

IslamicFinance.de

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M. S. Gassner

Editorial

Dear Readers,

As salamu alaikum

After Ramadan all activities speeded up; we experienced a huge number of deals in the news. Fixed Income was the most frequent topic so far.

Do you like to learn more about Islamic bonds? Look up our website for the Global Sukuk Workshop on 24th February 2005 with Abdulkader Thomas, who co-authored the standard book about Sukuk, Axel Gühl, the man behind the German Sukuk, Dr. Kilian Bälz, the Islamic Finance expert of the law firm GleissLutz and the editor.

Best regards wa salaams,

*Michael Saleh Gassner
Cologne - Germany*

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Dear Reader,**Deutsche Bank**Oxford Centre for
Islamic Studies

Dar Al Istithmar

Deutsche Bank has recently started a joint venture with the Oxford Centre for Islamic Studies to bundle financial know-how, client relationships, and Islamic research expertise. It shall facilitate the Shariah compliance process for conventional financial institutions. It already has acted as Shariah co-ordinator for two Deutsche Bank Islamic products: An Islamic Real Estate Certificate based on a Sukuk and an Islamic Equity Hedge Fund. Target group of both products is high net worth private investors. The joint venture is named Dar Al Istithmar ("Investment House"), located in London. (IslamicFinance.de)

**ING Life
New Zealand**Deloitte
Muslim Association

As we asked Naomi Ballantyne, ING Life, in regard to their planned Takaful product reported in the news she unfortunately let us know that the product is stopped. The market in New Zealand should be too small by volume. However we read on Stuff.co.nz on 8th November about the Federation of Islamic Associations now working with Deloitte consulting in setting up an Islamic financial institution for their 40,000 Muslim community.

**Alburaq
Islamic Mortgage**

The Alburaq brand of ABC International Bank now offers to expats and Gulf residents to finance Islamically their property or holiday home in UK, reports Arab News on 29th November. (MenaFN)

Frankfurt Workshop

Introductory 23.2.

Global Sukuk 24.2.

The introductory workshop in Frankfurt on 1st December went very well with a good selection on financial professionals attending. Due to the positive feedback received we offer again the workshop on 23rd February for anybody interested to learn the basics about Islamic Finance (www.islamicfinance.de/introductoryworkshop.pdf). To extend our service to the industry, the course will be followed on 24th February by "The Global Sukuk Workshop: A Case Study Driven Guide For Issuers" with highly experienced instructors (www.islamicfinance.de/globalsukukworkshop.pdf). Register to save early bird price and, of course, a place!

Mosque Event

Germany, May 2005

We are going to organise for May 2005 an Islamic Finance event for Muslim Retail Finance inside a Mosque, listening to the latest developments in Europe. Unlike other hotel type events we will be sitting traditionally on the carpet. Soft commitments to speak reached us from a number of industry members in UK and Germany. The event is to be held in Cologne, where all large Islamic associations are located. We are currently trying to find a sponsor for sending one or two internationally recognised Islamic scholars to Germany, a lunch sponsor and of course any support possible is welcome to start the grassroots work.

University Bank, US

Islamic Mortgage

The University Bank reported about its third quarter that the portfolio of Islamic mortgages exceeded USD 6,40 mn. It is further elaborated: that "Community Banking has also incurred approximately \$10,000 a month in expenses to grow the Islamic banking program". University Bank in USA focuses on niche financial services. (Marketwire, 76216)

Islamic Banking**Yearbook**

Whoever needs to find business partners at the Islamic financial industry has now a reference book to look up the players: CPI Financial's Banker Middle East launched the "Islamic Banking and Finance Yearbook 2005" as directory of significant institutions. (AMEInfo, 5. December).

Bahrain Conference

The 11th annual World Islamic Banking Conference (WIBC) opens on 11th December till 13th December. The old and established event expects more than 400 delegates to attend. Topic of the year is "Improving performance and ensuring sustainable growth in an increasingly competitive global market". *McKinsey* will provide the *WIBC Competitiveness Report* in regard to *financial performance* and *strategic excellence*.

Standard & Poors

Standard & Poors named *Islamic banking* as an option for smaller banks to focus on a *niche strategy* as a viable long-term strategy. Banking gets globally more and more competitive. (Menafin, 22. November)

Islamic Finance Company, Sharjah

Strategy
Larger Deals
Competition

McKinsey and Standard & Poors referred to Islamic banking from the *strategic point of view*. A number of smaller Islamic banks reacted already to be enabled for *larger deals and increased competition*: TradeArabia reported on 5th December about Bank of Sharjah, National Bank of Sharjah, United Arab Bank and InvestBank which will "forge the Islamic financial institution, Islamic Finance Company (IFC). The new entity will cater the country' s wholesale Islamic financial requirements." Headquarter shall be Sharjah, initial capitalisation Dh 1 bn (USD 272 mn), being the second largest Islamic financial institution in the country only after the Dubai Islamic Bank. The four banks and HNWI from UAE will provide 45 % of the capital. IPO should target for Dh 550 mn, forming 55 % of the new financial institution. Now, we await updates, what is going on with the *giant Islamic bank initiative* of Saleh Kamel and the *feasibility study* of Ernst & Young.

Ratings

NBS
QIB

Ratings: *National Bank of Sharjah* gets rating rise from Capital Intelligence, reported Ameinfo on 7th December. The foreign currency long-term rating of National Bank of Sharjah (NBS) reached investment grade BBB- from BB+. The short-term support foreign currency rating retained A3 while outlook has been reaffirmed as stable for all ratings. TradeArabia reported about *Qatar Islamic Bank's* on 6th December rating received from Fitch: Long-term ' BBB'Short-term ' F3'Individual ' C&D Support ' 2' . The outlook is stable.

AMMB Holdings Malaysia

AMMB Holdings Bhd received according to The Star Malaysia, 3rd December, an approval in principle from the Malaysian Central Bank to undertake *Islamic banking* business. AMMB is the fourth banking group to receive *license* this year.

Takaful Symposium

Jordan
12-13, January

**RHB Capital Bhd**

Islamic banking unit

RHB Capital Bhd is transferring its asset to an Islamic bank subsidiary to be established soon, reported The Star Malaysia on 25th November. The Securities Commission approved the transfer of its entire Islamic asset and liabilities from its 70% unit, RHB Bank Bhd. In exchange the value of RM 455,6 mn will be compensated by shares in the Islamic banking unit of the same value.

MENA FATF

Khaleej Times reported on 1st December about the MENA Financial Action Task Force created on 30th November in Bahrain by 14 member states: Bahrain, Saudi Arabia, Syria, Lebanon, Qatar, Kuwait, Tunisia, Jordan, Algeria, Morocco, Egypt, Oman, the UAE and Yemen. It will be a regional version of the Paris-based Financial Action Task Force of 33 member states, originally set up in 1987 to monitor and combat money laundering and extending its role to fight terrorism financing in 2001.

Shamil Bank

CEO

Leaving
Bangladesh

Shamil Bank' s chief executive, Dr SaïdSa' ad AMartan is leaving to the position of executive vice president of Dar Al Maal (DMI) Group. From 1st January on Mr Mohamed Hussain will be the new chief executive of Shamil Bank, according to TradeArabia, 1st December. Bangladesh Web wrote on 6th December about sources that the Shamil Bank will leave Bangladesh. The Pakistan-based bank Alfalah Limited should take over all the assets and liabilities. The Bangladesh operation started as a branch of Faysal Islamic Bank in March 1997. In 2000 Faysal Islamic Bank and the Islamic Investment Company of the Gulf merged to Shamil Bank of Bahrain EC.

National Bank of Pakistan

National Bank of Pakistan will open in December its first Islamic banking branch, reported Dawn on 10th November. Two branches will be opened in Islamabad and Lahore, and six branches will follow early next year in big cities. The product development is currently under preparation with the assistance of advisers from Justice Taqi Usmani Centre for Sharia Board.

Amlak

Cash for home equity

Ameinfo presented on 25th November, the new offer of Amlak Finance to refinance home equity into cash enabling the customers to settle their debts by using the low mortgage rates.

Training:

Introductory Workshop
23.2.05

Global Sukuk Workshop
24.2.05

Frankfurt

Workshops

23rd Feb. / 24th Feb. 05

Introductory Workshop
Foundations of Islamic Finance
23rd February 2005

Global Sukuk Workshop
A Case Study Driven Guide for Issuers –
24th February 2005



Details: www.IslamicFinance.de - +49 7000 42 77 637

Fixed Income (Murabaha, Sukuk)**IFC Sukuk**

RM 500 mn
(USD 132 mn)
3 years
2.88 %

AAA !

Islamic Microfinance

The private sector arm of the International Monetary Fund (IMF), International Financial Corporation (IFC) issues a Sukuk in Malaysia based on Bai Bithaman Ajil. It was covered three days on Yahoo Singapore (1.12/2.12./3.12.), summarised the features are: Volume raised from initial RM 400 mn to RM 500 mn (USD 132 mn), 3 years maturity, AAA, Joint Lead Managers are HSBC Bank Malaysia and CIMB, priced at par to yield 2,88 %, 10 basis points below Malaysian Government Securities, originally expected to be only 8 bp below. Nick Lord on Financeasia added on 6th December that it is only the second multilateral institution after the ADB RM 40 mn, 5 years bond earlier this year. The Malaysian type of bond remains controversial for distribution to GCC. IFC proved to be open-minded to Islamic modes of financing. We received as well positive feedback that they would like to fund viable projects for Islamic Microfinance.

Pakistan Sukuk

International

Many articles covered the Sukuk from Pakistan. Citibank and HSBC are the lead managers, planning the roadshow for early 2005 with a targeted volume between USD 300 – 500 potentially more, according to Dr. Khan, Economic Adviser to the ministry of finance, reported Ihtasham ul Haque on 22nd November in Dawn. The German daily FAZ refers to Bloomberg on 23rd on November, discussing the deal, seeing the potential with the improved foreign currency long-term rating of B+ of Pakistan. Wu Da from DBS Asset Management is cited to expect a higher yield compared to conventional bonds because of the lower liquidity. However, the demand might be outweighing this point potentially to our opinion. We read on Instock.de about WestLB Global Financial Markets recommending to look at the Pakistani offer because of favourable economic terms. Business Recorder on 22nd November focuses on the T-bills for the local Islamic banks to service the daily or weekly cash requirements. The new Shariah compliant papers shall be in the range of Rs 10 bn to Rs 15 bn backed by domestic institution and buildings. Islamic banks needs to fit capital requirements of up to Rs 2 bn to match the efficiency of their conventional counterparts in short-term investments.

Local Islamic T-Bills

Sawarak Sukuk

UBS/Noriba
USD 350 mn

115 bp above LIBOR

BBB+

Ameinfo reported on 30th of November on the Sawarak Sukuk issue. Joint lead managers are UBS Investment Bank and Noriba Bank. Tenure is 5 years, volume USD 350 mn. According to Yahoo Singapore on 30th November the issuer is Sarawak Economic Development Corp. On 6th of December they added the pricing expectation of 115 basis points above LIBOR for a rating of Standard & Poors of BBB+. Aim is to prepay some bonds for 1st Silicon. On 29th November Mehmood Rafique in Bahrain Tribune wrote that the paper will be listed on the Luxembourg Stock Exchange and Labuan International Financial Exchange. Target investors are Institutionals and High Net Worth Individuals. The roadshow should lead to Hong Kong, Singapore, Middle East and London mentioned Yahoo Singapore on 24th of November, indicating that it would be already done upon publishing this issue of our newsletter.

USD 100 mn Sukuk

Dubai Investments

Menafn cited Reuters on 15th November regarding a USD 100 mn Sukuk of Dubai Investments to be issued by the end of 2004. Sandhya D' Mello reported orKhaleej Times on 10th of November that the mandate is given to Emirates Financial Services and the proceedings are being used for expansion of Dubai Investment Parks, the only privately developed and managed fully integrated investment zone.

Shamil Bank

USD 60 mn
Murabaha Facility

Shamil Bank closed its USD 60 mn Murabaha Facility fully underwritten by GIB as mandated lead manager and syndication agent in September for a USD 50 mn issue, which were oversubscribed and increased to USD 60 mn. Arrangers have been Abu Dhabi Islamic Bank, Doha Bank and National Bank of Sharjah. Co-arrangers were Bank Islam and Bank Muamalat Malaysia Berhad, both from Malaysia. Lead Managers were named as Commercial Bank of Qatar, Union de Banques Arabes et Francaises – UBAF, and The Arab Investment Company, reported Gulf Daily News on 29th of November.

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Full details can be found at: www.terrappinn.com/2005/sec_ME.

Terrapinn

Tracoma

RM 100 mn
Bai Bithaman Ajil

Tracoma Holdings Bhd is an automotive parts supplier for Proton and foreign car makers like Toyota, Honda, Nissan, Hyundai and Volvo. It is planning to expand to Indonesia by a joint-venture with Proton which shall produce also Volkswagen cars according to Proton' s recent collaboration with VW Germany. For its expansion in Indonesia (Rm 40 mn), and reducing banks borrowing (RM 22 mn) Tracoma issues RM 100 mn Bai Bithaman Ajil Islamic Debt Securities (BaIDS), reported The Star Malaysia on 30th November. The Malaysian Rating Agency MARC granted an AID (A Flat, Islamic Debt) according to Yahoo Singapore on 29th November.

PT Pertamina

loan syndication

The state oil and gas company PT Pertamina (Indonesia) signed a USD 292 mn syndicated loan to finance oil imports, reported TradeArabia, on 1st December. Mandated lead arranger and sole book runner of the deal was the Indonesian Shariah banking unit of HSBC. Further it involved Dubai Islamic Bank, Kuwait Finance House and the *German Depfa Bank*, a bank now based in Ireland specialised in states. Indonesia as OPEC member face production problems and became net importer.

Kombassan

USD 10 mn

Amlak Finance
Strategy

Mohammed Ali Al Hashimi wrote on TradeArabia on 6th December about the USD 10 mn Murabaha facility for Kombassan Holding AS (Turkey). Amlak Finance UAE became the sole lead arranger, which is Amlak's first assignment as the lead arranger for a corporate facility. The other participants to the facility are Emirates Islamic Bank, Dubai Islamic Insurance & Reinsurance Co., Al Salam Bank of Sudan and Al Baraka Islamic Bank of Bahrain. Tenor of the facility is 2 years. Amlak aims to diversify their revenue streams into corporate finance to weigh the mortgage based long-term exposures against short-term risks for a balanced portfolio.

BMA**Sukuk Al Salam**

@ 2.44 %, USD 25 mn

Gulf Daily News reported on 8th December on the monthly Sukuk Al Salam of the Bahrain Monetary Agency. The USD 25 mn issue has a maturity of 91 days, expected return is 2.44 %. The total tender received were USD 74.5 mn.

Equate**Petrochemicals**USD 300 mn
Islamic bridge
facility

A loan facility to Equate Petrochemicals, a US –Kuwaiti joint venture was arranged with the participation of 20 banks, reported the Dailystar Lebanon based on AFP reports. The USD 600 mn bridge facility was half / half managed by National Bank of Kuwait for the conventional part and by Kuwait Finance House for the Islamic facility. Other banks involved were named as: Arab Bank, Deutsche Bank, and Standard Chartered among others.

IDB**Medium Term Notes****Trade Bank Study**

Arab News reported on 22nd November about the plans of the Islamic Development Bank (IDB) to issue Sharia-compliant medium term notes as part of a series . Total volume may reach USD 400 mn to USD 1 bn. The structure is in finalisation. IDB has an AAA rating. Member countries of the bank also demanding to support intra-Islamic trade and greater flexibility away from the Dollar to other hard currencies like Euro and Yen. A feasibility study is under way for a stand-alone trade bank to promote intra-Islamic trade undertaken by a top international consultancy.

**Tajamouat USD 5 mn
ICD**

The IDB group member Islamic Corporation for Development (ICD) extend USD 5 mn finance to the Al Tajamouat Qualifying Industrial Zone. The ICD is the private sector arm of IDB.

Kesas

Rating reaffirmed

Malaysian Kesas received reaffirmed ratings for its Bai Bithaman Al Ajil Islamic Debt Securities by the Rating Agency Malaysia Bhd (RAM). The RM 800 mn carries AA3 rating and the RM 100 mn AA3 and P1 according to The Edge Daily on 30th November.

Real Estate / Private Equity**DEYAAR**

Dubai Islamic Bank

Ameinfo published on 29th November that Dubai Islamic Bank re-brands its real estate arm, known as "Global Real Estate Development Company" to DEYAAR. Further two new projects were launched: Seef II and Seef III towers comprising of more than 350 units and located at the Jumeirah Lake Towers Development.

**Malaysian Real
Estate Fund**

RM 400 mn

Malaysia's first private institutional real estate fund will be established by CIMB Bhd via its CIMB Real Estate subsidiary and Mapletree Capital Management Pte Ltd Singapore by a 60:40 joint-venture company, named CIMB-Mapletree Management Bhd (CMM), could be read on The Star Malaysia on 12th November. CM1 will receive a seed capital of RM 100 mn and a balance of RM 300 mn is to be raised from foreign and domestic institutional investors. CMM will establish a parallel Islamic real estate fund targeting investors from Malaysia and Middle East. Investments will be done in the Malaysian real estate market.

KFH (Bahrain)

PE transactions

Kuwait Finance House (Bahrain) launched its USD 100 mn New Zealand Australia Private Equity Fund in October 2003. Arab News reported on 8th November about the closure of two private equity transactions. One is Woosh Wireless a Broadband Service Provider, the other Next Window, a leading designer and developer of optical imaging technologies in the fields of touch and gesture screen technology. Other investments during the year were the healthcare provider, Radius Health Group Australia, and Canterbury of New Zealand a leading rugby apparel maker.

IPO Al Bilad Bank

Saudi-Arabia

Initial Public Offerings of two banks were reported. Arab News on 4th November covered Al Bilad Bank in Saudi-Arabia. IPO should have started according to this source on 27th November. It cites Al Madinah Arabic with the number of 30 mn shares worth SR 1.5 bn. All Saudian banks will take part in the IPO. Half of the new shares would be sold public at the rate of SR 50 per share. Talks were hold with authorities to fix the minimum and maximum number of shares subscribed by citizens. Prof. Dr. Al-Ibrahim at King Fahd University of Petroleum and Minerals expects a large number of small investors, seeing the shares rising to SR 200 or SR 250 on the bourse. In the first phase the bank will have 30 to 40 branches. The founders will remain a 50 % stake in the bank.

IPO Al Salam Bank

Sudan

Ameinfo reported on 24th of November about the IPO of Al Salam Bank, which raised USD 31 mn, which is 65 % more than the targeted USD 18,750 mn. Al Salam Bank' s capital has been set at USD 75 mn in 75 mn shares with USD 1 face value. The founders covered 75 % of the capital equivalent to USD 56,250 mn, while the remaining 25 % was made available through the public offering. Among the founders are VIP individuals and financial institutions like Amlak Finance, Lebanese Canadian Bank, State of Khartoum, and the National Fund for Social Security.

**Michael Gassner
Consultancy**

Contact

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Japanese Retakaful

Millea Holdings

Takaful

Yahoo Australia surprised the editor with the message on 1st December that the Japanese Millea Holdings Inc. group targets USD 24.3 mn in premium revenue in 5 years in its new takaful insurance business. The reinsurance subsidiary in Singapore with a capital of 1.6 bn Yen (USD 15.5 mn) will initially underwrite insurance risks in Malaysia and Saudi-Arabia.

**Asean Retakaful
International**Shares for sale
to takaful operators

Yap Lih Huey reported in The Edge Daily on 25th November that Syarikat Takaful Malaysia Bhd sells down its interest in its 80 % subsidiary company, Asean Retakaful International Ltd. (ARIL), to takaful players in the Organisation of Islamic Conference (OIC) member countries via private placements, aiming to keep a 51 % majority stake in it. ARIL is the official retakaful company for the OIC. ARIL was incorporated in 1997 with a paid up capital of USD 4 mn. It is the first Islamic reinsurance company in Asia.

**Gulf Clearing Co.
Solidarity**

Ameinfo covered on 23rd November the contract between Gulf Clearing Co. and Solidarity Group to provide custody, administration and registry services for assets of the Solidarity Global Growth Fund, Solidarity Leasing Fund and Solidarity International Real Estate Fund, with the potential to grow to USD 300 mn in the near future.

Best regards wa salam,

Michael Saleh Gassner