



Review on several Sukuk products issued worldwide:

Towards Globally Accepted Sukuk



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REVIEW ON SEVERAL SUKUK PRODUCTS ISSUED WORLDWIDE:
TOWARDS GLOBALLY ACCEPTED SUKUK



CURRENT TRENDS AND DEVELOPMENTS IN SUKUK – A MARKET OVERVIEW

- *Global and local sovereign/corporate Sukuk market currently exceeds an aggregate issuance value of approximately US\$ 47 billion to date and is expected to surpass the US\$150 billion mark before the end of this decade*
- *Up till November 2006, US\$17.3 billion in Sukuks have been issued, up 46% from the whole of last year*
- *Malaysian Sukuk issuance to date stands at US\$32 billion approximately*
- *GCC issuance of Sukuk accounts for US\$13 billion of the global total, with a growth rate of around 45% a year since 2001*



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CURRENT TRENDS AND DEVELOPMENTS IN SUKUK – A MARKET OVERVIEW

UNITED KINGDOM

- *Over the past two years London based financial institutions have arranged more than a dozen Sukuk issuances on behalf of Middle Eastern clients, all of them structured in offshore jurisdictions*
- *London Stock Exchange listed its first sukuk – the US\$ 200 million offering by National Central Cooling Company (Tabreed) PJSC. This should pave the way for further Sukuk listings on the regulated European markets. Sukuks have previously been listed in Luxembourg and Dublin*
- *Britain is set to introduce new regulatory framework and tax reforms to support the domestic issuance of Sukuk by next year*



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UNITED STATES

- *A US company entered the Sukuk market for the first time with East Cameron Gas Company's US\$ 166 million issue in July to consolidate assets and fund development of gas fields. The Sukuk was also the first Islamic bond using hydrocarbon reserves as an asset class*

CHINA

- *The Kuwait Finance House is set to launch the first Islamic bond issue in China. The US\$ 200 million Sukuk for a Chinese private sector corporate firm will be used to fund a power plant project*



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JAPAN

- *Japanese government's Bank for International Cooperation (JBIC), is working with Bank Negara, Malaysia's Central Bank and private Malaysian banks to issue a Sukuk to attract Middle Eastern liquidity. When materialized Japan will become the first Group of Seven to issue an Islamic bond*
- *JBIC has assembled a board of advisors comprising of four Shariah scholars from Saudi Arabia, Malaysia and Pakistan*
- *Bank of Tokyo-Mitsubishi UFJ Ltd., is allying with Malaysian bank CIMB Group Bhd., to sell financial services including Japanese potential corporate Sukuk*



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CURRENT TRENDS AND DEVELOPMENTS IN SUKUK – A MARKET OVERVIEW

INDONESIA

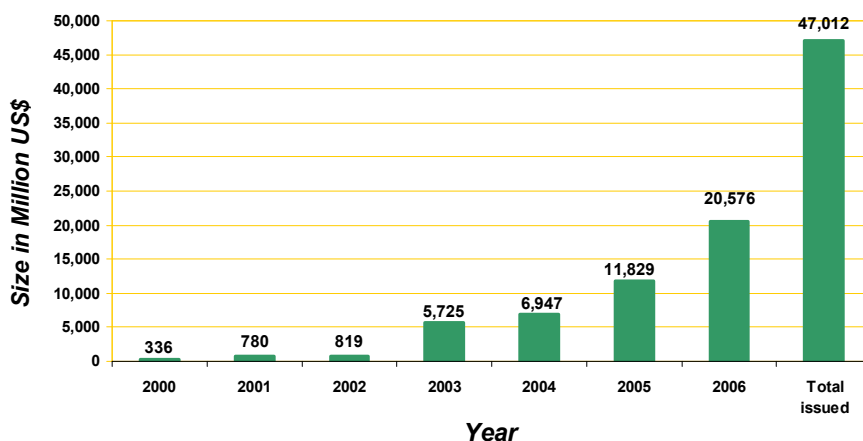
- Indonesia is in the midst of revising tax and other regulations to support sovereign and corporate Islamic bond issuance. One of the first Sukuk to come out to market could be a US\$ 650 million deal from Jakarta Monorail, aimed at easing the Indonesian capital's transport network. The legal framework is expected to be in place for the first issue by the first quarter of 2007



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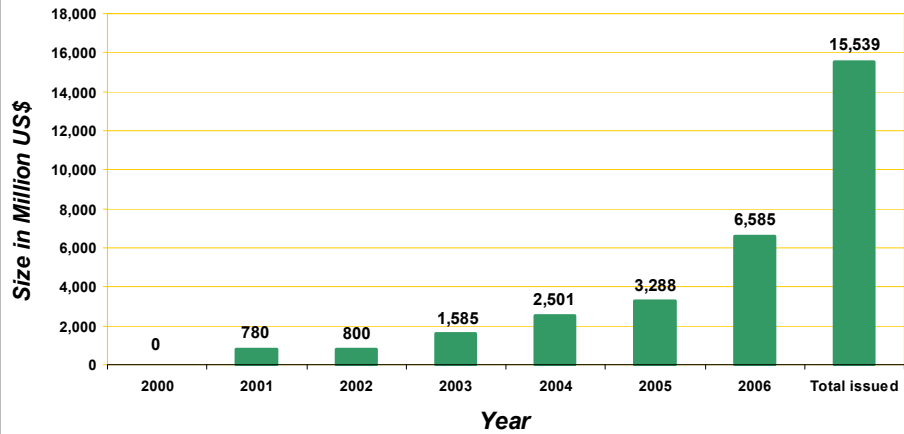
TOTAL SUKUK ISSUANCE WORLDWIDE (AS OF NOVEMBER 2006)



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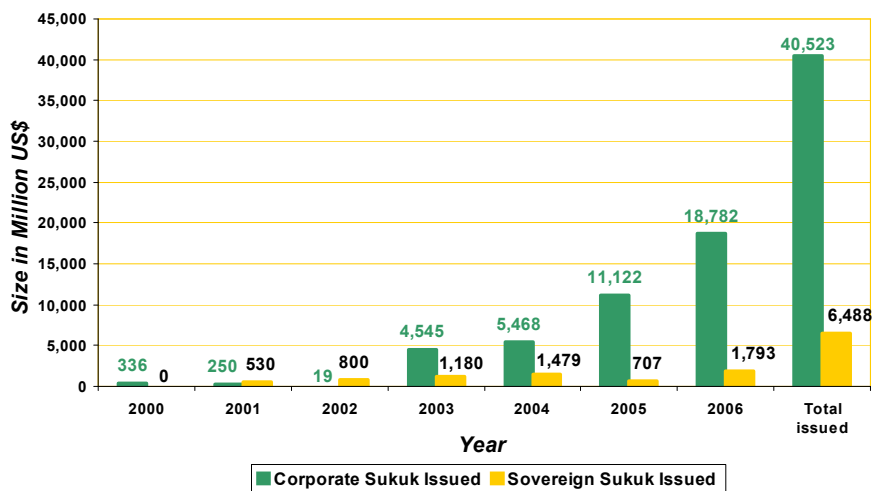
GLOBAL SUKUK ISSUANCE WORLDWIDE (AS OF NOVEMBER 2006)



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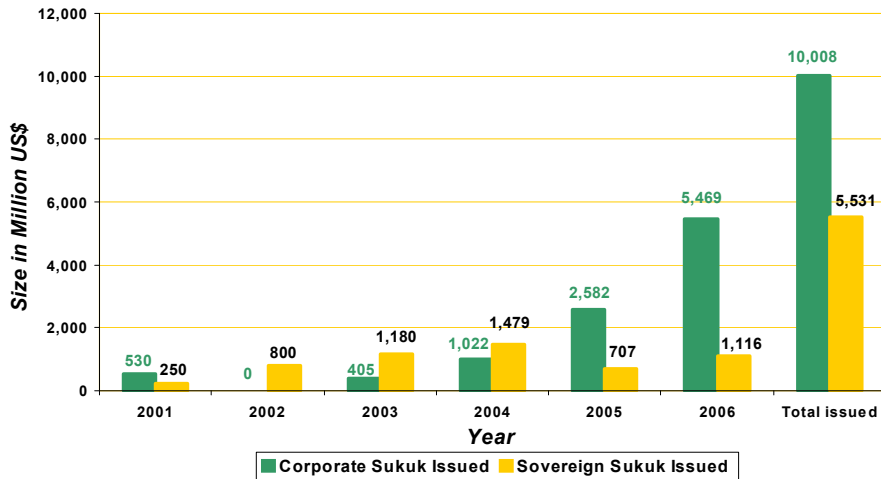
TOTAL SOVEREIGN/CORPORATE SUKUK ISSUANCE WORLDWIDE (AS OF NOV 2006)



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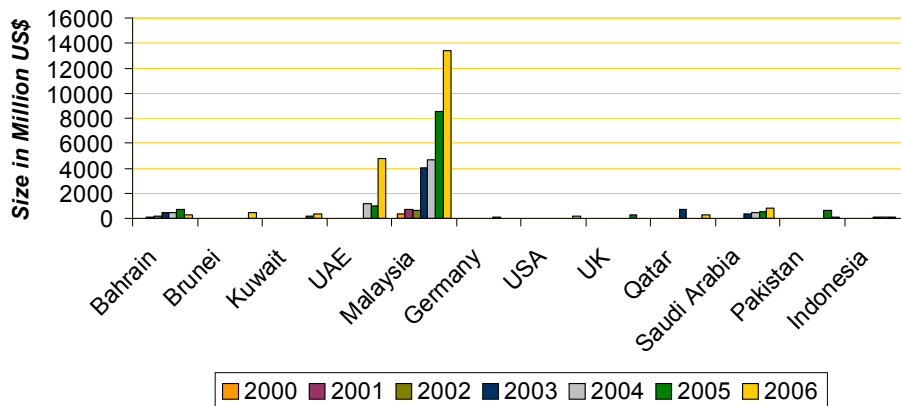
GLOBAL SOVEREIGN/CORPORATE SUKUK ISSUANCE WORLDWIDE (AS OF NOV 2006)



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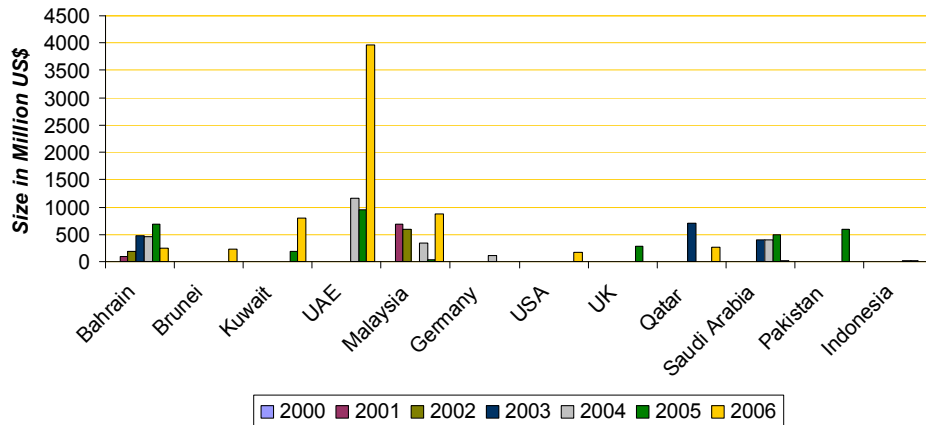
TOTAL SUKUK ISSUANCE-COUNTRYWISE (AS OF NOVEMBER 2006)



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GLOBAL SUKUK ISSUANCE-COUNTRY WISE (AS OF NOVEMBER 2006)



Source: IFIS



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SUKUKS IN THE PIPELINE

Country	Approx Amount – US \$ million
United Arab Emirates	24,240
Saudi Arabia	2,773
Qatar	482
Bahrain	200
Kuwait	150
Malaysia	4,040
Indonesia	817
Japan	400
Brunei	300
China	200
Total	33,602



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CORPORATE SUKUK

THE SAUDI BASIC INDUSTRIES CORPORATION – SABIC SUKUK

- *The transaction has achieved a number of firsts:*
- *SABIC is the first company to take advantage of the recent changes in the Saudi Capital Markets Law. It issued Saudi Arabia's first public fully tradable Sukuk, a 20-year issue of up to US\$ 800 million (largest ever corporate Sukuk issuance in the region)*
- *The first to be admitted to CMA's Official List and to be settled/cleared through Tadawul and is also the first to be approved by a Shariah Committee of a Saudi Arabian Bank (SABB Amanah Shariah Supervisory Committee)*



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CORPORATE SUKUK

- *Although the Sukuk expires in 2026, making it the longest dated Islamic bond in history, investors can redeem the bond at face value from SABIC in five years. The unique Sukuk structure is directly underpinned by a real business activity and provides for structured returns satisfying the institutional need for this important Shariah-based asset class with 49% allotted to pension, mutual & other funds, 15% to Corporates & Institutions and 36% to banks in Saudi Arabia*
- *It will be listed on the Saudi bourse and is a potential benchmark for future corporate, municipal and project Sukuks in the GCC's largest economy. It is seen as a key step towards developing the country's largely equities-based financial markets*



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SUKUK FUNDS

SANAD SUKUK FUND

- *The world's first GCC oriented Sukuk fund that provides direct access to Sukuk for Islamic banks, trade-finance funds, private banks, as well as directly to individual investors*
- *The fund will invest 75% in Sukuk and 25% in Shariah compliant syndications in order to enhance the yield, with a primary focus on the GCC region*
- *An important effect of the Sanad Sukuk Fund launch, targeted to quickly reach US\$100 million or more, will be the impact on Sukuk market activity. This may substantially increase secondary market trading which will foster increased issuance of securities*



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INNOVATIVE STRUCTURES AND TRENDS

HYBRID SUKUK

- *Based on various demands of investors, a more diversified kind of Sukuk, hybrid or mixed Sukuk emerged in the market. The assets can comprise of Istisna'a, Murabaha as well as Ijara*
- *Islamic Development Bank issued the first Hybrid Sukuk for US\$ 400 million. The assets comprised 66% Sukuk al-Ijara, 31% Murabaha and 3% Sukuk al-Istisna'a*
- *The hybrid Sukuk structure represents the potential of new structures and benefits to the investors*



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INNOVATIVE STRUCTURES AND TRENDS

CONVERTIBLE SUKUK – PCFC SUKUK

- *The Dubai based port operator Ports, Customs and Free Zone Corporation (PCFC) issued the largest Sukuk to date, raising US\$3.5 billion*
- *This Sukuk-al-Musharaka structure was issued to bid for a takeover of P&O to make PCFC one of the three largest port operators in the world*
- *It is the first Sukuk to be convertible into equity upon an IPO. The Sukuk was targeted in particular at Islamic investors interested in the booming IPO market in the Middle East. Therefore PCFC structured a Sukuk which was the equivalent of pre-IPO convertible bond*
- *The PCFC Sukuk was significantly oversubscribed. The transaction demonstrates the continuing demand for sukuk products and the flexibility of sukuk, which can be adapted to meet the specific financing needs of issuers*



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INNOVATIVE STRUCTURES AND TRENDS

EXCHANGEABLE SUKUK – KHAZANAH SUKUK

- *World's first Shariah compliant exchangeable bond. The US\$750 million issue is a benchmark for global Islamic investors and conventional equity-linked investors*
- *The certificates represent interests in a trust constituted by the issuer and are exchangeable into shares of Telekom Malaysia Berhad (TM)*



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INNOVATIVE STRUCTURES AND TRENDS

TABREED SUKUK

- *Tabreed's US\$ 200 million, five year global corporate Sukuk on behalf of National Central Cooling Company*
- *The issue was launched to raise funds for asset purchase as well as future expansion*
- *The transaction structure involved both a construction (Istisna'a) phase, during which Tabreed undertakes to construct and deliver cooling plants, and a leasing (Ijara) phase, during which Tabreed agrees to lease plants*
- *During Istisna'a period, profit to the holder is paid, similar to a performance bond*
- *The Tabreed Sukuk is also the first to be listed on the London Stock Exchange. This paves the way for further Sukuk issues to be listed on the regulated European markets*



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UTILITY COMPANIES ISSUING SUKUKS

- *Large companies with regular income flows such as utility companies, whether power, water, oil or gas are the biggest potential issuers of Sukuk*
- *At times these projects may be overly leveraged but it is possible that part of the debt may be converted into a Sukuk that are serviced by the utility nature of the underlying asset, such as reliable income streams based on long term contracts with governments*



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UTILITY COMPANIES ISSUING SUKUKS

PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY – WAPDA SUKUK US\$ 134 MILLION

- *The 7-year, US\$ 134 million Sukuk has been issued to partially finance its Mangla Dam raising project*
- *State Bank of Pakistan has granted the Ijara (Leasing) WAPDA Sukuk as Statutory Liquidity Requirement (SLR) eligible security for approved banks*



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TRAITS OF A GLOBALLY ACCEPTED SUKUK / MODEL THAT CAN BE ADOPTED

- *Well researched*
- *Innovative and forward thinking*
- *Shariah views willing to acknowledge*
- *Global appeal – buy ins from many global institutions*



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THANK YOU

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الاسلامية
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