

# Islamic Finance *news* *Awards* Deals of the Year 2008

To many of us 2008 seems the year of abject failures and abysmal performance. Surprisingly, the Sukuk market wasn't so bad, with originations 12% greater than in 2006 (even if they were down 53% from 2007). Emerging markets, the heart of the Islamic market space, were still active, thanks to strong ongoing business and attractive oil prices for most of 2008. The Islamic space benefitted from a migration of talent and attention from the western markets to

the emerging and Islamic markets. And, within the Gulf countries, Malaysia and other emerging markets' real estate and infrastructure projects continued to generate opportunities for new business. As a result, *Islamic Finance news* received the largest number of submissions ever. The quality of submission was excellent, and the variety of deals and sophistication reflected a market that is deepening. Here we go with our 2008 Deals of the Year!

## Deal of the Year: Projek Lintasan Shah Alam (PLSA)

Lead arranger and advisor: RHB Investment Bank and RHB Islamic Bank. Sukuk al Ijarah RM330 million (US\$94 million) and Sukuk al Mudarabah RM415 million (US\$118 million).

The deal applies Ijarah mawsufah fi dhimmah for construction finance and Mudarabah for working capital. With 20 high quality submissions, this was one of our more difficult selections since we started the DOTY proposal. Chelsea Barracks, Purple Island, Central Bank of Bahrain, WCT Engineering and many other deals, winners in our

other categories, all brought excellent merits forward. We selected PLSA for three important reasons:

1. The deal met strict GCC structuring guidelines, demonstrating that Malaysia is a global player, not merely a market with unusual practices;
2. The transaction was successfully marketed in the GCC and Malaysia; and,
3. The deal served important domestic infrastructure needs by crafting Ijarah and Mudarabah tranches side by side in a deal that would have previously used the BBA and Istisna forms as securities.

## Sukuk of the Year: Tamweel Sukuk

Tamweel's AED1.1 billion (US\$300 million) was arranged by Badr Al Islami, Dubai Islamic Bank and Standard Chartered.

This deal was rated "A3" by Moody's Investor Services and "A" by Fitch Ratings, and pools Ijarah and Istisna transactions to generate a yield of EIBOR plus 225. The deal was closed in July 2008 at the height of the market meltdown. The five-year deal matures in 2013 and was

over-subscribed. Tamweel represents a pass-through security in the Islamic mortgage alternative space and represents an important anchor for the emerging Islamic asset-based market in the Gulf states.

This was a hotly contested category with more contestants than ever. Honorable mention goes to Khazanah Nasional, Villamar, Central Bank of Bahrain, Tabreed, Purple Island, Sun Finance, PLSA and Saudi Hollandi.

## Most Innovative Deal of the Year: WCT Engineering

Lead Arranger: Aseambankers. RM300 million (US\$85 million) Sukuk al Musharakah with warrants.

The deal is rated "AA-" by MARC. The transaction blends Shirkah al inan (limited investment partnership) with an aqd al tabbaru' (a gratuity contract) which forms the warrants. Although the concept of detachable warrants is controversial, the approach to this problem by making them a grant is a solution which merits considerable review in all Islamic markets. The addition of the warrants builds on the concepts applied in earlier convertible Sukuk as

well as helping to evolve the market. The actual warrants are a grant by WCT and their prospective remarketing was accepted by the relevant Shariah boards (Aseambankers' and the Securities Commission Malaysia's) as the receiver's choice since the warrants represent legal ownership of an asset – the claim on shares in the company.

Again, this was a year of exceptional innovation; PLSA, ZOSCO, Brunei Gas Carriers, Sun Finance and Villamar all deserve honorable mention.

### Equity Deal of the Year: Saudi Hollandi Bank

Lead Arranger: Saudi Hollandi Capital.

This was a tough decision. WCT Engineering, DP World and United Development Company transactions are worthy, but this is the first Tier II capital securities issuance in the Islamic space. The SAR775 million (US\$207 million) deal is based on Mudarabah and generates an expected income of SIBOR plus 200 bps and a step up in the yield after

five years. This is one of the first quasi equity deals in the Islamic space (Maybank's last year was the first Islamic subordinated Sukuk deal). We feel that this important landmark trumps the other excellent deals which were submitted this year.

Honorable Mention: Khazanah Nasional, DP World, United Development Company and My ETF.

### Sovereign Deal of the Year: Pakistan Domestic Sukuk

Government of Pakistan's three-year PKR6.525 billion (US\$84 million) deal in September 2008 by Pakistan Domestic Sukuk Company.

This Ijarah Sukuk program was organized by Standard Chartered Bank (Saadiq) and Dubai Islamic Bank Pakistan to raise money for the general purposes of the Government of Pakistan. It allows ongoing fund raising and establishes a Sukuk auction system akin to that for T-bills whilst allowing for various tenors. This was a tough category with

the Central Bank of Bahrain, Ras Al Khaima and Khazanah Nasional deals all meriting consideration. Yet, the opening of the Pakistan market and building the infrastructure for future transactions as well as alleviating some of the financial burden on the government cause us to grant this award as Sovereign Deal of the Year.

Honorable Mention: Central Bank of Bahrain, Republic of Indonesia and Republic of Kazakhstan.

### Structured Finance Deal of the Year: Sun Finance

Sorouh Real Estate raised AED4.016 billion (US\$1.1 billion) via Sukuk al Mudarabah. Coordinated by Citigroup Global Markets. Lead managed by Abu Dhabi Commercial Bank, Citibank, First Gulf Bank, National Bank of Abu Dhabi and Noor Islamic Bank.

This Mudarabah participated in the ownership of land in Abu Dhabi as well as installment sales receivables and project assets. Effectively, this proved an efficient means

to raise non-recourse funding in August 2008 as the global markets worsened significantly. The deal represents the equivalent of a receivables securitization without actually selling debt. The non-recourse nature of the deal means that the transaction is a true sale transaction and the receivables may be derecognized from the originator's balance sheet.

Honorable Mention: Villamar and Nakheel Development

### Syndicated Deal of the Year: Project Blue (Guernsey) – "Chelsea Barracks"

In another year, Chelsea Barracks, known as Project Blue Guernsey, would have swept multiple categories. This GBP1.25 billion (US\$2 billion) syndicated Ijarah was managed by Calyon and HSBC Amanah. The deal allowed the joint venture between Qatari Diar Real Estate Investment Company and CPC Group to acquire the Chelsea Barracks site and fund its redevelopment. This was the largest Islamic deal in 2008 and the most notable Islamic deal in

the UK and Europe. The deal was successfully structured to manage UK stamp duties and withholding taxes as well as include a Shariah compliant currency hedge.

Honorable Mention: Al Ma'aden Phosphate Company, Saudi Kayan, Investment Corporation of Dubai, DEWA and QWEC.

### Project Finance Deal of the Year: Al Ma'aden Phosphate Company

Al Ma'aden Phosphate was a worthy competitor in numerous categories. This complex deal included US\$2.76 billion of debt including a US\$1.139 billion Islamic tranche managed by Standard Chartered Bank, Calyon and Banque Saudi Fransi while a US\$625 million Islamic tranche was funded by Al Rajhi Banking and Investment Corporation. The US\$1.1 billion Islamic tranche was structured as a forward lease facility. The total project provides for the development of a significant surface mine and chemical

processing complex at a total cost of US\$5.5 billion and is one of the important joint financings requiring close management of the unique rights between Islamic and traditional financiers.

Honorable Mention: Tuwairqi Pelletization and PLSA.

### Cross Border Deal of the Year: AirAsia French Single Investor Lease

BNP Paribas and Natixis Transport Finance's US\$336 million lease of seven Airbus A320-200 aircraft to AirAsia is one of the more interesting deals in 2008 and wins the cross-border award. This deal successfully blended the Malaysian and European counterparties in a deal that provided cost effective delivery of aircraft to AirAsia. The deal involves funding in US dollars, Euros and Malaysian ringgit over a 14-year period. The deal follows the French Single Investor Lease format

and provided 100% financing for the aircraft. Acquisition was funded on a Wakalah by BNP Paribas, Natixis, RHB Islamic and Helaba; and Tawarruq by Bank Rakyat Malaysia. The airplanes are delivered to the client on a leased basis.

Honorable Mention: Tadamun Services (IDB), Khazanah Nasional and Chelsea Barracks.

### IPO Deal of the Year: DP World

DP World was the largest IPO in the Middle East at US\$4.96 billion. This transaction allowed for the redemption of the PCFC convertible Sukuk issued in 2006. This was the first IPO officially listed on NASDAQ Dubai (formerly DIFX) and was oversubscribed 15 times. There are a number of other exciting IPOs in the Islamic space including REITs and

other companies, but the unique character of this deal in settling one landmark Sukuk and helping to establish a new market is of singular importance to make this the most important IPO for 2008.

Honorable Mention: Principle Insurance Holdings.

### Trade Finance Deal of the Year: Yildiz Sunta MDF

Citibank provided Yildiz Sunta with US\$26 million to purchase goods and raw materials used in the company's manufacture of fiberboard and parquet. The deal is secured and represents the penetration of Citibank and the Islamic

sector into the Turkish middle market.

Honorable Mention: PT Krakatau Steel (Persero) and Mobile Telephony Sabafon.

### Real Estate Deal of the Year: Al-Aqar Capital's Sukuk Ijarah Program

Al Aqar returns to our winners circle with its RM300 million (US\$85 million) Sukuk al Ijarah program. Previously, Al-Aqar won as the first Islamic REIT. Now the REIT's subsidiary has issued four classes of Ijarah Sukuk to refinance various facilities and expand working capital to the REIT based on

the underlying assets.

Honorable Mention: Purple Island, Villamar and Chelsea Barracks.

### Corporate Finance Deal of the Year: Al Jaber Group

Al Jaber Group raised US\$400 million in a five year dual currency USD and AED Ijarah facility. The deal was led by Dubai Islamic Bank, First Gulf Bank, BNP Paribas and National Bank of Abu Dhabi.

Honorable Mention: Gatehouse Bank, DEWA, Al Ma'aden Phosphate Company and Limitless.

### Musharakah Deal of the Year: Villamar Sukuk

The Villamar US\$190 million Musharakah program was a winner in a crowded pool of Musharakah deals (in 2008, 32% of all deals were Musharakah and 48% were Ijarah). This deal is a true Musharakah structure absent any structured credit enhancements by sponsor promise to purchase or other undertakings. The proceeds are applied to the development of residences in the Bahrain Financial

Harbor. Al Rajhi Bank and Merrill Lynch were the lead arrangers. In this deal, the developer has contributed real estate in kind and the certificate holders.

Honorable Mention: WCT Engineering, Palm Jebel Ali and Seven Tides.

### Mudarabah Deal of the Year: Purple Island

The Saudi Binladin Group raised US\$267 million with a five-year fixed coupon Mudarabah Sukuk yielding 7% via a British Virgin Islands SPV called Purple Island. This is based on the development of real estate in Mecca. The yield is generated from rental of the underlying real estate.

The deal leverages the underlying Saudi Binladin Group's expertise in Mecca, in hospitality and in construction management.

Honorable Mention: PLSA, Sun Finance and Limitless.

### Ijarah Deal of the Year: AirAsia French Single Investor Lease

BNP Paribas and Natixis Transport Finance's US\$336 million lease of seven Airbus A320-200 aircraft to AirAsia is one of the more interesting deals in 2008 and also wins the cross-border award. This deal successfully blended the Malaysian and European counterparties in a deal provided cost effective delivery of aircraft to AirAsia. The deal involves funding in US dollars, Euros and Malaysian

ringgit over a 14-year period. The deal follows the French Single Investor Lease format and provided 100% financing for the aircraft.

Honorable Mention: Abraj al Bait, Purple Island and DEWA.

### Tawarruq Deal of the Year: Dubai Financial Group

Dubai Financial Group secured US\$1.5 billion in a syndicated revolving Tawarruq facility from an all-star group of UAE and international banks including Noor Islamic, Abu Dhabi Islamic, Al Hilal Bank, Al Khalij Commercial Bank, Commercial Bank of Dubai, Commerzbank (Singapore), First Gulf Bank, Standard Finance, Commercial Bank of Qatar and The Royal Bank

of Scotland. This complex facility allows for multi-currency tranches and varying maturities of the underlying tranches.

Honorable Mention: PT Citra Sari Makmur, Dubai Aerospace and Noble Resources.

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## BEST COUNTRY DEALS

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### Bahrain Deal of the Year: CBB International Sukuk Company

The Central Bank of Bahrain's US\$350 million Sukuk al Ijarah transaction of March 2008 is one of the best deals of the year. Were it not for the crowded and excellent field for Ijarah and sovereign Sukuk, this would have been a multi-category winner. Arranged by Calyon, this transaction was the first public debt capital market issue from the GCC

in 2008 and generated a strong response with attractive rental pricing at LIBOR plus 75 bps. This is the first sovereign Sukuk listed on the London Stock Exchange.

Honorable Mention: Villamar.

### Brunei Deal of the Year: Brunei Gas Carriers

The Brunei Gas Carriers US\$505 million shipbuilding deal for two LNG carriers was arranged by Standard Chartered. The deal used a complex mixture of special purpose vehicles to engage in Istisna contracts to build

the ships against the obligor's forward lease. Again in a less crowded market, this deal could have been a winner in multiple categories.

### China & Hong Kong Deal of the Year: Noble Resources (Hong Kong)

The North Asian markets are slowly opening to Islamic finance. In 2008, several small deals were done in China and Hong Kong. Noble Resources (listed in Singapore) in Hong Kong raised US\$80 million in a Tawarruq deal arranged by HSBC Amanah. This was the first Islamic deal

syndicated in Hong Kong and helped set the stage for a more active Hong Kong market.

Honorable Mention: ASB Biodiesel.

### France Deal of the Year: RecovCo Affimet

In one of their breakout deals, the Bank of London and the Middle East arranged a EUR3 million (US\$4.1 million)

sale-leaseback of equipment for RecovCo Affimet.

### Germany Deal of the Year: CCH Europe

Kuwait Finance House arranged a US\$300 million

Mudarabah for CCH Europe.

### Indonesia Deal of the Year: The Republic of Indonesia

In August 2008, the Republic of Indonesia made its debut issue of IDR4.7 trillion (US\$431 million). This deal, led by Mandiri Sekuritas, Trimegah Sekuritas and Danareksa Sekuritas, tested the new rules for the Sukuk market in Indonesia and applied a sale-leaseback of government

assets. Based on this issue, there is hope that the broader Indonesian government and private market will open fully.

Honorable Mention: PT Citra Sari Makmur and PT Krakatau Steel (Persero).

### Kuwait Deal of the Year: The Investment Dar Company

The Islamic deal makers from Kuwait seem to be more active in other markets. Once again, Investment Dar brings the highest profile deal with its Tawarruq financing of US\$300 million. Organized by HSBC Amanah and Standard

Chartered Bank, this deal helped Investment Dar to secure funding ahead of the weakening of the international syndicated and the domestic Kuwaiti markets.

### Malaysia Deal of the Year: Projek Lintasan Shah Alam (PLSA)

Lead arranger and adviser: RHB Investment Bank and RHB Islamic Bank. Sukuk al Ijarah RM330 million (US\$85 million) and Sukuk al Mudarabah RM415 million (US\$117 million).

As the single most developed market, we enjoyed the largest number of submissions from Malaysia. But, the reality is that we find it difficult to put the many excellent Malaysian deals ahead of the Deal of the Year!

The deal applies Ijarah mawsufah fi dhimmah for construction finance and Mudarabah for working capital.

Honorable Mention: Khazanah Nasional, WCT Engineering, My ETF, Tadamon Services and MRCB Southern Link.

### Pakistan Deal of the Year: Pakistan Domestic Sukuk Company

Government of Pakistan's three-year PKR6.525 billion (US\$84 million) deal in September 2008 through Pakistan Domestic Sukuk. This Ijarah Sukuk program was organized by Standard Chartered Bank (Saadiq) and Dubai Islamic

Bank Pakistan to raise money for the general purposes of the Government of Pakistan. It allows ongoing fund raising and establishes a Sukuk auction system akin to that for T-bills whilst allowing for various tenors.

### Qatar Deal of the Year: Al Wa'ab City WLL

Qatar-based Amwal, SHUAA Capital and Kaupthing Bank organized a US\$200 million Istisna mezzanine facility for Al Wa'ab City to develop a mixed use real estate site. This

is one of the first mezzanine type structures applied in Qatar and it attaches share warrants to the back to back Istisna facility.

### Saudi Arabia Deal of the Year: Purple Island Corp

Purple Island issued Mudarabah Sukuk worth US\$267 million with a five-year fixed coupon yielding 7%. This is based on the development of real estate in Mecca. The yield is generated from the rental of the underlying real estate. The deal leverages the underlying Saudi Binladin Group's expertise in Mecca in hospitality and in construction management. This deal achieves several firsts including the first true unrated Sukuk distributed solely in Saudi

Arabia, the first offshore SPV cleared for settlement on Tadawul (the Saudi Exchange), the first hard asset Sukuk deal for Mecca, and among the first truly AAOIFI compliant Mudarabah Sukuk.

Honorable Mention: Al Ma'aden, Al Tuwairqi Pelletization, Saudi Kayan, Saudi Hollandi and Tajeer.

### Tunisia Deal of the Year: Group Chimique Tunisien

Group Chimique Tunisien raised US\$535 million in equity (US\$350 million) and debt (US\$185 million) to develop a new fertilizer plant in Tunisia. The lead investors were

the Islamic Development Bank (IDB) and the European Investment Bank. The IDB provided Ijarah leverage to the project.

### Turkey Deal of the Year: Yildiz Sunta

Citibank provided Yildiz Sunta with US\$26 million to purchase goods and raw materials used in the company's manufacturing of fiberboard and parquet. The deal is

secured and represents the penetration of Citibank and the Islamic sector into the Turkish middle market.

### UAE Deal of the Year: Sun Finance

Via Sun Finance, Sorouh raised AED4.016 billion (US\$1.1 billion) via Sukuk al Mudarabah. In a deal coordinated by Citigroup Global Markets and lead managed by Abu Dhabi Commercial Bank, Citibank, First Gulf Bank, National Bank of Abu Dhabi and Noor Islamic Bank, this Mudarabah participated in the ownership of land in Abu Dhabi as well as installment sales receivables and project assets. Effectively, this proved an efficient means to raise non-recourse funding in August 2008 as the global markets

worsened significantly. The deal represents the equivalent of a receivables securitization without actually selling debt. The non-recourse nature of the deal means that the transaction is a true sale transaction and the receivables may be derecognized from the originator's balance sheet.

Honorable Mention: Tabreed, Tamweel, Dubai Financial Group and DP World.

### United Kingdom Deal of the Year: Project Blue (Guernsey) – “Chelsea Barracks”

Thanks to enabling legislation in the UK, there is now a robust group of traditional and Islamic financiers offering Islamic financial solutions to UK businesses and projects. This year, the magnitude of the Chelsea Barracks deal known as Project Blue Guernsey, along with its important contributions to demonstrating how Islamic leasing works in the UK stamp duty and withholding tax environment, makes this the UK deal of the year. This GBP1.25 billion (US\$2 billion) syndicated Ijarah was managed by Calyon

and HSBC Amanah. The deal allowed the joint venture between Qatari Diar Real Estate Investment Company and CPC Group to acquire the Chelsea Barracks site and fund its redevelopment. This was the largest Islamic deal in 2008 and the most notable Islamic deal in the UK and Europe.

Honorable Mention: Gatehouse Bank

### USA Deal of the Year: Greater San Diego Muslim Community Center

This is a US\$2.5 million acquisition and construction financing by Ijarah wa iqtina for the Greater San Diego

Muslim Community Center executed by Devon Bank of Chicago.

### Yemen Deal of the Year: Mobile Telephony Sabafon

HSBC arranged US\$20 million for import Murabahah for Mobile Telephony Sabafon. The deal is notable as it secured an ECA policy from Euler Hermes. The master

deal structure allows multiple purchases over a five-year period.

## AWARDS CEREMONIES 2009

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— **2008** —

Islamic Finance news, the industry's leading publication, is pleased to announce two awards ceremonies to congratulate the winners in both the Poll 2008 and the Deals of the Year 2008.

### MALAYSIA

Thursday 12<sup>th</sup> February 2009  
Mandarin Oriental Hotel  
Kuala Lumpur City Centre

### DUBAI

Tuesday 3<sup>rd</sup> March 2009  
Grand Hyatt Dubai  
Oud Metha, Dubai

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