

IslamicFinance.de

Executive News November 2004, Issue No. 7



M. S. Gassner

Editorial

Dear Readers,

As salamu alaikum

We wish all Muslims Aid said wa kul aam wa antum bikhair on the occasion of Eid Al Fitr.

Ramadan was still a productive month among Islamic bankers which is seen by large deals on Sukuks and even Private Equity.

Borrowers interested in the Sukuk business shall save the date of 24th of February. We offer a Global Sukuk Workshop. More information available in December.

Best regards wa salaams,

*Michael Saleh Gassner
Cologne - Germany*

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**Islamic Retail
Finance Seminar**
London

22nd, 23rd November

Dear Reader,

The latest developments in UK, Europe and USA are the topic of the upcoming Islamic Retail Finance Seminar in London on 22nd and 23rd of November. Programme and details are available on:

www.islamicretailfinance.com

The editor will speak about the German market on this occasion.

Frankfurt Workshop

1st December

Further we offer our introductory workshop on Islamic Finance in Frankfurt on 1st December. Only a very limited number of places would be still available. The participants will receive an overview of Islamic Finance enabling them to identify market opportunities and follow up with conferences:

www.islamicfinance.de/workshop.pdf

**ING Life
New Zealand**

Naomi Ballantyne

ING Life in New Zealand is planning to launch an Islamic life insurance (takaful) on 10th February next year (Islamic new year) if it receives green light, reports Anthony Davies in The Independent on 6th of October. Naomi Ballantyne is the general manager of ING life which was called prior acquisition by ING from Ms. Ballantyne Club life. The federation of Islamic Associations of New Zealand (FIANZ) supports the initiative. Officially New Zealand has 23.415 Muslim citizens, while FIANZ president Javed Khan is estimating the real number of about 40.000.

Takaful in UK

King & Spalding

King & Spalding reports in his London Newsletter October 2004 that the UK financial authority FSA turns its attention to Islamic insurance (takaful) after it licensed the first Islamic Bank of Britain.

Islamic Banking

Singapore

Regulatory needs

The governmental intention to become an Islamic Finance hub in Singapore was largely discussed in the media in the last two months (see also: September issue). Channel New Asia covered the topic on 1st November and emphasised the need for a regulatory system and an experienced Shariah board. As wealth management is recognised as the key growth area rather than retail banking, this Shariah board has to comply with those in the target regions. The current boards are not fully inline with the GCC opinions.

Islamic Finance
Convention

I-Free Capital is organising the 1st Singapore Capital Convention to be held 9-10 December 2004 in the Grand Hyatt Singapore (www.i-freecapital.com). Guest of Honour and Keynote Speaker is Mr. Ng Nam Sin, Executive Director, Financial Centre Development Department of the Monetary Authority of Singapore.

TII Kuwait

new focus

The International Investor (tii), Kuwait is refocusing its business on the establishment of non banking financial institutions, reported Al Qabas on 23rd October based on market sources. The launch is expected not before Q1 in 2005 officially according to our information.

**Microfinance
Conferences**

Indonesia
Pakistan

Two conferences coming up covering the important issue of Microfinance. Both are including and presenting the issue of Islamic Microfinance.

Indonesia: December 1-3, 2004, Indonesia, www.ivpbri.com

Pakistan: December 13-14, 2004, Pakistan, www.ppaf.org.pk/conference.htm

**Kuwait Investment
Authority
Kuwait Finance
House**

The Daily Star Lebanon reported on 14th of October that Kuwait Investment Authority is going to sell state shareholdings. The first major transaction will be the sale of the 25 % share in Kuwait Finance House. Market sources expects a public offer after the feast of Ramadan.

Malaysia

Al Rajhi
Qatar Islamic

Hong Leon
Commerce Asset
RHB Capital

The Malaysian central bank Bank Negara awarded two Islamic banking licenses to foreign institutes: Al Rajhi Banking and Investment (Saudi Arabia) and a consortium led by Qatar Islamic Bank. The first license went to Kuwait Finance House in May. Three local banking groups received permission to open Islamic banking arms, namely Hong Leon Bank, Commerce-Asset Holding and RHB Capital, reported The Star Malaysia on 22nd October. The intention to bring in foreign players is to do regional and global business as well it is intended to gradually award Islamic banking licenses to all banks. Affin Bank announced to strengthen their Islamic banking operations, which currently contributes 21 % of their profits, published by The Star Malaysia on 2nd November.

Pakistan

Bank Islami Pakistan

Pakistan' s second Islamic Bank, BankIslami Pakistan Ltd., plans to start operations by early next year, reported Daily Times Pakistan, on 22nd October. The bank is backed by Jahangir Siddiqui & Co. and the UK' s DCD Group. The authorised capital is Rs 2.1 billion. The bank targets retail banking, and its core activity should be wealth management.

Big Ticket Asset Finance

KFH (Bahrain)
Millennium Aircraft
Leasing

Anthony O' Connor on Janes.com discusses the chances and shortcomings in big ticket asset finance on 6th October. Large airlines like Emirates, Etihad Airways and Qatar Airways are to finance their aircraft partly Islamically. Some funds would be able to finance a volume of about USD 280 mn in requirement, this ability is, however, a limit. It marks the infancy of the Islamic segment. A co-operation between Western and Islamic elements is needed to receive an international structured finance transaction. That the market moves on demonstrates the Millennium Aircraft Leasing fund co-owned by KFH (Bahrain) advised by Norton Rose, as reported by Legal Week on 4th November.

Ad:
Symposium
Takaful

First International Symposium on
TAKAFUL
12-13 January 2005
Movenpick Dead Sea Resort, Jordan

organised by **Islamic Conferences Group** held under the auspices of **Insurance Commission, Jordan**

Amlak Finance

IPO Al Salam Bank

Amlak Finance, a major Islamic oriented property financier, is moving towards corporate finance, reported AMEInfo on 6th October. Amlak is appointed leadmanager for the Initial Public Offering of the Sudanese Al Salam Bank with a volume of USD 18,75 mn. The shares will be listed on the Dubai Financial Market and Khartoum Stock Exchange.

First Leasing Bank

Gulf Medical
Equipment Fund

The First Leasing Bank, Bahrain received approval of the Bahrain Monetary Agency with an authorised capital of USD 50 mn and a paid-up capital of USD 10 mn in August. CEO is James Cracco. The bank launches a special fund of USD 50 mn, the FLB Gulf Medical Equipment Fund, which will be invested in the Gulf medical equipment market to private and government healthcare facilities. (AMEInfo, 11th October). Shareholders of the bank are Ithmaar Bank (30 %), Overland Capital Group (25 %), Gulf Finance House and Gulf Investment House each 22,5 %. (Gulf Daily News 11th October).

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

Leadmanager
Citibank and HSBC

The Pakistani Sukuk announced two months ago (see September issue) will be lead managed by Citibank and HSBC, which were appointed by the Ministry of Finance because of their experience with international sovereign Sukuk deals. Expected volume is likely to be between USD 500 mn and USD 700 mn with a 5 year maturity. A goal with this issue is to raise Pakistan' s profile in the international capital markets. 5 other banks applied which were Deutsche Bank, Noriba, ABN Amro, Dubai Islamic Bank and UBS. (Daily Times Pakistan, 20th October). According to Javed Mahmood on 2nd November in the Daily Times the local Meezan Bank will be part of the syndicate.

Pricing expectations

On 28th the Daily Times discussed the pricing of the Sukuk which is intended by the lead managers to be rather aggressive offering a return of around **200-225** basis points over comparable US Treasury, unofficial sources indicated Dow Jones Newswire. The current conventional sovereign is traded around **265 basis points** and was initially issued at 370 basis points above benchmark. The strong performance is due to different reasons, a better understanding of the political risk, a stronger economy which both will lead to an upgrade of S&P' s rating which is currently B/B foreign currency and BB-/B local currency. The government is not in desperate need as borrower but it has to defend the local currency because of high oil prices and aims to increase the awareness of international investors. A further reason was mentioned by Javed Mahmood on 2nd November stating that Pakistan aims to raise maximum capital without pre-conditions as otherwise required from traditional multilateral donors.

Lending strategy

Dubai Sukuk
increased volume

consortium

pricing issues

The largest ever Sukuk lead managed by Dubai Islamic Bank for the Department of Civil Aviation is increased due to large demand from USD 750 mn to *USD 1000 mn*. The original size was oversubscribed almost two times. The Sukuk was fully underwritten by the joint leadmanagers including Dubai Islamic Bank, Citigroup, Gulf International Bank, HSBC, Kuwait Finance House, and Standard Chartered Bank. Citigroup and HSBC were joint book-runners. Senior co-lead managers were Arab Bank, ABC Islamic Bank and Mashreqbank. Co-lead managers were Gulf Investment Corporation, Islamic Development Bank and Bank Negara Malaysia. The USD 1 bn Sukuk has a 5 year maturity with semi-annual coupon. It was priced 0,45 % above 6-month USD Libor rates, *which is lower than the comparable conventional bond* of the Government of Dubai from 2003 which were priced at 0,475 % above.

Workshops

Introduction

Global Sukuk
Workshop
24th February

Workshops

1st Dec. 04 - 24th Feb. 05

Foundations of Islamic Finance

Introductory Seminar - 1st December 2004

Global Sukuk Workshop

*A Case Study Driven Guide for Issuers –
24th February 2005, more details to follow*

Limited number of places available



Venue: Conference Centre
Chamber of Commerce
Frankfurt, Germany

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Malaysia
Corporate Bonds

RMBS

HSBC expects RM 50 bn (USD 7,9 bn) worth of corporate bonds next year in Malaysia, which is up 50 % from this year. They expect that Islamic papers may value up to a third of it (USD 2,5 bn) as the government tried to promote Malaysia as Islamic banking hub, reported The Star on 25th of October. Kathy Fong wrote on 29th of October about governmental efforts to promote ABS structures by introducing residential mortgage backed securities (RMBS) for tis staff housing loans.

Malaysia

Ratings reaffirmed

MARC reaffirms the rating of SILK´ s Islamic debt securities according to The Edge Daily on 2nd November. Pahlawan´ s Islamic debt issue reaffirmed with AA1/P1 by RAM reported The Edge Daily on 25th of October.

Gulf FarabiSamba Financial
Saudi Hollandi

Gulf Farabi Petrochemical Company achieved an Islamic financing agreement with the Samba Financial Group and Saudi Hollandi Bank of about 29 % of the cost for its N-Paraffin and Linear Alkyl Benzene projects which aggregated capital costs are estimated SR 1.22 bn.

Sukuk Al Salam

The monthly Sukuk Al Salam No. 41 of the Bahrain Monetary Agency was priced at 2,03 %, oversubscribed 3 times for the USD 25 mn issue of 91 days maturity.

**Global Sukuk
Workshop**

On 24th of February Michael Gassner Consultancy which edits this newsletter is offering a Global Sukuk Workshop as case study driven guide for issuers. Further documents will be available on December. Speakers include Abdulkader Thomas, who co-published the reference book on Sukuk jointly with Nathif Adam by Euromoney. Interested parties, either participants or sponsors, may contact us in advance: gassner@islamicfinance.de

Real Estate / Private Equity**First Islamic
Investment Bank**French Kitchen
UK Water Utility
Bahrain Golf course

First Islamic Investment Bank was extremely active in the field of Private Equity. They acquired according AMEInfo on 20th October a stake in Vogica, a leading retailer and wholesaler of kitchens and bathrooms in France. Around Euro 45 mn of the transaction shall be placed with investors and Bank of Ireland provided the financing. On 27th of October Reuters reported on their acquisition of the water utility South Staffordshire in UK, of about GBP 143 mn. The price offered was 27 % above the closing value of the shares on 18th October. FII was advised by the deal by Dresdner Kleinwort Wasserstein. The deal is expected to be completed in mid December. Finally on 31st October FII announced to go into a USD 300 mn joint venture with Bahrain International Golf Course Company for development of golf residential community.

Gulf Finance House

Jordan

Gulf Finance House plans according to Khaleej Times on 29th October to invest over USD 1 bn in landmark real estate project in Jordan, "The Royal Metropolis", comprising an office tower, a 35 storey hotel block and five story podium covering a cumulative area of 220.000 sqm.

KFH (Bahrain)

(Liberty Aerospace)

KFH (Bahrain) acquired a 72,5 % stake in Liberty Aerospace in a deal valued at more than USD 40 mn. (Legal Week 4th November)

Dubai Islamic Bank

Bin Belila Baytur

Dubai Islamic Bank and Bin Belila Baytur signed a banking credit facility to cover the requirement for the Shoreline apartments project on the Palm Jumeirah. The value of the apartments is about AED 500 mn. (AMEInfo, 24th October)

Takaful**Takaful Nasional**

Pakistan

Malaysian Takaful Nasional is looking to expand to a few countries, particular interest is given in Pakistan according to The Star Malaysia on 31st October.

**Commerce Asset
Holding**

Takaful

Commerce Asset-Holding Bhd stated to received the approval in principle from the central bank to offer Islamic insurance through a subsidiary or associate company reported The Star on 30th of October.

Symposium

January 12, 13

Islamic Conferences Group organises the First International Symposium on Takaful in January, 12th and 13rd and prior to that a special event related to Takaful for regulators. The symposium is held under auspices of the Insurance commission of Jordan. The regulators event in co-operation with the International Financial Services Board, Kuala Lumpur, Malaysia which targets to consult the regulators on Islamic Finance world-wide.