

# Islamic Finance *news* Awards

## Deals of the Year 2011

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

### DEAL OF THE YEAR 2011

It has been customary for Islamic Finance *news* to announce all the winners of all categories in this issue of the newsletter. However, to spruce up the most prestigious of the categories, we have decided to keep the nominees as well as the world at large at the edge of their seats by announcing the winner during the award ceremonies in Kuala Lumpur (15<sup>th</sup> February) and Dubai (29<sup>th</sup> February). Issuers, lead arrangers and legal counsels will receive the Deal of the Year accolade during the event.

Among the top 5 deals nominated are the government of Malaysia's dual tranche Wakalah Global Sukuk; Satorp's US\$1 billion Sukuk Musharakah; Khazanah Nasional's US\$78.4 million yuan-denominated Sukuk; Tenaga Nasional's US\$1.55 billion Islamic securities program; and government of Dubai's 'Salik' toll road financing (Salik One).

### MOST INNOVATIVE

Islamic Finance *news*' stringent selection process has provided top honors to the most innovative deals issued over the years. Regarded as the

second most coveted honor, the winner of this category will be announced during the award ceremonies in Kuala Lumpur and Dubai which will see the issuers, lead arrangers and legal counsels receive the Most Innovative deal accolade during the event.

The top 5 shortlisted deals are HSBC's US\$5 billion program of which US\$500 million was issued in June 2011; Salik One, International Islamic Trade Finance Corporation's pre-export finance for CV Arvis Sanada and CV Ujang Jaya; government of Malaysia; and, Pakistan International Airways.

### CORPORATE FINANCE: Emaar Malls Financing

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

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

### CROSS-BORDER: Danga Capital Multi-currency Islamic Trust Certificates

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

Tawarruq to generate an underlying certain return.

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

### PROJECT FINANCE: SATORP Sukuk Certificates

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

*Other honorable mentions are the ACWA Power International US\$2.8 billion IPP project; TNB Jana Manjung (Manjung Island Energy RM5 billion (US\$1.58 billion) Ijarah project; Ma'aden Phase II; and Aman Sukuk.*

### TRADE FINANCE: PT Natrindo Telepon Selular (Axis Indonesia) Financing

The winner is the complex and well structured Natrindo Telepon Selular (Axis Indonesia). This was the largest private sector Islamic financing in Indonesia in 2011 and first Islamic financing involving the China Development Bank supporting the procurement of product and civil works services from Huawei Technologies Company for US\$400 million. The deal also included...

a US\$450 million syndicated Murabahah; and a US\$350 million equipment purchase from Ericsson funded by AB Svensk Exportkredit and backed by EKN Sweden's export credit agency. The transaction also included a political risk guarantee from the World Bank Group's Multilateral Investment Guarantee Agency.

## STRUCTURED FINANCE: Salik One US\$800 million Syndicated Multi Tranche Financing

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

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

## REAL ESTATE: Brewery Square Development GBP14 million (US\$21.8 million) Tawarruq Financing Agreement

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

*Other honorable mentioned include Emaar Malls Group AED3.6 billion (US\$980 million) dual tranche Shirkat al Milk financing of real estate represents*

*one of the first large scale real estate deals to apply such a structure. The funding is derived from partial purchases from time to time delivering partial funding as required.*

*The Anka'a Sukuk with Nakheel as the purchase undertaking obligor raised AED3.5 billion (US\$953 million) in the first draw of an AED8.5 billion (US\$2.31 billion) program. The deal was the first of sorts that allows Sukuk to settle trade debts, and it is structured to allow new certificates to be issued into pre-existing series.*

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

## SYNDICATED: Abu Dhabi Islamic Bank AED250 million (US\$68.06 million) syndication

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

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

## RESTRUCTURING: Nakheel

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

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

## IPO/EQUITY: Bumi Armada IPO

The top IPO and equity deal was Bumi Armada. The company which is the largest operator of offshore vessels servicing the hydrocarbon sector in Malaysia and Southeast Asia,

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

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

## SOVEREIGN: Government of Malaysia

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

## SUKUK: Al Rajhi Cement US\$120 million Sukuk

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

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

## MURABAHAH: A Direct 2 Step Murabahah finance in Favor of Banque Mauritanienne pour le Commerce International (BMCI), Mauritania

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

the Banque Mauritanienne pour le Commerce International in support of the SME sector in that country.

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

## IJARAH: Tenaga Nasional's US\$1.55 billion Islamic securities program

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

*Honorable mention: Telekom Malaysia and Northgate Company*

## MUDARABAH: Bank AlJazira SAR1 billion (US\$2.77 million) Sukuk

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

## MUSHARAKA: Ranhill Power RM800 million (US\$252 million) Sukuk

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

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

## TAWARRUQ: TH INDO PLANTATIONS US\$183 MILLION COMMODITY MURABAHAH

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

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

## COUNTRY WINNERS

### BAHRAIN: Kingdom of Bahrain US\$750 million Sukuk

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

Bahrain returned to market with US\$750 million due in 2018. Expanded maturities.

### INDONESIA: Perusahaan Penerbit SBSN Indonesia II US\$1 billion Trust Certificate Issuance

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

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

### KUWAIT: First Investment Company Sukuk Issuance & Restructuring

### MALAYSIA: Wakalah Global Sukuk

The government of Malaysia's Dual Tranche Sukuk Al Wakalah just piped Indonesia to be the largest sovereign offering in Sukuk history at US\$1.2 billion; and represented the first 10-year sovereign Sukuk issued as yet. The deal blends of Ijarah and Tawarruq features. The Ijarah underliers provide sufficient tangible assets for global Sukuk tradability, and the Tawarruq

features give the government flexibility to raise funds without having to lock down an asset. 52% purchase beneficial ownership of government assets; 26% of leasable assets and 26% Shariah compliant shares; 48% to buy commodities on Bursa Suq Al-Sila'.

### PAKISTAN: Foundation Wind Energy I & Foundation Wind Energy II

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

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

### QATAR: Barwa Bank & IBQ Acquisition

Barwa Bank's acquisition of International Bank of Qatar's IBQ Al Yusr is the Qatar Deal of the Year. The acquisition followed the Central Bank of Qatar's mandate for conventional banks to exit the Islamic financial businesses. The acquisition was not easy to execute and followed significant angst and efforts in the market to discern how conventional banks could exit their Islamic businesses with the least disruption to client business. The acquisition assists Barwa Bank to accelerate its local market penetration. Complexities in the deal included...

removing assets from a conventional bank's balance sheet, Al Yusr was a window and not a subsidiary; and, managing differences in Shariah style between the two banks as well as the Shariah parameters relating to the transfer of the assets was certainly a challenge.

## TURKEY: KT Sukuk Varlik Kiralama

2011 was a good year for the participation banks to raise funds in the Turkish market with three major syndications and Kuveyt Turk's return to the market. In March Turkiye Finans Katilim Bankasi raised US\$300 million via syndicated Tawarruq in March 2011; Kuveyt Turk Katilim Bankasi's US\$350 million deal built on improvements in local law as introduced by Turkey's Capital Markets Board and was the first

application of a domestic special purpose company for issuance which acted as an agent instead of the usual trustee for investors and the replacement of the delegate with a certificate holder's representative. Funds are raised on a medium term basis for application in the domestic economy. Pricing was tighter than what conventional banks achieved in the same period in Turkey. The deal includes a purchase and lease back of KTK's real estate assets and participation in various Murabahah receivables for which KTK acts as Wakeel to manage the portfolio.

## SAUDI ARABIA: SATORP Sukuk Certificates

*Honorable Mention: Saudi International Petrochemical Company US\$1.8 billion Mudarabah Sukuk and Ma'aden Bauxite and Alumina Co.*

## AFRICA: INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION SYNDICATED MURABAHAH FINANCING IN FAVOR OF THE GOVERNMENT OF MAURITANIA

Government of Mauritania raised US\$60 million via a syndication to fund the import of fuel products. The facility revolves on a six monthly basis.

## EUROPE: AK Bars Revolving Syndicated Murabahah Financing Facility

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

**REDmoney events 2012**

**IFN FORUM INDONESIA 2012**  
16<sup>th</sup> – 17<sup>th</sup> April 2012

**IFN FORUM SAUDI ARABIA 2012**  
3<sup>rd</sup> – 4<sup>th</sup> June 2012

**IFN 2012 Issuers & Investors EUROPE FORUM**  
22<sup>nd</sup> – 23<sup>rd</sup> October 2012

**IFN 2012 Issuers & Investors ASIA FORUM**  
5<sup>th</sup> – 6<sup>th</sup> November 2012

**Islamic Finance news ROADSHOW 2012**

- SINGAPORE** 13<sup>th</sup> March 2012
- JAPAN** 21<sup>st</sup> June 2012
- THAILAND** 24<sup>th</sup> April 2012
- EGYPT** 1<sup>st</sup> October 2012
- AUSTRALIA** 8<sup>th</sup> May 2012
- TURKEY** 4<sup>th</sup> October 2012
- HONG KONG** 30<sup>th</sup> May 2012
- BRUNEI** 26<sup>th</sup> November 2012

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