

## Sukuks – *A new dawn of Islamic finance era.....*

- **The Islamic financial services industry has witnessed a frenetic pace of growth during the last decade.** Since its inception three decades ago, the number of Islamic financial institutions worldwide has risen to over 300 at present in more than 75 countries.
- **According to Standard and Poor's, the Islamic finance industry is worth about US\$500bn in assets, and has been growing at about 10% a year for the last decade.** While estimates about the size of the industry differ, conservative sources put total assets of Islamic financial institutions at US\$230bn, and they are expected to grow at over 15% during the next 5 years.
- **There are a number of traditional Islamic financial contracts, and through financial engineering new contracts can be designed in compliance with the prohibition of Riba and Gharar.**
- **The proper classification of the asset classes will determine the type of certificates to be issued.** It is imperative to note that these assets can be prepared for the issuance of trust certificates in a number of ways conditional on the needs of the issuing entity. There are 14 different types of Sukuks described as permissible in the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Sharia standards on Sukuk.
- **The Sukuk market has emerged in 2002 with the Malaysian government's US\$600mn Sukuk issue;** The development of the Sukuk market has been facilitated by sovereign benchmark issues that have been growing strongly (up 40% in the first 6 months of 2007 compared to 2006 as a whole). In value terms, about 36% of these issues originated in Asia, primarily Malaysia, Pakistan and Brunei, and 62.1% in the GCC during the period 2001-2007.
- **UAE was leading in terms of issues' size during 2001 till 2007, where it contributed 36.2% of total world Sukuk issuance.** Malaysia contributed 32.1% in the same period despite the fact that Malaysia had the largest number of Sukuks issued amounting to 137 issues, as compared to the total number of issues of 29 in the UAE.
- **Despite the strong potential for the Sukuk market, as is the case with any evolving securitization market, a number of economic, legal, and regulatory challenges remain, irrespective of Shariah compliance.** Ongoing efforts by key Islamic regulators—notably the Accounting and Auditing Organization for Islamic Financial Institutions, the International Islamic Financial Market, and the Islamic Financial Services Board—to facilitate harmonization of standards and practices should help overcome some of these teething pains.



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## I. Islamic Finance

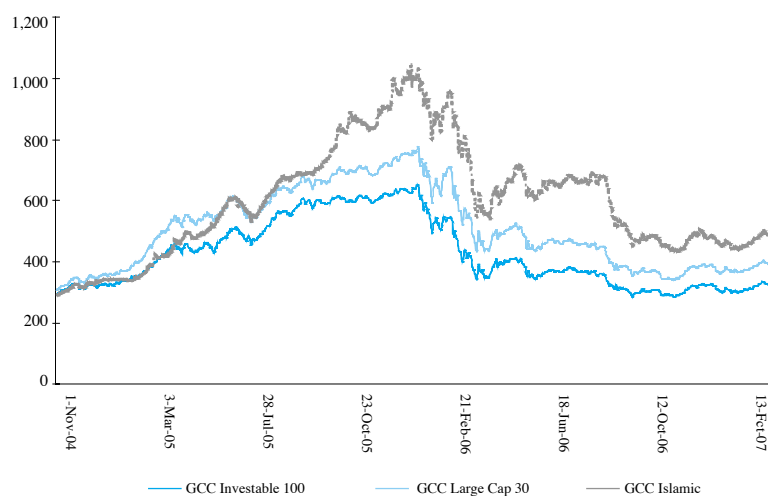
### Overview of the Islamic Financial System

The Islamic financial services industry has witnessed a frenetic pace of growth during the last decade. Since its inception three decades ago, the number of Islamic financial institutions worldwide has risen to over 300 at present in more than 75 countries. They are concentrated in the Middle East and Southeast Asia (with Bahrain and Malaysia as the biggest hubs), and they are also expanding into Europe and the United States.

According to Standard and Poor's, the Islamic finance industry is worth about US\$500bn in assets, and has been growing at about 10% a year for the last decade. While estimates about the size of the industry differ, conservative sources put total assets of Islamic financial institutions at US\$230bn, and they are expected to grow by over 15% during the next 5 years. Notwithstanding the encouraging data, the fact remains that the industry is too small compared to the size of its potential market. One of the key impediments to the growth of Islamic finance is lack of awareness among Muslims about the alternative models of banking, insurance, and investments.

It is worth noting that growth in Islamic finance, particularly in the Gulf region, is due to a number of factors. First, the increase in oil prices has created an economic boom resulting in unprecedented accumulation of wealth. The absorptive capacity of the Gulf region is limited, and the need to create financial institutions to recycle petrodollars has become more acute. Second, as a result of the US policy towards certain financial organisations and charitable foundations, the Muslim world has reacted by expanding the demand for more Islamic banking. Third, Gulf investors found out that more money can be made in Islamic banking than their conventional counterparts given the regulatory regimes in the Islamic banking industry are still developing. There is also the fact that there are 1.2bn Muslims worldwide with only 300 Islamic banks serving their banking needs in accordance to the Sharia principles. This translates into one bank serving every 4mn Muslims, therefore, the field is still wide open for new Islamic Banks to tap into the market. Last but not least is the fact that Islamic finance has received a great deal of interest from regional fund managers, and recently international ones, due to its emergence as a different financial asset class than its conventional counterparts which presented an opportunity for diversification.

Islamic banking is one such brilliant idea, a powerful alternative and a promising tool to change the entire landscape of banking, yet it is still somehow tangled in mixed messages and brand communication barriers. The current success of Islamic banking, amassing US\$500bn and counting, is a small measure of success, compared with the size of global banking. However, at this rate of progress it is easily expected to reach the range of a trillion dollars in the next decade.

**Figure 01: Global GCC Islamic Index in comparison with equity Indices**

Source: *Global Research*

It is evident that the Global GCC Islamic Index has been moving in tandem with GCC equity indices until mid 2005 where the Islamic index gained momentum as Islamic stocks overtook other GCC equities in value, due to an increasing interest in Islamic stocks.

Somehow, every Islamic banking institution with its own Sharia board has a slightly different interpretation of the rules, causing major communication and brand identity challenges. Today, bankers in the industry are faced with the challenges of effectively communicating their special messages to the Muslim and non-Muslim markets. Unless there is a general consensus among the major players of Islamic Banking on creating a universally accepted set of regulations that are clear to the masses, and carry the power and meaning of Sharia law, the popularity of this concept will become a lingering challenge. The future creation of a central body to govern Sharia compliance rules and coordinate Sharia boards in unified harmony is the most desired objective on the table today.

Islamic finance offers an alternative financial paradigm. It is unique in that religious doctrines are avowed in the commercial and financial behaviour, transactions, and sectors. The Islamic finance paradigm is based on the following set of prohibitions:

- i. Transactions in unethical goods and services
- ii. Earning returns from a loan contract (Riba/Interest)
- iii. Compensation-based restructuring of debts
- iv. Excessive uncertainty in contracts (Gharar)
- v. Gambling and chance-based games (Qimar)
- vi. Trading in debt contracts at discount
- vii. Forward foreign exchange transactions

These have important implications for the trading of financial assets, the risks of the assets and their mitigation, and for the management of Islamic financial assets. Three of the above-mentioned prohibitions constitute the pinnacle of Islamic finance and hence, their description is in order.

**Prohibition of Riba (*Interest*)** is any return/reward or compensation charged on a loan contract as well as charged in rescheduling debts. The economic implication is that money is considered as a medium of exchange effectively created to be sought not in itself but for other commodities. It is maintained that when money is loaned, the funds are used to create either a debt (in which case there is no warrantable rationale why the lender should accept a return), or an asset (in which case there is no justifiable reason why an unconditional assurance of interest should be imposed by the market)

**Prohibition of *Ghara* (Excessive Uncertainty):** It is argued that decisions under uncertainty, as opposed to gambles, imply evaluating the market value of causality such that the value of these causes will offset the potential losses.

**Avoidance of Unethical Investments and Services:** Sharia scholars have been unanimous in disapproving of investments in business sectors that may be deemed unethical such as casinos, tobacco companies, wineries, etc..

The applicability of Islamic financial contracts is unique. Islamic financial instruments not only needed to afford the different parties a feasible profit, but to do so in a manner compliant with Islamic law. There are a number of traditional Islamic financial contracts, and through financial engineering new contracts can be designed in compliance with the prohibition of Riba and Gharar.

### **Islamic Financial Products**

An Islamic financial system, just like its conventional counterpart, provides a linkage between “savings surplus units” (SSU’s) and “savings deficit units” (SDU’s) through an array of financial products and services that do not violate the norms of Islamic Sharia. There are exchange-based contracts, such as Murabaha, Bai Bithaman Ajil, Ijara, Salam, Istisna, Istijrar that create debt and hence, underlie debt-based financing products and securities. There are participatory contracts, such as Mudaraba and Musharaka that underlie equity-based financing contracts and securities. There are also contracts such as Wadiah, Qard, and Amana that underlie deposit products used for mobilising funds from SSU’s to SDU’s. There also are products, such as Wikala and Ujr that underlie many fee-based products. We restrict ourselves in this report to investigating the debt based Islamic financial products, mainly the Sukuks, however, the definitions of equity and fee based Islamic financial products are in order.

### **Equity Based Islamic Financial Products**

The main forms of equity-based Islamic financial products are the Mudaraba and Musharaka. These are referred to as trustee project finance and joint venture project

finance respectively. The former involves a combination of entrepreneurship and capital while the latter involves a partnership in entrepreneurship and capital. There also is the novel concept of declining Musharaka leading to complete ownership of asset or project by the customer. Mudaraba and Musharaka are non-debt creating modes of finance. The principal amount of finance is not guaranteed. Therefore, the entrepreneur is not required to pay back the total amount of financing, nor is he required to pay a fixed amount of profit. However, he rather agrees to pay a predetermined proportion of total profits.

### **Fee based Islamic Financial Products**

Conventional banks offer a wide array of products to its clients, some of which are fee-based which contribute substantially to their income bases. Such products are important as they do not require employment of funds. Islamic banks also offer such products with a slight distinction from their conventional counterparts in order to conform with the Islamic Sharia. Islamic banks offer a numerous range of fee-based products including Wakala, and Kafala which are the most used.

### **Debt Based Islamic Financial Products**

Working capital financing is a keystone of every financial system. Financial institutions throughout the world face similar business challenges. These include maintaining adequate capital ratios, financing inventories, and extending credit sales. Islamic finance usually necessitates an analysis of what implications the religious rulings have on the operations of functioning financial institutions.

Islamic financial institutions are not allowed to extend lines of credit that bear interest receivables. Consequently, other avenues of working capital financing are required and these are found in exchange contracts. The predominant form of an exchange contract is by the deferred trading principle (DTP).

Three forms of DTP contracts arise and they can be classified as: price deferred sale, object deferred sales, and object and price deferred sale. The price deferred sale is manifested when the buyer buys from the seller on credit and defers the payment of a price, which can be higher than the spot price, for a future date agreed upon with the seller. Object deferred sale materialises when the buyer can pay in advance and receives goods at a future date. Object and price deferred sales is a special case of exchange contracts where it can follow both, object deferred and price deferred routes, whichever may be suitable to design. From the preceded contract forms, the following debt-based Islamic financial instruments are derived: Bai Bithaman Ajil (BBA), Murabaha, Ijara, Salam, Istisna, Istijrar, Qard hasan, bai al dayn, bai al einah, and tawarruq. Out of these products, the most popular are BBA- Murabaha, Ijara, and Istisna.

**Table 01: Conventional Financial Products vs Islamic Financial Products**

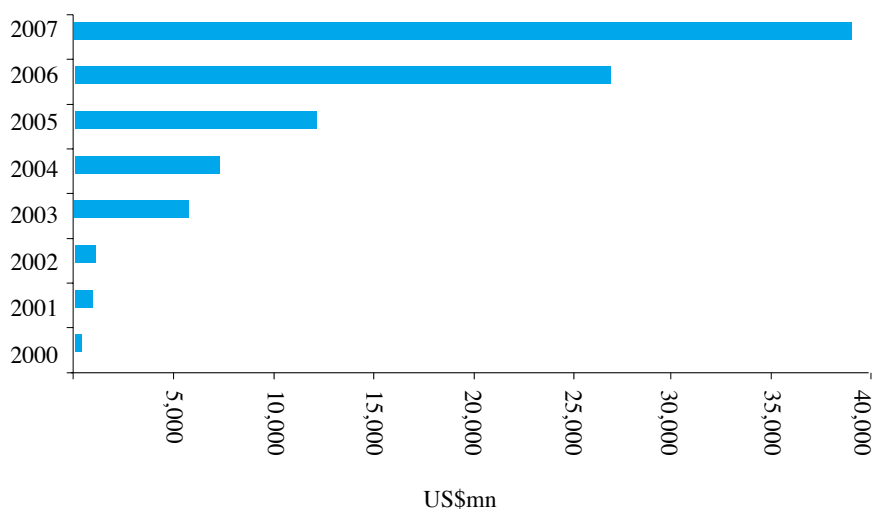
<b>Conventional Financial Products/Services</b>	<b>Islamic Underlying Contracts</b>
<b>- Deposit Services</b>	
Current Deposit	Wadiah Wad Dhamana / Qard Hasan
Savings Deposit	Wadiah Wad Dhamana / Mudarabah
General Investment Deposit	Mudarabah
Special Investment Deposit	Mudarabah
<b>- Retail / Consumer Banking</b>	
Housing and Property Finance	Bai-Bithaman-Ajil (BBA) / Ijara wa Iktina / Deminishing Musharaka
Hire Purchase	Ijara Thumma Al-Bai
Share Financing	BBA / Mudarabah / Musharaka
Working Capital Financing	Mudarabah / Bai Al-Einah / Tawarruq
Credit Card	Bai Al-Einah / Tawarruq
Charge Card	Qard Hasan
<b>- Corporate Banking / Trade Finance</b>	
Project Financing	Mudaraba / Musharaka / BBA / Istisna / Ijara
Letter of Credit	Musharaka / Wakala / Murabaha
Venture Capital	Deminishing Mudaraba / Musharaka
Financing Syndication	Musharaka + Murabaha / Istisna / Ijara
Revolving Financing	Bai Al-Einah
Short-term Cash Advance	Bai Al-Einah / Tawarruq
Working Capital Finance	Murabaha / Salam / Istijarah
Letter of Credit	Murabaha
Letter of Guarantee	Kafala + Ujr
Leasing	Ijara
Export / Import Finance	Musharaka / Salama / Murabaha
Work-in-progress, Construction Finance	Istisna
Bill Discounting	Bai Al-Dayn
Underwriting Advisory Services	Ujr
<b>- Treasury / Money Market Investment Products</b>	
Sell and Buy-back Agreements	Bai Al-Einah
Islamic Bonds	Mudarabah / Musharaka + BBA / Istisna / Ijara
Government Investment Issues	Qard Hasan / Salam / Mudaraba
<b>- Other Products and Services</b>	
Stock Broking Services	Murabaha / Wakala / Joala
Funds Transfers (Domestic and Foreign)	Wakala / Joala
Safe-keeping and Collection (Negotiable Instruments)	Wakala / Joala
Factoring	Wakala / Joala / Bai Al-Dayn
Administration of Property, Estates & Wills	Wakala
Hiring of String Boxes	Amana / Wakala
Demand Draft, Traveller's Cheques	Ujr / Joala
ATM Service, Standing Instruction, Telebanking	Ujr

## II. Sukuks

### Overview of Sukuk Market

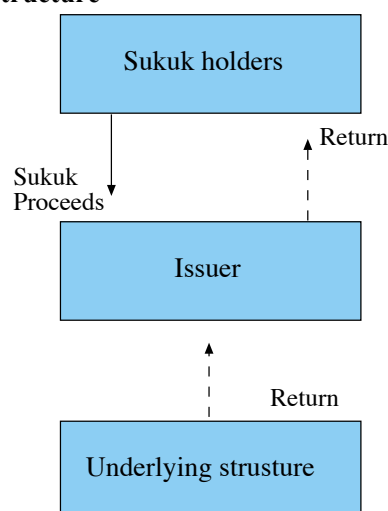
The market for Islamic financial instruments is thriving and a growing number of countries are considering tapping the Sukuk market to diversify their investor base and deepen domestic capital markets. This increase in demand, along with the standardisation of Islamic securities, is expected to fuel further growth of the Sukuk market. The World Bank issued its first local-currency dominated Malaysian Ringgits 760mn (US\$200mn) Sukuk in 2005. Similarly, hedge funds and conventional institutional investors have increasingly been drawn to Islamic securities in search for yield pick-up and diversification. This has resulted in a flurry of Islamic securitisation transactions, with the issuance of Sukuks quadrupling to US\$27bn in 2006 and US\$39.0bn as of October 2007, from US\$7.2bn in 2004 as per McKinsey and Company's world Islamic banking competitiveness report.

**Figure 02: International Sukuk Issuance**



Source: McKinsey and Company, *World Islamic Banking Competitiveness Report, 2007-08*

In today's business practice, the term Sukuk means a claim similar to that represented by a trust certificate. The claim stems from the fact that the certificate represents a beneficial ownership interest in the underlying asset generating cash flow. These issues are often referred to as Islamic bonds. In essence, the Sukuk is a financial instrument that sits above a Sharia-compliant underlying structure which generates an income for the holder of the instrument.

**Figure 03: Basic Sukuk Structure**

Source: *Global Research*

A conventional investment banker creates financial securities through a process of financial engineering in an effort to satisfy their clients' various financial needs and different appetites for risks. The investment banker raises funds in the market, public and private, by selling those securities. An Islamic investment banker does exactly the same thing; the only difference is that the process of financial engineering is limited by the Islamic Sharia, hence Islamically undesirable practices are eliminated automatically.

The creation of Islamic financial securities can be done in two distinct ways: direct structuring of securities, and the process of asset securitisation. Direct structuring involves the issuance of securities initially, and the funds raised will be used to fund certain assets/projects with the client company. The profits generated from these assets/projects are then distributed amongst security holders. The opposite to direct structuring is asset securitisation, where existing assets of the client company are identified, pooled, and then securities are issued against them.

There are many structures that can generate the revenue paid to Sukuk holders. Most Sukuk issuances to date have been wholly asset-based rather than asset-backed; this has an impact on their ratings. In an asset-based Sukuk, Sukuk holders rely for payment on the company seeking to raise finance (the originator), in the same way as they would under a corporate bond issue. In an asset-backed Sukuk, Sukuk holders rely on the assets of the Sukuk for security. More importantly, in an asset-based Sukuk, the market value of the underlying assets has no bearing on the redemption amount as this is fixed at the outset when the relevant undertakings are agreed. More recently, the market has seen issuances with a mix of cash and assets, and in several cases, Sukuks have been issued for a new business with no tangible assets. The issuances of convertible and exchangeable Sukuks are more recent developments.

## Profile of Sukuk Structures

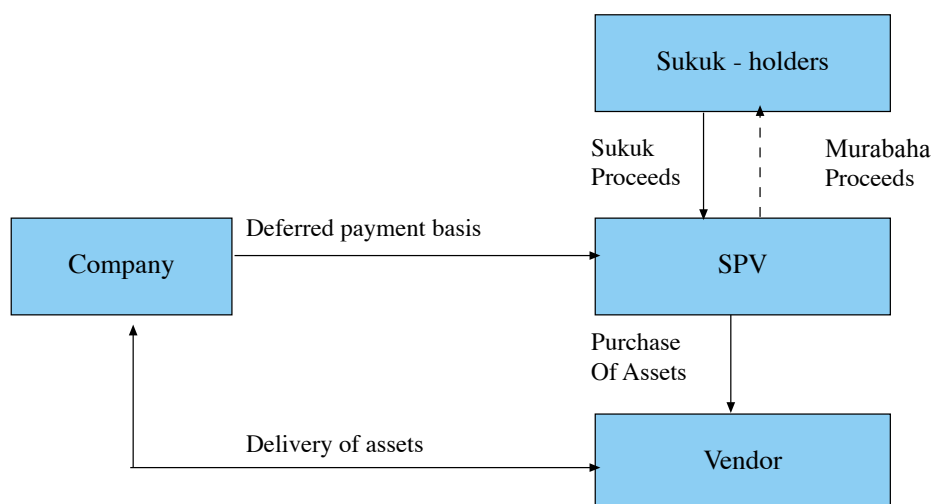
The proper classification of the asset classes will determine the type of certificates to be issued. It is imperative to note that these assets can be prepared for the issuance of trust certificates in a number of ways conditional on the need of issuing entity. There are 14 different types of Sukuk described as permissible in the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Sharia standards on Sukuk. Not all of these different types have been used in the market and some are never likely to be used as they are of largely historical interest. The more straightforward applications of the most popular structures are described below.

It is worth bearing in mind that, in the majority of Sukuks issued to date, the relevant redemption monies are payable in accordance with purchase undertakings or repurchase agreements. However, some Sharia scholars have questioned whether such agreements comply with Sharia. Indeed, these scholars have stated a preference for the redemption monies to depend on the actual performance of the underlying asset.

### Sukuk al Murabaha

It is a process of direct structuring of securities wherein a special purpose vehicle (SPV), created by the company that needs funds in consultation with an investment bank, invests the funds raised through sale of Sukuk in Murabaha operations. The company purchases the asset from the SPV on a Murabaha basis. The periodic instalments paid by the company in future to the SPV account for the repayment of the cost and the profit component.

**Figure 04: Sukuk al Murabaha structure**



Source: *Global Research*

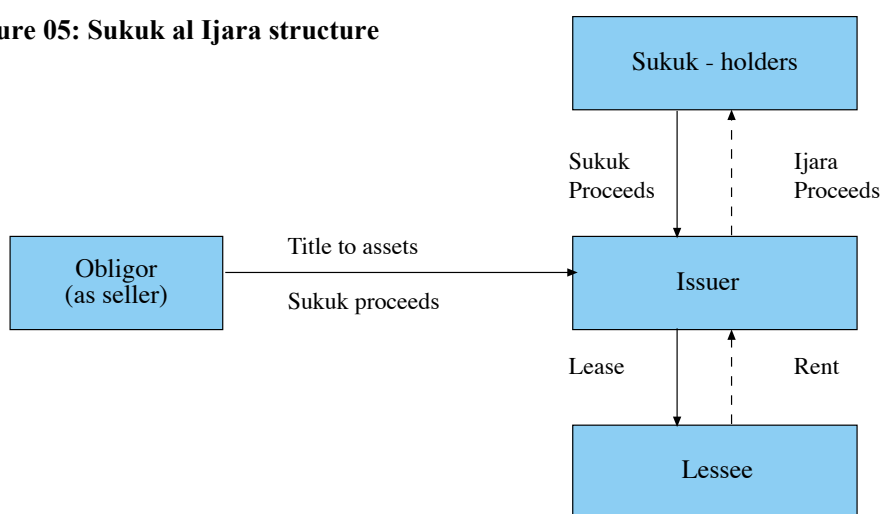
Sukuk al Murabaha can not be traded in the secondary market at a negotiated price, and hence, they are not liquid. It has been found, in parts of the Islamic world, that the sale of debt at a pre-negotiated price or at a discount opens the floodgates of Riba.

Only if investors hold on to the instruments till maturity, the yield on the instrument would constitute legitimate profit. The impermissibility of secondary market trading, however, severely limits the liquidity, and therefore, attractiveness of the instrument from investor's viewpoint.

### Sukuk al Ijara

These certificates are issued on stand-alone assets identified on the balance sheet. The assets can be parcels of land to be leased or leased equipment such as aircrafts and ships. The rental rates of returns on these Sukuks can be both fixed and floating depending on the particular originator. The income generated under a Sukuk al Ijara comes from the underlying rent receivables.

**Figure 05: Sukuk al Ijara structure**



Source: *Global Research*

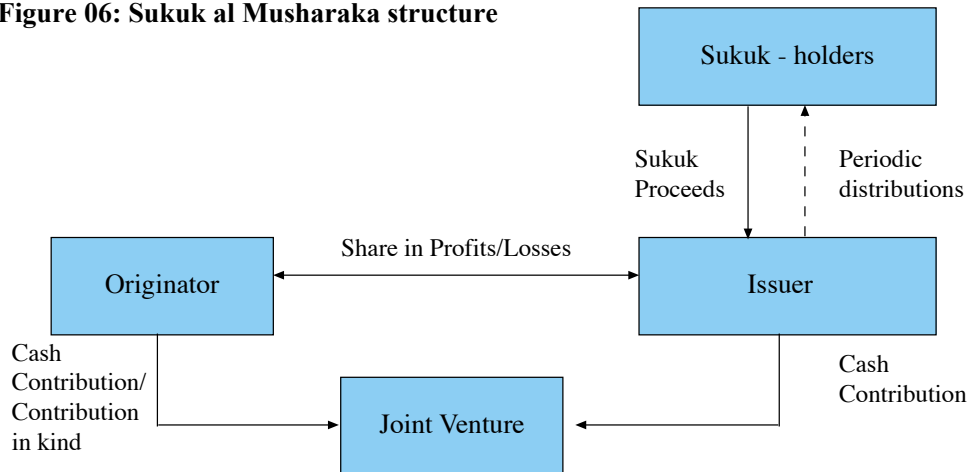
The company seeking to raise finance through the issuance of Sukuk al Ijara (the originator) sells certain assets to the issuer. The issuer, then, pays for the assets using the proceeds of the Sukuk issuance and holds title to the assets on trust for the Sukuk holders. The issuer leases the assets back to the originator for a fixed period of time and for a rent. At maturity, the originator may have the right to purchase the assets back from the issuer at a price which would represent the redemption value for the Sukuk holders at maturity.

### Sukuk al Musharaka

Several corporate entities refer to these Sukuk as Musharaka Term Finance Certificates (MTFCs). They can be considered as an alternative to Sukuks because of their seniority to the issuer's equity, its redeeming nature and its relatively stable rate as compared to dividend payouts. Under the Sukuk al Musharaka, the Sukuk holders' contribute a capital amount to the issuer. The issuer then enters into a joint venture with the party seeking finance (the originator) where the issuer provides the capital received from the Sukuk holders, and the originator supplies the assets and/or their own capital required for

the business to function. The profits from the Musharaka business are distributed to the issuer and the originator at a predetermined basis. Any losses are shared in proportion to the capital contribution, and the issuer pays a periodic distribution amount to the Sukuk holders from the Musharaka profit distribution.

**Figure 06: Sukuk al Musharaka structure**



Source: *Global Research*

MTFCs have a few advantages; first, employing Musharaka returns is preferred from the viewpoint of jurists as such an arrangement would strengthen the paradigm of Islamic banking that considers partnership contracts as the embodiment of core ideals. Secondly, the floating rate of returns on these certificates would not depend on benchmarking with market references such as LIBOR, but would instead be contingent on the firm's balance sheet actualities.

The salient features of the different types of investment Sukuks are summarised in the table below.

**Table 02: Profile of Sukuk Structures**

Types of Investment Sukuk	Description of Investment Sukuk	Shariah rulings and requirements
Certificates of ownership in leased assets	These are certificates carry equal value and are issued either by the owner of a leased asset or an asset to be leased by promise, or by his financial agent. The aim of which is to sell the asset and recover its value from subscription, in which case the holders of the certificates become owners of the assets.	<p><b>Issuer:</b> sells a leased asset or an asset to be leased on promise.</p> <p><b>Subscribers are:</b> The subscribers are buyers of the asset.</p> <p><b>Mobilized Funds:</b> are the purchase price of the asset</p> <p><b>Certificate Holders:</b> become the owners of the assets jointly with its benefits and risks.</p>
Certificates of ownership of usufructs of existing assets	These are documents of equal value that are issued either by the owner of usufruct of an existing asset or a financial intermediary acting on the owner's behalf. The aim of leasing or subleasing this asset is to receive rental from the revenue of subscription. In this case, the holders of the certificates become owners of the usufruct of the asset.	<p><b>Issuer:</b> sells usufruct of an existing asset.</p> <p><b>Subscribers are:</b> buyers of the usufructs</p> <p><b>Mobilized Funds:</b> are the purchase price of the usufructs</p> <p><b>Certificate Holders:</b> become the owners of the usufructs jointly with its benefits and risks.</p>
Certificates of ownership of usufructs to be made available in the future as per description	These are documents of equal value issued for the sake of leasing assets that the lessor is liable to provide in the future whereby the rental is recovered from the subscription income, in which case the holders of the certificates become owners of the usufruct of these future assets.	<p><b>Issuer:</b> sells usufruct of an asset to be made available in the future as per specification</p> <p><b>Subscribers are:</b> buyers of the usufructs.</p> <p><b>Mobilized Funds:</b> Are the purchase price of the usufructs.</p> <p><b>Certificate Holders:</b> become the owners of the usufructs jointly with its benefits and risks</p>
Certificates of ownership of services of a specified supplier	These are documents of equal value issued for the sake of providing or selling services through a specified supplier (such as educational programmes in a nominated university) and obtaining the value in the form of subscription income, in which case the holders of the certificates become owners of the services.	<p><b>Issuer:</b> sells services.</p> <p><b>Subscribers are:</b> buyers of the services.</p> <p><b>Mobilized Funds:</b> are the purchase price of the services.</p> <p><b>Certificate Holders:</b> are entitled to sell all types of usufructs in addition to the funds of reselling such usufructs.</p>

Salam certificates	These are documents of equal value issued for the sake of mobilizing Salam capital and the items to be delivered on Salam basis are owned by the certificate holders.	<p><b>Issuer:</b> sells Salam commodity</p> <p><b>Subscribers are:</b> buyers of that commodity.</p> <p><b>Mobilized Funds:</b> are the purchase price of the commodity, which the Salam capital.</p> <p><b>Certificate Holders:</b> are entitled to the Salam commodity, the selling price or the price of selling the on parallel Salam basis, if any.</p>
Istisnaa certificates	These are documents that carry equal value and are issued with the aim of mobilising the funds required for producing a certain item and the items to be produced on Istisnaa basis are owned by the certificate holders.	<p><b>Issuer:</b> is the manufacturer (supplier).</p> <p><b>Subscribers are:</b> the buyers of the item to be produced</p> <p><b>Mobilized Funds:</b> are the cost of the item</p> <p><b>Certificate Holders:</b> are entitled to the item or the selling price of the manufactured item.</p>
Murabahah certificates	These are documents of equal value issued for the purpose of financing the Murabahah commodity and the certificate holders become the owners of the Murabahah commodity.	<p><b>Issuer sells:</b> Murabahah commodity</p> <p><b>Subscribers are:</b> the buyers of that commodity</p> <p><b>Mobilized Funds:</b> are the purchasing cost of the commodity</p> <p><b>Certificate Holders:</b> owns the Murabahah commodity or the price of selling it.</p>
Participation certificates managed on the basis of Musharakah contract	These are documents representing projects or activities that are managed on the basis of Musharakah by appointing either one of the parties or any other party to manage the operation.	<p><b>Issuer:</b> is the inviter to a partnership in a specific project or activity</p> <p><b>Subscribers are:</b> the partners in the Musharakah contract</p> <p><b>Mobilized Funds:</b> are the share contribution of the subscribers in the Musharakah capital</p> <p><b>Certificate Holders:</b> own the assets of partnership and are entitled to profit, if any</p>

Participation certificates managed on the basis of Mudarabah contract	These are documents that represent projects or activities that are managed on the basis of Mudarabah by appointing mudarib for management.	<p><b>Issuer:</b> is the Mudarib</p> <p><b>Subscribers are:</b> the capital owners</p> <p><b>Mobilized Funds:</b> are the Mudarabah capital</p> <p><b>Certificate Holders:</b> own the assets of Mudarabah operation and profit share as per agreement. The certificate holders, being the capital providers, bear the loss, if any.</p>
Participation certificates managed on the basis of investment agency	These are documents of equal value issued for the sake of using the mobilized funds in financing a Muzara'a contract. The certificate holders become entitled to a share in the crop as per agreement.	<p><b>Issuer:</b> is the landlord</p> <p><b>Subscribers are:</b> farmers who invest on the basis of Muzara'a contract.</p> <p><b>Mobilized Funds:</b> are the cultivation cost.</p> <p><b>Certificate Holders:</b> are entitled to a share of the produce of the land as per agreement.</p>
Musaqa (irrigation) certificates	These are documents of equal value issued on the basis of a Musaqa contract for the sake of using the mobilized funds for irrigating trees that produce fruits and meeting other expenses relating to maintenance of the trees. The certificate holders become entitled to a share in the crop as per agreement.	<p><b>Issuer:</b> is the owner of the land that consist of trees</p> <p><b>Subscribers are:</b> those who assume the irrigation process on the basis of Musaqah contract.</p> <p><b>Mobilized Funds:</b> stand as the maintaining cost of the trees.</p> <p><b>Certificate Holders:</b> are entitled to a share in the produce of the trees as per agreement.</p>
Mugarasa (agricultural) certificates	These are documents of equal value issued on the basis of a Mugarasa contract for the sake of using the mobilized funds for planting trees and meeting expenses of the work. The certificate holders become entitled to a share in the land and the plantation.	<p><b>Issuer:</b> is the owner of land that is suitable for planting trees.</p> <p><b>Subscribers are:</b> those who assume the agricultural or horticultural process on the basis of Mugarasa contract.</p> <p><b>Mobilized Funds:</b> stand as cost of maintaining the plantation.</p> <p><b>Certificate Holders:</b> are entitled to a share in both the land and trees as per agreement.</p>

Source: *Global Research*

## Assessment and Risks of Sukuk Structures

The market for Sukuk has injected a much needed scope for liquidity management in Islamic banks. Previously, such liquidity could only be secured through continuous Murabaha transactions. In a global market where conventional finance dominates, liquidity could only be acquired by transactions limited to specific Sharia acceptable commodities such as industrial goods, metals and oils. The process of issuing Sukuk certificates allows Islamic financial institutions to garner a much wider asset pool that were previously either inaccessible or inefficient.

However, some of the corporate and sovereign Sukuk prospectuses have come under increased scrutiny for their Sharia suitability. The predominant feature of several of the prospectuses is the floating rate return distributed to the certificate holders. The market reference used is the London Inter-bank Offer Rate (LIBOR) over which a competitive premium is added. However, it should be observed that in the case of the Ijarah Sukuk arrangements, LIBOR serves as a market reference for the returns and the intrinsic distributions arise from the rentals pertaining to the leasing arrangements with the originator and SPV.

On a different note, risks adversely affect the competitiveness of asset pricing. The novelty of Sukuks inherently entails a higher exposure to certain market and financial risks. Just like their conventional counterparts of financial instruments, Sukuks are subject to a wide array of risks inherent in their structure, a few of which are mentioned below.

### **Market Risk**

An important distinction is made between market risk and other types of risk factors. Market risk is defined as the risk on instruments traded in well-defined markets. Two categories of market risk are identified: general (systematic) and firm specific (idiosyncratic). Systematic risks can arise due to governmental and economic policy shifts whereas idiosyncratic risk arises because different firm specific instruments are priced out of correlation with other firms' instruments. Market risk is composed of interest rate risks, foreign exchange risks, equity price risks and commodity risks.

In terms of Sukuks, interest rate risk is the rate of return risk. Sukuks that are based on fixed rates are exposed to this risk in the same manner as fixed rate bonds are exposed to interest rate risk, i.e. the rise in market interest rates leads to the fall in the fixed income Sukuk values. It is also important to understand that the Sukuk certificates are exposed indirectly to interest rate fluctuations through the widespread benchmarking with LIBOR in their financing operations.

Currency risk arises from unfavourable exchange rate fluctuations which will undeniably have an effect on foreign exchange positions. In the event of a divergence between the unit of currency in which the assets in the Sukuk pool are denominated, and the currency of denomination in which the Sukuk funds are accumulated, the Sukuk investors are rendered to an exchange risk.

### **Credit and Counterparty Risk**

Credit risk refers to the probability that an asset or loan becomes irrecoverable due to a default or delay in settlements. If the relationship involves a contractual arrangement, then the counterparty risk is the probability that the counterparty retracts on the conditions of the contract. The consequences can be severe with a decline in the value of a bank's assets. The credit and counterparty risks inherent in Islamic finance are unique owing to the nature of Islamic financial instruments that become the foundation of the Sukuk asset pools. Unlike conventional financial institutions, Islamic banks do not have access to derivative instruments and other credit risk management mechanisms due to Sharia considerations.

Major Sukuk issuances have mainly involved assets based on Ijarah, Istisna, Salam and Murabaha contracts. There are numerous credit risk considerations associated with these modes of finance. Salam contracts are exposed to the risk that commodities will not be supplied on time or to the agreed quantity. Istisna contracts involve performance risk. The client of the bank may default on the conditions of the contract and the sub-contractor may fail to render the necessary services.

### **Sharia Compliance Risk**

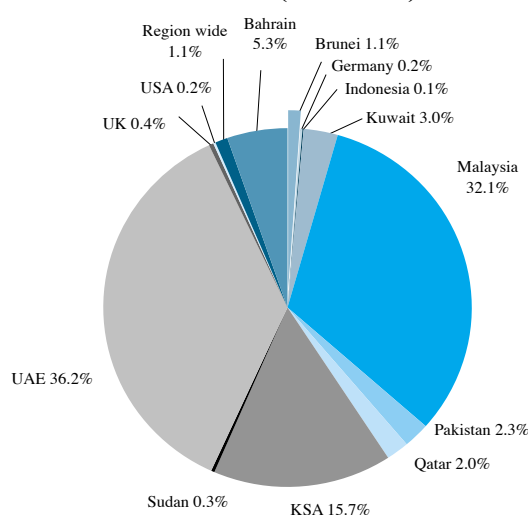
Sharia compliance risk refers to the loss of asset value as a result of the issuers' breach of its fiduciary responsibilities with respect to compliance with Sharia. There could be several such instances of wilful or innocent breaches. The dissolution clauses of the Sukuk prospectus define events that will make the Sukuk deed null and void due to Sharia non-compliance. For example, if the Sukuk is based on a hybrid of Ijara and Istisna' assets, Ijara must always be more than Istisna' in the pool, otherwise the Sukuk deed will dissolve. Thus broadly speaking, Sharia compliance risk must be defined as a rate of return foregone in comparison to the market rates, as a result of complying with the Sharia. The issue hence is that of competitiveness and survival in capital markets as a Sharia compliant asset class.

## Sukuk Market in MENA and GCC

The Sukuk market has emerged in 2002 where with the Malaysian government US\$600mn Sukuk issue; Bahrain followed with the issuance of a domestic sovereign fixed-rate Ijara and Salam Sukuk. Sukuk issuance has been concentrated in parts of Asia and countries of the GCC. There, the development of the Sukuk market has been facilitated by sovereign benchmark issues that have been growing strongly (up 40% in the first 6 months of 2007 compared to 2006 as a whole). In value terms, about 36% of these issues originated in Asia, primarily Malaysia, Pakistan and Brunei, and 62.1% in the GCC during the period 2001-2007.

The UAE was leading in terms of issues' size during 2001 till 2007, where it contributed 36.2% of total world Sukuk issuance. Malaysia contributed 32.1% in the same period despite the fact that Malaysia had the largest number of Sukuks issued amounting to 137 issues, as compared to the total number of issues of 29 in the UAE. It is important to note that the UAE had a few huge Sukuk issues in 2006 and 2007 which helped the UAE surpass Malaysia in total Sukuk size. A few examples of these are the US\$3.52bn Nakheel Sukuk, the US\$3.5bn PCFC Sukuk, and the US\$2.5bn Aldar Properties Sukuk.

**Figure 07: International Sukuk Issuance (2001-2007)**



Source: Zawya

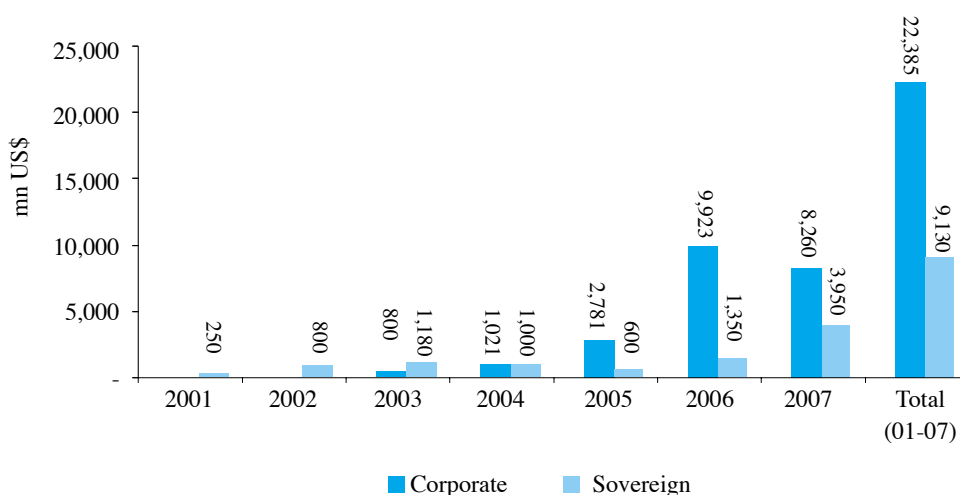
The demand for sukuks has grown exponentially since the issuance of financial instruments under Sharia was first upheld by the Fourth Annual Plenary Session of the Islamic Jurisprudence Counsel held in Jeddah, Saudi Arabia, in 1988. As discussed, many sukuk offerings have been made by governments, notably in the Gulf States and Malaysia. These sovereign sukuk offerings include Bahrain's sovereign sukuk program which started in 2001, the Qatar Global Sukuk in 2003 which raised US\$700mn, and the US\$1.6bn sukuk planned to be issued by Dubai's Civil Aviation Authority. One noteworthy and pioneering sovereign sukuk offering was carried out by the provincial government of Saxony Anhalt in Germany in 2004. Marking the first sukuk offering by a Western government, the German sukuk raised €100mn from both Middle Eastern and

European investors through the issuance of a AAA-rated, five-year, Sharia-compliant bond backed by real estate assets held in a trust organized in the Netherlands.

Corporate issuance, both public and private, has expanded rapidly where they increased from US\$0.4bn in 2003 to US\$9.9bn in 2006, an increase of 2,380.7%. While Asia, specifically Malaysia, accounted for the bulk of all Sharia-compliant corporate issues in 2004 (close to 90%), issuance in the GCC has picked up rapidly.

Many corporate issues—particularly large ones—are quasi-sovereign and as such are seen to benefit from an implicit sovereign guarantee. Thus, although these issues may be linked to an underlying asset, investor appetite is driven primarily by the sovereign nature of the risk. It also helps to explain successful large scale placements that have been made in recent years, including two Dubai-based issues of \$3.5 billion in 2006. Currently, the top originators, are the Nakheel, PCFC, Aldar Properties, and DP World from UAE, SABIC from the Kingdom of Saudi Arabia, and Nucleus from Malaysia. Together they represent about 31% of total world Sukuk issues.

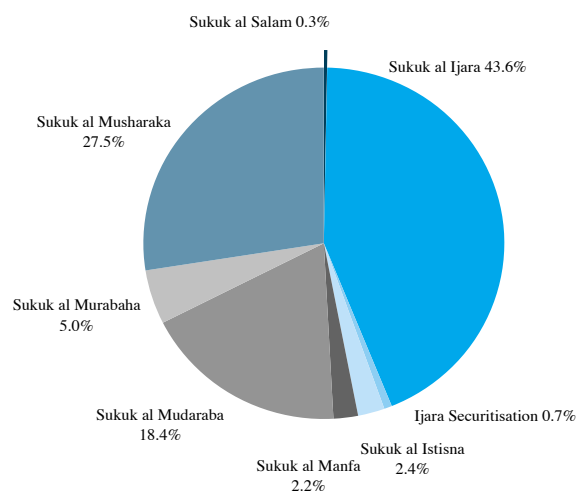
**Figure 08: Corporate and Sovereign Sukuks Issued**



Source: Zawya

Corporate sukuk offerings include the US\$800mn sukuk offering by Saudi Arabian petrochemical giant SABIC in 2006 and the US\$1.27bn offering by the Malaysian company Jimah Energy Ventures. Dwarfing both of these, Dubai Ports World (which is controlled by the emirate of Dubai) has announced a US\$3.5bn sukuk offering in 2006. Most recently, sukuk offerings have been shifting to the utilization of musharaka- and wakala based structures as opposed to the more popular ijara-based structure. This may be explained by the need to satisfy the expansion demands of some of the leading infrastructure, utilities, and investment companies in the region. Two such examples are the musharaka-based US\$125mn Lagoon City Musharaka Sukuk in Kuwait and the wakala-based US\$50mn Bukhatir Investment Sukuk in the United Arab Emirates.

In terms of the types of Sukuks issued, Sukuk al Ijara was the most popular amongst corporate and governments wanting to raise funds in the Islamic debt markets. Sukuk al Ijara issues contributed 43.6% of total issues, followed by Sukuk al Musharaka at 27.5%, and then Sukuk al Mudaraba at 18.4%.

**Figure 09: Types of International Sukuks Issued (2001-2007)**

Source: Zawya

The recent surge in oil prices have benefited the oil rich GCC states tremendously. The abundant liquidity have helped them embark on major infrastructure and real estate projects, in addition to projects in many other economic sectors. The GCC governments have also allowed the private sector to take part in these mega projects, and they have introduced a myriad of legislations that helps their future visions, and relaxed others that impede their growth targets. In the midst of the real estate boom across the GCC, private corporate bodies in need for financing saw the Sukuk market as a favourable mean. Given that the assets are real estate, companies were particularly attracted for the Sukuk al Ijara for their attractive characteristics that suit their financing needs.

In the absence of conventional securitization in many Islamic countries, Sukuk issuance will remain a favoured structured finance funding option in these markets.

While there may be a cyclical element of current demand stemming from high oil revenues in the GCC, this demand supplements a long-term upswing in demand for Sharia-compliant securities from Islamic institutional investors. In the absence of conventional securitization in many Islamic countries, Sukuk issuance will remain a favoured structured finance funding option in these markets. In addition, hedge funds and conventional investment institutions are beginning to hold Sukuk for purposes of either yield pickup or diversification.

Outside Asia and the GCC, the demand for Sukuk has been limited, but they are beginning to gain popularity. The German State of Saxony-Anhalt was the first sovereign obligor to issue a Sukuk in a non-Islamic jurisdiction, and several corporate Sukuk were issued in the United Kingdom and the United States in recent years. The World Bank also issued its first local currency-denominated 760 million Malaysian ringgit (US\$200mn) Sukuk in 2005. The current level of Sukuk issuance remains a fraction of the issuance of either conventional bonds or asset-backed securities in emerging markets. But a growing number of countries are considering tapping the Sukuk market to diversify their investor base.

In this context, the IMF is receiving a growing number of requests for technical advice as part of its expanded work on sovereign liability risk management and capital market development, and has advised member countries on Sukuk issuance as an alternative to more traditional financing instruments. This increase in demand, along with the standardization of Islamic securities, is expected to fuel further growth of the Sukuk market. According to recent market reports, governments and corporates are expected to issue over US\$30bn in Sukuks annually over the next three years, which would lift the market size of Sukuks to more than US\$150bn.

### Recent developments and Issues in the Sukuk Market

The total number of Sukuks issued in the world during the last six years is close to 360 Sukuks. Industry experts predict Sukuk issuance will reach US\$100bn in the next five years. According to recent statistics, Islamic Sukuk issuance worldwide have reached US\$39bn in first 10 months of 2007. In the Middle East, Sukuks represent a significant new development in global capital markets as one of the fastest growing sectors in Islamic finance. As per market reports, the Islamic finance market has grown over the last decade by more than 20% yearly. Sovereign and corporate Sukuk issuance has developed phenomenally over the last two years with Japan on the verge of issuing its debut sovereign Sukuk, in addition to other non-Islamic countries which are in the process, or assessing .

Sukuk offerings, while still concentrated in Malaysia and the Gulf States and focused mostly on assets in Islamic jurisdictions, are a rapidly growing business with involvement by private companies, state enterprises, sovereign governments, Islamic financial institutions, and increasingly, Western-based international investment banks. Sukuks have even arrived in America, where oil and gas assets in the Gulf of Mexico backed a US\$165.7mn sukuk offering that closed in July 2006, marking the first instance of a sukuk in the US. It seems that liquidity in the Islamic world is attracting non-Islamic issuers, and the trend could accelerate now that this first deal has been accomplished. Within certain limitations, which depend on applicable securities laws, sukuk may be traded.

**Table 03 : Selected Recent Corporate Sukuk Issues in the GCC**

Issuer	DIB Sukuk Company	Nakheel Development	JAFZ Sukuk
<b>Type of Sukuk</b>	Sukuk Musharaka	Sukuk Ijara	Sukuk Musharaka
<b>Purpose of Issuance</b>	Buying of assets as per business agreement	Buying of assets as per business agreement	Buying of assets as per business agreement
<b>Issue Size</b>	US\$750mn	US\$3.52bn	DH7.5bn (US\$2.4bn)
<b>Margin/Profit Rate</b>	Libor + 0.33%	Libor + 1.2%	EIBOR + 130bps
<b>Listing Date</b>	26 <sup>th</sup> March 2007	14 <sup>th</sup> December 2006	07 <sup>th</sup> December 2007

Source: Zawya

Secondary markets are expected to satisfy this demand. Sukuk offerings now appear on specialized exchanges such as the Dubai International Finance Exchange, the Labuan Exchange in Malaysia, and recently, Kuwait Stock Markets is considering setting up a market for conventional and Islamic bonds. With a secondary market developing, albeit slowly, the advent of freely tradable sukuk should only increase the appetite for this form

of Islamic investment. The real question is whether the primary center for sukuk trading will be located in Bahrain, the United Arab Emirates, or Malaysia. All are competing for a leading position in this growing market, but it is generally expected that each of them will reap a portion of the growing sukuk market. In the Western world, London may emerge as the leading bridge between Islamic finance and more conventional sources of capital. For example, the first ever US sukuk offering was underwritten and structured by bankers in both London and Lebanon.

The credit crunch that originated recently in the US, and expanded on an international level, on the back of bad subprime mortgages, have had far reaching effects on financial markets, Islamic financial markets included. Sukuks were also effected by this worldwide financial phenomenon where sukuk issuers in 2008 will have to price their issues at a higher price despite the fact that the fundamentals in the Middle East are healthy. The region has seen price spreads on Islamic bonds double in November 2007 to reach 130bps above the London Interbank Offer Rate (LIBOR), from an average of 60-70bps before June of the same year. The widening of the spreads reflect the increasing borrowing costs in the western countries as the Middle Eastern borrowers have increasingly sought non-Islamic countries to raise money through the issuance of Sukuks. According to Moody's, nearly US\$10bn worth of Sukuk financing is expected to be relaunched in 2008 after being postponed by the credit crunch. Among the regional victims of the credit turmoil was Dana Gas, whose debt issued was postponed from July to October 2007 after the issuer and the lead manager found that it would face roadblocks if launched in July. Others include Dubai Electricity and Water Sukuk, Qatar Fertilizer Company Sukuk, and Amlak Finance Sukuk.

Another worldwide economic factor that has an influence on the Sukuk structures relate to the recent decline of the value of US dollar. This fact particularly has a significant effect on the GCC financial markets, as most of the member states have their currencies pegged to the US dollar.

International and regional investors are gradually losing interest in US dollar dominated Islamic bonds from GCC issuers amid increasing talk that regional currencies may be decoupled from the greenback. Countries in the GCC with local currencies pegged to the US dollar are under increasing pressure to deal with the rampant imported inflationary pressures. In their last summit, the GCC states announced the beginning of 2008 as the launching date of the GCC common market, channelling the way for the GCC monetary union in 2010. This is likely to push the GCC member states to target inflationary pressures in their monetary policies, and to decouple from the US dollar.

Currently, the demand for the US dominated Sukuk is still strong, however, there is a clear trend of strong interest in local currencies dominated Sukuk from national, regional, and international investors. Dubai government-owned Jebel Ali Free Zone, or JAFZ, sukuk was recently the only paper trading whilst the credit crunch decreased the dealings of the other US dollar dominated Sukuks. Should there be decoupling of national currencies in the GCC from the US dollar, it is likely that the demand for local currencies dominated Islamic bonds will increase, offering investors a sound alternative investment to diversify their portfolio holdings.

Despite the strong potential for the Sukuk market, as is the case with any evolving securitization market, a number of economic, legal, and regulatory challenges remain, irrespective of Shariah compliance. These include the substitution of standard structural features in conventional securities, such as credit enhancements, which are not normally contractually permissible in the Islamic context; legal uncertainty arising from the fact that the transaction structure needs to satisfy commercial as well as Islamic law, in particular in non-Islamic countries; and, regulatory differences between national regulators. Ongoing efforts by key Islamic regulators—notably the Accounting and Auditing Organization for Islamic Financial Institutions, the International Islamic Financial Market, and the Islamic Financial Services Board—to facilitate harmonization of standards and practices should help overcome some of these teething pains.

# APPENDIX

## List of Sukuks (2001-2007)

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Bahrain Monetary Agency #1	Ijarah	Bahrain	-	2001	100	0.0525	5 years
First Global Sukuk Inc	Ijarah	Malaysia	USD	2001	150	6 months LIBOR + 150 bps	3 to 5 years
Perbadanan Kemajuan Negeri Selangor Sukuk	Murabaha	Malaysia	MYR	2001	119	-	7 years
Telekom Malaysia Sukuk	Murabaha	Malaysia	MYR	2001	209	-	7 years
Bahrain Monetary Agency #2	Ijarah	Bahrain	-	2002	70	0.0425	3 years
Bahrain Monetary Agency #3	Ijarah	Bahrain	-	2002	80	0.04	5 years
Bahrain Monetary Agency #4	Ijarah	Bahrain	-	2002	50	0.03	3 years
Malaysia Global Sukuk	Ijarah	Malaysia	USD	2002	600	6 months LIBOR + 150 bps	5 years
Bahrain Monetary Agency #5	Ijarah	Bahrain	-	2003	80	0.03	3 years
Bahrain Monetary Agency #6	Ijarah	Bahrain	-	2003	100	0.0375	5 years
Bahrain Monetary Agency #7	Ijarah	Bahrain	USD	2003	250	6 months LIBOR + 60 bps	5 years
Bahrain Monetary Agency #8	Ijarah	Bahrain	-	2003	50	6 months LIBOR + 30 bps	3 years
First Islamic Sukuk	Modarabah	Bahrain	USD	2003	75	-	-
Qatar Global Sukuk	Ijarah	Qatar	USD	2003	700	6 months LIBOR + 40 bps	7 years
Solidarity Trust Services Ltd Sukuk	Ijarah	Region-wide	USD	2003	400	0.04	5 years
Bahrain Monetary Agency #10	Ijarah	Bahrain	-	2004	106	0.05125	10 years
Bahrain Monetary Agency #9	Ijarah	Bahrain	-	2004	250	6 months LIBOR + 45 bps	5 years
CARAVAN I Limited	Ijarah	United Kingdom	SAR	2004	26	0.06	3 years
Dubai Global Sukuk FZCO	Ijarah	UAE	USD	2004	1,000	6 months LIBOR + 45 bps	5 years
Emaar Properties	Ijarah	UAE	USD	2004	65	6 months LIBOR + 70 bps	5 years
First Islamic Investment Bank Sukuk	Murabaha	Bahrain	EUR	2004	113	6 months EURIBOR + 125 bps	2 years
Ingress Sukuk Berhad	Ijarah	Malaysia	MYR	2004	48	0.06	7 years
Sarawak Corporate Sukuk	Ijarah	Malaysia	USD	2004	350	6 months LIBOR + 110 bps	5 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Stichting Sachsen-Anhalt Trust	Ijarah	Germany	EUR	2004	149	6 months EURIBOR + 1 bps	5 years
Tabreed Sukuk	Ijarah	UAE	USD	2004	100	0.055	5 years
Assar Chemicals Sdn Berhad Sukuk	Musharaka	Malaysia	MYR	2005	45	-	10 years
BMA Short Term Sukuk 1	Ijarah	Bahrain	-	2005	27	0.0406	6 months
BMA Short Term Sukuk 2	Ijarah	Bahrain	-	2005	27	0.0418	6 months
BMA Short Term Sukuk 3	Ijarah	Bahrain	-	2005	27	0.044	6 months
BMA Short Term Sukuk 4	Ijarah	Bahrain	BHD	2005	27	0.05	6 months
Bahrain Financial Harbour Sukuk	Ijarah	Bahrain	USD	2005	134	3 months LIBOR + 250 bps	5 years
Bahrain Monetary Agency #11	Ijarah	Bahrain	-	2005	80	0.045	5 years
Bahrain Monetary Agency #12	Ijarah	Bahrain	-	2005	230	0.056	6 years
Bayu Padu Sukuk	Istisnaa	Malaysia	MYR	2005	149	0.05	9 years
Cagamas Sukuk	Musharaka	Malaysia	MYR	2005	745	0.05	-
Durrat Al Bahrain Sukuk	Ijarah	Bahrain	USD	2005	153	3 months LIBOR + 125 bps	5 years
Emirates Airline Sukuk	Musharaka	UAE	USD	2005	550	6 months LIBOR + 75 bps	7 years
Focal Quality Sukuk	Ijarah	Malaysia	MYR	2005	57	-	6.5 years
Gold Sukuk dmcc Sukuk	Musharaka	UAE	USD	2005	200	6 months LIBOR + 60 bps	5 years
Golden Crop Returns Sukuk	Ijarah	Malaysia	MYR	2005	132	-	8.5 years
Institut Jantung Negara Sukuk	Musharaka	Malaysia	MYR	2005	62	-	-
Intelbest ICP Sukuk	Murabaha	Malaysia	MYR	2005	6	-	-
Islamic Development Bank Sukuk (Tranche 1)	Ijarah	Region-wide	USD	2005	500	6 months LIBOR + 12 bps	5 years
Jimah Energy Ventures Sukuk	Istisnaa	Malaysia	MYR	2005	121	-	6 to 16.5 years
Konsortium Lebuhraya Sukuk	Istisnaa	Malaysia	MYR	2005	232	0.06	5 to 13 years
MY-InfoTech Sukuk	Murabaha	Malaysia	MYR	2005	24	-	7 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Midas Plantation Sdn Bhd Sukuk	Ijarah	Malaysia	MYR	2005	28	-	9.5 years
Musyarakah Series 2005-B	Musharaka	Malaysia	MYR	2005	31	-	-
Nam Fatt Corporation Sukuk	Murabaha	Malaysia	MYR	2005	74	-	7 years
Pakistan International Sukuk	Ijarah	Pakistan	USD	2005	600	6 months LIBOR + 220 bps	5 years
Penang Bridge Sdn Berhad Sukuk	Istisnaa	Malaysia	MYR	2005	207	-	-
RH Capital Sukuk	Ijarah	Malaysia	MYR	2005	40	-	9 years
Sanctuary Building Sukuk	Musharaka	United Kingdom	GBP	2005	296	0.0548	9 years
Sarawak Gateway Ijarah Sukuk	Ijarah	Malaysia	MYR	2005	71	-	-
Sarawak Gateway Istisnaa Sukuk	Istisnaa	Malaysia	MYR	2005	48	-	9 years
The Commercial Real Estate Sukuk	Ijarah	Kuwait	USD	2005	100	6 months LIBOR + 125 bps	5 years
The Investment Dar Sukuk	Musharaka	Kuwait	USD	2005	100	6 months LIBOR + 200 bps	5 years
Touch Matrix Sukuk	Murabaha	Malaysia	MYR	2005	18	-	7 years
Vastalux Capital Sukuk	Musharaka	Malaysia	MYR	2005	30	-	5 years
BMA Short Term Sukuk 10	Ijarah	Bahrain	BHD	2006	27	0.06	6 months
BMA Short Term Sukuk 11	Ijarah	Bahrain	BHD	2006	27	0.06	6 months
BMA Short Term Sukuk 12	Ijarah	Bahrain	BHD	2006	27	0.0546	6 months
BMA Short Term Sukuk 13	Ijarah	Bahrain	BHD	2006	27	0.05	6 months
BMA Short Term Sukuk 14	Ijarah	Bahrain	BHD	2006	27	0.05	6 months
BMA Short Term Sukuk 5	Ijarah	Bahrain	-	2006	27	0.048	6 months
BMA Short Term Sukuk 6	Ijarah	Bahrain	BHD	2006	27	0.05	6 months
BMA Short Term Sukuk 7	Ijarah	Bahrain	-	2006	26	0.0514	6 months
BMA Short Term Sukuk 8	Ijarah	Bahrain	BHD	2006	27	0.05	6 months
BMA Short Term Sukuk 9	Ijarah	Bahrain	BHD	2006	27	0.05	6 months
BNM Sukuk Berhad Sukuk	Ijarah	Malaysia	MYR	2006	119	0.03	1 year
Bank Pembangunan & Infrastruktur Malaysia Sukuk	Musharaka	Malaysia	MYR	2006	119	-	30 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Bank Pembangunan Sukuk	Murabaha	Malaysia	MYR	2006	119	0.06	10 years
Boon Koon Berhad Sukuk	Murabaha	Malaysia	MYR	2006	30	-	7 years
Bukhatir Investments Sukuk	Ijarah	UAE	USD	2006	50	6 months LIBOR + 175 bps	5 years
CBB Short Term Sukuk 15	Ijarah	Bahrain	-	2006	27	0.0535	6 months
CBB Short Term Sukuk 16	Ijarah	Bahrain	BHD	2006	27	0.0534	6 months
Cellular Structures Sukuk	Murabaha	Malaysia	MYR	2006	57	-	8 years
Delloyd Ventures Berhad	Murabaha	Malaysia	MYR	2006	30	-	7 years
Dura Palm Sukuk	Ijarah	Malaysia	MYR	2006	84	-	8.5 years
EP Manufacturing	Murabaha	Malaysia	MYR	2006	45	-	5 years
East Cameron Gas Company Sukuk	Musharaka	United States	USD	2006	166	0.11	13 years
England Optical Group Sukuk	Murabaha	Malaysia	MYR	2006	18	-	7 years
FEC Cables Medium Term Notes	Murabaha	Malaysia	MYR	2006	39	-	13 years
FEC Cables Sukuk	Murabaha	Malaysia	MYR	2006	6	-	7 years
Gas Malaysia Sdn Bhd Sukuk	Murabaha	Malaysia	MYR	2006	149	-	7 years
Glomac Regal Sukuk	Murabaha	Malaysia	MYR	2006	52	-	2 years
IDBB (Brunei LNG) Sukuk	Ijarah	Brunei Darussalam	BND	2006	64	0.04	1 year
Instacom Sukuk	Murabaha	Malaysia	MYR	2006	60	-	7 years
KNM Capital Sukuk	Ijarah	Malaysia	MYR	2006	89	-	-
KSA MBS 1 International Sukuk	Ijarah	Saudi Arabia	USD	2006	18	0.0655	14 years
Khazanah Nasional Convertible Sukuk	Ijarah	Malaysia	USD	2006	750	0.05	5 years
Kinsteel Berhad Sukuk	Murabaha	Malaysia	MYR	2006	30	-	10 years
Kwantas Sukuk	Ijarah	Malaysia	MYR	2006	46	-	9 years
Lagoon City Musharaka Sukuk	Musharaka	Kuwait	USD	2006	200	6 months LIBOR + 225 bps	5 years
Lahore SunCity Project Sukuk	Musharaka	Pakistan	-	2006	250	-	-
MISC Murabaha Sukuk	Murabaha	Malaysia	MYR	2006	209	-	7 years
MM Vitaoils Sukuk	Murabaha	Malaysia	MYR	2006	21	-	7 years
Malayan Banking Sukuk	Ijarah	Malaysia	MYR	2006	447	-	12 years
Malaysian International Shipping Corporation Berhad Sukuk	Murabaha	Malaysia	MYR	2006	298	-	6 to 15 years
Medi Innovation Sukuk	Murabaha	Malaysia	MYR	2006	45	-	6 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Minetech Resources MTN	Murabaha	Malaysia	MYR	2006	30	LIBOR + 40 bps	7 years
Mukah Power Generation Junior Sukuk	Modarabah	Malaysia	MYR	2006	85	-	22 years
Mukah Power Generation Senior Sukuk	Modarabah	Malaysia	MYR	2006	198	-	22 years
NICBM Sukuk	Musharaka	Kuwait	USD	2006	100	LIBOR + 100 bps	5 years
Nakheel Sukuk	Ijarah	UAE	USD	2006	3,520	0.06345	3 years
PCFC Sukuk	Musharaka	UAE	USD	2006	3,500	-	2 years
PLUS Sukuk Series 3	Musharaka	Malaysia	-	2006	1,200	-	-
PT Orient Sukuk	Musharaka	Malaysia	-	2006	120	-	-
Penang Port Istisnaa Sukuk	Ijarah	Malaysia	MYR	2006	3	-	13 years
Penang Port Sukuk	Ijarah	Malaysia	MYR	2006	30	-	7 years
Perwaja Steel Sdn Bhd Sukuk	Murabaha	Malaysia	MYR	2006	119	-	10 years
Prinsiptek Corporation Sukuk	Murabaha	Malaysia	MYR	2006	9	-	7 years
Putrajaya Holdings Sukuk	Murabaha	Malaysia	-	2006	597	-	7 years
Qatar Real Estate Investment Company Sukuk	Musharaka	Qatar	USD	2006	270	-	10 years
Rantau Abang Capital Sukuk	Musharaka	Malaysia	-	2006	568	-	7 years
SABIC Sukuk	Ijarah	Saudi Arabia	SAR	2006	810	SIBOR + 40 bps	5 years
SPLASH	Murabaha	Malaysia	-	2006	123	-	20 years
Sarawak Power Generation Sukuk	Musharaka	Malaysia	MYR	2006	62	-	15 years
Segari Energy Ventures Sukuk	Ijarah	Malaysia	MYR	2006	277	-	6 years
Sharjah Islamic Bank Sukuk	Musharaka	UAE	USD	2006	225	3 months LIBOR + 65 bps	5 years
Sitara Group Sukuk	Musharaka	Pakistan	PKR	2006	18	-	-
Sukuk Brunei Inc 2	Ijarah	Brunei Darussalam	BND	2006	95	0.03	3 months
Sukuk Brunei Inc 3	Ijarah	Brunei Darussalam	BND	2006	127	0.03	3 months
Sukuk Brunei Inc 4	Ijarah	Brunei Darussalam	BND	2006	77	0.03	3 months
Sunrise Berhad Sukuk	Murabaha	Malaysia	MYR	2006	45	-	10 years
TID Global Sukuk I Limited	Musharaka	Kuwait	-	2006	150	LIBOR + 125 bps	5 years
Tabreed 06 Financing Corporation Sukuk	Istisnaa	UAE	USD	2006	200	LIBOR + 125 bps	7 years
Tele-Flow Capital Junior Islamic Medium Term Notes Sukuk	Murabaha	Malaysia	MYR	2006	30	-	8 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Tele-Flow Capital Partially Underwritten Notes Sukuk	Murabaha	Malaysia	MYR	2006	27	-	7 years
Tiong Nam Logistics Sukuk	Ijarah	Malaysia	-	2006	71	-	-
UEM Builders Sukuk	Murabaha	Malaysia	MYR	2006	89	-	7 years
WAPDA First Sukuk	Ijarah	Pakistan	USD	2006	134	6 months KIBOR + 35 bps	7 years
JAFZ Sukuk	Musharaka	UAE	AED	2007	2,042	6 months EIBOR + 130 bps	5 years
DEWA Sukuk	Ijarah	UAE	USD	2007	1,000	LIBOR + 100 bps	3 years
Shahraj Fabrics Sukuk	Ijarah	Pakistan	PKR	2007	10	6 months KIBOR + 215 bps	5 years
Al Salaam Sukuk # 78	Al Salaam	Bahrain	BHD	2007	16	0.051	-
CBB Short Term Sukuk 26	Ijarah	Bahrain	BHD	2007	13	0.0515	6 months
DESB Marine Services Sukuk	Murabaha	Malaysia	MYR	2007	36	-	7 years
AMTEX Sukuk	Musharaka	Pakistan	PKR	2007	11	-	-
Kwantas Murabahah Sukuk	Murabaha	Malaysia	MYR	2007	6	-	7 years
Sunway City Sukuk	Murabaha	Malaysia	MYR	2007	18	-	15 years
Dana Gas Sukuk	Modarabah	UAE	USD	2007	1,000	0.075	5 years
Al Salaam Sukuk # 77	Al Salaam	Bahrain	BHD	2007	16	0.052	-
Bahrain Monetary Agency #13	Ijarah	Bahrain	BHD	2007	254	6 months LIBOR + 30 bps	5 years
Thani Investments Sukuk	Ijarah	UAE	USD	2007	100	6 months LIBOR + 225 bps	5 years
Engro Chemical Sukuk	Ijarah	Pakistan	PKR	2007	49	KIBOR + 150 bps	8 years
Century Paper & Board Mills Sukuk	Ijarah	Pakistan	PKR	2007	57	KIBOR + 135 bps	-
Dawood Hercules Chemical	Ijarah	Pakistan	PKR	2007	106	-	-
PASSCO Sukuk	Ijarah	Pakistan	PKR	2007	3	-	5 years
Pak Elektron Sukuk	Musharaka	Pakistan	PKR	2007	20	3 months KIBOR + 175 bps	5 years
MISC MTN Sukuk	Murabaha	Malaysia	MYR	2007	209	-	-
Shahmurad Sugar Mills Sukuk	Musharaka	Pakistan	PKR	2007	8	6 months KIBOR + 225 bps	5 years
CBB Short Term Sukuk 25	Ijarah	Bahrain	BHD	2007	13	0.052	6 months

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Berber Cement Company Sukuk	Musharaka	Sudan	USD	2007	130	0.095	7 years
Intelbest ICP Sukuk	Murabaha	Malaysia	MYR	2007	6	-	-
Al Salaam Sukuk # 76	Al Salaam	Bahrain	BHD	2007	16	0.05	3 months
CBB Short Term Sukuk 24	Ijarah	Bahrain	BHD	2007	13	0.0508	6 months
Qatar Real Estate Sukuk	Modarabah	Qatar	USD	2007	300	3 months LIBOR + 73 bps	5 years
Cagamas Berhad IMTN Sukuk	Murabaha	Malaysia	MYR	2007	468	-	-
NIG Sukuk (Tranche 1)	Modarabah	Kuwait	USD	2007	475	3 months LIBOR + 105 bps	5 years
Tamweel Nonconvertible Sukuk	Ijarah	UAE	USD	2007	210	LIBOR + 35 bps	25 years
Injazzat Real Estate Sukuk	Ijarah	Kuwait	USD	2007	60	LIBOR + 125 bps	5 years
AMRB MCP/MMTN Sukuk	Murabaha	Malaysia	MYR	2007	30	-	-
CBB Short Term Sukuk 23	Ijarah	Bahrain	BHD	2007	13	0.0508	6 months
Dynamic Communication IMTN Sukuk	Istisnaa	Malaysia	MYR	2007	3	-	-
Al Salaam Sukuk # 75	Al Salaam	Bahrain	BHD	2007	16	0.0506	3 months
Sukuk Brunei Inc 8	Ijarah	Brunei Darussalam	BND	2007	30	0.023	1 year
Sabie Second Sukuk	Ijarah	Saudi Arabia	SAR	2007	2,133	SIBOR + 38 bps	20 years
GFH Sukuk (Tranche 1)	Ijarah	Bahrain	USD	2007	200	3 months LIBOR + 125 bps	5 years
DAAR Sukuk II	Ijarah	Saudi Arabia	USD	2007	1,000	3 months LIBOR + 225 bps	5 years
Alam Maritim Resources MTN Sukuk	Ijarah	Malaysia	MYR	2007	89	-	-
Al Salaam Sukuk # 74	Al Salaam	Bahrain	BHD	2007	16	0.0508	3 months
Saudi Electricity Company Sukuk	Ijarah	Saudi Arabia	SAR	2007	1,333	SIBOR + 45 bps	20 years
Al Salaam Sukuk # 73	Al Salaam	Bahrain	BHD	2007	16	0.0508	3 months
CBB Short Term Sukuk 22	Ijarah	Bahrain	BHD	2007	13	0.051	6 months

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Khazanah Nasional Second Exchangeable Sukuk	Musharaka	Malaysia	USD	2007	850	0.05	5 years
DP World Second Sukuk	Modarabah	UAE	USD	2007	1,500	0.06	10 years
Cagamas Berhad ICP Sukuk	Murabaha	Malaysia	MYR	2007	113	-	7 years
Sukuk Brunei Inc 7	Ijarah	Brunei Darussalam	BND	2007	45	0.02	3 months
WAPDA Second Sukuk	Ijarah	Pakistan	PKR	2007	132	KIBOR + 35 bps	10 years
Malaysia Telekom Islamic Stapled Income Securities	Ijarah	Malaysia	MYR	2007	837	-	-
Pins Capital ICP/IMTN Sukuk	Ijarah	Malaysia	MYR	2007	3	-	-
Pins Capital Junior IMTN Sukuk	Murabaha	Malaysia	MYR	2007	3	-	-
Arapesona Development ICP Sukuk	Murabaha	Malaysia	MYR	2007	13	-	-
Arapesona Development IMTN Sukuk	Murabaha	Malaysia	MYR	2007	21	-	-
LEKAS Junior Sukuk	Istisnaa	Malaysia	MYR	2007	189	-	-
URC Sukuk	Musharaka	Kuwait	USD	2007	100	3 months LIBOR + 150 bps	5 years
LEKAS Senior Sukuk	Istisnaa	Malaysia	MYR	2007	234	-	-
Al Sharq Sukuk	Ijarah	Bahrain	USD	2007	60	-	-
IIG Funding Limited Sukuk	Modarabah	Kuwait	USD	2007	200	0.0675	5 years
Silterra Capital Sukuk	Ijarah	Malaysia	MYR	2007	536	0.039	7 years
DIFC Sukuk	Modarabah	UAE	USD	2007	1,250	3 months LIBOR + 37 bps	5 years
PT Indonesian Satellite Sukuk	Ijarah	Indonesia	IDR	2007	43	0.102	7 years
CBB Short Term Sukuk 21	Ijarah	Bahrain	BHD	2007	13	0.051	6 months
Diyaar Sukuk	Musharaka	Bahrain	USD	2007	200	3 months LIBOR + 225 bps	4 years
Capable Aspect Sukuk	Murabaha	Malaysia	MYR	2007	12	-	7 years
Emirates Islamic Bank Sukuk (Tranche 1)	Musharaka	UAE	USD	2007	350	LIBOR + 30 bps	5 years
Golden Belt 1 Sukuk	Manfa'a	Saudi Arabia	USD	2007	650	6 months LIBOR + 85 bps	5 years
Cagamas MBS Sukuk	Musharaka	Malaysia	MYR	2007	604	-	3 to 20 years
Kuala Lumpur Kepong Sukuk	Ijarah	Malaysia	MYR	2007	89	-	5 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
ABS Logistics Sukuk (Class C)	Ijarah	Malaysia	MYR	2007	12	-	5 years
ABS Logistics Sukuk (Class E)	Ijarah	Malaysia	MYR	2007	28	-	10 years
ABS Logistics Sukuk (Class B)	Ijarah	Malaysia	MYR	2007	6	-	10 years
ABS Logistics Sukuk (Class A)	Ijarah	Malaysia	MYR	2007	30	-	10 years
ABS Logistics Sukuk (Class D)	Ijarah	Malaysia	MYR	2007	13	-	10 years
WCT Engineering Sukuk	Murabaha	Malaysia	MYR	2007	7	-	-
Nucleus Avenue Berhad MTN Senior Sukuk	Musharaka	Malaysia	MYR	2007	1,668	-	-
Nucleus Avenue Junior Sukuk	Musharaka	Malaysia	MYR	2007	506	-	50 years
Nucleus Avenue ICP Senior Sukuk	Musharaka	Malaysia	MYR	2007	179	-	7 years
CBB Short Term Sukuk 20	Ijarah	Bahrain	BHD	2007	13	0.051	6 months
Maxtral Industry Sukuk	Murabaha	Malaysia	MYR	2007	6	-	-
Al Salaam Sukuk # 72	Al Salaam	Bahrain	BHD	2007	16	0.0508	-
Al Salaam Sukuk # 71	Al Salaam	Bahrain	BHD	2007	16	0.05	3 months
Straight A's Portfolio Sukuk	Murabaha	Malaysia	MYR	2007	14	-	-
MBB Sukuk Inc	Ijarah	Malaysia	USD	2007	300	6 months LIBOR + 33 bps	10 years
Sukuk Brunei Inc 6	Ijarah	Brunei Darussalam	BND	2007	46	0.03	3 months
Kuala Lumpur Sentral Sukuk	Musharaka	Malaysia	MYR	2007	214	-	1 to 7 years
MTD Infraperdana Bhd	Musharaka	Malaysia	MYR	2007	179	-	-
Sabah Ports Sukuk	Murabaha	Malaysia	MYR	2007	21	-	-
Tomei Sukuk	Murabaha	Malaysia	MYR	2007	18	-	-
CBB Short Term Sukuk 19	Ijarah	Bahrain	BHD	2007	13	-	6 months
Al Salaam Sukuk # 70	Al Salaam	Bahrain	USD	2007	16	0.0515	3 months
DIB Sukuk	Musharaka	UAE	USD	2007	750	3 months LIBOR + 33 bps	5 years
Sui Southern Gas Company Sukuk	Ijarah	Pakistan	PKR	2007	17	6 months KIBOR + 140 bps	5 years
Aldar Properties Sukuk	Modarabah	UAE	USD	2007	2,530	0.05767	5 years
DAAR International Sukuk	Ijarah	Saudi Arabia	USD	2007	600	3 months LIBOR + 200 bps	3 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Al Salaam Sukuk # 69	Al Salaam	Bahrain	USD	2007	16	0.0515	3 months
CBB Short Term Sukuk 18	Ijarah	Bahrain	BHD	2007	13	0.0525	6 months
Sukuk Brunei Inc 5	Ijarah	Brunei Darussalam	BND	2007	77	0.03	3 months
AEON Credit Service Malaysia Sukuk	Musharaka	Malaysia	MYR	2007	30	-	7 years
Al Salaam Sukuk # 68	Al Salaam	Bahrain	USD	2007	16	0.0534	3 months
Prinsiptek MMTN Sukuk	Murabaha	Malaysia	MYR	2007	15	-	-
Bahrain Monetary Agency #13	Ijarah	Bahrain	BHD	2007	254	6 months LIBOR + 30 bps	5 years
Berber Cement Company Sukuk	Musharaka	Sudan	USD	2007	130	0.095	7 years
CBB Short Term Sukuk 18	Ijarah	Bahrain	BHD	2007	13	0.0525	6 months
CBB Short Term Sukuk 19	Ijarah	Bahrain	BHD	2007	13	-	6 months
CBB Short Term Sukuk 20	Ijarah	Bahrain	BHD	2007	13	0.051	6 months
CBB Short Term Sukuk 21	Ijarah	Bahrain	BHD	2007	13	0.051	6 months
CBB Short Term Sukuk 22	Ijarah	Bahrain	BHD	2007	13	0.051	6 months
CBB Short Term Sukuk 23	Ijarah	Bahrain	BHD	2007	13	0.0508	6 months
CBB Short Term Sukuk 24	Ijarah	Bahrain	BHD	2007	13	0.0508	6 months
CBB Short Term Sukuk 25	Ijarah	Bahrain	BHD	2007	13	0.052	6 months
CBB Short Term Sukuk 26	Ijarah	Bahrain	BHD	2007	13	0.0515	6 months
Cagamas Berhad ICP Sukuk	Murabaha	Malaysia	MYR	2007	113	-	7 years
Cagamas Berhad IMTN Sukuk	Murabaha	Malaysia	MYR	2007	468	-	-
Cagamas MBS Sukuk	Musharaka	Malaysia	MYR	2007	604	-	3 to 20 years
Capable Aspect Sukuk	Murabaha	Malaysia	MYR	2007	12	-	7 years
Century Paper & Board Mills Sukuk	Ijarah	Pakistan	PKR	2007	57	KIBOR + 135 bps	-
DAAR International Sukuk	Ijarah	Saudi Arabia	USD	2007	600	3 months LIBOR + 200 bps	3 years
DAAR Sukuk II	Ijarah	Saudi Arabia	USD	2007	1,000	3 months LIBOR + 225 bps	5 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
DESB Marine Services Sukuk	Murabaha	Malaysia	MYR	2007	36	-	7 years
DEWA Sukuk	Ijarah	UAE	USD	2007	1,000	LIBOR + 100 bps	3 years
DIB Sukuk	Musharaka	UAE	USD	2007	750	3 months LIBOR + 33 bps	5 years
DIFC Sukuk	Modarabah	UAE	USD	2007	1,250	3 months LIBOR + 37 bps	5 years
DP World Second Sukuk	Modarabah	UAE	USD	2007	1,500	0.06	10 years
Dana Gas Sukuk	Modarabah	UAE	USD	2007	1,000	0.075	5 years
Dawood Hercules Chemical	Ijarah	Pakistan	PKR	2007	106	-	-
Diyaar Sukuk	Musharaka	Bahrain	USD	2007	200	3 months LIBOR + 225 bps	4 years
Dynamic Communication IMTN Sukuk	Istisnaa	Malaysia	MYR	2007	3	-	-
Emirates Islamic Bank Sukuk (Tranche 1)	Musharaka	UAE	USD	2007	350	LIBOR + 30 bps	5 years
Engro Chemical Sukuk	Ijarah	Pakistan	PKR	2007	49	KIBOR + 150 bps	8 years
GFH Sukuk (Tranche 1)	Ijarah	Bahrain	USD	2007	200	3 months LIBOR + 125 bps	5 years
Golden Belt 1 Sukuk	Manfa'a	Saudi Arabia	USD	2007	650	6 months LIBOR + 85 bps	5 years
IIG Funding Limited Sukuk	Modarabah	Kuwait	USD	2007	200	0.0675	5 years
Injazzat Real Estate Sukuk	Ijarah	Kuwait	USD	2007	60	LIBOR + 125 bps	5 years
JAFZ Sukuk	Musharaka	UAE	AED	2007	2,042	6 months EIBOR + 130 bps	5 years
Khazanah Nasional Second Exchangeable Sukuk	Musharaka	Malaysia	USD	2007	850	0.05	5 years
Kuala Lumpur Kepong Sukuk	Ijarah	Malaysia	MYR	2007	89	-	5 years
Kuala Lumpur Sentral Sukuk	Musharaka	Malaysia	MYR	2007	214	-	1 to 7 years
Kwantas Murabahah Sukuk	Murabaha	Malaysia	MYR	2007	6	-	7 years
LEKAS Junior Sukuk	Istisnaa	Malaysia	MYR	2007	189	-	-
LEKAS Senior Sukuk	Istisnaa	Malaysia	MYR	2007	234	-	-
MBB Sukuk Inc	Ijarah	Malaysia	USD	2007	300	6 months LIBOR + 33 bps	10 years

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
MISC MTN Sukuk	Murabaha	Malaysia	MYR	2007	209	-	-
MTD Infraperdana Bhd	Musharaka	Malaysia	MYR	2007	179	-	-
Malaysia Telekom Islamic Stapled Income Securities	Ijarah	Malaysia	MYR	2007	837	-	-
Maxtral Industry Sukuk	Murabaha	Malaysia	MYR	2007	6	-	-
NIG Sukuk (Tranche 1)	Modarabah	Kuwait	USD	2007	475	3 months LIBOR + 105 bps	5 years
Nucleus Avenue Berhad MTN Senior Sukuk	Musharaka	Malaysia	MYR	2007	1,668	-	-
Nucleus Avenue ICP Senior Sukuk	Musharaka	Malaysia	MYR	2007	179	-	7 years
Nucleus Avenue Junior Sukuk	Musharaka	Malaysia	MYR	2007	506	-	50 years
PASSCO Sukuk	Ijarah	Pakistan	PKR	2007	3	-	5 years
PT Indonesian Satellite Sukuk	Ijarah	Indonesia	IDR	2007	43	0.102	7 years
Pak Elektron Sukuk	Musharaka	Pakistan	PKR	2007	20	3 months KIBOR + 175 bps	5 years
Pins Capital ICP/IMTN Sukuk	Ijarah	Malaysia	MYR	2007	3	-	-
Pins Capital Junior IMTN Sukuk	Murabaha	Malaysia	MYR	2007	3	-	-
Prinsiptek MMTN Sukuk	Murabaha	Malaysia	MYR	2007	15	-	-
Qatar Real Estate Sukuk	Modarabah	Qatar	USD	2007	300	3 months LIBOR + 73 bps	5 years
Sabah Ports Sukuk	Murabaha	Malaysia	MYR	2007	21	-	-
Sabic Second Sukuk	Ijarah	Saudi Arabia	SAR	2007	2,133	SIBOR + 38 bps	20 years
Saudi Electricity Company Sukuk	Ijarah	Saudi Arabia	SAR	2007	1,333	SIBOR + 45 bps	20 years
Shahmurad Sugar Mills Sukuk	Musharaka	Pakistan	PKR	2007	8	6 months KIBOR + 225 bps	5 years
Shahraj Fabrics Sukuk	Ijarah	Pakistan	PKR	2007	10	6 months KIBOR + 215 bps	5 years
Silterra Capital Sukuk	Ijarah	Malaysia	MYR	2007	536	0.039	7 years
Straight A's Portfolio Sukuk	Murabaha	Malaysia	MYR	2007	14	-	-
Sui Southern Gas Company Sukuk	Ijarah	Pakistan	PKR	2007	17	6 months KIBOR + 140 bps	5 years
Sukuk Brunei Inc 1	Ijarah	Brunei Darussalam	BND	2007	92	0.03	3 months
Sukuk Brunei Inc 5	Ijarah	Brunei Darussalam	BND	2007	77	0.03	3 months

Sukuk Name	Sukuk Structure	Country	Currency	Subsc. Date	Issue Size (US\$ mn)	Margin	Tenor
Sukuk Brunei Inc 6	Ijarah	Brunei Darussalam	BND	2007	46	0.03	3 months
Sukuk Brunei Inc 7	Ijarah	Brunei Darussalam	BND	2007	45	0.02	3 months
Sukuk Brunei Inc 8	Ijarah	Brunei Darussalam	BND	2007	30	0.023	1 year
Sunway City Sukuk	Murabaha	Malaysia	MYR	2007	18	-	15 years
Tamweel Nonconvertible Sukuk	Ijarah (Securitization)	UAE	USD	2007	210	LIBOR + 35 bps	25 years
Thani Investments Sukuk	Ijarah	UAE	USD	2007	100	6 months LIBOR + 225 bps	5 years
Tomei Sukuk	Murabaha	Malaysia	MYR	2007	18	-	-
Total Mobile IMTN Sukuk	Ijarah	Malaysia	MYR	2007	33	-	-
URC Sukuk	Musharaka	Kuwait	USD	2007	100	3 months LIBOR + 150 bps	5 years
WAPDA Second Sukuk	Ijarah	Pakistan	PKR	2007	132	KIBOR + 35 bps	10 years
WCT Engineering Sukuk	Murabaha	Malaysia	MYR	2007	7	-	-

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