,891.00	3,240,741,391.00	4	8.1
5	Standard Chartered	1,121,362,850.50	5,042,225,701.00	6	7.9
6	Dubai Islamic Bank	745,500,000.00	4,359,000,000.00	3	5.3
7	BNP Paribas	702,500,000.00	2,655,000,000.00	2	5.0
8	Qatar National Bank	625,000,000.00	2,500,000,000.00	1	4.4
9	Al Hilal Bank	618,500,000.00	2,974,000,000.00	2	4.4
10	Samba Financial Group	524,750,000.00	2,099,000,000.00	2	3.7
11	Royal Bank of Scotland	500,000,000.00	3,750,000,000.00	2	3.5
12	Emirates Bank	377,000,000.00	1,135,000,000.00	2	2.7
13	Mashreqbank	357,713,041.50	531,325,892.00	2	2.5
14	Union National Bank	283,200,000.00	283,200,000.00	1	2.0
15=	Al Khalij Commercial Bank	250,000,000.00	1,500,000,000.00	1	1.8
15=	Standard Bank Group	250,000,000.00	1,500,000,000.00	1	1.8
15=	National Bank of Bahrain	250,000,000.00	250,000,000.00	1	1.8
15=	First Gulf Bank	250,000,000.00	1,500,000,000.00	1	1.8
15=	JP Morgan	250,000,000.00	2,250,000,000.00	1	1.8

ISLAMIC LOANS RAISED		(12 Months)		JUNE 2008 - JUNE 2009	
	Borrower	Country	Islamic Loan Amount (US\$)		
1	Qatari Diar Real Estate Investment	Qatar	2,500,000,000		
2	Investment Corp of Dubai	UAE	2,250,000,000		
3	Saudi Electricity	Saudi Arabia	1,600,597,556		
4	Dubai Financial	UAE	1,500,000,000		
5	Dubai Electricity & Water Authority	UAE	1,474,000,000		
6	Borse Dubai	UAE	827,000,000		
7	Al-Faisal Holding	Qatar	800,714,391		
8	Dubai Department of Civil Aviation	UAE	635,000,000		
9	Saudi Arabian Mining	Saudi Arabia	625,000,000		
10	Brunei Gas Carriers	Brunei	505,000,000		
11	Enoc Supply & Trading	UAE	500,000,000		
12	Al Ghurair Centre	UAE	347,225,701		
13	Dubai Holding	UAE	300,000,000		
14	Arkan Building Materials	UAE	283,200,000		
15	Qatar Real Estate Investment	Qatar	275,000,000		
16	Emirates Group	UAE	272,000,000		
17	Bahrain Mumtalakat Holding	Bahrain	250,000,000		
18	Barwa Real Estate	Qatar	190,580,000		
19	Al Jaber Group	UAE	184,100,191		
20	Commercial Real Estate	Kuwait	155,000,000		



ALL DATA AS OF THE 10<sup>th</sup> JUNE 2009

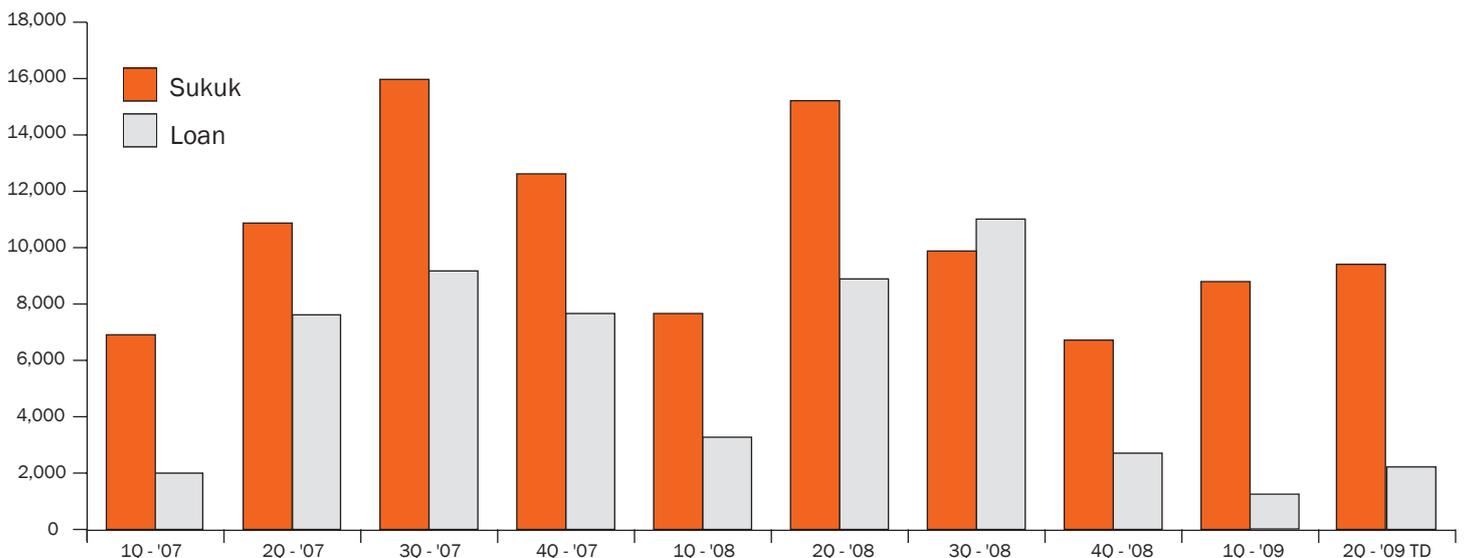
SUKUK BY COUNTRY (12 Months)		JUNE 2008 - JUNE 2009
Country	Volume Issued	Volume Outstanding
Malaysia	31,682,651,808	18,469,361,632
Indonesia	4,064,437,901	1,664,478,438
Cayman Islands	1,171,342,958	1,171,342,958
Jersey	1,093,979,842	1,093,979,842
UAE	1,021,520,022	1,021,520,022
Eurobond	650,000,000	650,000,000
US	650,000,000	650,000,000
Pakistan	368,323,952	368,323,952
Bahrain	289,201,380	111,435,394
Saudi Arabia	206,666,667	206,666,667
Singapore	67,944,014	67,944,014

LOANS BY COUNTRY (12 Months)		JUNE 2008 - JUNE 2009
Country	Volume (US\$)	Market Share(%)
UAE	8,768,552,892	55.1
Qatar	3,766,294,391	23.7
Saudi Arabia	2,225,597,556	14.0
Brunei	505,000,000	3.2
Bahrain	343,700,000	2.2
Kuwait	255,000,000	1.6
Turkey	40,000,000	0.3

SUKUK BY INDUSTRY (12 Months)		JUNE 2008 - JUNE 2009
Industry	Volume Issued	Volume Outstanding
Sovereign	22,605,241,406	10,856,590,348
Other financial	10,844,353,068	9,497,817,009
Agency	3,098,063,114	3,041,277,197
Manufacturing	2,102,293,550	674,494,572
Service company	994,799,288	607,803,263
Energy company	573,503,598	147,609,220
Transportation	352,038,521	140,510,980
Banks	293,721,995	293,721,995
Consumer goods	184,554,231	109,312,890
Electric power	131,469,109	105,915,446
Gas distribution	86,030,664	-

LOANS BY INDUSTRY (12 Months)		JUNE 2008 - JUNE 2009
Industry	Volume (US\$)	Market Share(%)
Financial services	3,170,700,000	19.9
Utilities	3,074,597,556	19.3
Real estate	3,030,000,000	19.1
Government	2,885,000,000	18.1
Business services	950,741,391	6.0
Construction	657,880,191	4.1
General manufacturing	625,000,000	3.9
Oil and gas	551,000,000	3.5
Retail and supermarkets	387,225,701	2.4
Telecommunications	300,000,000	1.9
Transportation	272,000,000	1.7

GLOBAL ISLAMIC VOLUME SUKUK/LOANS (US\$ IN MILLIONS)



## EVENTS DIARY 2009

DATE	EVENT	VENUE	ORGANIZER
June			
29 <sup>th</sup> – 30 <sup>th</sup>	5 <sup>th</sup> International Islamic Finance Forum Asia 2009	Kuala Lumpur	Informa
30 <sup>th</sup> – 2 <sup>nd</sup>	The Takaful Summit 2009	London	Middle East Business Forum
July			
2 <sup>nd</sup> – 3 <sup>rd</sup>	2009 London Sukuk Summit	London	ICG Events
8 <sup>th</sup>	1 <sup>st</sup> World Islamic Banking Conference-European Summit	London	MEGA Events
August			
3 <sup>rd</sup> – 5 <sup>th</sup>	IFN Asia Forum 2009 Issuers & Investors	Kuala Lumpur	Islamic Finance events
September			
16 <sup>th</sup>	UK IFN Roadshow	UK	Islamic Finance events
October			
6 <sup>th</sup>	Japan IFN Roadshow	Japan	Islamic Finance events
12 <sup>th</sup> – 13 <sup>th</sup>	5 <sup>th</sup> Middle East Insurance Forum	Bahrain	MEGA Events
20 <sup>th</sup>	Brunei IFN Roadshow	Brunei	Islamic Finance events
November			
3 <sup>rd</sup>	India IFN Roadshow	India	Islamic Finance events
3 <sup>rd</sup>	4 <sup>th</sup> World Islamic Infrastructure Finance Conference	Doha	MEGA Events
5 <sup>th</sup>	Pakistan IFN Roadshow	Pakistan	Islamic Finance events
	3 <sup>rd</sup> World Islamic Infrastructure Finance Conference	Qatar	MEGA Events
	Islamic Investment World Middle East 2009	Middle East	Terrapinn
December			
6 <sup>th</sup> – 8 <sup>th</sup>	16 <sup>th</sup> World Islamic Banking Conference	Bahrain	MEGA Events

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