

IslamicFinance.de

Executive News Sept / Oct 2005, Issue No. 16



Michael Gassner
Consultancy

Editorial

Dear Readers,

As salamu alaikum

Like every month we noticed new banks for the sector, and on top more M&A activity which is expected to grow further. The capital of Islamic banks needs further injections to fuel the further growth.

Please drop us a note as well how you would like this free monthly service to be developed in the future. We are planning a major relaunch in fresh design.

Best regards wa salaams,

*Michael Saleh Gassner
Cologne - Germany*

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Dear Reader,

Bristol & West

Arab Banking Corporation offers via Bristol & West the first *buy to let mortgage* product for UK Muslims aiming to finance investment properties for themselves. The structure is based on Diminishing Musharaka (declining co-ownership model). The price of the product is benchmarked to LIBOR and in line with Bristol & Wests conventional offers. It will be offered by ABC, selected Independent Financial Advisors as well as in some branches of Lloyds TSB, which expanded their four pilot branches dealing with Muslim clients now to 17, reported the Guardian on 6th October.

European Finance House

Qatar Islamic Bank is setting up the "European Finance House" in London with the aim to support investors placing their resources in the European market and to help non-Islamic European banks structure and market Sharia-compliant products in Europe, was said by the General Manager, Salah Mohamed Al-Jaidah according to Pratap John, Gulf Times on 23rd October. Editorial note: This entity is different from the European Islamic Investment Bank, which applied already for a banking license and is funded by other sources.

Abas

Abas is going to offer Islamic banking services from February next year, wrote Ray Faure on 13th October in *iafrica*. *Abas* targets the South-African Muslim community with this step and as well in some other African countries which are in a business relationship with South-Africa. The step was disclosed by the Managing Executive of *Abas* Retail Banking Services, Rodger Dunn.

Islamic Banking Conference Frankfurt

16 November 2005



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Islamic Banking

AFRICA

Jaiz

The Nigerian bank founding team among *Jaiz International Plc*, noticed that the bank had met the Central Bank of Nigeria's capital base requirement, being approved and given operational license. The managing director, Alhaji Mustapha Bintube, said negotiations were on for the 2nd public offering of the shares and asked the public in Nigeria to participate in the subscription. Further a Memorandum of Understanding was revealed with the Islamic Bank of Bangladesh, reported Allafria on 19th October.

Fransabank

Lebanese Fransabank expands in Sudan, Syria and Algeria. In Sudan it will open according to Daily Star on 25th October, an Islamic bank, with other investors from the Gulf and a focus on Investment Banking.

Islamic Retail

Banking

Conference,

Dubai

14-15 November



ARAB WORLD

Tourism Bank

The International Investor based in Kuwait, is in the process to set up the *Tourism Bank* in Bahrain, reported the Malaysian newsagency Bernama on 29th October. Start of the bank should be the first quarter 2006 with an initial capital of USD 200 mn, to be raised to USD 500 mn later.

Bahrain Islamic Bank

Ameinfo covered on 10th October the acquisition of 30 % of the *Bahrain Islamic Bank* by the Kuwaiti *Investment Dar* for 32 mn Bahraini Dinar (70 mn Euro) which was accepted by the Bahrain Monetary Agency. Investment Dar seeks to expand in the Arab region and also took part of "The World" project in Dubai.

Relaunch Qatar International Islamic

Qatar International Islamic Bank relaunched its corporate identity to "*Islamic International*" reported Gulf Times on 26th October.

Al Salam Bank

Al Salam Bank, Sudan announced plans to open *Al Salam Bank Bahrain* with BD 100 mn (ca. 220 mn Euro). The bank will be established in cooperation between Amlak, Emmar, Dubai Investment Group (The Executive Office, Al Salam Bank Sudan, the Lebanese Canadian Bank and a group of GCC businessmen and investors. The founders visited recently the prime minister of Bahrain, reported Strategy on 6th October.

ASIA

Bank Islami

Dubai Bank acquires a stake in *Bank Islami* Pakistan, reported Ameinfo on 26th September. The other founding members are the DCD Group and Jahangir Siddiqui and Company, which are together collectively control a majority of the bank.

Bank Islam

Bank Islam reported a severe financial loss of 456.4 mn RM (ca. 100 mn Euro). The losses are said to be caused by non performing financing facilities to Sarajevo, Bosnia-Herzegovina and South Afrika. The Prime Minister Abdullah Ahmad Badawi asked for a full investigation, reported Yahoo on 27th October. Bernama mentioned on 7th October that gross non performing loans stood at RM 2.23 bn (Euro 500 mn) of which 1.66 bn (Euro 372 mn) would be transferred and managed through a dedicated special purpose vehicle to manage the distressed assets portfolio. The remaining are comprising mainly of housing loans and will be managed on bank level.

Islamic Bank of Thailand

Islamic Bank of Thailand completed the purchase of Krung Thai Bank's Sharia operations. The bank had before 30,000 clients with assets of 7bn Baht (ca. 140 mn Euro) expected to grow 8.8 bn Baht till end of next year. The capital of the bank is planned to be raised from one bn Baht to three bn Baht. Thailand has 6mn Muslims, is reported on IFIS on 27th October.

Asian Finance Bank

Qatar Islamic Bank received license in Malaysia to set up the *Asian Finance Bank* (AFB), which should cater Malaysia, Indonesia and Brunei. AFB should start in the first half of 2006, while QIB represents 70 % of the investors, reported Pratap John on 23rd October. Lena Liew mentioned on 21st October in Bernama as well the remaining investors, which are Rusd Investment Bank Inc. with 20 % and Kuwait based Global Investment House with 10 %.

Gulf Finance House

Gulf Finance House should be interested to join the consortium in the Singapore Dollar 1.8 bn (880 mn Euro) Marina Bay business and financial center, with a gross floor area of 438.000 sqm, equivalent to 20 % of available office space in Singapore's central business district. Also the CEO Peter Panayioutou is considering for an Islamic banking license in Singapore and has discussed the possibility with the Monetary Authority of Singapore.

Singapore Regulation

Chua Chin Chye reported on Channel NewsAsia, 29th September that the *Monetary Authority of Singapore* is going to promote Islamic Finance with the existing regulatory framework. The central bank will make the necessary changes, for example the Murabaha contract is now permitted, which was previously considered as non financial activity outside the scope of a bank. The Monetary Authority of Singapore sees substantial growth for Islamic Finance, e.g. in the infrastructure finance.

United Overseas

The Star reported on 21st October that *UNITED Overseas Bank* (M) Bhd, a unit of Singapore's 2nd biggest lender is considering to set up an Islamic banking unit in Malaysia. Before them Singapore's *Oversea-Chinese Banking Corp* made public thought of opening such a unit. Islamic banking assets had grown with an average of 18 % in Malaysia per year since 2000. Currently Islamic assets account for 10.5 % of the total banking system's assets or RM 95 bn (Euro 21 bn).

AMMB Holdings

Jeeva Arulampalam wrote on 26th September in the Malaysian *The Edge* about *AMMB Holdings Bhd* plans to set up an Islamic bank with initial assets of RM 8 bn (Euro 1.8 bn) operational in April next year. Further the holding intended to apply for a Takaful (Islamic insurance) license as well.

Fixed Income**GCC****LMC**

The *Liquidity Management Centre* started a bid/offer registration service on its website "<http://www.lmcbahrain.com/>" to be available for financial institutions free of charge and also a selected range of indicative Sukuk pricings. Further it works closely with Bloomberg to model a Sukuk page "SUKU" on that system, reported Ameinfo on 29th October.

Qatar Islamic Bank

Qatar Islamic Bank intends to launch a Sukuk in the first quarter 2006, to generate funds for corporate customers, in the energy and non-energy sector, reported Pratap John in Gulf Times on 23rd October.

Al Ahlia Gulf Holding
USD 100 mn

Al Ahlia Gulf Holding Company has mandated Kuwait Finance House, Liquidity Management Centre BSC and Muthanna Investment Company to jointly arrange for the USD 100 mn Musharaka Sukuk issued for the Lagoon City residential and commercial real estate developments as part of the Kheiran Pearl City project. The Sukuk will be backed by the assets and the parent company with a current BBB+ from Capital Intelligence. The Sukuk Underwriting Group consists of the Senior Lead Manager Kuwait Finance House, and the lead managers Emirates Islamic Bank, Bahrain Islamic Bank and Liquidity Management Centre. A roadshow will be conducted in Kuwait, Dubai and Bahrain, reported Strategy on 18th October Gulf Daily News noted on 19th October additionally that it will carry a 2 year maturity.

Investment Dar
USD 100 mn

The USD 100 mn Al Musharaka Sukuk issued by the *Investment Dar*, Kuwait with the Arab Banking Corporation as mandated lead manager is now placed. Among the subscribers are QBN Al Islamic (senior lead managers), Commercial Bank Al Safa Islamic and Doha Bank (co-managers), reported Gulf Times on 3rd October.

Shamil Bank
USD 100 mn
Murabaha

Gulf Daily News reported on 6th October that *Shamil Bank* mandated BNP Paribas, Boubyan Bank and Gulf International Bank (GIB) to lead arrange a USD 100 mn 5 year amortising Murabaha syndicated facility. The transaction is fully underwritten and the Commercial Bank of Qatar, and the Raiffeisen Zentralbank AG of Austria joined as sub-underwriter with the title of mandated lead arranger, prior to general syndication. The profit mark up is benchmarked to 6-month LIBOR and is years one to three at .95 % and years four to five at 1.10 %.

TSKB
USD 50 mn

Industrial Development Bank of Turkey (TSKB) Bahrain has closed a first USD 50 mn 1-year syndicated Murabaha facility. The bank had mandated the Westdeutsche Landesbank to arrange USD 30 mn which has been oversubscribed and the bank closed the facility at USD 50 mn, reported Bahrain Tribune on 16th October.

Turkey

Farhan Bokhari discussed on 27th September in the Financial Times *Turkey's way to the Islamic bond*, which requires legal changes mentioning it will not be named Sukuk or Islamic in order to avoid a clash with republican approach.

Alrajhi

IFIS brought on their system a market rumour from Euroweek on 7th October hat *Alrajhi Banking and Investment Corp* has mandated 6 lenders to arrange an Islamic finance facility after got cancelled a Sukuk issue by its Shariah board for not mentioned reasons.

Arcapital
multicurrency

Gulf Daily News reported on 21st October reported on the *Arcapita Sukuk* which was increased from its initial target of USD 200 mn and closed in two tranches of USD 155 mn and Euro 46 mn. The syndication was managed by mandated lead arrangers HVB Group, Standard Bank Plc and WestLB AG, London and underwritten by international and regional financial institutions. The multicurrency facility include final maturity in October 2010, bullet repayment and a profit margin of LIBOR/EURIBOR respectively of plus 175 basis points.

UGB
USD 175 mn

United Gulf Bank (UGB) raised USD 175 mn through a 3-year Murabaha facility. The mandated lead arrangers are Abu Dhabi Islamic Bank, Bank für Arbeit und Wirtschaft-Postsparkasse Aktiengesellschaft, Standard Bank plc and WestLB AG, London branch. Originally the facility was only USD 100 mn and fully underwritten by the mandated lead arrangers but because of demand from international banking groups raised. The profit rate is 100 basis points above 6 months LIBOR. Senior arrangers are Finansbank (Holland) N.V. and Burgan Bank; arrangers are HVB, Mashreqbank, RZB, and SMBC. Lead managers are ank Sepah Interantional, Bumiputra Commerce, Dubai Bank, Export-Import Bank of China, Persia International Bank and UBAE, reported Strategy on 23rd October.

Sukuk Al Salam

The Sukuk Al Salam Issue No. 53 by the *Bahrain Monetary Agency* were priced at 4.07 % with 91 days maturity. It was oversubscribed with USD 91.38 mn for the USD 40 mn issue. The issue No. 54 were priced at 4.26 % and received subscriptions of USD 42.8 mn for the USD 40 mn issue.

Sukuk Al Ijara

The Sukuk Al Ijara No. 3 of the Bahrain Monetary Agency values BD 10 mn (Euro 22.4 mn) with a maturity of 182 days. The return is 4.20 % and was fully subscribed.

**Introductory
Workshop**

Frankfurt

1st December

Introductory Workshop Islamic Finance

Chamber of Commerce Frankfurt

Germany

Workshop Director: Michael Saleh Gassner

8th December 2005

www.islamicfinance.de

Malaysia - Indonesia

**PT Orient
USD 120 mn**

The Star Malaysia reported that *PT Orient Technology Indonesia*, a 90 % Malaysian owned company, plans to raise an Islamic bond of USD 120 mn (Euro 100 mn) to finance a port. The structure should be based on Sukuk Musharaka.

**IJM Plantations
RM 150 mn**

The rating of *IJM Plantations Bhd's* RM 150 mn (Euro 33.6 mn) BBA Islamic debt security has been upgraded to A ID (MARC) reflecting its business focus in oil palm business, reported Bernama on 7th October.

**Kesturi
RM 780 mn**

MARC assigns A +ID rating to *Konsortium Utara-Timur (KL) Sdn Bhd (Kesturi)* proposed issued of up to RM 780 mn (Euro 175 mn) redeemable secured serial bonds as Istisnaa Sukuk. Kesturi will construct a major highway in Malaysia. The amortisation of the Sukuk is spread over 9 years, commencing in 2010, reported The Edge Daily on 4th October.



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Funds - Equity - Real Estate

Maybank

Maybank, Malaysia, is introducing a margin financing facility called *Maybankinvets-i* by year-end, reported The Star on 30th September. It is based on the concept of revolving Murabaha. The bank targets a volume of about RM 50 to RM 100 mn (Euro 11 - 22 mn). *Maybank* is the country's largest Islamic banking operator with total assets of Rm 21.9 bn (Euro 4.9 bn), and Islamic financing operations of RM 17.8 bn (Euro 3.9 bn) in the last financial year representing a local market share of 27.1 %.

Al Tawfeek

Al Tawfeek Gulf Equity Fund is listed on the Bahrain Stock Exchange. The fund has a volume of USD 10 mn to be invested in compliant shares of the GCC markets. 28 mutual funds are now listed, cited IFIS a press release dated on 26th October.

PIBF

The Edge Daily from Malaysia reported that over 95 % of the *Public Islamic Balanced Fund (PIBF)* is sold. The fund invests in shares and Islamic debt securities almost equally. Included is a free takaful coverage of up to RM 100,000 (Euro 22000).

Albaraka IPO

Gulf Daily News on 25th September noted that *Albaraka Banking Group* intends to list its shares on the Bahrain Stock Exchange through an IPO early next year. Subscription will be open to GCC investors and from other key Islamic states, said Chairman Saleh Kamel. Gulf International Bank (GIB) is mandated to act as financial adviser to the group and its founders of the transaction.

Tejoori

Tejoori, a new Dubai based investment company is going to be registered in Guernsey and then should be listed on the Alternative Investment Market of the London Stock Exchange. The company aims to raise USD 100 mn with a minimum launch of USD 65 mn via private placements prior to its listing. The board consists of a number of experienced financial professionals, such as, Ahmed Abbas, currently CEO of the Liquidity Management Centre, Steffen Schubert, currently CEI of the Dubai International Financial Exchange (DIFX), Khamis Buharoon, previously holding a position as Acting CEO of Abu Dhabi Islamic Bank while Sheikh Fawaz Bashraheel is appointed as Chairman. Following its listing an Islamic Finance Company and a Financial Services Company should be established, reported Ameinfo on 10th October. Khaleej Times informed on 30th October that the closing date for the private placement is extended to 15th November in order to meet regulatory requirements of some institutional investors.

Islamic Real Estate Finance

17-19 December
2005

Dubai**Noriba**

Noriba exited its *UK Commercial Property I*, comprising the Grand Buildings No. 1 Trafalgar Square, with an IRR of 17.72 % against a projected IRR of 10 %, informed Noriba in a press release on 30th October.

Kuwait Finance House (Bahrain)

Kuwait Finance House (Bahrain) announced plans for the *KFH Industrial Oasis* as industrial park located in the Bahrain International Investment Park, which focuses on the technology, manufacturing and service sectors. Initial investments to be undertaken by KFH Bahrain will be estimated USD 25 mn for the necessary infrastructure. At full capacity the KFH Industrial Oasis should bring upwards USD 200 mn investments and should help to create 2000 industrial and related jobs. The project should start in early 2006, reported Ameinfo on 4th October.

Takaful**Aman**

The *Dubai Islamic Insurance and Reinsurance Company (Aman)* signed an agreement with Emirates Islamic Bank for a mortgage protection in the event of accident or death. Aman is also in negotiation with Sharjah Islamic Bank, reported Khaleej Times on 23rd October.

WTO

The Observer in London wrote on 24th October about Saudi-Arabia's efforts to join the WTO. It may require to open up the local cooperative takaful industry to foreign investors for up to 100 % of the equity rather than the current intended 60 %.

Southern Bank

Southern Bank Bhd (SBB) is intending to become a local Takaful supplier with Bahrain-based Takaful Insurance, part of International Investors Group, as its joint-venture partner and applying for one of the four new takaful licenses. Foreign partners can own up to 49 %, reported Joseph Chin in The Edge Daily. The Joint-Venture shall start with minimum capital requirement set at Rm 100 mn (Euro 22.4 mn).

Takaful Symposium 2006

21-22 February 2006, Langkawi, MALAYSIA

The Andaman, Langkawi

**Salama**

Salama - Islamic Arab Insurance Company has risen its net profit by 12 times to Dhs 53 mn (Euro 12.2 mn) for the first 9 months. It is first time financial results are reported after the increase of the paid up capital from Dhs 50 mn (Euro 11.5 mn) to Dhs 1 bn (Euro 230 mn). The company is listed on the Dubai Financial Market following the IPO which helped to raise the capital. Future plans consists of establishing a Dhs 100 mn re-takaful company in Saudi Arabia, a Dhs 58 mn Takaful business in Malaysia, a Dhs 32 mn set up of a takaful entity in Egypt, the incorporation of Dhs 200 mn Islamic Arab Insurance company in Saudi Arabia as a major stakeholder, Dhs 20 mn family takaful business in the UAE and Dhs 11 mn to incorporate Sosar Life, a family takaful provider in Senegal, reported Ameinfo on 31st October.

Takaful in Pakistan

Qatari investors intend to set up a takaful business in *Pakistan*, reported the Peninsula on 6th October. A delegation of the president of Pakistan consisted of the general manager of the Qatar International Islamic Bank, Abdul Basit Al Sheibi, and Izzat Al Rashid, the general manager of Qatar Islamic Insurance Company.

Introducing Islamic Compliant Financial Products

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By Michael Saleh Gassner

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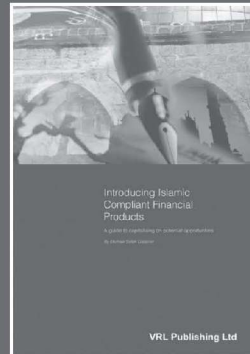
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- Evaluate their unique selling propositions
- Understand the evolving finance systems in Islamic nations
- Overcome theoretical concerns through practical examples
- Understand the significance of Shariah Law
- Overcome the issues posed by corporate governance
- Examine new opportunities available for regional and international investors

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