



M. S. Gassner

Editorial

Dear Readers,

As salamu alaikum

The Islamic Bank of Britain becomes reality. *The editor congratulates to these efforts and wishes all the success and hopes to see the German market entry soon.*

Sukuks keeps to be the leading topic this summer. The German bond is placed, Kuwait Finance House (Bahrain) creates a hybrid Sukuk structure, Dubai Islamic Bank receives just another large lead arranger position and others were successfully closed.

Who in your company does not yet know this newsletter? Please forward it to them!

Best regards wa salaams,

*Michael Saleh Gassner
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Dear Reader,**Islamic Bank of Britain**

Finally Islamic House of Britain received by the supervisory authority of Great Britain, the Financial Service Authority (FSA), the banking license on Friday, 6th. Now it can be renamed to "Islamic Bank of Britain" and starting the operations. Congratulations to these efforts to all involved. (IslamicFinance.de)

Parsoli

Zafar Sareshwala

There is long report about Parsoli to be read on 18th of July in the Hindu Business Line. Zafar Sareshwala finalised with the clearance of the Foreign Investment Promotion Board (FIPB) the buy out of Parsoli plc, UK by Parsoli Corporation Ltd (PCL) on July 12. He discloses publicly their will to enter the German market by this year with their investment fund. Further information on their strategy was given on sify.com on 19th July: First the fund targets India, South Asia and the Gulf. Later on plans are going to launch insurance products and other financial products.

StanChart

Shayne Nelson

Standard Chartered Bank Malaysia (Bhd, launched JustHome-i, an Islamic mortgage based on deferred payment sale. It is the first product offers rebate mechanism covering early redemption and ceiling profit rate, writes The Star on July 23. The bank's aim is to migrate their range of Islamic products to other Muslim markets where they do operate according to Shayne Nelson, CEO.

Islamic Banking**Giant Islamic Bank**

Ernst & Young

In issue No. 2 we cited media news about Ernst & Young's feasibility study regarding a giant Islamic bank in Bahrain to undertake large deals. We received notice from E&Y that the study is not finished as reported and consequently the final outcome has to be awaited. (IslamicFinance.de)

Malaysia

Bumiputra-Commerce

RHB Bank

The Daily Star reports on 25th of July that Malaysia will gradually award full Islamic banking licenses to all banks. Bumiputra-Commerce Bank and RHB Bank announced both that they received prior approval from the finance ministry. Recently Kuwait Finance House was granted with a license, which is not yet operative. RHB Bank according to a report of Elaine Ang in The Star 21st of July, plans to start by the second half next year. The full banking license allows a better focus than just a window in the opinion of the executive chairman Datuk Seri Sulaiman Abdul Rahman Taib.

Pakistan

Pervez Said

Bank Al Habib

On Geo, Pervez Said, announced that three new Islamic banks will start functioning by next year, also he mentioned that the Finance Ministry and the State Bank were working on Islamic bond. The Pakistan Tribune reported on 4th August that the Bank Al Habib Limited has received an Islamic Banking Branch license handed over by Pervez Said to Abbas Habib, Chief Executive of the bank. The State bank is issuing licenses for setting up Islamic Banks, Islamic Banking Subsidiaries and Islamic Banking branches.

Statutory Liquidity Ratio

Zamir Haider in The Daily Time of Pakistan reports about governmental plans to launch new instruments to invest the reserves at the state bank to meet the Statutory Liquidity Ratio (SLR) in an Islamic way. The Ijara Sukuk makes Islamic banks more competitive as they could not take the current interest on this liquidity issues.

SudanAmlak Finance
Al Salam Bank

Menafn.com cites the Khaleej Times about the investment of Amlak Finance of a 5 % stake in the Sudanese new establishment, the Al Salam Bank. This bank will have a capital base of USD 75 mn, 75 % of it will be contributed by its founding members, 25 % through an IPO.

Abu Dhabi Islamic Bank

Islamic Credit Card

Stanley Carvalho wrote on gulfnews about the new credit card of Abu Dhabi Islamic Bank which complies with Sharia. The card allows deferred payments and has added coverage of takaful for travel and accident and a purchase protection programme. The banks has 5,000 card holders. Traditionally Islamically oriented cards are simple charging cards with out crediting function.

Emirates Bank

Ryadh

Khaleej Times author Babu Das Augustine, reports on 18th July that Emirates Bank will open a branch in Saudi Arabia in August this year. Further expansion is seen as a possibility in the AGCC retail banking business.

Kuwait Finance HouseRating
Profit increase

On 28th of July Khaleej Times reports that Moody's Investors Service raised the rating of Kuwait Finance House to A2 from A3 for the long-term foreign currency deposit. KFH's Prime-2Short-Term deposit rating and D+ financial strength rating do remain. Positive impact for the rating improvement was the enhanced regulatory supervision for Islamic banks in Kuwait. KFH is owned 44.3 % by the government. Arab News reported on 24th of July a profit increase of 25 % compared to the first half year period last year.

National Commercial Bank

Rating

Conversion?

The Rating about the financial strength of the National Commercial Bank of Saudi Arabia (NCB) was raised by two steps from BBB+ to A by Capital Intelligence (CI). The long-term foreign currency rating of A- and the short-term foreign currency rating of A2 were affirmed. The rating is the same like the country of Saudi Arabia. There have been rumours early July that NCB intends to convert fully into an Islamic bank. The bank did dismiss the rumour and stated that it will convert its retail business into a fully Islamic operation, potentially by the end of next year, according to Arab News 12th July. (Menafn)

Michael Gassner
IslamicFinance.de**Michael Gassner**
Consultancy*What could we do for you?**Advertisements in the Executive News ?**Real Estate opportunities in Europe ?**Workshops on Islamic Finance ?**Consulting on structure and placement ?*Please contact: gassner@islamicfinance.de - +49 7000 42 77 637**Islamic Sukuk (Bond)****Kuwait Finance House (Bahrain)**
Rashid Al KhanDurrat al Bahrain
LMC

(IslamicFinance.de) Kuwait Finance House (Bahrain), a wholly owned subsidiary of KFH in Kuwait issues a hybrid Sukuk entailing Istisna' a and Ijara. According to Rashid Al Khan, the Sukuk certificates are issued in order to partially finance the construction of a USD 1.2 bn world class leisure and tourist destination known as Durrat Al Bahrain. The project company Durrat Khaleej Al Bahrain B.S.C. is jointly owned by the Government of Bahrain and Kuwait Finance House. Arranger and Placement Agent for raising USD 120 mn in the form of Sukuk certificates is the Bahrain based Liquidity Management Centre (LMC).

Structure of USD 120
Hybrid Sukuk

The Issuer is Durrat Sukuk Company B.S.C. and will on the Closing Date issue a USD 120 mn quarterly periodic distribution Sukuk with a 5 year maturity. The proceeds of the issue will be used by the Issuer to finance the reclamation of the land and the development of Base Infrastructure through multiple Istisna' a agreements. As the works carried out under each Istisna' a are completed by the Contractors and delivered to the Issuer, the Issuer will give notice to the Project Company under the Master Ijara Agreement and will lease such Base Infrastructure on the basis of a lease

KFH Hybrid Sukuk

to own transaction. The Sukuk will be listed on the Bahrain Stock Exchange (BSE). In the event that such listing occurs during the Istisna'a period, the Istisna'a receivable (amounts held as cash) shall be traded only at par value. Any appreciation or depreciation in the value of the Sukuk shall represent a relative change in the value of the Base Infrastructure. The yield may be expected at 3 months LIBOR + x basis points.

German Sukuk

5 years,

6-M Euribor

99.952 %

Reuters reported on 14th of July that the German Sukuk was on roadshow in the Middle East and discussed with 60 bankers and potential Arab investors. Citigroup Global Markets was assigned as lead arranger for the issue and Kuwait Finance House as co-lead manager. The issue is to be listed on the Luxembourg stock exchange. Standard & Poors assigned a preliminary rating of AA- and Fitch of AAA, in line with its long-term rating of Saxony-Anhalt. Issuer is the Stichting Sachsen-Anhalt Trust. The floating rate note matures in 2009. On 2nd August Reuters reported the pricing which was 99.952 % of face value, the rate of return is equal to six-month Euribor (2.20 % on 1st August), while the spread was Euribor plus one basis point. Arab News on 19th July looks at the Saxony investment grade deal, and asks why so money Islamic countries did not yet take the initiative, like Saudi-Arabia, Iran, Turkey, Indonesia, Egypt, Oman.

Nakheel

USD 350 mn

Lead: Dubai Islamic

AMEInfo informed on 21st of July about the Nakheel USD 350 mn Ijara syndication. Dubai Islamic Bank was appointed as lead manager and arranger for the syndication and will be supported by HSBC, Standard Chartered and Citigroup as co-arrangers. Nahkeel belongs to the leading real estate developers in Dubai. The funds are intended for the developments like The Palm Jumeirah, Jebel Ali, the World, International City, Jumeirah Islands and Jumeirah Lake Towers.

BFH mandates LMC

USD 150 mn

Bahrain Financial Harbour mandated the Liquidity Management Centre (LMC) to raise USD 150 mn for an Islamically-designed financial facility for the development of the first phase. Minimum subscription should be USD 15 mn with 5 years maturity. Legal adviser according to Gulf Daily News, 6th of July, is NortonRose.

BMA SukukBD 40 mn
successful

TradeArabia reported on 20th of July about the Success of the BD 40 mn Sukuk of the Bahrain Monetary Agency. The longest tenor 10 years Sukuk was successfully placed at 5.125 % to be paid twice a year. The bond should establish a yield curve benchmark for longer-term Islamic securities. Rating A-.

BMA USD 250 mn
Listed BSE and LFX

The USD 250 mn BMA Sukuk is listed on the Bahrain Stock Exchange according to Bahrain Tribune, 13th of July. The Edge Daily in Malaysia reports about the listing started as secondary listing on July, 28th on the LFX.

Emaar

USD 65 mn closed

Khaleej Times wrote on 8th July about the completion of the Emaar USD 65 mn Ijara Sukuk. The Liquidity Management Centre, arranged and structured the transaction. The Emirates Bank was the senior lead manager to the issue with a large number of co-leads.

BMA Sukuk Al Salam

USD 25 mn

The Bahrain Monetary Agency announced that the monthly issue of Sukuk Al Salam Islamic securities is oversubscribed, according to the Gulf Daily News of 3rd August. The issue is about USD 25 mn, maturity 91 days with an expected return of 1.670 % while the total tenders received are USD 37.7 mn.

MalaysiaNew Rules
Islamic Securities

The Edge Daily of Malaysia reported on 27th of July about the new guidelines released by the Securities Commission on the offering of Islamic securities. The offering of Islamic securities is no longer subject of the rules for the conventional bond products. The new framework should provide better legal certainty and clarity and being flexible enough for all Islamic instruments. All tax incentives and exemptions applied to Islamic debentures have been extended to all types of Islamic securities.

Murabaha**Petrol Ofisi**

USD 92.5 mn

According to turk.us, July, 23rd, the Turkish oil retailer Petrol Ofisi signed an agreement with Citi Islamic Investment Bank and KuveytTürk about a Murabaha financing of USD 92.5 mn. The loan is to be repaid over 16 months.

Zorlu Linen, Turkey

USD 32 mn

AMEInfo reports on June, 28th that Amlak Finance of UAE takes part in a USD 32 mn Murabaha syndication for the Turkish textile producer Zorlu Linen Turkey. Lead arranger is HSBC, co-arrangers Abu Dhabi Islamic Bank, Saudi Economic & Development Co. Ltd. Other participants are National Bank of Pakistan, Middle East Bank and Mashreqbank PSC. Amlak contributes USD 3 mn. It is a one year Murabaha facility for the purchase of raw materials.

Islamic Real Estate

The Daily Stars reported on July, 12, about the joint venture between First Islamic Investment Bank and Dubai Sports City about a USD 500 mn themed golf residential community project in the emirate. HSBC will underwrite the financing facility. It is the first privately funded residential community in Dubai.

First Islamic Bank**Dubai Sports City**

Manazel Al Haramain offers a space share program for the two holy cities, Medina and Mekka comprising of 5,645 housing units. Each one can be ordered by the head leaseholder in multiples of 7 days for 20 years. 260,000 Muslim families are expected to this Sharia compliant program. (AMEInfo, July 1st)

Manazel Al Haramain

Kuwait Finance House advised by law firm Trowers & Hamlins launched a new Euro 400 mn European Islamic property fund. It is the second major European real estate fund in a year. The first one "Almannar" invested in UK property. Investment focus are high yielding office, logistics and light industrial properties in the Benelux, France and Germany. (AMEInfo, July 27)

Kuwait Finance House

European Fund

Takaful

The Bahrain Monetary Agency (BMA) published a consultation paper setting out proposed rules to regulate the takaful and retakaful industry. The rules require takaful firms in Bahrain to follow the Al Wakala model. The concept segregates the takaful operator from the fund. It is required to apply the AAOFI standards for accounting and governance. Until 5th of September 2004 the consultation period runs. The proposal could be downloaded at www.bma.gov.bh. (AMEInfo, July 26)

Bahrain Monetary Agency

Takaful standards

Thanks for reading and keep on sending the newsletter to your friends, colleagues and all parties interested on Islamic Finance.

Best regards wa salam,

Michael Saleh Gassner