IFN Islamic Finance news
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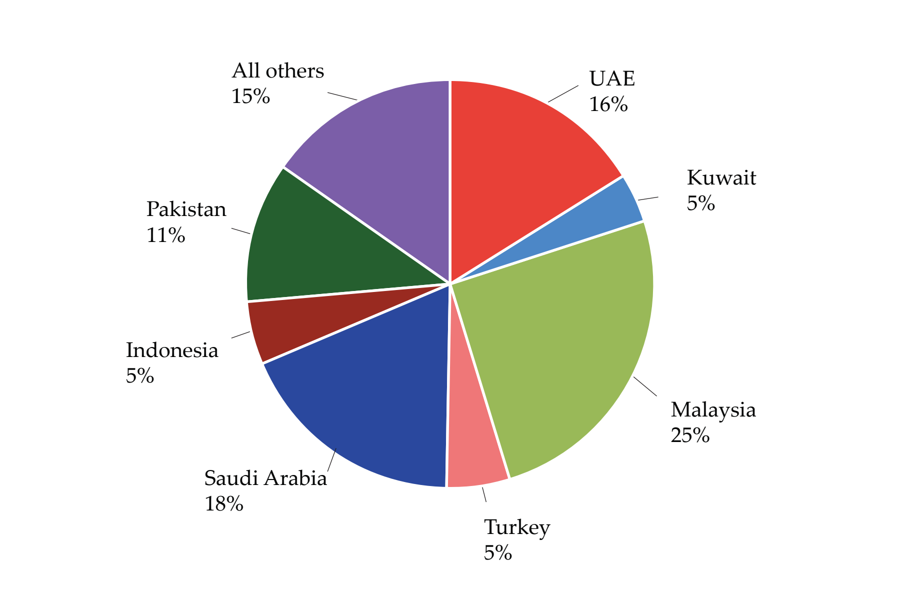
IFN Deals of the Year 2019

IFN Awards
DEALS OF THE YEAR
2019

In 2019, IFN Deals of the Year had a green sheen. Even if most of the submissions originated in hydrocarbon-producing countries, the trend is increasingly green. And, yes, dirty is still there. The 'rise' of fintech was notably absent, yet again. Perpetuals continued to be active as the low-rate environment dipped lower. Repairing, updating, tweaking and execution were bigger themes than innovation. Fixing what is broken was a major storyline. But when pushing boundaries and addressing complexity, this year's submissions were impressive.

Chart 1: Distribution of submissions



The concentration of nominations has changed. Seven countries accounted for 85% of submission. Malaysia's share fell from 32% to 25% while Saudi Arabia's grew to 18%. The UAE offered 16% of the nominations as before. Pakistan, Kuwait, Indonesia and Turkey were the other top contributors.

Despite significant inroads for Islamic finance in Africa and Central Asia, market expansion was not an important feature in this year's competition.

Green 2019 was real. In 2018, of 15 energy submissions, only five were green. This year, the green deals grew from 5.7% of the nominations by dollar value to 15%. Malaysia, Pakistan and the UAE are the green leaders. They are joined by the Republic of Indonesia and the IDB in 2019. In dollar terms, green nominations are still just 35% of total energy. The discrepancy turns up in the number of green deals for solar and wind projects. These tend to have substantially lower tickets than new petrochemical plants.

Infrastructure continues to play a major role in dealmaking. Malaysian and Turkish submissions led the way. Much of the infrastructure remains connected to traditional transportation. Green is an aspiration. Not so clean remains the reality.

Water flows to the lowest point. It is not surprising that Tawarruq has grown in preference across the market with 30% of the deals reviewed using Tawarruq. Another 18% were hybrids, almost all of which joined a Tawarruq leg to another tool such as Mudarabah, Musharakah or Ijarah. Straight Ijarah deals were merely 15%.

Mudarabah and Musharkah submissions were 20%, 26% if one adds diminishing Musharakah. Beyond the additional Tier 1 (AT1) capital Sukuk account for most of the Mudarabah deals, creative Mudarabah financing was presented in deals for NMG Workspace Solutions to invest in Saudi Arabia, and Sarana Multi Infrastruktur to support infrastructure development in Indonesia.

The market is clearly becoming 'standardized' as the diversity of deal type was limited. Innovation was within classes or limited.

Real estate continues its outsized role. Housing was less prominent in 2019

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and shopping centers gave mega deals from Fawaz Alhokair and Majid Al Futtaim. Turkish real estate investment companies (REICs), UAE corporate real estate and Malaysian development figured as well. In addition, GCC investors continued their safe haven investment into the UK, the US and Ireland.

The US rate environment assured that the US dollar remained the most important currency for nominated deals. US dollar submissions dipped slightly from 49% to 46%. Islamic banks took advantage of the low to negative rate environment to issue Tier 1 and a few Tier 2 Sukuk facilities in US dollars.

Malaysia regained ground, with ringgit deals growing to 22% from 19% of the deals. Saudi's might showed with 7% of the deals denominated in the Saudi riyal and Pakistan's growing Islamic finance market meant that 8% of the deals submitted were in the Pakistani rupee.

Bit by bit, the local markets are growing in size and importance. Oman Sovereign Sukuk is a milestone as it shows the role of sovereign Sukuk in market development. As more ministries of finance and central banks join Malaysia and Bahrain, and now Oman with benchmark issuances, we expect to see the role of local currencies grow.

Beyond market development, financial system stability was key. In one of the landmark deals of 2019, the rescue of Malaysia's Tabung Haji was achieved with a unique Sukuk facility.

Three main themes emerged in these awards: (a) Green is real, (b) What's broken can be fixed — but at a cost, and (c) there are positive steps underway for market development.

We have made it to 2020, and it remains to be seen if we will enjoy plenty — higher tensions in the Gulf region; the still unsorted Brexit; China and the US still at odds with one another; Russia's growing influence and a weird US presidential year kicking off with an impeached Donald Trump and to end with an election. It is difficult to have a clear vision of what 2020 will bring, but one hopes to see enough peace and stability to execute more and better deals!

Chart 2: Deal types

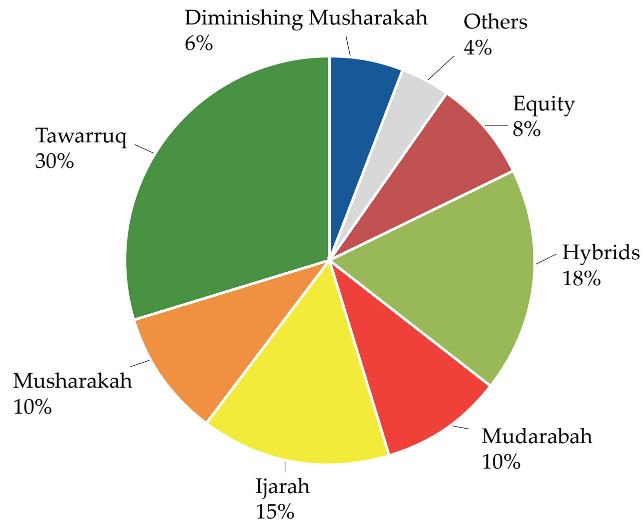
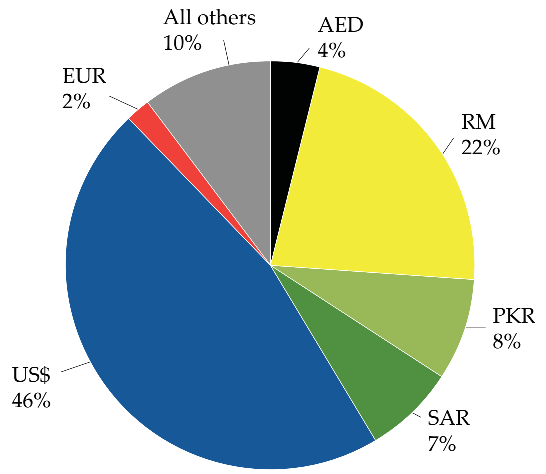


Chart 3: Currency distribution by deals



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COMMODITY MURABAHAH: DUBAI AEROSPACE ENTERPRISE	
Size:	US$139 million
Arrangers:	Abu Dhabi Islamic Bank, Gulf International Bank and Warba Bank
Legal counsels:	Allen & Overy for the obligor and Linklaters for the financiers
Rating:	Unrated
Guarantor:	Dubai Aerospace Enterprise
Date:	August 2019

Dayang Enterprise Holdings was advised by Maybank Investment Bank and United Overseas Bank on the issuance of Sukuk Murabahah. Jointly issued with an equity offering, the deal was structured in two tranches. The first tranche was secured and the second tranche guaranteed by Danajamin Nasional. The financing refinances and consolidates a number of the company's financial obligations.

Standard Chartered worked on an innovative structure for a GCC investor's acquisition of UK property. It put together a five-year bullet Tawarruq for the acquisition finance. The deal named Jersey Incorporate Property Holding Co has an LMA real estate security and covenant package.

Abu Dhabi Islamic Bank (ADIB) engaged in an unusual syndication for Dubai Aerospace Enterprise (DAE). The senior unsecured facility takes into account the restrictive views of ADIB's Shariah board on Tawarruq. This requires one set of documents and processes for the ADIB share of funding and a different one for its fellow financiers Gulf International Bank and Warba Bank. From the ADIB perspective, the rollovers for commodity Murabahah create two transactions with one effectively refinancing the first. The accommodation of ADIB's views still allowed effective management of client goals.

The facility's proceeds refinanced the pre-delivery payment (PDP) payments that DAE has already made to Boeing. The facility's repayment is ring-fenced against aircraft PDP refunds that DAE will receive on aircraft delivery dates.

Honorable mention: Dayang and Jersey Incorporate Holding Co

CORPORATE FINANCE: AKT SUGAR MILLS	
Size:	PKR1.5 billion (US$9.67 million)
Financier:	Faysal Bank
Legal counsel:	Mohsin Tayebaly & Co
Rating:	Unrated
Date closed:	January 2019
Shariah advisor:	Faysal Bank

Tecom Investments, the owner and operator of investment free zones in Dubai, raised US$222.5 million and AED2.1 billion (US$571.68 million) in the Ijarah tranches of an Islamic–conventional co-financing that closed in February 2019. The complex transaction allowed the company to consolidate its debt.

In Malaysia, Projek Lintasan Kota Holdings (Prolintas) raised RM780 million (US$191.22 million) in a syndicated commodity Murabahah transaction. The deal allowed Prolintas to finance two acquisitions: the entire issued and paid-up capital of Sistem Lingkaran–Lebuhraya Kajang from SILK Holdings and the entire outstanding Sukuk Mudarabah issued by Manfaat Tetap. This increased the group's operating arteries to six. Malaysia's UWC had a successful IPO in July 2019. The integrated engineering firm's shares were affirmed as Shariah compliant by Securities Commission Malaysia prior to the IPO. The issuance finances an expansion of production facilities along with automation of the same.

AKT Sugar Mills (AKT) acquired the assets of Gulf Sugar Mills in a syndicated transaction. The eight-year diminishing transaction is structured with a two-year grace period. The structure is one that allows flexibility in addressing acquisitions. In this case, the acquisition is driven to assets. This allows AKT to acquire state-of-the-art crushing equipment and improve its market leadership. The acquired assets are located in the fertile and irrigated region of Ghotki which is climatically well suited for sugar cane production. On account of being near to the road network, the company has easy access for procuring raw material and distributing sugar at competitive prices. The transaction has collateral and AKT improves its market leadership position without violating regulatory restrictions on market concentration.

Honorable mention: Tecom Investments, Prolintas and UWC

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Shortlisted for Overall Deal of the Year 2019

CROSS-BORDER: NASDA GREEN ENERGY

Size:	US$25 million and PKR4.7 billion (US$30.28 million)
Mandated lead advisor & arranger:	Meezan Bank
Financiers:	Islamic Corporation for the Development of the Private Sector and Meezan Bank
Legal counsels:	Haidermota & Co (Pakistan law) for NASDA and Clifford Chance (international law) and Vellani & Vellani (Pakistan law) for the financiers
Security trustees:	Meezan Bank (onshore security trustee) and Bank Al Habib, Wholesale Branch, Kingdom of Bahrain (offshore security trustee)
Shariah advisor:	Meezan Bank
Rating:	Pending
Date:	November 2019

Kuwait's Warba Bank continues to expand its international property investment. In 2019, Warba partnered with Henley Investment Management. Established in 2006, Henley manages more than US$3.5 billion of diverse real estate assets. For the EUR125 million (US$138.95 million) investment in the Citywest Business Campus in Dublin and Cork Airport Business Park, Warba and Henley used an orphan structure together with a Musawwamah agreement, in what is believed to be an Irish market first. QIIB gave a hopeful sign that intra-GCC tensions are easing with the successful issuance of US$200 million via QIIB Tier 1 Sukuk. The deal was a first for the Central Bank of Qatar to allow a domestic bank to issue in the global US dollar market. The orderbook was predominately from Qatar, East and Southeast Asia, and Kuwait.

As part of the expansion of Pakistan's alternative energy supplies, the federal government signed energy purchase agreements with 11 wind power projects. The most interesting was NASDA Green Energy. Meezan Bank arranged the entire onshore and offshore financing for the project. The onshore financing is fully financed by Meezan Bank based on diminishing Musharakah while the offshore financing is fully arranged from the Islamic Corporation for the Development of the Private Sector (ICD) based on Istisnah cum Ijarah. The facilities finance the design, development, construction, commissioning, operation and maintenance of a 50 MW wind power plant in Jhimpir, Sindh Province, Pakistan.

Honorable mention: Warba Bank/Henley Investment Management and QIIB

EQUITY & IPO: PROJEK LINTASAN KOTA HOLDINGS (PROLINTAS)

Size:	RM780 million (US$191.22 million)
Acquisition:	Sistem Lingkaran–Lebuhraya Kajang and all Sukuk Mudarabah from Manfaat Tetap
Financier:	Maybank Islamic
Legal counsel:	Wong & Partners (a member of Baker McKenzie)
Rating:	Unrated
Date:	September 2019

Malaysia's UWC enters the ring with a nomination for its IPO of 70 million ordinary shares at 82 Malaysian sen (20.1 US cents)/share and an offer of 33 million ordinary shares. UWC is deeply engaged with internet of things, 5G wireless broadband technology and the internet of medical things. The IPO finances the company's acquisition of new equipment. This was the second-largest Shariah compliant IPO in Malaysia in 2019.

Al Tamimi advised Al Aman Investment Co on the acquisition of four K-12 schools in the State of Kuwait from Ajyal Holding Company. The curriculum for each of the four schools includes Pakistani, Indian, bilingual and special needs respectively. The deal reflects the growing investor interest in education and consolidation across the GCC. Wong & Partners advised Maybank Islamic (as the lender) in the commodity Murabahah term financing-I facility of up to RM780 million for Prolintas. The proceeds of the facility helped to partly finance the purchase consideration and offer price of:

- the entire issued and paid-up capital of Sistem Lingkaran–Lebuhraya Kajang from SILK Holdings, and
- the entire outstanding Sukuk Mudarabah issued by Manfaat Tetap.

Sistem Lingkaran is the concession holder of the Kajang Traffic Dispersal Ring Road, or more popularly known as the Silk Highway. The acquisition of the Silk Highway has expanded the infrastructure portfolio of Prolintas, supporting its objective of listing in 2020. This will elevate its competitiveness among the highway concessionaires in Malaysia and ultimately induce greater efficiency in the market of highway concessions, operations and maintenance.

Honorable mention: UWC and Al Aman Investment

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GREEN PROJECT: CYPARK REF	
Size:	RM550 million (US$134.83 million)
Arranger:	Maybank Investment Bank
Legal counsel:	Wong & Partners for the arranger
Rating:	'AA3' by RAM
Date closed:	October 2019
Shariah advisor:	Maybank Islamic

The direct green deals are piling on. IBD, Indonesia and Majid Al Futtaim are what one might call framework deals. They represent many possible deals, many future deals and many deals in progress. In 2019, we are opening the category of 'Green Projects' which is dedicated solely to green energy and water projects or related single project activities. Our selections in 2019 are varied. Malaysia and Pakistan are the best represented with deals like NASDA, Liberty and Lakeside Energy in Pakistan; and Edra Solar, Telekosang ASEAN Green SRI Sukuk and Cypark Ref in Malaysia. To help investors validate green deals in Malaysia, the Securities Commission Malaysia formalized the Sustainable & Responsible Investment (SRI) Sukuk Framework in 2017. This runs parallel with the ASEAN Green Bond/Sukuk Standards program.

Cypark Ref is Malaysia's pioneering developer of integrated renewable energy, green technology, environmental engineering solutions and construction engineering. The Sukuk fund three project companies, of which the 30 MWac solar plants in Empangan Terip and Empangan Kelinchi will be the largest grid-connected floating solar plants in Malaysia. A third ground-based plant is being built in Sik, Kedah.

The deal is rated 'AA3' by RAM based on the strength of the power purchase agreements. The rating is affected by the variability of solar power reflected in its performance ratio.

Honorable mention: NASDA and Telekosang

HYBRID: SAVOLA GROUP COMPANY	
Size:	SAR1 billion (US$266.16 million)
Arranger:	HSBC Saudi Arabia
Legal counsels:	Allen & Overy for the issuer and Clifford Chance for the arranger
Rating:	Unrated
Date closed:	July 2019
Shariah advisor:	Executive Shariah committee of HSBC Saudi Arabia

Almarai, the largest dairy company in the GCC, tested the hybrid combination of Ijarah and Tawarruq in a deal advised by Baker McKenzie and White & Case. Exsim Capital's hybrid is another close contender. Proceeds from the Musharakah leg are linked to the purchase of the beneficial interest to the project-related SPAs and to refinance other debts. The Murabahah leg is meant to bridge project expenses.

Allen & Overy advised Savola Group, Saudi Arabia's largest food product group, on an innovative method of subscription to issue replacement Sukuk for its 2013 issuance. SAR493 million (US$131.22 million) of the 2019 issuance was paid for through monetary consideration. SAR507 million (US$134.94 million) of the previous Sukuk was exchanged for Sukuk from the 2019 issuance, reducing the 2013 issuance's balance to SAR993 million (US$264.3 million).

The innovative structure incorporates two alternative Mudarabah/Murabahah structures. These give Savola the flexibility to either use the 'classic' structure, with multiple Murabahah transactions covering both the principal amount of the Sukuk and all profit payments or an 'enhanced' structure, where the payment of principal is covered by a single Murabahah transaction and profit payments are made using income from the Mudarabah.

Honorable mention: NASDA, Exsim Capital and Almarai

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Shortlisted for Overall Deal of the Year 2019

IJARAH: OMAN SOVEREIGN SUKUK WITH THE GOVERNMENT OF OMAN AS OBLIGOR

Size:	OMR300 million (US$777.06 million)
Arrangers:	Alizz Islamic Bank, Meethaq Islamic Banking (Bank Muscat) and Bank Nizwa
Legal counsels:	Al Busaidy Mansoor Jamal & Co as the sole Oman law counsel and Linklaters as the international counsel for the arrangers and issuer
Rating:	Unrated
Date:	December 2019
Shariah advisors:	Shariah Supervisory boards of Alizz Islamic Bank, Bank Muscat's Islamic window, Meethaq and Bank Nizwa

Sidra Capital executed a complex US sale leaseback program in the industrial real estate market. The US$206 million transaction attracted funding from Goldman Sachs's real estate conduit. Tenants are mid and large-sized corporations. The weighted average unexpired lease is in excess of 13 years. The deal reflects the ongoing attraction of safe haven real estate for GCC investors.

A&O advised Merex Investment Group on the AED2.45 billion (US$666.96 million) Ijarah financing of a five retail center portfolio. The highly structured deal delivered non-recourse funding to Merex with a comprehensive covenant package. Merex is a joint venture between Canada's Brookfield Asset Management and Dubai's Meraas Holdings.

The Sultanate of Oman transaction involved the establishment of the first-ever local Omani rial Sukuk issuance program by the government of Oman and the issuance and listing on the Muscat Securities Market of OMR300 million-worth of Sukuk in the following two tranches — first tranche of OMR100 million (US$259.02 million) with a tenor of five years and the second tranche of OMR200 million (US$518.04 million) with a tenor of seven years. Both tranches were issued on the 10th December 2019.

An important issue that we raise for Islamic financial market development is the requirement for both domestic currency benchmarks and high-quality liquid assets (HQLA). The former helps to establish pricing transparency by creating a risk-free benchmark. The latter helps Islamic banks to meet Basel III requirements. This first-ever OMR Sukuk issuance program by the government of Oman provides both to Omani Islamic institutions. Beyond supporting the further development of the Omani capital market, the deal was structured to provide opportunities to the retail sector in Oman to invest in Islamic instruments.

Another first for this issuance was the application of a differential pricing mechanism. The mechanics involved investors bidding on the price based on a fixed profit rate with allocations determined by the competitiveness of each bid. The unique outcome is that the 'auction' results in different investors paying different prices.

Honorable mention: Sidra Capital and Merex Investment Group

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MOST INNOVATIVE: NMG WORKSPACE	
Size:	SAR10 million (US$2.66 million) under SAR500 million (US$133.08 million) program
Financier:	Emirates NBD
Legal counsels:	King & Spalding; Maples Group for the issuer (Cayman Islands)
Trustee:	Albilad Investment Company
Rating:	None
Date:	August 2019

Konsortium KAJV issued Sukuk under a RM1 billion (US$245.15 million) program. Affin Hwang Capital advised on the Sukuk Wakalah, backed by irrevocable and unconditional undertakings by the state of Terengganu.

Abu Dhabi Islamic Bank (ADIB) tweaked the concept of Tawarruq to structure a novel working capital line for Etihad Airlines. In the ADIB structure, a rebate mechanism was introduced to create a competitive Tawarruq-based product that does not have any rollovers. And Serba Dinamik secured UK Export Finance support for its Tawarruq financing into Indonesia in support of project supplies.

King & Spalding advised NMG Workspace Solutions, the investor, on an innovative Mudarabah deal. The design gives the Sukuk investor an economic interest in Saudi operating company Modern Era Management Co. This is what Mudarabah is all about. NMG Workspace Solutions is a US company. The Sukuk allowed NMG Workspace Solutions to support Modern Era's acquisition of a 50% stake in Jeel Al Idara Al Hadeetha Tijara Co, a Saudi operating business, without having to hold shares in the Saudi operating company directly. The importance of this deal is that NMG is not entitled to invest directly in Modern Era. The target company and Modern Era remain 100% Saudi-owned. Al Bilad Investment Company played an important role in the deal as the agent for the investor to act as the Rab Al Maal in the Mudarabah with Modern Era. Returns from the underlying Mudarabah flow to the US-based investor as a return on the Sukuk investment.

Honorable mention: Konsortium KAJV, Etihad WC, Serba Dinamik

MUDARABAH: SARANA MULTI INFRASTRUKTUR	
Size:	IDR1 trillion (US$72.69 million)
Arrangers:	CIMB, BCA Sekuritas, Danareksa Sekuritas, Indo Premier Sekuritas, Mandiri Sekuritas, Trimegah Sekuritas Indonesia
Legal counsel:	Soemarjono, Herman & Rekan
Rating:	'AAA' (Pefindo)
Date closed:	28th August 2019

Banque Misr worked with BM Lease to execute a Mudarabah financing for MEDTEX. A member of Pakistan's Saif Group, MEDTEX is Egypt's largest producer and exporter of yarn.

US-based NMG Workspace Solutions entered into a Mudarabah with a Saudi business, gaining an economic return without having to hold shares in the Saudi operating company. An innovative deal, the transaction manages issues relating to foreign ownership in Saudi Arabia and taxes elsewhere.

CIMB led the dual-tranche securities issuance for Sarana Multi Infrastruktur (SMI). One series is structured conventionally. The second series is structured as Mudarabah. The Mudarabah tranche was issued in four series with tenors of 370 days, three years, five years and seven years. Proceeds go to domestic infrastructure development.

Given the nature of its business, SMI decided to opt for a Mudarabah structure as this Shariah structure does not necessitate the contribution of underlying properties or fixed assets. The Mudarabah has a cap and floor linked to revenue-sharing:

- Should revenue-sharing income drop below the floor, SMI will then provide a portion to the Sukuk Mudarabah holders, so that the Sukuk Mudarabah holders will receive revenue-sharing in accordance with the minimum value limit of the coupon to be funded from a reserve or SMI funds.
- Should revenue-sharing income attributable to the Sukuk Mudarabah holders exceed the cap, then the Sukuk Mudarabah holders will forgo the excess above the cap. Part of the excess will go to the reserve.

This is an unusual structure for project finance. If successful, SMI may more easily manage the revenue cycle of its projects.

Honorable mention: Sidra Capital and NMG Workspace Solutions

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MUSHARAKAH: UNITED MYMENSINGH POWER	
Size:	BDT5 billion (US$57.83 million)
Arranger:	Standard Chartered
Legal counsel:	Farooq and Associates
Date:	August 2019
Shariah advisor:	Shariah board of Standard Chartered

Meezan Bank brought Engro Powergen Thar (EPT) back to the Pakistan market with a PKR4 billion (US$25.79 million) Sukuk Musharakah issuance that included a green shoe option of PKR2 billion (US$12.89 million). EPT was formed in 2014 to set up a 2x330 MW power project in Thar Block II, Sindh, Pakistan. The company is a joint venture between Engro Powergen (with 50.1% ownership), China Machinery Engineering Corporation, Habib Bank and Liberty Mills. The coal-fired project successfully achieved the commercial operations date on the 10th July 2019.

Major Malaysian property developer IJM Land, advised by CIMB Investment Bank, issued RM650 million (US$159.35 million) of perpetual Sukuk in Musharakah form. The Musharakah venture under this transaction consists of Shariah compliant investments in the business operations of the issuer and its subsidiaries. The deal is highly structured to provide protection to investors.

Standard Chartered arranged the first zero coupon Islamic certificates to be issued in the Bangladesh market. The US$60 million equivalent deal for United Mymensingh Power was the largest corporate Sukuk in Bangladesh.

Two of the most bedeviling challenges in Islamic finance are foreign exchange risk management and the J-curve for project finance. United Group had raised foreign currency financing for its power business and the currency risk was a growing burden. The zero coupon Musharakah structure allowed the payouts to be more manageable for the underlying business, while providing an investor with a Shariah compliant return. The deal allowed the company to extinguish its foreign currency debt.

The Musharakah is a co-ownership of assets agreement. The underlying assets are then leased to the operator with a rent reset every six months.

Honorable mention: IJM Land and Engro Powergen Thar

PERPETUAL: IJM LAND	
Size:	RM850 million (US$208.38 million) in three tranches from a RM2 billion (US$490.3 million) program
Arranger:	CIMB Investment Bank
Legal counsel:	Adnan Sundra & Low for the arranger
Rating:	'A2(s)' by RAM Rating Services
Date closed:	March 2019
Shariah advisor:	CIMB Islamic Bank

The banks led by QIIB issued regulatory capital Sukuk. By definition, these must be perpetual to qualify as additional Tier 1 capital. Malaysia, the UAE and Saudi Arabia have been the most active domiciles of non-bank perpetual Sukuk.

In 2019, Malaysia led the way with issuances by WCT Holdings and IJM Land. WCT issued Musharakah perpetuals under a RM1 billion (US$245.15 million) program. This made WCT the first construction holding company to issue perpetual Sukuk. The issuances strengthened its capital structure, and provide a non-dilutive alternative to equity while improving the company's rating profile.

IJM Land issued a complex Musharakah perpetual with a unique subordinated guarantee. This issuance is Malaysia's first perpetual issuance backed by a guarantee, in this case, a subordinated guarantee from the issuer's parent company, IJM Corporation (the Holdco Kafalah guarantor). The Musharakah venture under this transaction consists of Shariah compliant investments in the business operations of the issuer and its subsidiaries.

The transaction structure of this issuance contains some unprecedented features for the benefit of Sukukholders. In addition to the subordinated guarantee by the Holdco Kafalah guarantor, the repayment feature consists of replacement perpetual Sukuk to be issued by the Holdco Kafalah guarantor. This unique approach by a leading Malaysian developer may lead to more creative financing for the dynamic Malaysian real estate market.

Honorable mention: QIIB and WCT

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PROJECT & INFRASTRUCTURE FINANCE: NORTH MARMARA MOTORWAY INFRASTRUCTURE PROJECT	
Size:	US$300 million
Arrangers:	Kuveyt Turk, Albaraka Turk, Garanti Bankasi, Ziraat Bankasi, Halk Bankasi, Is Bankasi, QNB Finansbank, Turkiye Vakiflar Bankasi, Industrial and Commercial Bank of China, and Bank of China
Legal counsels:	Goksu Safi Isik and White and Case for the obligor; and Clifford Chance and Verdi Avukatlik Ortakligi for arrangers
Guarantor:	Republic of Turkey acting through the Prime Ministry, Undersecretariat of Treasury (Turkiye Cumhuriyeti Basbakanlik Hazine Mustesarligi)
Rating:	None
Date:	September 2019
Shariah advisors:	Shariah committees of Kuveyt Turk and Al Baraka Islamic Bank

Serba Dinamik's affiliate Konsortium KAJV raised RM85 million (US$20.84 million) with the support of Affin Hwang Investment Bank and HSBC Amanah Malaysia. The medium-term notes fund the development of a 120 million liter/day waterworks plant in Kuala Terengganu Utara, Malaysia.

Exsim Capital Resources raised RM290 million (US$71.09 million) as Sukuk Musharakah and RM130 million (US$31.87 million) as Sukuk Murabahah as bridge financing for payments due under various projects. The first tranche of the RM2 billion (US$490.3 million) 10-year Sukuk Musharakah program monetizes unbilled sales for executed property transactions. Under this program, Exsim and its group of companies will sell their beneficial interest under the respective development projects.

Kuveyt Turk acted as a senior financier on the North Marmara Motorway Infrastructure Project. This was 2019's largest Turkish public–private partnership (PPP) infrastructure deal. The total credit package is US$4.43 billion including conventional (US$4.13 billion) and Islamic tranches (US$300 million). Kuveyt Turk provided US$200 million in funding and acted as the Islamic facility agent.

The market trend has long favored Istisnah–Ijarah structures, and more recently diminishing Musharakah structures. The application of parallel Istisnah for the Islamic tranche is unique.

Honorable mention: Konsortium KAJV and Exsim Capital

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Shortlisted for Overall Deal of the Year 2019	
REAL ESTATE: ARABIAN CENTRES SUKUK (FAWAZ ALHOKAIR GROUP)	
Size:	US$500 million 144a/RegS Sukuk and SAR4.5 billion (US$1.2 billion) syndicated facilities
Arrangers (Sukuk):	Credit Suisse Securities (Europe), Emirates NBD Capital, Goldman Sachs International, HSBC Bank, Mashreqbank, Samba Capital & Investment Management Company and Warba Bank
Arrangers (syndication):	Goldman Sachs International, Samba Financial Group, the Saudi British Bank, Abu Dhabi Commercial Bank, the National Commercial Bank, Arab National Bank, Al Rajhi Banking and Investment Corporation, Mashreq Al Islami (Islamic Banking Division of Mashreqbank)
Legal counsels:	White & Case for the obligor/issuer; Clifford Chance and Abuhimed Alsheikh Alhagbani Law Firm for the arrangers; Maples Group for the issuer (Cayman Islands)
Global agent, Ijarah investment agent, Murabahah investment agent, security agent and account bank:	Samba Financial Group
Rating:	Obligor: 'Ba1' (Moody's Investors Service)/'BB+' (Fitch Ratings) Sukuk: 'Ba2' (Moody's)/'BB+' (Fitch)
Date:	November 2019
Shariah advisor:	Executive Shariah committee of HSBC Saudi Arabia
Financial advisors:	Houlihan Lokey & Swicorp

Malaysia featured near the top of the real estate competition. Exsim Capital's innovative bridge was a close contender.

Axis REIT also returned to the market for a seventh follow-on placement of RM276.7 million (US$67.83 million). This was the largest equity capital market deal in Malaysia in 2019.

Fawaz Alhokair Group's Arabian Centres Company (ACC), the owner, developer and operator of Arabian Centres, operates a portfolio of 21 centers in 10 major Saudi cities, made its debut issuance of Reg S/Rule 144A US$500 million five-year Sukuk as part of the company's US$1.9 billion refinancing package which included a SAR4.5 billion (US$1.2 billion) domestic syndication. ACC's successful financial repositioning is remarkable given the still-sluggish Saudi Arabian real estate market and less-than-stellar domestic retail demand.

The Sukuk apply a hybrid restricted Mudarabah–Murabahah structure. The deal is a rare high-yield covenant-style Sukuk issuance in a Reg S/Rule 144A format. The restricted Mudarabah is linked to two shopping malls and one additional property, and these provide the coupon revenue for the Sukuk. This was a rare excursion for the Saudi private sector into the global capital markets.

The new bank facilities expanded ACC's bank group from local relationship banks to new regional and international banks.

Honorable mention: Axis REIT and Exsim Capital

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IFN Deals of the Year 2019

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REGULATORY CAPITAL: QIIB TIER 1 SUKUK	
Mudarib:	QIIB
Size:	US$300 million
Arrangers:	Al Khaliji, Barwa Bank, Kuwait International Bank, QInvest, QNB Capital and Standard Chartered Bank
Legal counsels:	Dentons for the issuer, Allen & Overy for the arrangers and Maples Group for the issuer (Cayman Islands)
Rating:	Unrated
Date closed:	November 2019

With the global rate environment remaining low, Islamic banks stampeded to the market like wildebeests to a waterhole. MBSB, Kuveyt Turk, Meezan Bank, Sharjah Islamic Bank and Kuwait International Bank all issued noteworthy securities to bolster their regulatory capital.

With the advice of Dentons, QIIB updated its 2017 Sukuk program. The 2019 issuance of US$300 million represented the first international Basel III-compliant additional Tier 1 issuance from Qatar.

The transaction involved protracted discussions with the Qatar Central Bank regarding the structure of the terms and conditions, including on point-of-non-viability loss absorption, and detailed negotiations with the auditors regarding the issuance of its equity accounting treatment letter.

Getting the deal done with a wide international investor representation is hoped to be an indicator of reduced GCC tension.

Honorable mention: All other banks!

Shortlisted for Overall Deal of the Year 2019

RESTRUCTURING: URUSHARTA JAMAAH	
Size:	RM27.56 billion (US$6.76 billion)
Arranger:	Bank Islam Malaysia
Legal counsel:	Shook Lin & Bok
Date:	May 2019
Shariah advisor:	Bank Islam

In March 2019, DLA Piper finally saw the hard work come to an end as its role advising the creditors of Lagoon City concluded. The deal is one of the longest sagas in troubled Sukuk. Issued in 2006, the deal quickly headed to the Kuwait courts. In the first rounds, the Musharakah structure was an issue. In the end, the Musharakah structure may have facilitated the restatement of the deal.

Maybank Investment Bank and United Overseas Bank coordinated the debt restructuring of Dayang Enterprise Holdings. They successfully arranged a RM682.5 million (US$167.32 million) Tawarruq Sukuk program that allowed a comprehensive restructuring of the firm's obligations. The issuance was supported by collateral and partial guarantee by Danajamin Nasional.
The longest surviving pioneer of Islamic finance, Lembaga Tabung Haji, fell into serious liquidity issues. Warnings first arose with a Bank Negara Malaysia missive to improve risk management practices. Then, mismanagement and asset impairments were highlighted in external reports. In December 2018, new management came in with renowned Malaysian banking plumber Zukri Samat taking the lead as CEO. Acting quickly, Zukri identified the leaks, and worked with Bank Islam and the Ministry of Finance to plug them.

The result was the Urusharta issuance. The transaction efficiently moves troubled assets from Tabung Haji's balance sheet to an SPV created by the Ministry of Finance. The transaction is financed by the largest face value ringgit bond ever. Arranged by Bank Islam and advised by Shook Lin & Bok, the Sukuk are sold on a discount to Tabung Haji.

With the closing of this transaction, three positive outcomes were achieved:

1. The Ministry of Finance is incentivized to maximize recoveries from the assets domiciled at Urusharta in order to redeem the Sukuk.

2. Tabung Haji stakeholders will obtain a recovery of capital and profit over time from the Sukuk.

3. Tabung Haji was able to pay a Hibah to members for 2018 thanks to the restructuring.

The rebased Tabung Haji is now able to perform its duties.

Honorable mention: Dayang Enterprise Holdings and Lagoon City

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IFN Deals of the Year 2019

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SOVEREIGN: GOVERNMENT OF SHARJAH	
Size:	US$1 billion
Arrangers and bookrunners:	Bank ABC, Bank of Sharjah, Dubai Islamic Bank, HSBC, KFH Capital, Warba Bank, Sharjah Islamic Bank and Standard Chartered Bank
Legal counsels:	Clifford Chance for the issuer, Dechert for the arrangers and Maples Group for the issuer (Cayman Islands)
Guarantor:	The government of Sharjah, acting through Sharjah Finance Department
Rating:	Obligor rating: 'A3 (Stable)'/'BBB+ (Stable)' (Moody's/S&P Global Ratings) Issue rating: 'A3/BBB+' (Moody's/S&P)
Date closed:	April 2019
Shariah advisors:	The Fatwa and Shariah supervisory board of Dubai Islamic Bank, Dar Al Sharia, the Central Shariah Committee of HSBC Bank Middle East, the Fatwa and Shariah supervisory board of Sharjah Islamic Bank and the Shariah supervisory committee of Standard Chartered Bank

According to NASDAQ Dubai, Indonesia's US$15 billion in outstanding Sukuk make it the largest Sukuk issuer on that exchange. The country was back with its second green Sukuk. The IDB returned with its second euro and first green Sukuk. Oman issued with its first domestic Omani rial Ijarah Sukuk with wide implications for market development.

The government of Sharjah came to market with a liability management transaction being used alongside the new issuance to support multiple commercial and risk management objectives, including the smoothing of its debt maturity, expanding its debt maturities and taking advantage of the low-rate environment.

Recognizing the unfamiliarity of the liability management transaction to many investors, Sharjah offered an attractive deal framework, whereby there would be an extended tender period for the outstanding Sukuk and a direct switch, at the investor's option, into the new issuance. The result was that Sharjah was able to hit its liability management target of 35–40% take-up (actual was 36.5%), reducing its 2021 maturities by US$182.4 million and executing the new issuance at the top of its target range of US$1 billion, without compromising on price.

The deal was supported by Sharjah's strong credit story showing economic resilience. With a diversified economy, not reliant on hydrocarbons or real estate, Sharjah is supported by real productive economic activities and a comprehensive program of government investment and development

Honorable mention: Oman, Indonesia and IDB

STRUCTURED FINANCE: AVARI HOTELS	
Size:	PKR4.28 billion (US$27.59 million)
Financier:	Meezan Bank
Legal counsel:	Mohsin Tayebaly & Co for the financier
Trustee:	Industrial and Commercial Bank of China
Rating:	Unrated
Date closed:	October 2019
Shariah advisor:	Meezan Bank

Complexity is clearly a theme in 2019. Consider the execution of a parallel Istisnah by Kuveyt Turk in the context of a large multisource financing or examine how Konsortium KAJV secured a complex financing for a water treatment plant.

Meezan Bank has structured a diminishing Musharakah for Avari Hotels. The deal was based on advance future rentals receivable by Avari Hotels from Unilever. Meezan purchased the land from Avari. The facility was structured to ring-fence the Unilever receivables. Unilever Pakistan entered into a 10-year lease with Avari of which two years had lapsed when the deal was executed.

Unilever Pakistan as the tenant entered into a 10-year lease deed with Avari Hotels for its office premises. The rentals are payable in advance for five-year terms. In order to manage its cash flows efficiently, Unilever and Avari agreed to a provision to discount the lease deed rental, whereas Unilever undertakes to cover all associated costs of financings. The remaining rental stream is sufficient to fully amortize the deal.

Honorable mention: North Marmara and Konsortium KAJV

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IFN Deals of the Year 2019

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Shortlisted for Overall Deal of the Year 2019

SOCIAL IMPACT SRI/ESG: MAJID AL FUTTAIM (MAF) SUKUK	
Size:	US$600 million
Arrangers:	BNP Paribas, Citigroup Global Markets and HSBC Bank
Co-arrangers:	Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD Bank, First Abu Dhabi Bank, Gulf International Bank and Standard Chartered Bank
Legal counsels:	Dentons for the arranger, Clifford Chance for the issuer and Maples Group for the issuer (Cayman Islands)
Rating:	Fitch: 'BBB' and S&P: 'BBB'
Date closed:	October 2019
Shariah advisors:	Executive committee of the Fatwa and Shariah supervisory board of Abu Dhabi Islamic Bank, executive committee of the Shariah board of Dubai Islamic Bank and Dar Al Sharia, central Shariah committee of HSBC Bank Middle East and Shariah supervisory committee of Standard Chartered Bank

2019 showed increased a rush to the 'responsible' sector. Malaysia's Pasukhas Green Assets joined the Republic of Indonesia in issuing Sukuk under the green label. Pasukhas had diversified into the green sector in 2017 and committed to the ASEAN Green SRI Sukuk Framework. These show a skewing of the 'responsible' sector toward renewable energy.

Majid Al Futtaim, the powerful UAE retailer, also joined the green crowd. In April 2019, the group published its own Green Finance Framework. This is overseen by the sustainability steering committee, chaired by the CEO. The company also employs a chief sustainability officer. The entire approach is novel, but logical given that most of its projects are in high-stress environments.

The firm issued Sukuk to finance or refinance eligible projects within the following categories: (a) renewable energy; (b) energy efficiency; (c) sustainable water management; and (d) green buildings. Do not worry about green washing. You may not notice it, but you should benefit from these investments when you next shop at an Al Futtaim property. For instance, when you next park at a Majid Al Futtaim project, you may discover the parking lot shaded by solar arrays. Majid Al Futtaim is putting its Green Finance Framework to work.

Honorable mention: Pasukas Green Assets and Republic of Indonesia (through Perusahaan Penerbit SBSN Indonesia III)

SUKUK: EMLAK KONUT GYO (EMLAK KONUT REIC)	
Size:	TRY250 million (US$42.48 million)
Arranger:	Halk Yatirim Menkul Degerler (Halk Invest)
Legal counsel:	Ayaz Law Firm/Akol Namli & Partners for the issuer and arranger
Rating:	Fitch — national long-term rating: 'AA (tur)'; long-term issuer default rating: 'BB-'; long-term local currency issuer default rating: 'BB-' Outlook: Stable
Date closed:	February 2019
Shariah advisor:	ISFA Islamic Finance

Hub Power issued Sukuk Musharakah (Shirkah-Ul-Aqd). The PKR4.5 billion (US$29.01 million) issuance led by Meezan Bank finances Hub Power's investments and working capital. The Sukuk will mature in nine months with a bullet payment. The short-term papers help to grow the short-term Islamic commercial paper market in Pakistan.

At a time when doubts about green washing and uncertainty were swirling the environmental, social and governance (ESG) markets in Europe, the IsDB returned to the euro market. The IsDB's deal is the first euro green Sukuk and governed by a sustainable framework. The high uptake demonstrated that angst about 'green' investing is unmerited.

Emlak Konut REIC is among the Turkish REICs to have issued Sukuk in 2019. The largest REIC raised TRY250 million, the largest such issuance for any type of real estate company in Turkey over the past 10 years. This is remarkable given the multi-faceted challenges facing the Turkish economy and real estate in particular. The short tenors assuage investor concerns over market conditions. The Wakalah-based Sukuk, however, are reissued and have gradually increased in outstanding to TRY900 million (US$152.93 million).

The product, which Halk has delivered for other clients, has created a new alternative funding source and market for REICs, real estate developers and the infrastructure sector in the Turkish debt capital markets.

Honorable mention: Hub Power and IDB

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IFN Deals of the Year 2019

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SYNDICATED: PAKISTAN INTERNATIONAL AIRLINES CORPORATION	
Size:	US$250 million (Islamic-conventional dual-tranche syndication)
Arrangers:	Standard Chartered Bank
Legal counsel:	Hogan Lovells (Middle East)
Trustee:	Faysal Bank
Rating:	Unrated
Date closed:	November 2019

Banque Misr and ADIB Capital led a syndication for Al Marasem International Development to finance the first phase of Zone R5 in the new Egyptian Administrative Capital. The deal is structured as a revolving Mudarabah.

Pakistan Mobile syndicated PKR9.5 billion (US$61.24 million) of airtime represented by prepaid cards. This was part of a dual-tranche deal to fund working capital and capex for the rollout of its 4G/LTE services.

A different intangible underlier was used for Pakistan International Airlines Corporation. The airline had already issued available tonne kilometer (ATKM)-based Sukuk. But the 2019 adaptation was Ijarah services utilizing airline ticket voucher distribution. Unlike ATKM, the airline ticket vouchers represent a portion of available seats on designated routes. In other words, the program is more specific. The deal is self-liquidating with ticket sales from specific routes going into collection accounts. With Ijarah voucher and services, one wonders when the next step will emerge and Sukukholders may convert their certificates into seats.

Honorable mention: Al Marasem and Pakistan Mobile

TRADE FINANCE: SERBA DINAMIK	
Size:	Confidential
Financier:	Standard Chartered Bank
Legal counsels:	Baker McKenzie for the obligor and Clifford Chance for the financier
Guarantor:	Serba Dinamik International (Labuan), Malaysia UK Export Finance
Trustee:	Standard Chartered Bank
Rating:	Unrated
Date closed:	December 2019

Having been well represented for a number of years, trade finance lagged in 2019. Standouts in 2019 included HSBC Amana Malaysia providing a EUR75 million (US$83.37 million) trade refinance to the International Islamic Trade Finance Corporation (ITFC) and Sidra launching its trade finance fund.

Serba Dinamik Indonesia stepped up with the first Tawarruq financing and first non-capital markets Islamic financing guaranteed by the Export Credits Guarantee Department operating as UK Export Finance.

The cross-border Tawarruq financing included an Indonesian company, a Malaysian guarantor, a UK contractor, a Singapore-based financier and legal/Shariah advice from the UAE. The proceeds support various Serba Dinamik projects including electricity supply, cooling and heating, liquefied natural gas (LNG) midstream services and LNG ship to transport.

Honorable mention: HSBC–ITFC and Sidra Trade Fund

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BAHRAIN: MUMTALAKAT SUKUK HOLDING CO	
Size:	US$600 million
Arrangers:	BNP Paribas, Citi, HSBC, Standard Chartered Bank and National Bank of Bahrain
Legal counsels:	Allen & Overy and Hassan Radhi & Associates for the arrangers, Clifford Chance, Maples Group and Zu'bi & Partners for the obligor
Rating:	S&P: 'B+'; Fitch: 'BB-'
Date closed:	February 2019
Shariah advisors:	Shariah boards of BNP Paribas, Citi Islamic, HSBC, Standard Chartered Bank

Alba refinanced its Line 6 project in a Bank ABC-led syndication. The Kingdom of Bahrain made its first issuance under its new global Sukuk program. This represents a move away from its past practice of issuing stand-alone bonds and Sukuk.

Mumtalakat returned to the market with an update to its multicurrency Sukuk program and issued US$600 million. This deal was innovative because the existing Wakalah/Murabahah hybrid structure was updated at the program level to include self-use real estate assets located in Bahrain in the Wakala limb of the structure in order to make the structure more robust from a Shariah perspective. The first issuance under the updated program used a combination of self-use assets and shares as part of the Wakalah limb.

Honorable mention: Alba and Kingdom of Bahrain

EGYPT: MEDTEX	
Size:	US$34.2 million
Bookrunners:	Banque Misr and Venture Partners Advisory
Legal counsel:	Banque Misr's Legal Department
Rating:	None
Date closed:	12th November 2018
Shariah advisor:	Banque Misr's Shariah board

Banque Misr led a EGP1.6 billion (US$99.79 million) syndicated Musharakah for Al Marasem International for Development Company and the Marina Way Lagoon for real estate and touristic investments.

ADIB Capital and Banque Misr raised EGP940 million (US$58.63 million) in a syndicated Mudarabah for Marasem International for Development Company for work in the New Administrative Capital.

Banque Misr worked with BM Lease on restructuring the finances of MEDTEX. Due to poorly structured liabilities, the volume and tenor of the company's liabilities had prevented it from achieving profits congruent with the company's manufacturing capacity.

The deal involves a US$29.2 million sale and leaseback with BM Lease acting as the asset owner, effectively the security agent, on behalf of Banque Misr. Proceeds were used to extinguish MEDTEX's existing debts. This was executed in the form of a US$15 million six-year facility and a US$14.2 million revolving Mudarabah line. An additional US$5 million of equipment was leased to MEDTEX under a similar structure.

Honorable mention: Marasem

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INDONESIA: JAMBARAN-TIUNG BIRU PROJECT (PERTAMINA)	
Size:	US$100 million
Arranger:	MUFG Bank, Singapore branch
Legal counsels:	Latham & Watkins for the issuer and Milbank for the arranger
Rating:	Unrated
Date closed:	June 2019
Shariah advisors:	Shariah committee members of MUFG Bank (Malaysia)

There is no doubt that the Republic of Indonesia's return to market with its green Sukuk is a powerful signal to the markets. The investor uptake demonstrated faith in Indonesia, a persistent issuer, and support for ESG issuances among investors.

Serba Dinamik secured the first non-capital market's deal supported by UKEXIM. Even if the deal is Tawarruq, this is an important achievement. One hopes that this opens the door for more export agencies to engage deeply with Islamic finance. Perhaps the next UKEXIM deal will apply true goods Murabahah.

Jambaran-Tiung Biru Project (Pertamina) is the first Islamic project financing arranged for Pertamina for its key strategic project in Indonesia. The project involves the development of existing gas reserves in the Unitized Jambaran-Tiung Biru Field along with associated gas processing facilities and spur pipelines.

The Wakalah structure adopted in the deal was also a first for an Indonesian oil and gas project financing. This deal also marked the first Islamic structure adopted under the legal framework of the Trustee Borrowing Scheme (TBS). The TBS had been the preferred structure for jurisdictions that require viable legal structures to manage requirements relating to a country's assets under the World Bank Negative Pledge. MUFG brought this financial expertise to the deal based on its long experience with similar TBS programs.

The unique features of this deal include a Japanese bank innovating Islamic and project finance schemes into the Islamic market.

Honorable mention: Republic of Indonesia and Serba Dinamik

KUWAIT: LAGOON CITY	
Obligor:	Lagoon City Sukuk Company; original obligor was Al Ahlia Gulf Holding and its related entities which were engaged primarily in investments and real estate, including the landmark Lagoon City development in Kuwait.
Size:	US$200 million
Certificateholders' representative committee:	Emirates NBD, Islamic Development Bank, Masraf Al Rayan and Liquidity Management Centre
Legal counsels:	For the committee: DLA Piper Middle East and for the obligor, Al-Hossam Legal - Al-Turqi & Partners
Rating:	Unrated
Date closed:	March 2019
Shariah advisors:	Shariah boards of the certificateholders' representative committee

The successful Sukuk programs of Warba Bank and Kuwait International Bank were important steps forward. Kuwait's Islamic financial sector is robust and sound.

Lagoon City is significant because it involves a structure that allows for the settlement of the sums due to the certificateholders by utilizing a very unique assets swap arrangement. The transaction involved creating an intermediate vehicle to receive shares issued in numerous countries, with careful consideration of legal and tax issues in respect of the structure; creating a supplemental trust structure to allow for the existing Sukuk structure to accommodate new assets; creating a supplemental certificateholder representative committee; managing agent and other appointment documents to flex the structure and creating a complex waterfall dealing with existing liabilities and funds from realizations. Another unique element was completely restructuring a Sukuk Musharakah facility with voting carried out through Clearstream and Euroclear. The result was essentially an asset-for-asset Sukuk settlement — certainly among the first in Kuwait and the first of its kind in terms of the mechanisms utilized, allowing the certificateholders to start realizing value from their Sukuk investment.

Honorable mention: Warba Bank and Kuwait International Bank

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Shortlisted for Overall Deal of the Year 2019

MALAYSIA: URUSHARTA JAMAAH

Size:	RM27.56 billion (US$6.76 billion)
Arranger:	Bank Islam Malaysia
Legal counsel:	Shook Lin & Bok
Date closed:	May 2019

Malaysia is such a deal-rich environment that finding the best Malaysian deal is a significant challenge. Our entries range from Cypark Ref and green energy to Prolintas and infrastructure to real estate development with IJM Land. Behind these is a seemingly endless stream of innovative and exciting deals.

Of all of the Malaysian deals, the one that will touch the largest number of citizens for a long time is the rescue and refinance of Tabung Haji. The Urusharta Jamaah (UJSB) deal plays a critical role in restoring the financial soundness of a revered national institution that serves the interests of Malaysia's Muslims in fulfilling their Hajj obligations and has long been a contributor to the domestic economy as an investor. The transfer of Lembaga Tabung Haji's assets to UJSB had restored Lembaga Tabung Haji's balance sheet and sped up its financial recovery. In the event the Sukuk Murabahah facility was not put in place and in turn, the turnaround and restructuring plan was not successfully completed, Lembaga Tabung Haji could have faced significant financial and liquidity difficulties. The financial loss to citizens would surely have been a poor reflection on the government. Timely action and a well-structured solution have prevented this from being realized.

Honorable mention: Cypark Ref, IJM Land and Prolintas

Shortlisted for Overall Deal of the Year 2019

OMAN: OMAN SOVEREIGN SUKUK WITH THE GOVERNMENT OF OMAN AS OBLIGOR

Size:	OMR300 million (US$777.06 million)
Arrangers:	Alizz Islamic Bank, Meethaq Islamic Banking (Bank Muscat) and Bank Nizwa
Legal counsels:	Al Busaidy Mansoor Jamal & Co as the sole Oman law counsel and Linklaters as the international counsel for the arrangers and issuer
Rating:	Unrated
Date:	December 2019
Shariah advisors:	Shariah supervisory boards of Alizz Islamic Bank, Bank Muscat's Islamic window, Meethaq and Bank Nizwa

Abu Dhabi Islamic Bank financed two very large crude carriers (VLCCs) for Oman Shipping. The deal was the first ijarah for Oman Shipping, and one of a few for VLCCs.

The National Bank of Oman's Muzn window provided OMR20 million (US$51.8 million) financing to Al Iskan Al Tullabi based on diminishing Musharakah. The transaction supports the arrival of a US student housing operator in the Omani market.

Oman Sovereign Sukuk, however, is one of the most important deals of 2019. The transaction provides important capital market building blocks. First among these is the issuance in the Omani rial. We have repeatedly stressed that national markets will only prosper when the preponderance of Sukuk issuances are in local currency. The second is the provision of a domestic benchmark and the third is to deliver HQLA for the Omani Islamic banking sector.

Honorable mention: Al Iskan Al Tullabi SAOC and Oman Shipping

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IFN Deals of the Year 2019

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Shortlisted for Overall Deal of the Year 2019

PAKISTAN: NASDA GREEN ENERGY	
Size:	US$25 million and PKR4.7 billion (US$30.28 million)
Mandated lead advisor & arranger:	Meezan Bank
Financiers:	Islamic Corporation for the Development of the Private Sector and Meezan Bank
Legal counsels:	Haidermota & Co (Pakistan law) for NASDA and Clifford Chance (international law) and Vellani & Vellani (Pakistan law) for the financiers
Security trustees:	Meezan Bank (onshore security trustee) and Bank Al Habib, Wholesale Branch, Kingdom of Bahrain (offshore security trustee)
Shariah:	Meezan Bank
Rating:	Pending
Date:	November 2019

Pakistan has always held promise for Islamic finance. For our 2019 awards, we enjoyed the most nominators ever. This saw four winners, the most-ever for Pakistan. AKT Sugar Mills provided the winner for corporate finance with a well-structured asset acquisition deal. Avari Hotels demonstrated the suitability of diminishing Musharakah for a structured transaction, this linked to underlying rentals from Unilever. And Pakistan International Airlines Corporation, which was a pioneer in the ATKM transactions, shifted to Ijarah services linked to seat capacity. A deserving package of deals from a country long on promise.

Wind power generation projects support Pakistan's objectives of reducing dependence on fossil fuels, increasing diversity in energy mix, decreasing greenhouse gas emissions and saving foreign exchange reserves. Today, Pakistan is reliant on carbon-based power. NASDA, one of more than 11 wind power projects, is part of the solution. NASDA brought out the full promise of 2019: green energy, cross-border collaboration with the Islamic Corporation for the Development of the Private Sector and a pair of structures. The structures were designed to suit the phase of the transaction, the financier requirements and the timeline of the project.

Honorable mention: Pakistan International Airlines, AKT Sugar Mills and Avari Hotels

QATAR: QIIB TIER 1 SUKUK	
Mudarib:	QIIB
Size:	US$300 million
Arrangers:	Al Khaliji, Barwa Bank, Kuwait International Bank, QInvest, QNB Capital and Standard Chartered Bank
Legal counsels:	Dentons for the issuer, Allen & Overy for the arrangers and Maples Group for the issuer (Cayman Islands)
Rating:	Unrated
Date:	November 2019

Qatar Islamic Bank led successful syndications for Qatar Gas Transport Company (QGTC/Nakilat) and QTerminals. The Nakilat deal included QAR1 billion (US$274.57 million) and US$250 million tranches. QTerminals raised QAR320 million (US$87.86 million). The former was a straight Tawarruq deal using LMA documents while the latter was a structured Tawarruq deal. Addleshaw Goddard advised the arrangers.

The deal that rises to the top is the QIIB additional Tier 1 Sukuk. This deal required extensive work with the central bank to embrace both Basel III structuring points and an international issuance. The success of the deal may herald the reduction of tensions within the GCC and the appeal of Qatar and the QIIB to international investors on the other side of Asia.

Honorable mention: Nakilat and QTerminals

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Shortlisted for Overall Deal of the Year 2019

SAUDI ARABIA: ARABIAN CENTRES SUKUK (FAWAZ ALHOKAIR GROUP)	
Size:	US$500 million 144a/RegS Sukuk and SAR4.5 billion (US$1.2 billion) syndicated facilities
Arrangers (Sukuk):	Credit Suisse, Emirates NBD Capital, Goldman Sachs International, HSBC Bank, Mashreqbank, Samba Capital and Warba Bank
Arrangers (Syndication):	Goldman Sachs International, Samba Financial Group, the Saudi British Bank, Abu Dhabi Commercial Bank, the National Commercial Bank, Arab National Bank, Al Rajhi Banking and Invesment Corporation, Mashreq Al Islami (Islamic Banking Division of Mashreqbank)
Global agent, Ijarah investment agent, Murabahah investment agent, security agent and account bank:	Samba Financial Group
Legal counsels:	White & Case for the obligor/issuer; Clifford Chance and Abuhimed Alsheikh Alhagbani Law Firm for the arrangers; Maples Group for the issuer (Cayman Islands)
Rating:	Obligor: 'Ba1' (Moody's)/'BB+' (Fitch) Sukuk: 'Ba2' (Moody's)/'BB+' (Fitch)
Date:	November 2019
Shariah advisor:	Executive Shariah committee of HSBC Saudi Arabia
Financial advisors:	Houlihan Lokey & Swicorp

Saudi Arabia did not disappoint in 2019. The Kingdom provided a rich slate of deals from the Alkhabeer Waqf Fund to contenders like the NMG Workspace Mudarabah and the Savola hybrid Sukuk. As Tadawul attracts more IPOs and Sukuk, we can expect much more.

Arabian Centres, however, was the top deal. The transactions repositioned the Kingdom's top retail operator and consolidated its debt. Structured with high-yield characteristics, the Sukuk included a 144A tranche to facilitate US institutional investors. The combined transactions are a SAR4.5 billion (US$1.2 billion) term syndication and a 'BB+'-rated 144A/Reg S Sukuk. The company has a sound financial footing stretching its debt tenors to eight and 12 years for the various tranches of the syndication and Sukuk.

Honorable mention: NMG and Savola

TURKEY: NORTH MARMARA MOTORWAY INFRASTRUCTURE PROJECT	
Size:	US$300 million
Arrangers:	Kuveyt Turk, Albaraka Turk, Garanti Bankasi, Ziraat Bankasi, Halk Bankasi, Is Bankasi, Finansbank, Turkiye Vakiflar Bankasi, Industrial and Commercial Bank of China, and Bank of China
Legal counsels:	Goksu Safi Isık & White and Case for the obligor and Clifford Chance for the banks
Guarantor:	Republic of Turkey acting through the Prime Ministry, Undersecretariat of Treasury (Turkiye Cumhuriyeti Basbakanlik Hazine Mustesarligi)
Rating:	None
Date:	September 2019
Shariah advisor:	Kuveyt Turk Participation Bank's Shariah committee

Kuveyt Turk issued new regulatory capital Sukuk. Halk REIC and Emlak Konut REIC successfully issued new Sukuk under their programs with Emlak Konut REIC raising the largest sum in recent memory.

The North Marmara project, however, showed a return to classical structures, playing a key role in the largest public–private partnership project in Turkey in recent years.

Honorable mention: Kuveyt Turk, Halk REIC and Emlak Konut

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Shortlisted for Overall Deal of the Year 2019	
UAE: MAJID AL FUTTAIM (MAF) SUKUK	
Size:	US$600 million
Arrangers:	BNP Paribas, Citigroup Global Markets and HSBC Bank
Co-arrangers:	Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD Bank and First Abu Dhabi Bank
Legal counsels:	Dentons for the arranger, Clifford Chance for the issuer and Maples Group for the issuer (Cayman Islands)
Rating:	Fitch: 'BBB' and S&P: 'BBB'
Date closed:	May 2019
Shariah advisors:	Executive committee of the Fatwa and Shariah supervisory board of Abu Dhabi Islamic Bank, executive committee of the Shariah board of Dubai Islamic Bank and Dar Al Sharia, central Shariah committee of HSBC Bank Middle East and Shariah supervisory committee of Standard Chartered Bank

A stalwart of the industry, the UAE too provides a diverse selection of contenders. Two winners in this year's competition were Dubai Aerospace Enterprise (DAE) and the government of Sharjah. The former blended the unique business style of Abu Dhabi Islamic Bank with that of others to provide funding for DAE in its acquisition of new aircraft. The government of Sharjah was able to execute a unique liquidity management program with its benchmark sovereign issuance.

Majid Al Futtaim, however, steps to the front with its green Sukuk. These Sukuk finance and refinance green investments that the UAE's top retailer is making across its properties in the UAE and MENA region. These investments are visible and represent a proactive approach to sustainable property management. This is part of the retailer's commitment to 10 of the UN's 17 sustainable development goals.

Honorable mention: Dubai Aerospace Enterprise and government of Sharjah

IFN Overall Deal of the Year 2019 finalists

Our IFN Overall Deal of the Year 2019 finalists reflected the dominant trends in the submissions. The top four markets are represented: Malaysia with Urusharta, Saudi Arabia with Arabian Centres, the UAE with Majid Al Futtaim and Pakistan with NASDA. Oman Sovereign Sukuk is an outlier. The power of each of Saudi Arabia, Malaysia and the UAE is well represented year after year among the Deal of the Year finalists. In 2019, the depth of Pakistan and the forward thinking of Oman bring diversity to our selected finalists.

The currency trends among the winners tell three stories. Each currency election reflected a unique driver. Majid Al Futtaim issued in US dollars reflecting the cross-border business of the company. Arabian Centres listed the Sukuk on Jersey's International Stock Exchange. The firm also raised SAR4.5 billion (US$1.2 billion) from a syndicate of Saudi Arabian banks. NASDA also raised funds in the US dollar and the local currency. In NASDA's case, the split facility helps the firm to manage foreign exchange costs relating to its import requirements. US dollar transactions reflect each of these finalists expanding its funding base and attracting new capital at the corporate level for Majid Al Futtaim and Arabian Centres, and supporting foreign exchange inflow for Pakistan in the NASDA case.

Local currencies also figured with the Arabian Centres, Urusharta, Oman and NASDA deals. Arabian Centres operates fundamentally in the Saudi riyal. As a result, a key component of its updated financial package is the local currency. As a purely domestic deal, Urusharta issued in the Malaysian ringgit. And, as part of a market development exercise, Oman issued solely in the Omani rial. Among these, Oman stands out as the domestic Omani rial issuance supports both the domestic capital market and the regulatory requirements of Oman's Islamic banks. NASDA will also operate in the local Pakistani rupee and the co-financing has a domestic structure that protects the project from being overexposed to US dollar debt.

Our finalists reflect all of the market trends in structuring, and raise a few questions. Tawarruq shows up in three deals: Majid Al Futtaim, Arabian Centres and Urusharta. In the first two, Tawarruq is part of a hybrid structure. The common argument supporting this is that the underlying assets do not support the cash needs. For Majid Al Futtaim, it was Wakalah in assets and Tawarruq for additional cash. Arabian Centres used Mudarabah in specified assets and Tawarruq for the rest. Somewhat inexplicably, Urusharta used Tawarruq as well. This seemed to be an extra step. Why not sell the troubled asset pool directly against the certificates? One imagines two simple Murabahah purchase certificates due to timing and structure issues. The first certificate was issued prior to the 31st December 2018 to allow the Hibah to be paid on time to members, but not on time for a full valuation exercise. The second was issued in May 2019 to complete the transaction and after the full valuation exercise was completed. As a result, the deal could not have been completed using goods Murabahah.

Despite widespread complaints over Tawarruq's use, finding 'loan' risk profiles with the other Islamic instruments is not so easy. This is especially true if there are not enough assets on a prospective obligor's balance

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sheet. Why are we discussing 'loan' risk? Because many of our investors are banks, conventional and Islamic, and pure Mudarabah deals for instance would attract a much higher capital allocation than any deal based on Murabahah. Moreover, the complexity of property ownership, transfer and even hypothecation often mitigates against tools like Ijarah in complex financings like Majid Al Futtaim and Arabian Centres.

NASDA and the Oman Sovereign Sukuk reflected the allergy that Pakistan and Oman have toward Tawarruq. Each took on structures that were suitable to their markets and financiers. In the NASDA case, the Islamic Corporation for the Development of the Private Sector (ICD) elected to use an Istisnah–Ijarah model. Oman preferred straight Ijarah over diminishing Musharakah, which it had used in the past.

Three major themes ran through the Deal of the Year 2019 submissions: Green, restructuring and system development.

NASDA and Majid Al Futtaim earn the darkest, deepest green shades. NASDA earns its green rating on a project basis, and as part of a national effort to push away from hydrocarbon energy. Majid Al Futtaim earns its colors by fomenting a new culture of sustainability at the leisure and retail giant. Imagine if the other great GCC retailers, including Arabian Centres, made the same shift. We are already seeing this in Malaysia.

Restructuring may arise for either good or negative financial situations. Arabian Centres has restructured its financial obligations when times were good. It has right-sized its costs and extended the maturities. Saudi Arabia is one of the countries with the highest internet surfing, and online shopping is sure to be as important in the Kingdom as it is in Europe and the US. The new financial structure at Arabian Centres creates financial space for the retail group to navigate the future risks to traditional centers.

Urusharta, sadly, is a reflection of when things have gone badly wrong. Quick and clear action by the federal government averted the risk of a loss of confidence in the Islamic finance system. A well-defined solution protects a state and social institution, allowing Lembaga Tabung Haji (Tabung Haji) to get on with its core mission. It also shifts the burdens more directly to the taxpayer.

Financial system development is the crane hoisting the Oman Sovereign Sukuk atop so many other submissions and onto the podium among the top five. We have had many foreign currency Sukuk for sovereigns. These solve cash requirements, but do not contribute to the development of the domestic financial market. Oman is helping to provide a benchmark, albeit on the long end of the maturity ladder. Oman is providing a high-quality liquid asset (HQLA) for domestic Islamic financial institutions. And Oman is delivering a safe investment instrument to its citizens.

Why do these finalists matter? Let's look at the particular circumstances of each of the finalists.

Arabian Centres is a consensus finalist. Fawaz Alhokair Group is the owner, developer and operator of Arabian Centres Company (ACC). With a portfolio of 21 lifestyle centers in 10 major Saudi cities, ACC made its debut issuance of a Reg S/Rule 144A US$500 million five-year Sukuk facility as part of the company's US$1.9 billion refinancing package. The deal also included a SAR4.5 billion syndicated financing. These transactions followed ACC's successful IPO which raised SAR2.8 billion (US$745.96 million). ACC's IPO is the first Tadawul listing structured to meet US 144A rules. With a market cap of approximately SAR12.4 billion (US$3.3 billion), ACC's financial repositioning is remarkable given the still sluggish Saudi Arabian real estate market and less than stellar domestic retail demand. The new structure positions the company for financial stability through the medium term.

A blend of GCC and global financiers formed the joint lead manager group: Goldman Sachs International, HSBC Bank, Credit Suisse Securities (Europe), Emirates NBD Capital, Mashreqbank, Samba Capital and Investment Management Company, and Warba Bank. White & Case represented ACC, Clifford Chance the managers and Maples Group for the issuer (Cayman Islands). Goldman and HSBC were the bookrunners. The Sukuk apply a hybrid restricted Mudarabah–Murabahah structure. The deal is a rare high-yield, covenant-style Sukuk issuance in a Reg S/Rule 144A format. The restricted Mudarabah is linked to two shopping malls and one additional property, and these provide the coupon revenue for the Sukuk. This was one of a very few number of fundraising activities by the Saudi private sector in the global capital markets. The 144A format allowed US institutional investors to invest. Non-GCC investors purchased 84% of the deal.

The new bank facilities expanded ACC's bank group from local relationship banks to new regional and international banks like the UAE's Mashreq Bank and Goldman Sachs International. The comprehensive participation of Saudi banks was capped by the role of Samba Financial Group in key administrative functions including global agent, Ijarah investment agent, Murabahah investment agent, security agent and account bank.

The transaction shows that Saudi corporates may present themselves successfully in the global markets. The ACC story represents the emergence of Saudi Arabia as a G20 country. The financially sound ACC is now better able to support the emerging middle class with its modernizing more inclusive society trend.

Oman Sovereign Sukuk is another consensus finalist. The Sultanate of Oman transaction involved the establishment of the first-ever local Omani rial Sukuk issuance program by the government of Oman and the issuance and listing on the Muscat Securities Market of OMR300 million (US$777.02 million) Sukuk in the following two tranches: first tranche of OMR100 million (US$259.01 million) with a tenor of five years and the second tranche of OMR200 million (US$518.01 million) with a tenor of seven years. Both tranches were issued on the 10th

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December 2019. Unlike the Sultanate's previous Omani rial deal, this is not a stand-alone issuance.

An important issue that we raise for Islamic financial market development is the requirement for both domestic currency benchmarks and HQLAs. The former helps to establish pricing transparency by creating a risk-free benchmark. The latter helps Islamic banks to meet Basel III requirements. This first-ever Omani rial Sukuk issuance program by the government of Oman provides both to Omani Islamic institutions. Beyond supporting the further development of the Omani capital market, the deal was structured to provide opportunities to the retail sector in Oman to invest in Islamic instruments. In 2015, Oman issued a single co-ownership-based Sukuk facility in the Omani rial. One might argue that the 2015 deal met these requirements. The distinction in 2019 is that the Sultanate has initiated a program which promises reissuances thereby sustaining the delivery of HQLA and supporting Islamic bank liquidity development requirements.

Another first for this issuance was the application of a differential pricing mechanism. The mechanics involved investors bidding on price based on a fixed profit rate with allocations determined by the competitiveness of each bid. The unique outcome is that the 'auction' results in different investors paying different prices.

Oman Sovereign Sukuk, however, is one of the most important deals of 2019. The transaction provides important capital market building blocks. First among these is the issuance in the Omani rial. We have repeatedly stressed that national markets will only prosper when the preponderance of Sukuk issuances are in the local currency. The second is the provision of a domestic benchmark. And the third is to deliver HQLAs for the Omani Islamic banking sector.

The last consensus finalist is Majid Al Futtaim. The second retail magnate among our finalists, Majid Al Futtaim is not merely a financial story. The powerful UAE retailer joined the 'green' crowd back in 2011. In April 2019, the group published its own Green Finance Framework. This is overseen by the sustainability steering committee chaired by the CEO. The company also employs a chief sustainability officer. The entire approach is novel, but logical given that most of its projects are in high-stress environments.

The firm issued Sukuk to finance or refinance eligible green projects within the following categories: (a) renewable energy; (b) energy efficiency; (c) sustainable water management; and (d) green buildings. Do not worry about green washing. The company is among the first in the MENA region to achieve LEED and BREEAM certification across its properties portfolio. You may not notice it, but you should benefit from these investments when you next shop an Al Futtaim property. If you do not see it, the company's sustainability activities are well documented on its website. For instance, when you next park at a Majid Al Futtaim project, you may discover the parking lot shaded by solar arrays. Majid Al Futtaim is putting its Green Finance Framework to work.

The holder of a Green Star rating from Global Real Estate Sustainability Benchmarks, Majid Al Futtaim has also received a 'low risk' environmental, social and governance (ESG) rating from Sustainalytics. An independent ESG auditor, Sustainalytics certified the company at 'low risk' of experiencing financial impact from ESG factors.

These investments are visible and represent a proactive approach to sustainable property management. This is part of the retailer's commitment to 10 of the United Nations's 17 sustainable development goals. One hopes that Majid Al Futtaim will be a much-copied role model in its sectors.

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NASDA is the look of a green future. As part of the expansion of Pakistan's alternative energy supplies, the federal government signed, through its Alternative Energy Development Board, energy purchase agreements with 11 wind power projects. These deals had not progressed and were fast-tracked by the prime minister in 2018 so that they could be signed in 2019. Rising to the top was NASDA Green Energy. The ICD financed a US dollar Istisnah forward lease facility. Meezan Bank arranged an onshore Pakistani rupee diminishing Musharakah. The facilities finance the design, development, construction, commissioning, operation and maintenance of a 50 MW wind power plant in Jhimpir, Sindh Province in Pakistan.

Wind power generation projects support Pakistan's objectives of reducing dependence on fossil fuels, increasing diversity in energy mix, decreasing greenhouse gas emissions and saving foreign exchange reserves. Today, Pakistan is reliant on carbon-based power, much of it imported, much of it coal. NASDA is part of the solution to shift from foreign exchange-draining imported carbon to sustainable domestic resources. NASDA brought out the full promise of 2019: green energy, cross-border collaboration with the ICD and a pair of structures. The structures were designed to suit the phase of the transaction, the financier requirements and the timeline of the project.

Urusharta is a systemically important deal. Over the past decade, the longest-operating pioneer of Islamic finance, Tabung Haji, has slid into serious liquidity issues. Warnings first arose with a Bank Negara Malaysia missive to improve risk management practices. Then, mismanagement and asset impairments were highlighted in external reports. In December 2018, new management came in with renowned Malaysian banking plumber Zukri Samat taking the lead as CEO. Acting quickly, Zukri identified the leaks and worked with Bank Islam and the Ministry of Finance to plug them.

The result was the Urusharta issuance. The transaction moves troubled assets from Tabung Haji's balance sheet to an SPV created by the Ministry of Finance (MoF). The transaction is financed by the largest face value Malaysian ringgit bond ever. Arranged by Bank Islam and advised by Shook Lin & Bok, the Sukuk are sold on a discount to Tabung Haji. With the closing of this transaction, three positive outcomes were achieved:

1. The MoF is incentivized to maximize recoveries from the assets domiciled at Urusharta in order to redeem the Sukuk.
2. Tabung Haji stakeholders recover capital and profit over time from the Sukuk.
3. Tabung Haji was able to pay a Hibah, being a non-obligatory cash grant, to members for 2018 thanks to the restructuring.

The rebased Tabung Haji is now able to perform its duties without the weight of challenging business assets like TH Heavy Engineering on its balance sheet. The transfer, however, may yet put stress on the MoF as it will have to make decisions about how to resolve or revive the pool of assets now domiciled at Urusharta.

The transaction itself is complicated by the fact that the current market value of the acquired assets is RM9.63 billion (US$2.34 billion). But the consideration is RM19.9 billion (US$4.83 billion) paid in two Sukuk tranches. The balance carried is to be paid over time. A successful recovery of the underlying businesses, many of which are underperforming and loss-making, may generate a gain to the government. In the meantime, the deal creates a drip subsidy to Tabung Haji of RM10.3 billion (US$2.5 billion). There are concerns that some of the assets were transferred to the SPV without fully reflecting the current market value. In other words, there are concerns that the real current valuation is less than RM9.63 billion.

Of all the Malaysian deals, the one that will touch the largest number of citizens for a long time is the rescue and refinance of Tabung Haji. The Urusharta Jamaah (UJSB) deal plays a critical role in restoring the financial soundness of a revered national institution that serves the interests of Malaysia's Muslims in fulfilling their Hajj obligations and has long been a contributor to the domestic economy as an investor. The transfer of Tabung Haji's assets to UJSB had restored Tabung Haji's balance sheet and sped up its financial recovery. In the event the Sukuk Murabahah facility was not put in place and in turn, the turnaround and restructuring plan was not successfully completed, Tabung Haji could have faced significant financial and liquidity difficulties. The financial loss to citizens would surely have been a poor reflection on the government. The bold and timely action, characteristic of Prime Minister Dr Mahathir Mohamad, led to a structured solution that has prevented these two harms from being realized.