



Sukuk Summit 2008

London, June 2008

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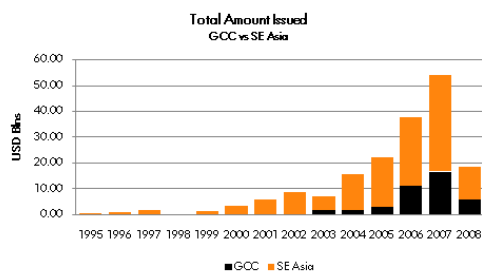
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2. Global Sukuk Issuance
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The Global Sukuk Market is Over USD 100 billion

The market is diversified with increasing choice from larger, listed International issues

- Globally, US\$109.7 billion Sukuk are outstanding.
- The global Sukuk market grew at a CAGR of 42.3% from '95-'07
- Malaysia is the largest player in the market, with US\$71.8bn issuance to date (including sovereign issues).
- Issuance from the MENA region has recorded steady growth with notable prominence in 2006 and 2007.
- In 2007, MENA Sukuk issues totaled US\$ 16.5 billion vs. Malaysia's US\$ 27 billion. More than US\$ 30 billion is expected during 2008 from the MENA region.
- China, Japan, Indonesia and Thailand intend to issue sovereign Sukuk this year.



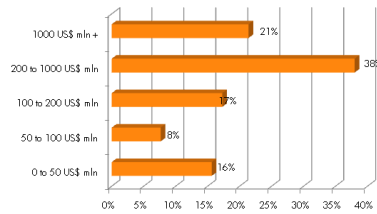
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Global Sukuk Issuance

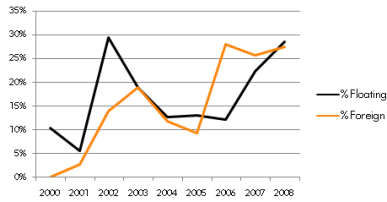
General Features

- About 40% of the global Sukuk market is too small for international investors (issuance <USD100 million).
- Increasing proportion of deals are benchmark in size (USD 1 billion plus) – reflective of deepening of global market.
- Almost equal proportion of domestic and foreign issues globally.
- Prevalence of Fixed Rate issues in Asian markets which skews percentage of fixed-rate issuance globally.
- Floating rate issues mirror foreign issues reflective of the GCC region as an international Sukuk market.

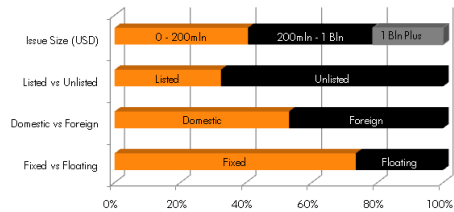
Global Sukuk Distribution by Issue Amount



FRN and Foreign Issues as % of Total Issues



Global Sukuk Issuance Features
USD 109 Billion



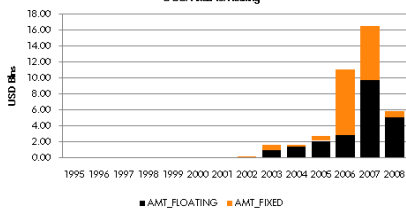
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Global Sukuk Market Issuance

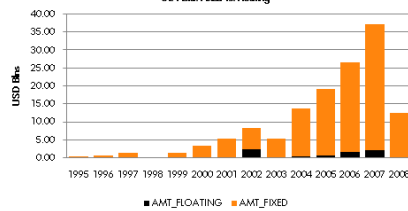
Comparison of GCC to S.E. Asia (1)

- GCC Markets have significantly more floating rate issues
- S.E. Asia Market substantially comprise of fixed rate issues due to the predominantly fixed-rate Sukuk issued in Malaysia - reflective of benign interest rate environment since 2003.
- Similar trend observed in these two markets i.e. significant slowdown in issues a result of global credit turmoil rather than industry specific disruption

Total Amount Issued
GCC: Fixed vs. Floating



Total Amount Issued
SE Asia: Fixed vs. Floating

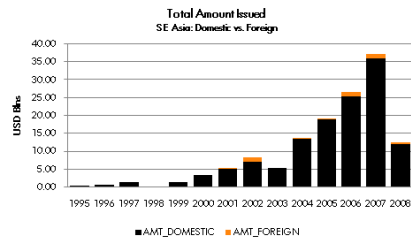
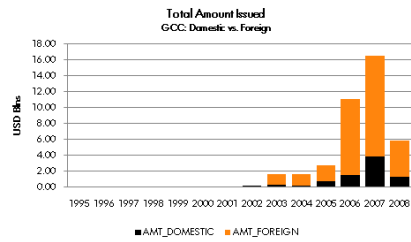


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Global Sukuk Market Issuance

Comparison of GCC to S.E. Asia (2)

- GCC Markets have significantly more Foreign Market Issues (EMTN, Euro-Non Dollar, Euro-Dollar)
- Malaysian domestic issuance consistent and resilient, a result of its large local investor base
- Local currency issues in GCC is gaining market share due to the sharp decline in USD issuance following the credit turmoil and investor appetite for GCC currencies hopeful of FX revaluations

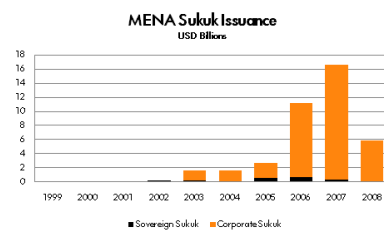
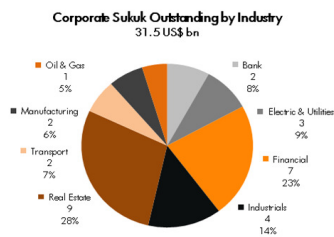


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MENA Sukuk Now Represent 1/3 of Global Market

Sukuk issuance is growing faster than conventional bonds

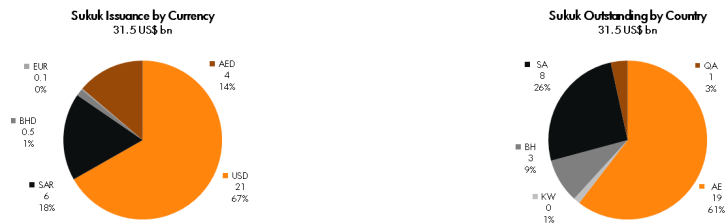
- Corporate Sukuk drives MENA Sukuk issuance which is set to continue in 2008
- Top 3 sectors (Real Estate, Financial and Industrial) make up 65% of total issuance.
- Real estate and Financial sector will dominate new issuance.



MENA Sukuk Issuance

General Features

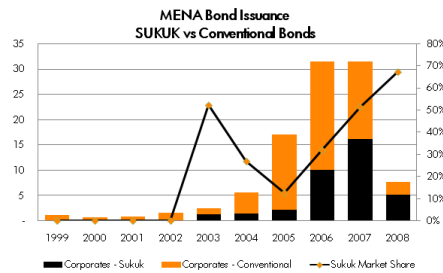
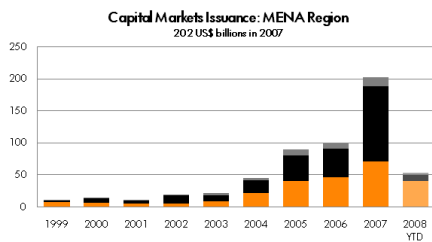
- UAE leads MENA issuance at 61% compared to other GCC markets
- By currency, USD issuance dominates at 67%. However percentage of USD issuance will decline as issuers tap local currency liquidity in the short term.



9 Source: Bloomberg; Algebra Capital. As at 31.05.08. Algebra Capital, HSBC and DIFX

MENA Issuance Set to Increase and Improve Liquidity

The private sector is driving issuance, innovation and growth which is set to continue



- Sukus now represent 34% of MENA corporate issues. **Sharia based investing is imperative for MENA debt exposure.**
- Conventional bonds and Islamic Sukus to gain market share over syndicated loans.
- The region is in a positive environment for credit** (unlike developed markets, which are de-leveraging and raising capital)
- Healthy pipeline of issuance for the rest of 2008.

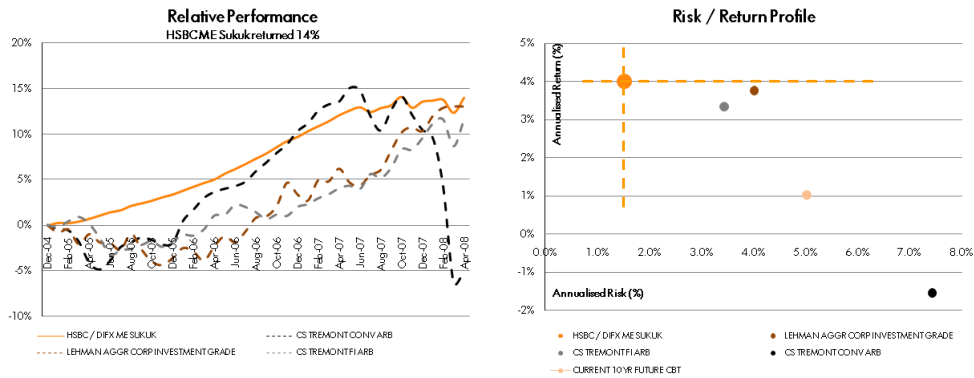
Pipeline of Sukuk Issues in 2008

| Issuer | USD Million | Country |
|------------------------------------|---------------|---------|
| Ras al Khaimah Properties | 2,000 | UAE |
| Qatar Fertilizer Company | 1,200 | Qatar |
| Abyaar Real Estate Development | 1,000 | Kuwait |
| Doha Bank | 1,000 | Qatar |
| Bahrain Islamic Bank | 1,000 | Bahrain |
| Union Properties | 1,300 | UAE |
| Barwa Real Estate | 700 | Qatar |
| Gulf Holding Company | 620 | Kuwait |
| Al Rajhi Cement Investment Company | 600 | KSA |
| Ithmaar Bank | 300 | Bahrain |
| Amlak Finance | 260 | UAE |
| Al Baraka Banking Group | 250 | Bahrain |
| Total | 10,230 | |

10 Source: Bloomberg, Algebra Capital. As at 31.05.2008

MENA Sukuk Indices: Relative Performance

Its been tough for fixed income recently, but MENA Sukuk performed well.



11 Source: Bloomberg, Algebra Capital. As at 31.05.2008. Correlations based on 40 months data

MENA Sukuk Indices: Correlations

Sukuk help diversify traditional and Islamic Portfolios

| | HSBC / DIFX ME SUKUK | HSBC / DIFX ME CORPORATE | LEHMAN AGGR CORP INVESTMENT GRADE | CS TREMONT FI ARB | CS TREMONT CONV ARB | CURRENT 10 YR FUTURE CBT | FTSE All World Equity Index | MSCI World Equity Index | MSCI EM Equity Index |
|-----------------------------|----------------------|--------------------------|-----------------------------------|-------------------|---------------------|--------------------------|-----------------------------|-------------------------|----------------------|
| HSBC / DIFX ME SUKUK | | | | | | | | | |
| HSBC / DIFX ME CORPORATE | 18% | | | | | | | | |
| LEHMAN GOVT AGG GLOBAL | 6% | 53% | | | | | | | |
| CS TREMONT FI ARB | 40% | 9% | 14% | | | | | | |
| CS TREMONT CONV ARB | 7.1% | 5% | 4% | 43% | | | | | |
| CURRENT 10 YR FUTURE CBT | -35% | 17% | 59% | -28% | -32% | | | | |
| FTSE All World Equity Index | 45% | 34% | 5% | 19% | 46% | -48% | | | |
| MSCI World Equity Index | 46% | 32% | 4% | 17% | 47% | -50% | 100% | | |
| MSCI EM Equity Index | -5% | -7% | -11% | -3% | -9% | 9% | -39% | -38% | |

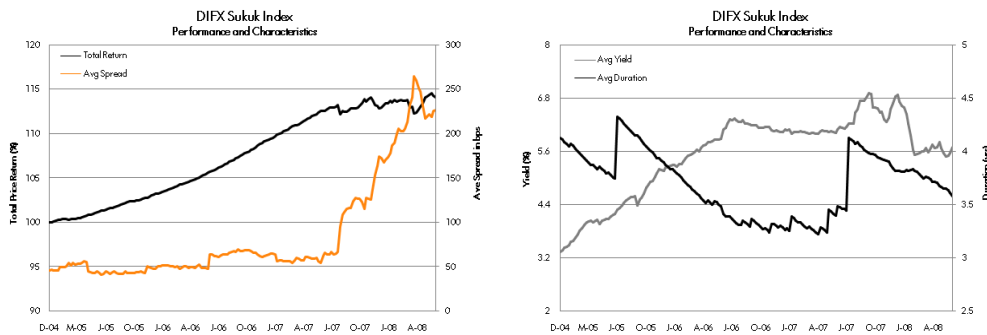
- Negative or low correlation to traditional equity, fixed income and commodity indices.

- This is very much a function of the Market's investor base and security specific features.

12 Source: Bloomberg, Algebra Capital. As at 31.05.2008. Correlations based on 40 months data

MENA Sukuk Indices: Absolute Performance

Recent global credit turmoil presents us with good buying opportunities



Source: As at 31.05.2008. Algebra Capital, HSBC and DIFX

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Current Issues and Concluding Remarks

- MENA and S.E Asia continues to drive global Sukuk issuance in 2008.
- S.E Asia issuance expected to surpass MENA due to consistent growth in the Malaysian Sukuk market as well as sovereign issues by Indonesia and Thailand this year.
- MENA will continue to lead foreign issues as it dominates the international Sukuk market.
- The recent credit turmoil has affected issuance from the two regions. Prospects for 2009 remains bright.
- Recent issuance from the MENA region are largely based on Sukuk Ijarah structure.
- From a Shariah perspective, recent AAOFI and scholars statements will most probably bring increased standardization and promote the adoption of Ijarah structures for more "fixed-income" like securities and Mudharaba and Musharakah structures for more "equity linked" securities

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al·ge·bra (al'je brə)

noun

- 1.a mathematical system using symbols, esp. letters, to generalize certain arithmetic relationships
- 2.any of various symbolic mathematical systems having formal rules of operation, defined relationships, finite processes
- 3.Etymology: 1551 ME < ML < Ar *al-jabr*, the reunion of broken parts < *al*, the + *jabara*, to reunite. Used in the title of a famous 9c treatise on equations by the Baghdad mathematician al-Khwarizmi which also introduced Arabic numerals to the West. The word was used in Eng. 15c.-16c. to mean "bone-setting," probably from the Arabs in Spain.