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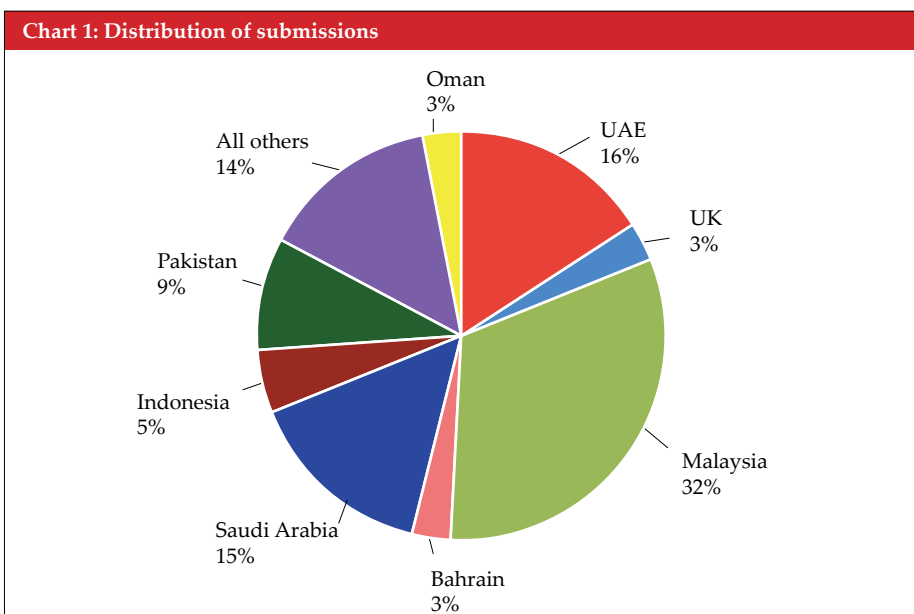
20<sup>th</sup> January 2021 (Volume 18 Issue 03)

## IFN Deals of the Year 2020

### IFN Awards DEALS OF THE YEAR 2020

COVID-19 is a business factor that cannot be avoided. We find it affecting the industry in the form of landmark deals by Malaysia and the IsDB Group to provide relief. We found it changed how deals were executed. There was that brief pause: can we work from home? Are we putting good money into a bad situation? And, slowly, the Islamic finance market came to the decision that we can do it and it is money soundly invested. Even if there were cutbacks and changes in behavior, the Islamic finance market regained momentum and ended the awful year with a surprising performance.

As much a reflection of the depth and power of the Malaysian Islamic capital market, Malaysian submissions rebounded back to 32% of the total. Saudi Arabia dropped to 15% from 19%. On a dollar volume basis, Saudi's mega deals



would surely lift the Kingdom's share. The UAE, Bahrain, Oman and Pakistan were constant. Traditionally important contributors like Turkey and Kuwait were surprisingly modest contributors in 2020. But the UK returned to the top 10. As a whole, sub-Saharan Africa accounted for 5.5% of the submissions — all from IsDB affiliates International Islamic Trade Finance Corporation (ITFC) and Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). In 2020, we started

with aspirations for Central Asia, but COVID-19 slowed the engagement and one expects the region to pick up in 2021 with the support of the ITFC.

Is green still a theme? Green has shifted into sustainability and transition deals. This can be seen in deals by Etihad Airways which issued 'transition' Sukuk as part of the airline's plan to transition to carbon neutrality. Axiata entered

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## IFN Deals of the Year 2020

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the sustainability market through a syndication and included climate change strategies within the company's benchmarking. Saudi Electricity Company issued Sukuk Ijarah with a sustainability perspective as well. On top of these were more standard green deals, particularly in solar.

But, have no doubt, hydrocarbons are still important. As many deals were green, refining and selling hydrocarbons featured significantly in deals by the ITFC in Africa or Standard Chartered Bank supporting liquefied natural gas (LNG) imports to Pakistan from Qatar. Hydrocarbon deals represented 71% of the energy submissions, green 18% and transition 5%. But by value, hydrocarbon deals represented 92% of the submissions, green 2% and transition 2%. The outlier was mixed deals with both hydrocarbon and green energy elements. These were 5% of the submissions and value. The message is that turning the lights on is urgent in poorer countries and the fastest route is via old energy.

The average green deal was only US\$137.53 million compared with the average hydrocarbon deal at US\$1.9 billion. Transition deals were substantial as well weighing in at US\$1.45 billion on average. Deals with hydrocarbon and green components were also much larger than pure green deals. Mixed power projects averaged US\$484.75 million.

In 2020, Tawarruq knew no bounds. Even the hybrid deals tend to have Tawarruq wings. By 'hybrid', we mean deals that use two or more Islamic methods of finance to achieve the financings. The significance of Tawarruq appears to be constricting product development in the two largest Islamic finance markets: Malaysia and Saudi Arabia. Its absence is generating innovation elsewhere. For newcomers to Islamic finance, like the Ministry of Finance in Egypt or the European Bank for Reconstruction and Development (EBRD), Tawarruq is often the easiest tool to apply.

For the first time, we see 'insurance' as the ICIEC submitted several deals. The distribution of currencies tells several stories. One third of all deals were in a currency other than the US dollar (US\$), Malaysian ringgit (RM), Saudi riyal

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Chart 2: Traditional energy is still dominant (US\$)

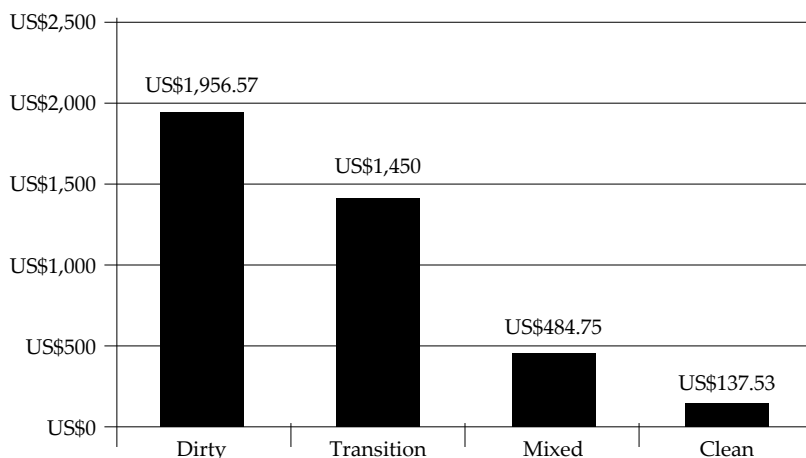


Chart 3: Methods applied

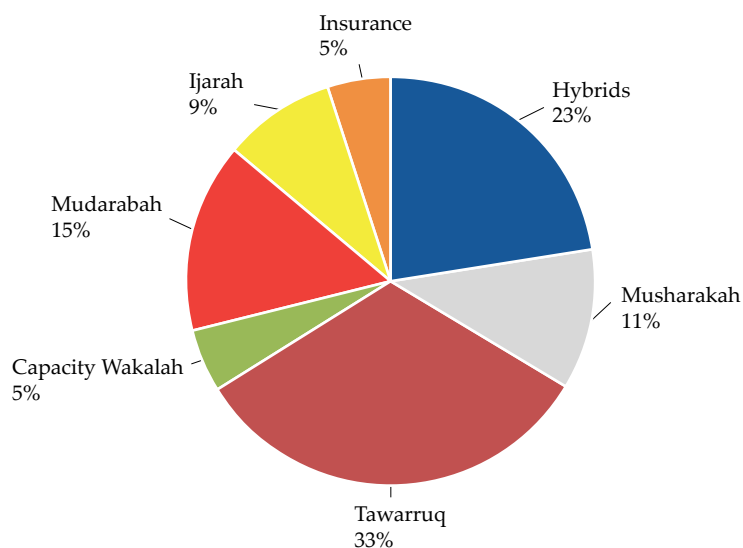
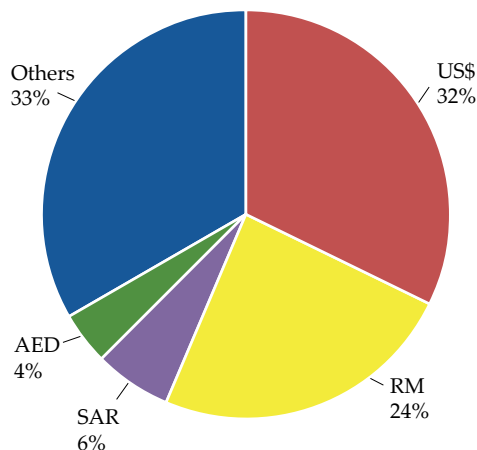


Chart 4: Most widely-used currencies



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(SAR) or UAE dirham (AED). This means that new markets are developing and issuing in local currency. Euro (EUR)-denominated deals are still rare. The dynamic Malaysian market's RM follows the US\$ as the second most common currency. Saudi Arabia's importance is masked by the fact that many important Saudi deals were executed in the US\$ (Chart 4 is by currency distribution by deal, not deal values). Many US\$ transactions are booked in the UAE. The role of the AED reflects the lively, but small domestic market. The dollar volume tracking through the UAE is a symbol of the UAE's importance as a financial center.

Restructuring is a big theme in 2020, do we anticipate more in 2021? From Saudi

Electricity Company's world's largest Islamic finance (SAR168 billion (US\$44.72 billion)) deal to Gulf Marine Services, the market had plenty of do-overs. Oil and gas-linked companies in particular restructured as did Samalaju Industrial Port (Malaysia) and Garuda Indonesia, businesses in countries with high reliance on hydrocarbons.

These are legacies of recent challenges in oil markets. 2020 started with a significant disruption in the oil market and moved straight into multiple lockdowns.

There have been clear winners among certain businesses and sectors, and many losers. Can stimulus and bailout programs prevent a tsunami of business

failures with the flood waters whirling in every segment of finance?

Size matters. The largest-ever Islamic finance deal was realized. Mega deals seem more common in 2020 despite the situation. Saudi Arabia was the leader with Saudi Electricity, Western Union-stc pay and more.

What will happen in 2021 with a new US president and COVID-19 prospectively under control? One expects a robust US economic stimulus. One hopes for more stable international politics. And one prays for the vaccination boom as we invent a new normal. We seem to be on the precipice of exciting times, yet we have much to worry over.

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### COMMODITY MURABAHAH/TAWARRUQ: MINISTRY OF FINANCE, ARAB REPUBLIC OF EGYPT'S US\$510 MILLION SOVEREIGN DEAL

Size:	US\$510 million
Arrangers:	ABC Islamic Bank, Abu Dhabi Islamic Bank, Emirates NBD, Gulf International Bank, Al Dubai Islamic Bank; Sharjah Islamic Bank
Bookrunners:	Mashreqbank, ABC Islamic Bank, Arab Banking Corporation, HSBC, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation
Legal counsels:	Helmy, Hamza & Partners (Baker McKenzie) for the issuer; Dentons for the arrangers
Rating:	Unrated syndication
Guarantor:	Ministry of Finance
Date:	August 2020

#### The finalists

AAOIFI's Shariah Standard No 59 upset the financing market as it was adopted by the Central Bank of the UAE. The heavyweight UAE banks were obliged to change their deals and convince their partners in other jurisdictions to embrace the new AAOIFI rule. This was the case for Fawaz Abdulaziz Al Hokair & Co. Elsewhere, Tawarruq showed that it is the perfect icebreaker, allowing the Egyptian Ministry of Finance to entertain its first Islamic syndicated financing and Malaysia's Cagamas to enter the sustainability market.

A 2019 IFN Deal of The Year finalist, **Fawaz Abdulaziz Al Hokair & Co** returned to the market for a revolving US\$ and SAR facility of up to US\$800 million. The deal was structured to comply with AAOIFI Shariah Standard No 59 designed to avoid the commonly used market practice of cashless rollovers in commodity Murabahah structures and to satisfy the Central Bank of the UAE's requirements for all transactions

signed by UAE banks from the 1<sup>st</sup> January 2020 to follow AAOIFI 59. This deal is believed to be the first deal in the market that was structured to comply with these regulations. A particular complexity is that not all members of the syndicate were obliged to comply as well as the required extra effort to lobby the various Shariah boards for a solution.

Malaysia's **Cagamas** launched its first ASEAN Sustainability SRI Sukuk. The deal is structured to support the following UN Sustainable Development Goals: No 7 Affordable and Clean Energy; No 11 Sustainable Cities and Communities; No 6 Clean Water and Sanitation; and No 8 Decent Work and Economic Growth. The particular focus is on affordable housing. The three-year deal was assigned a Tier 1 (highest) Social Benefit rating by RAM Sustainability.

Part of Egypt's first sovereign syndicated facility, this was the first Islamic finance facility for the **Arab Republic of Egypt**

#### acting through the Ministry of Finance.

The deal involves an innovative commodity Murabahah structure in compliance with AAOIFI Shariah Standard 59. Mohamed Maait, the minister of finance, **commented**: "We are proud of the appetite and interest received from regional and international banks in the syndication. It is a signal of Egypt's successful reform program. Amidst challenging conditions, Egypt is reaping the fruit of consistent efforts towards enhancing its economy's resilience. Egypt is continuously diversifying its funding sources by tapping regional as well as Islamic sources of finance."

#### Why the Arab Republic of Egypt was selected

The transaction was part of a US\$2 billion commercial funding approved by the Majlis Ash Sha'ab. It is hoped that this is a door opener for future deals with the Arab Republic.

Honorable mention: Fawaz Abdulaziz Al Hokair

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## Shortlisted for Overall Deal of the Year 2020

## CORPORATE FINANCE: SAUDI ELECTRICITY COMPANY'S SAR168 BILLION RECAPITALIZATION EXERCISE

Size:	SAR168 billion (US\$44.72 billion)
Advisor:	HSBC Saudi Arabia
Legal counsels:	Baker McKenzie with Abdulaziz Alajlan & Partners for the issuer; Clifford Chance and Abuhimed Alsheikh Alhagbani Law Firm in cooperation with Clifford Chance for the advisor
Rating:	Unrated
Date:	November 2020
Shariah advisor:	HSBC Saudi Arabia

**The finalists**  
2020's corporate finance submissions were highly diverse. Some deals were straight corporate finance. Our top three represent three trends in the market. Deals like Bank Pembangunan Malaysia represented a repositioning away from government support. Others like Saudi Electricity Company (SEC) reorganized a key utility's finances, but coming more deeply in the government's fold. Quite a large number of deals were either green or sustainability oriented. Etihad Airways joined this with their 'transition' representing the airline's aspirations to move to carbon neutrality.

**Bank Pembangunan Malaysia** issued Sukuk Wakalah allowing for a substantive change in the bank's capital structure and moving it closer to achieving fully-fledged Islamic development financial institution status. The deal reduces the government of Malaysia's contingent liabilities by RM1.2 billion (US\$297.07 million), while providing a proven and successful template that can be replicated by other government-guaranteed borrowers that also issue clean Sukuk. Reaching a diverse investor base, the deal converted RM1.2 billion in conventional liabilities to Islamic while achieving a low cost of capital and a longer duration.

**Etihad Airways's** Unity 1 Sukuk represents the first 'transition' and sustainability-linked Sukuk from the aviation sector. The transaction will support Etihad's investments in next-generation aircraft and its commitments for carbon emissions reduction, which include achieving net zero carbon emissions by 2050, a 50% reduction in net emissions by 2035 and a 20% reduction in emissions intensity in the airline's passenger fleet by 2025. The transaction was implemented in parallel with a tender offer in respect of Etihad's outstanding Sukuk issuance.

The SEC transaction is the world's largest Islamic finance transaction to ever be executed. The deal positions the Kingdom of Saudi Arabia as a leading contender for leadership in Islamic finance. Clifford Chance advised SEC on the conversion and restructuring of its financial liabilities to the government into a SAR168 billion (US\$44.72 billion) into a Shariah compliant subordinated financial 'equity-like' instrument or Mudarabah. This is part of wider electricity sector regulatory reforms in Saudi Arabia.

SEC is the largest electricity company in the MENA region and plays a crucial role in helping meet the growing demand for electricity in Saudi Arabia. Following the conversion of liabilities, the financial agreement and reforms put SEC in a better financial position to meet its obligations and create a more sustainable capital structure for the SEC.

The profit rate is payable once SEC distributes dividends to ordinary shares. This Mudarabah is classified under shareholders' equity and considered non-dilutive to existing shareholders' stakes. The Mudarabah is perpetual and subordinated.

**Why SEC was selected**  
We have those moments when we say that size does not matter. But it does with SEC's recapitalization of its SAR168 billion of liabilities as 'equity-like' instruments or Mudarabah. The conversion includes government loans and SAR3.35 billion (US\$829.31 million) of dividends owed to Saudi Aramco since SEC's inception in 2017. The deal projects the Kingdom's commitment to its Vision 2030 by assuring that SEC can achieve its objectives as well as the Kingdom's support for Islamic finance.

*Honorable mention: Unity 1 and MBSB*

## CROSS-BORDER: GATEWAY FUND 1'S ACQUISITION OF TIM HORTONS'S GCC FRANCHISES

Size:	US\$37 million
Investor:	Gateway Partners
Legal counsels:	Al Tamimi Law Office for the seller; King & Spalding for the investor
Financial advisor:	KPMG for the seller
Date:	February 2020

**The finalists**  
Cross-border nominations were equally diverse. Axiata not only had the first 30-year Sukuk in the telecoms sector, but it joined the sustainability club as well.

**Axiata** followed their May 2020 sustainability syndication with the largest airtime-based 30-year Sukuk of any telecoms business in Asia. The US\$200 million and RM289 million (US\$71.54 million) dual-tranche issuance is sustainability-linked. The deal aligns with UN Sustainability Development Goal No 7 Affordable and Clean Energy and Goal No 13 Climate Action. The internationally offered Sukuk are listed on Bursa Malaysia Securities and Singapore Exchange Securities, governed by English law.

**Batterjia** is the Hunamia Group greenfield hospital program in Alexandria and Casablanca. Financiers included the International Finance Corporation (IFC) and the EBRD. The deal involved a Saudi Arabian sponsor, Egyptian and Moroccan affiliates, and delivery of new facilities during the COVID-19 pandemic. Structured as a Tawarruq financing, the commodity trades were managed by First Abu Dhabi Bank as the commodity agent.

**Gateway Fund 1** acquired 42.55% of the Tim Hortons franchises across every jurisdiction in the GCC from the Apparel Group. King & Spalding represented Gateway on all aspects of the transaction including from due diligence through negotiation, investment structuring and documentation to franchisees and restructuring. A particular complexity that King & Spalding had to address was the recent ban on UAE- and Saudi-domiciled groups owning businesses in Qatar.

**Why Gateway Fund 1 was selected**  
All GCC jurisdictions were involved, with the ultimate franchise agreements reaching North America. And this richly complex transaction involved the use of a Mudarabah to manage the investment process in a way that King & Spalding has been perfecting even among purely secular counterparties.

*Honorable mention: Batterjia/Humania and Axiata*



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## GREEN PROJECT: AXIATA GROUP'S US\$800 MILLION MULTICURRENCY SUSTAINABILITY-LINKED SHARIAH FACILITIES

Size:	US\$800 million	
Arrangers:	Maybank Islamic, MUFG Bank (Malaysia), OCBC Bank	
Legal counsel:	Rahmat Lim & Partners for the arrangers	
Rating:	'Baa2' by Moody's Investors Service/'BBB+' by S&P Global Ratings (obligor)	
Date:	May 2020	
Shariah advisor:	OCBC Al-Amin Bank as the coordinator, sustainability structuring advisor and Shariah advisor	
<b>Planet, people, profit</b>	<p>Malaysia's SRI Sukuk Framework. The energy generated by the projects will be sold to Tenaga Nasional pursuant to the 21-year power purchase agreements.</p> <p><b>SEC</b> issued US\$650 million five-year and US\$650 million 10-year Sukuk. These green Sukuk are based on the sale of a percentage interest in certain identified assets to the Sukukholders through an SPV. The assets are leased back. The proceeds are being applied to SEC's net zero strategy.</p> <p><b>Axiata Group</b> accessed US\$800 million in first-of-its-kind syndicated multicurrency Shariah compliant sustainability-linked facilities. The transaction follows Axiata's sustainability-linked financing and ESG conditions. This represents the company's</p>	<p>commitment to reduce carbon emissions and continued qualification as an FTSE4Good Bursa Malaysia Index constituent. The deal was closed during the first COVID-19 peak during the Movement Control Order imposed by the government of Malaysia.</p> <p><b>Why Axiata was selected</b> The deal managed complex legal issues, including the foreign exchange administration requirements of Bank Negara Malaysia, and the incorporation of sustainability-linked loan principles issued by the Loan Market Association and the Asia Pacific Loan Market Association in March 2019 into the financing had to be consistent with Shariah financing principles.</p> <p><i>Honorable mention: Leader Energy and SEC</i></p>
	<p>The volume of sustainable and green transactions keeps rising. But like Leader Energy, most are relatively small. Others are designed to address system-wide requirements like SEC and Axiata; these are not at all small. This is impact penny by penny, slow and steady.</p> <p><b>Malaysia's Leader Energy</b> issued an ASEAN Green SRI Sukuk Wakalah facility. The proceeds of the RM260 million (US\$64.36 million) deal are used to part-finance and/or part-reimburse the total development cost of two solar power projects in Kuala Muda. These projects undertaken by Leader Solar Energy and Leader Solar Energy II fit within the renewable energy category of eligible SRI projects identified by Securities Commission</p>	

## HYBRID: SHUAA ENERGY 3'S US\$420 MILLION PROJECT FINANCE FACILITY

Size:	US\$420 million	
Arrangers:	Abu Dhabi Islamic Bank, Arab Petroleum Investments Corporation, Emirates NBD Bank, Industrial and Commercial Bank of China, Dubai (DIFC) Branch, Natixis, Samba Financial Group, Standard Chartered Bank and Warba Bank	
Legal counsels:	Covington & Burling for the issuer; Norton Rose Fulbright for the arrangers	
Rating:	Unrated	
Date:	August 2020	
<b>The back story</b>	<p>share in the JV was bought out by Meydan. As the financier has considerable exposure to Meydan, management of the restructured obligations to flow to PNC was a serious obstacle. Ultimately, a blended Murabahah and Ijarah solution was delivered.</p> <p>The seeming omnipresence of Saudi Arabia's ACWA Power assures that across all categories, the firm will be highly competitive. For instance, the firm's <b>Jazlah Water Desalination</b> deal was also nominated by Abu Dhabi Islamic Bank and used the Istisnah-Ijarah financing tool for the Islamic leg.</p> <p><b>ACWA Power-sponsored SHUAA Energy 3</b> is a renewable energy project in Dubai with an extremely competitive tariff. The project involves the construction of a state-of-the-art 900 MW solar photovoltaic plant, using bifacial panels with tracking technology at a capital cost of circa US\$564 million, and has been the focus of significant international interest, having demonstrated one of the lowest costs of electricity in the world of</p>	<p>1.69 US cents per kWh. The financing for the project is a limited recourse project financing with the senior debt provided by a number of international, regional and local banks along with a project recourse mezzanine tranche committed by a regional bank, structured as a circa 27-year soft mini-permanent financing with both conventional and Islamic tranches. In addition, the financing structure featured a set of equity bridge loans provided by local banks as well as the Dubai Electricity &amp; Water Authority. The Islamic tranche is Istisnah-Ijarah.</p> <p><b>Why SHUAA Energy 3 was selected</b> The Mohammed Bin Rashid Al Maktoum Solar Park, a key pillar in fulfilling the Dubai Clean Energy Strategy 2050, is a <b>public-private partnership</b> with Shanghai Electric Group and ACWA Power representing the private sector. Although the Istisnah-Ijarah model is tried and true; this is one of the few cases involving a Chinese counterparty.</p> <p><i>Honorable mention: Jazlah Water Desalination Company and PNC Investment</i></p>
	<p>The use of hybrids has become well entrenched in the Islamic finance market. Some of these are for asset-light companies blending an equity mode with a Tawarruq leg, or companies seeking flexibility and blending an Ijarah leg with a Tawarruq leg. Istisnah-Ijarah is now a reliable workhorse as demonstrated with ACWA Power's two finalists. All figured across our 2020 nominations. PNC Investments used the longer-term flexible funding combination Murabahah-Ijarah. This category does not embrace the rating agency concept of hybrid in which a stand-alone instrument like Mudarabah, Musharakah or Wakalah is deemed to be like equity and debt at the same time.</p> <p>Reed Smith advised <b>PNC Investments</b> in one of the UAE's largest private real estate transactions in 2020. The transaction was complicated as it was part of the large restructuring of the joint venture (JV) arrangement that the client had with Meydan, a Dubai government entity. PNC's</p>	

## IFN Deals of the Year 2020

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## IJARAH: SEMARAK GIGIH'S RM244.3 MILLION SUKUK IJARAH

Size:	RM244.3 million (US\$60.48 million)
Arranger:	Hong Leong Investment Bank
Legal counsel:	Adnan Sundra & Low for the arranger
Rating:	Unrated
Date:	February 2020
Shariah advisor:	Dr Aznan Hasan

**The finalists**

The importance of Ijarah in the capital markets was well represented this year. Three distinct approaches were delivered among our finalists. The government of Sharjah applied this for the development of a liquidity support instrument. Talaat Moustafa Group gave evidence of the opportunities for real estate-based Sukuk in Egypt's private sector. And for Semarak Gigih, it was the securitization of Ijarah assets.

**The government of Sharjah** issued a 12-month dirham-denominated paper across two tranches; the Sukuk formed part of the Sharjah Liquidity Support Mechanism. The program was devised in response to the Temporary Economic Support Scheme from the UAE's central bank, requiring banks in the UAE to offer extensive forbearance on loan repayments to private sector customers. The Sukuk represented the first rated short-term local currency tradeable instrument in the UAE and were used as a security by the subscribing banks to access liquidity facilities made available by the central bank. The Sharjah Liquidity Support Mechanism consisted of short-term, local currency Sukuk issued by the government of Sharjah and offered to local banks, which would serve as high-quality eligible collateral for the central bank scheme, or any other repo operation in the market. The government also resolved to place part of the proceeds of the Sharjah Liquidity Support Mechanism back with the

investing banks as deposits under lien at the same profit rate. Initial utilization was AED2 billion (US\$544.47 million).

**Arab Company for Projects and Urban Development, a subsidiary of Talaat Moustafa Group Holding**, issued the firm's first project-related Sukuk Ijarah. Although modest in size, the Sukuk issuance is the largest Egyptian pound (EGP)-denominated debt issuance in the history of Egypt's capital market. The issuing company and the Sukuk received an 'A+' rating from Middle East Rating & Investors Service. The rating incorporates the strong fundamentals of the company and its position as a leading real estate developer in Egypt.

**Semarak Gigih** is an SPV debited for asset securitization of palm plantation assets. Each tranche is a securitization of a specific asset and as such secured by unique collateral. There will be no cross default among the tranche(s) under the Sukuk Ijarah Programme. However, there is a master security governing all assets which can only be enforced upon an event of default declared by Sukukholders of the most senior class. The deal is eligible for a guarantee/Kafalah facility from Danajamin Nasional although the first tranche was not guaranteed by a Kafalah or financial guarantee. The underlying leases are sale leaseback deals. The lessee has an option to purchase the assets against a sale undertaking from

the issuer. The program has a number of flexible benefits beyond unlocking originator value. For instance, the program allows for acquisition of assets from different originators as well as different parties to operate the asset as a sublessee. The structure is limited recourse in nature whereby the Sukukholders will have no further claim against the issuer and/or the originator once the security(ies) has been exhausted for the relevant tranche.

**Why Semarak Gigih was selected**

The deal expands the opportunity to invest in niche oil palm plantation-based financial assets. This structure brings together parties of different interests and allows parties that are asset-rich to monetize their assets and other parties with the expertise the opportunity to operate the assets and potentially to own the assets at the end of the Sukuk tenor. The different series with their respective tenors and pricings cater for investors with different risk appetites and return expectations. The flexibility of different types of pricing per Sukuk issuance could be targeted at different pools of investors such as financial institutions for floating rate Sukuk and institutional investors for fixed rate Sukuk. This widens the pool of investors for the subsector.

*Honorable mention: Sharjah Liquidity Support Mechanism and Arab Company for Project and Urban Development*



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### Shortlisted for Overall Deal of the Year 2020

#### MOST INNOVATIVE: GOVERNMENT OF MALAYSIA'S RM666 MILLION SUKUK PRIHATIN

Size:	RM666 million (US\$164.87 million)
Arranger:	Maybank
Legal counsel:	Not stated
Rating:	Unrated
Date:	September 2020
Shariah advisor:	Shariah committee of Bank Negara Malaysia

#### The finalists

Innovation is surprisingly less than people claim. Much of it rests on Tawarruq structures. Our finalists for 2020 represent three of the largest Islamic finance markets. Alkhabeer Capital has pivoted from private markets to public markets. Its latest offering is an income fund that is the first of its kind in Saudi Arabia. Bank Islami Pakistan organized one of the first commercial paper style deals for Kot Addu Power. Never count Malaysia out – the government of Malaysia had issuance and substance innovations in its landmark Sukuk Prihatin.

In December 2020, **Alkhabeer Capital** launched its Diversified Income Fund. The Capital Market Authority-approved fund is listed. The initial offering raised SAR472.8 million (US\$125.87 million) from 89,000 subscribers. The fund allows the manager to invest in Sukuk, trade finance and leasing, each up to 40%; income funds up to 25%; and cash or commodity Murabahah up to 5%. The December listing on Tadawul was a first for the Kingdom of Saudi Arabia.

**Kot Addu Power Company (KAPCO)** issued Pakistan's first rated, unsecured, privately placed short-term Sukuk structured on the Musharakah (Shirkat Ul Aqd) basis to meet working capital requirements of KAPCO. Pakistan's leading asset management companies through 29 mutual funds invested in this Sukuk.

The **government of Malaysia** issued its RM666 million Sukuk Prihatin. The transition is part of the government's COVID-19 response. The funds were allocated to the Kumpulan Wang COVID-19 to finance the economic stimulus packages and recovery plan addressing the pandemic. Uses included enhancing connectivity in rural schools and financing microenterprises and medical expenditure related to COVID-19. The Sukuk have a first-ever donation feature embedded in their documentation.

The Sukuk Prihatin facility was uniquely structured with 'national solidarity' as the main theme, where investors not only earn returns from the subscription but also have

the option of donating the principal amount (in part or full) upon its two-year maturity. This donation contribution will be eligible for a special tax treatment, an incentive from the government to encourage contribution. Maybank was the sole primary distribution bank for the Sukuk Prihatin.

#### Why the Sukuk Prihatin facility was selected

The deal was launched amid widespread restrictions on movement during the pandemic. The Sukuk Prihatin facility is the Malaysian government's maiden digital Sukuk allowing subscriptions on internet/mobile banking platforms accessible across 27 participating banks, creating a new ecosystem in the market which may be further developed to allow other issuers to consider for their fundraising and to enhance retail investors' reach.

*Honorable mention: Kot Addu Power Company and Alkhabeer Diversified Income Fund*



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### M&A, EQUITY & IPO: WESTERN UNION'S US\$1.3 BILLION EQUITY INVESTMENT INTO STC PAY

Size:	US\$1.3 billion
Acquisition:	Western Union Company
Legal counsels:	King & Spalding for Western Union; Freshfields for Saudi Telecoms; and CMS for stc pay
Rating:	Unrated
Date:	November 2020

#### The finalists

The 2020 M&A, Equity and IPO deals were highly diverse. The unexpected was represented with Oman Arab Bank (OAB)'s purchase of Alizz Islamic Bank (AIB). Size (large) and COVID-19 came into play with the MR DIY IPO. And the first Saudi unicorn was created with Western Union's investment in stc pay.

**OAB acquired Alizz Bank** in two steps during July 2020. The OMR69 million (US\$178.76 million) deal is the first known acquisition of an Islamic bank by a conventional bank. The more common route has been for conventional banks to set up their own windows or subsidiaries. Indeed, Oman Arab Bank already operated the Al Yusr window which has been merged into AIB. The transaction was the first takeover to be regulated by the new Oman Public Takeover Regulations and involved AIB becoming a wholly-owned Islamic banking subsidiary of OAB, a delisting of AIB from the Muscat Securities Market (MSM) and a subsequent listing of OAB on the MSM. One wonders if this is the future of consolidation in some countries with dual banking systems.

In a sign of the pandemic, **MR DIY Group** showed that certain businesses can buck the trend. The IPO listed the company as a Shariah compliant counter on Bursa Malaysia. With a market valuation exceeding RM10 billion (US\$2.48 billion), the company is more valuable than most banks, and exceeds the combined value of Pos Malaysia and Malaysia Airports Holdings. The proceeds were applied to debt reduction, preparing MR DIY for recovery post-COVID-19.

**Western Union Company** entered into an agreement to subscribe for new shares for a stake of up to 15% in stc's digital secure wallet and financial technology services arm, stc pay. stc pay required that all transactional documents be Shariah compliant. The US\$1.3 billion deal create the first Saudi Arabian unicorn: the third in the Middle East, and the first in the Middle East for fintechs.

Western Union is the world's largest money transfer firm. stc pay provides digital and financial services to individuals and companies and launched a digital wallet

mobile application in 2018. It currently has more than 4.5 million users. Its parent, stc, is listed on Tadawul and its majority owner is the Public Investment Fund, the sovereign wealth fund of Saudi Arabia, and stc is the leading Saudi telecommunications services provider.

#### Why stc pay was selected

The matter involved regulatory approvals from Saudi Central Bank, the Saudi Competition Authority, the Ministry of Investment and the Ministry of Commerce. The deal incorporated unusual features to ensure that Western Union could enforce a put option against a prominent Saudi Arabian company. During a challenging year of declining foreign investment, the structuring and regulatory approvals obtained gave Western Union the confidence to make an investment of US\$200 million to help create Saudi Arabia's first unicorn, a landmark transaction in attracting substantial foreign investment outside of the petroleum sector.

*Honorable mention: OAB and MR DIY*



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## IFN Deals of the Year 2020

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### Shortlisted for Overall Deal of the Year 2020

#### MUDARABAH: DP WORLD SALAAM'S US\$1.5 BILLION PERPETUAL SUKUK

Size:	US\$1.5 billion
Arrangers:	Abu Dhabi Islamic Bank, Citigroup Global Markets, Commercial Bank of Dubai, Crédit Agricole CIB, Deutsche Bank (London Branch), Dubai Islamic Bank, Emirates NBD Bank, First Abu Dhabi Bank, HSBC Bank, JPMorgan Securities, Samba Financial Group, Standard Chartered Bank, The Bank of Nova Scotia
Bookrunners:	Citigroup Global Markets; Deutsche Bank, London Branch; and JPMorgan Securities as joint global coordinators  Citigroup Global Markets; Crédit Agricole Corporate and Investment Bank; Deutsche Bank, London Branch; Dubai Islamic Bank; Emirates NBD Bank; First Abu Dhabi Bank; HSBC Bank; JPMorgan Securities; Samba Financial Group; Standard Chartered Bank; and The Bank of Nova Scotia as joint lead managers
Legal counsels:	Clifford Chance and Maples & Calder for the issuer; White & Case and Linklaters for the arrangers
Rating:	'Ba2' by Moody's Investors Service and 'BB' by Fitch Ratings
Date:	July 2020
Shariah advisors:	Shariah Advisory Board of Citi Islamic Investment Bank, the Fatwa and Shariah Supervisory Board of Dubai Islamic Bank and the Shariah Committee of Dar Al Sharia Islamic Finance Consultancy, the Internal Shariah Supervision Committee of First Abu Dhabi Bank, the Internal Shariah Supervision Committee of HSBC Bank Middle East, the Shariah advisors of JPMorgan Securities and the Global Shariah Supervisory Committee of Standard Chartered Bank

#### The finalists

Mudarabah has become more widely used. King & Spalding is perfecting the adoption of Mudarabah across markets. The optimal solution for the SEC deal was Mudarabah. And like so many, DP World's best option for a perpetual Sukuk was Mudarabah.

As part of the complex repositioning of SEC, the Ministry of Finance of the Kingdom of Saudi Arabia exchanged SEC's legacy obligations (government payables and soft loans) for a Mudarabah-based perpetual subordinated instrument. The Mudarabah was classified under shareholders' equity and considered non-dilutive to existing shareholders' stakes of SEC.

**Gateway Fund 1** acquired 42.55% of the Tim Hortons GCC franchises via a Mudarabah funding. The Mudarabah allowed Gateway to navigate a number of jurisdictional challenges while evangelizing Mudarabah to new users.

**DP World Salaam** as the issuer raised US\$1.5 billion for DP World (new DP World) to apply to general corporate purposes, including financing of payment obligations entered into in connection with the acquisition of DP World's shares by Port and Free Zone World FZE. The deal is part of DP World's privatization strategy. This transaction is:

1. the first corporate hybrid Sukuk to have an international rating
2. the largest corporate hybrid transaction issued in the MENA region to date, and
3. DP World's inaugural perpetual issuance.

The proposed corporate hybrid transaction is part of DP World's effort to deleverage the company to circa 4x net debt/ earnings before interest, taxes, depreciation and

amortization (EBITDA) over the next three years and to strengthen the capital structure of the company as the corporate hybrid is accounted for as equity under the International Financial Reporting Standards (IFRSs) and receives 50% equity credit from the rating agencies. This transaction also marks a successful return to the debt capital markets for DP World after the announcement of its intention to delist its shares and return the company to a 100% indirect ownership by the government of Dubai.

#### Why DP World Salaam was selected

The Sukuk were issued under a Mudarabah structure, and represent DP World's inaugural issuance of deeply subordinated perpetual debt of any form. Outside of Malaysia, this represents a rare issuance of subordinated corporate Sukuk.

*Honorable mention: SEC and Gateway Fund 1*



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## IFN Deals of the Year 2020

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## MUSHARAKAH: AMRELI STEEL'S US\$3.93 MILLION DIMINISHING MUSHARAKAH FACILITY

Size:	US\$3.93 million
Arranger:	Faysal Bank
Legal counsel:	Ali Khan Law Associates for the issuer
Date:	May 2020
Shariah advisor:	Faysal Bank Pakistan
<b>The finalists</b>	received by investors in Pakistan. The concept of running Musharakah reassesses the profit-sharing periodically for short duration financings over an agreed period..
Contestants for Musharakah were highly diversified and included 'running Musharakah', 'constant Musharakah' and 'diminishing Musharakah' deals. Each concept is suitable for different situations. The running Musharakah is best for short-term working capital. It is part of the constant Musharakah family which finances operations for a significant period. Diminishing Musharakah is ideal for asset-based financing. The former and Shirkat UI Aqd are contractual partnerships, while the latter is a partnership in property or a form of co-ownership.	Sime Darby issued an ASEAN Sustainability SRI Sukuk Musharakah facility. The proceeds are governed by the company's Sustainability Sukuk Framework and the accompanying guidelines or frameworks or standards, as amended from time to time under which such ASEAN Sustainability SRI Sukuk Musharakah are issued. The transition Sukuk represent the first sustainability Sukuk globally based on a constant Musharakah.
<b>Kot Addu Power Company</b> (Pakistan) issued short-term Sukuk based on the running Musharakah concept. The PKR5 billion (US\$31.14 million) deal was well	Faysal Bank arranged a secured diminishing Musharakah funding for <b>Amreli Steel Company</b> . This finances the construction of a 4
	MW solar plant at Amreli's mill. The solar plant will reduce the company's energy costs. This transaction qualified under the State Bank of Pakistan's Renewable Energy Scheme 'IFRE', which provides the company cheaper financing at concessionary rates thereby reducing risks for Musharakah investors. The deal is also covered under the US AID guarantee program for 50% of the facility's capital.
	<b>Why Amreli Steel was selected</b> This deal packs in three features: co-ownership of power-generating solar and other assets; the implementation of green energy; and qualifying an Islamic finance deal for the US AID credit guarantee scheme.
	<i>Honorable mention: Sime Darby and Kot Addu Power Company</i>

## Shortlisted for Overall Deal of the Year 2020

## PERPETUAL: DP WORLD SALAAM'S US\$1.5 BILLION PERPETUAL SUKUK

Size:	US\$1.5 billion
Arrangers:	Abu Dhabi Islamic Bank, Citigroup Global Markets, Commercial Bank of Dubai, Crédit Agricole CIB, Deutsche Bank (London Branch), Dubai Islamic Bank, Emirates NBD Bank, First Abu Dhabi Bank, HSBC Bank, JPMorgan Securities, Samba Financial Group, Standard Chartered Bank, The Bank of Nova Scotia
Bookrunners:	Citigroup Global Markets; Deutsche Bank, London Branch; and JPMorgan Securities as joint global coordinators
	Citigroup Global Markets; Crédit Agricole Corporate and Investment Bank; Deutsche Bank, London Branch; Dubai Islamic Bank; Emirates NBD Bank; First Abu Dhabi Bank; HSBC Bank; JPMorgan Securities; Samba Financial Group; Standard Chartered Bank; and The Bank of Nova Scotia as joint lead managers
Legal counsels:	Clifford Chance and Maples & Calder for the issuer; White & Case and Linklaters for the arrangers
Rating:	'Ba2' by Moody's Investors Service and 'BB' by Fitch Ratings
Date:	July 2020
Shariah advisors:	Shariah Advisory Board of Citi Islamic Investment Bank, the Fatwa and Shariah Supervisory Board of Dubai Islamic Bank and the Shariah Committee of Dar Al Sharia Islamic Finance Consultancy, the Internal Shariah Supervision Committee of First Abu Dhabi Bank, the Internal Shariah Supervision Committee of HSBC Bank Middle East, the Shariah advisors of JPMorgan Securities and the Global Shariah Supervisory Committee of Standard Chartered Bank
<b>Forever finalists</b>	The Ministry of Finance of the Kingdom of Saudi Arabia acquired a Mudarabah instrument considered non-dilutive to existing shareholders' stakes of SEC. The perpetual Mudarabah represents about 33.4% of SEC's total assets. This restructuring strengthened SEC's financial position and its ability to provide its services with higher levels of efficiency and reliability. It also enabled SEC to fulfill all of its financial obligations including fuel payments, purchased power payments as well as distributing dividends to shareholders.
The perpetual market has divided into banking regulatory deals and corporate deals. Each has its unique story. The bank deals tend to be a common structure. The corporate deals delivered by Dialog (Malaysia), SEC and DP World (UAE) come with unique back stories that led to the perpetual route.	the company to circa 4x net debt/EBITDA over the next three years and to strengthen the capital structure of the company. The corporate hybrid is accounted for as equity under the IFRSs and receives 50% equity credit from the rating agencies.
<b>Dialog Group</b> launched a program of non-callable (seven years) Sukuk allowing the flexibility to issue senior Sukuk Wakalah and/or perpetual Sukuk Wakalah (collectively, Sukuk Wakalah). The perpetual issuance arranged by AmInvestment Bank and advised by Zaid Ibrahim & Co for the issuer and Adnan Sundra & Low for AmInvestment was on the 16th November 2020 for RM500 million (US\$123.78 million).	<b>Why DP World Salaam was selected</b> This deeply subordinated perpetual Mudarabah represents the:
	<ul style="list-style-type: none"> <li>The largest corporate hybrid (with equity and fixed income characteristics) Sukuk issued in the MENA region to date</li> <li>The first international corporate hybrid in Sukuk format, and</li> <li>The first international corporate hybrid from MENA since March 2018.</li> </ul>
	<i>Honorable mention: Dialog Group, SEC and Ministry of Finance Saudi Arabia</i>

## IFN Deals of the Year 2020

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## PROJECT &amp; INFRASTRUCTURE FINANCE: JAZLAH WATER DESALINATION CO'S US\$481 MILLION FINANCING FACILITIES

Size:	US\$481 million; US\$320 million Wakalah-Ijarah or Istisnah-Ijarah SAR95 million working capital US\$164 million equity bridge US\$290 million hedging
Arrangers:	Abu Dhabi Islamic Bank, Al Rajhi Banking and Investment Corporation, Mizuho Bank and Riyad Bank
Legal counsels:	Covington & Burling for the issuer; Hogan Lovells for the arrangers
Rating:	Unrated syndication
Date:	September 2020

**The finalists**

Infrastructure and project deals continue to center on energy and water across our submissions. In 2020, there were fewer submissions for transport infrastructure. Pengerang LNG (Two) represented the lead Malaysian deal. With SHC Capital on its heels, these showed the capacity of Malaysia's capital market to deliver on long-term core projects. ACWA Power raised the GCC flag with its Jubail desalination project.

**Pengerang LNG (Two)** is an RM1.7 billion (US\$420.84 million) project financing. AmInvest, CIMB Investment Bank, Maybank Investment Bank and RHB Investment Bank structured the Sukuk Murabahah (Tawarruq) notes program. The deal represents the largest oil and gas issuance since 2018, and the first by PETRONAS since 2014.

**SHC Capital** is an RM80 million (US\$19.8 million) project financing arranged by Kenanga Investment Bank as Sukuk issued

under Wakalah Bil Istithmar and Tawarruq structures. The proceeds finance a district cooling plant in the Pagoh Education Hub, Johor. The sponsor provides the financing onward via Mudarabah.

The **Jubail-3A IWP** project was awarded to the ACWA Power consortium including Gulf Investment Corporation and Al Bawani Water and Power Company. Jubail-3A IWP will utilize reverse osmosis technology to yield a capacity of 600,000 cubic meters a day. The engineering, procurement and construction (EPC) contract for the project was awarded to a consortium of SEPCOIII, Power China and Abengoa. The operations and maintenance agreement was signed with an affiliate of First National Operations & Maintenance Co. The plant is located in Jubail, Saudi Arabia.

This is a multisource non-recourse syndicated financing for the Jazlah Water Desalination Co (AWCA Power as sponsor). The project is the fourth seawater reverse osmosis

desalination project to be awarded in the Kingdom of Saudi Arabia over the last three years, as part of the largest public-private partnership desalinated water procurement program in the world. Financings include Wakalah-Ijarah, Istisnah-Ijarah and Tawarruq. In addition, the lead banks organized profit rate swaps.

**Why Jazlah Water Desalination Co was selected**

The financial close was achieved with an extraordinary diverse and robust set of Islamic finance solutions provided by four GCC financing institutions which include (i) US\$ senior facilities (accounting for more than 67% of total project debt requirement), (ii) SAR working capital facility, (iii) US\$ equity bridge loan facilities, and (iv) LIBOR hedging agreements.

*Honorable mention: Pengerang LNG (Two) and SHC Capital*



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### REAL ESTATE: SIME DARBY'S RM800 MILLION ASEAN SUSTAINABILITY SRI SUKUK MUSHARAKAH ISSUANCE

Size:	RM800 million (US\$198.04 million)
Arrangers:	CIMB Investment Bank, Maybank Investment Bank, Public Investment Bank
Legal counsel:	Zul Rafique & Partners for the arrangers
Rating:	'AA+' by Malaysian Rating Corporation (MARC)
Date:	December 2020
Shariah advisor:	Maybank Islamic

#### The finalists

In general, this is not expected to be a good time for real estate. Not anywhere. Investors are unsure if working from home is permanent and whether or not operators can pivot effectively. Nonetheless, across silos, real estate was prominent. Alkhabeer REIT demonstrated the positives. Talaat Mustafa Group's Arab Company for Projects and Urban Development opened the Egyptian real estate capital market. And Sime Darby prepared for the future.

Amid this dismal environment, **Alkhabeer REIT** held an additional offer of 36.5 million additional shares and increased the REIT's equity by SAR365.3 million (US\$97.25 million). A September listing meant that all of the hard work was done over the summer during COVID-19. This substantial achievement led to a SAR722.8 million (US\$192.42 million) increase in assets to SAR1.7 billion (US\$452.57 million).

The **Arab Company for Projects and Urban Development** entered a sale leaseback agreement with the issuer on Madinaty Open Air Mall. **EFG Hermes** acted as the sole financial advisor, coordinator, sole promoter and underwriter of the deal. **EFG Hermes** also acted as the issuing company and built on several recent successes with the Financial Regulatory Authority relating to capital market deals like short-term Sukuk. The

investment grade transaction is a role model for the dynamic Egyptian real estate market and an opportunity for investors.

**Sime Darby's** program finances future investments, capital expenditure, the group's working capital requirements, general corporate purposes and, if required, to refinance debt obligations of the group. These payments, however, are to meet the criteria as set out in Sime Darby's Sustainability Sukuk Framework and the accompanying guidelines or frameworks or standards, as amended from time to time under which such ASEAN Sustainability SRI Sukuk Musharakah are issued including:

1. the Sustainable and Responsible Investment Sukuk Framework under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia on the 9<sup>th</sup> March 2015 and revised on the 12<sup>th</sup> November 2020 (as amended from time to time)
2. the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017
3. the ASEAN Social Bond Standards issued by the ASEAN Capital Markets Forum (ACMF) in October 2018, and

4. the ASEAN Sustainability Bond Standards issued by the ACMF in October 2018.

#### Why Sime Darby was selected

It's not just that this deal was executed during the height of COVID-19 – every deal this year overcame COVID-19 related issues – but it also had the following achievements:

1. First sustainability Sukuk globally based on the Shariah principle of Musharakah
2. First ASEAN Sustainability SRI Sukuk issuance by a real estate developer
3. Largest ASEAN Sustainability SRI Sukuk issuance for 2020 to date, surpassing the RM100 million (US\$24.76 million) sustainability Sukuk issued by Cagamas in October 2020
4. Secured a final credit rating of 'AA+IS' (stable outlook) by MARC for its Sukuk Musharakah Programme despite the challenging conditions facing the property sector. The 'AA+' rating is the highest rating accorded to a pure real estate developer in the ringgit bond/Sukuk market.

*Honorable mention: PNC Investments and Elite Commercial REIT*



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## REGULATORY: KT AT ONE CO'S US\$250 MILLION TIER 1 ISSUANCES

Size:	US\$250 million in two issuances
Issuer:	KT AT One Company
Arranger:	KFH Capital
Legal counsels:	Akin Gump Strauss Hauer & Feld and Mutlu Avukatlik Ortakligi for the issuer; Clifford Chance and CIFTCI Law Firm for the arranger
Rating:	Unrated syndication
Date:	September 2020
Shariah advisors:	KFH Capital and Kuveyt Turk

**The finalists**

The regulatory capital story usually stops at Tier 1 or Tier 2 Sukuk. This year, we have both: Tier 1 from Kuveyt Turk Katilim Bankasi and Tier 2 in Riyad Bank's return to the capital markets. An addition to our story is Dar Al Takaful's equity acquisition of the Noor Takaful companies.

**Dar Al Takaful** acquired Noor Takaful General and Noor Takaful Family from Noor Bank and Noor Investment Group. Part of a broader trend of consolidations in the UAE insurance industry, the deal required a number of special exemptions from the Insurance Authority and the UAE Securities and Commodities Authority, including an exemption from the requirement for an insurance company to be listed (the target companies were bought as wholly-owned subsidiaries of a listed company, with the target companies remaining unlisted at closing). Baker McKenzie advised Dar Al Takaful.

Returning to the international markets after 14 years, **Riyad Bank** raised US\$1.5 billion in Tier 2 certificates. The debut issue of the bank's inaugural program was achieved just before the pandemic's impact on markets was felt. Listed on the International Securities Market of the London Stock Exchange, the deal was the first public issuance of Tier 2 securities from Saudi Arabia. The deal is a hybrid Wakalah/Tawarruq structure.

**KT AT One Co**, with Kuveyt Turk Katilim Bankasi as the obligor, was advised by Akin Gump on the issuance of US\$50 million perpetual Tier 1 capital certificates, listed on the Global Exchange Market of Euronext Dublin. The deal was launched in particularly challenging market conditions. Despite significant macroeconomic headwinds in the capital markets in Turkey and elsewhere, it was one of only a small handful of successfully issued regulatory capital issuances out of Turkey. This is

an important regulatory capital-raising transaction for Kuveyt Turk as the Basel III compliant Tier 1 capital certificates will raise the capital adequacy ratio of the bank allowing for stronger growth. A further issuance was to complete the acquisition of the majority holding by Kuveyt Turk in Neova Sigorta, a Turkish Takaful company.

**Why KT AT One Co was selected**

The transaction was also a landmark transaction in that it was structured in a manner where Kuveyt Turk was able to book the transaction as a US\$ transaction (as opposed to a Turkish lira equity transaction – as has been the case for the majority of the previous Tier 1 Sukuk issuances out of Turkey). This novel approach permitted Kuveyt Turk to mitigate the currency volatility on its financial statements.

*Honorable mention: Riyad Bank and Dar Al Takaful*



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## IFN Deals of the Year 2020

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## RESTRUCTURING: GULF MARINE SERVICES'S US\$391 MILLION RESTRUCTURING

Size:	US\$391 million
Arranger:	Creditors' committee
Financial advisors:	Evercore to the company; PwC to the banks
Legal counsels:	Rimon Law for the company; Allen & Overy for the creditors
Date:	June 2020
<b>The finalists</b>	operations in June 2017, there has been some delay from port users in utilizing the Samalaju Port and potentially impacting certain terms and conditions under its existing Sukuk program. As part of Samalaju's preemptive measures to avoid a future technical default and also to preserve its rating of 'AA1(s)', it appointed CIMB as the consent solicitation agent in undertaking a revision of terms exercise. This resulted in according flexibility to Samalaju in managing its financial covenants for the next five years while maintaining the credit strength of the Sukuk Murabahah Programme. The consent solicitation exercise was well supported by Sukukholders via the signing of a circular resolution and the exercise was successfully completed in August 2020.
Our restructuring cases ranged from strategic – SEC – to the j-curve – Samalaju Industrial Port. And then there is the confluence of oil and COVID-19 shocks which were addressed with Gulf Marine Services.	London-listed <b>Gulf Marine Services</b> (GMS) provides support vessels for offshore oil and gas and other energy installations. The GMS <b>restructuring</b> was a complex project given the melange of an oil services downturn, COVID-19, conventional and Shariah compliant debt and assets registered in multiple jurisdictions. The various debts, which included Ijarah facilities, conventional facilities and existing capex facilities, were collapsed into existing term facilities and Shariah compliant working capital (covered drawing) facilities and letter of guarantee facilities. Tim Summers, the executive chairman of Gulf Marine, said: "GMS is moving from strength to strength. Today's announcement, ahead of schedule, of a revised debt structure, provides the platform for GMS to sustain its upward trajectory and take advantage of opportunities as oil and gas markets stabilize."
SEC sets the record as the largest single Islamic finance deal and restructuring. The deal was part of a national sector reform. HSBC, financial advisor to SEC, <b>commented</b> about the Mudarabah solution: "The creation of this financial instrument and the introduction of an international standard regulatory framework should enable Saudi Electricity Co to maintain a more sustainable capital structure. Through the balancing account, the government is expected to continue supporting the sector and Saudi Electricity Co on a more structured and transparent basis." Yet, one can say that the challenges of the deal were dampened by the relationships between the parties.	<b>Why Gulf Marine Services was selected</b> The Shariah compliant solutions were bespoke and innovative and included a warrant instrument. The restructuring was finalized and signed remotely including certain notarial mortgage deeds that required registration. The last phase of negotiations was concluded under a tight time frame as a result of a non-binding hostile offer to take over the company made by one of the shareholders.
In Malaysia, CIMB advised <b>Samalaju Industrial Port</b> on a consent solicitation exercise. Since commencing Phase 1	<i>Honorable mention: Saudi Electricity Company and Samalaju Industrial Port</i>

## SOCIAL IMPACT SRI/ESG: ISDB'S US\$1.5 BILLION SUSTAINABLE SUKUK

Size:	US\$1.5 billion
Guarantor:	IsDB
Arrangers:	Citi, Crédit Agricole CIB, Emirates NBD Capital, Gulf International Bank, HSBC, Kuwait International Bank, The Islamic Corporation for the Development of the Private Sector, NATIXIS, Societe Generale, Standard Chartered Bank
Co-arranger:	Kuwait International Bank
Legal counsels:	Dentons for the issuer and Clifford Chance for the arrangers
Trustee:	IDB Trust Services
Rating:	'AAA/AAA/Aaa'
Date:	June 2020
Shariah advisor:	The IsDB Group's Shariah board
<b>Raison d'être</b>	(incorporated in Morocco). These deals provide micro level long-term support for local healthcare in Casablanca and Alexandria.
2020 was the year of significant steps in the social impact arena. The deals ranged from education to medical-related projects. Among the significant deals were the state-sponsored deals which included financial system support to a wider national scale like Malaysia's Sukuk Prihatin and cross-border support like the IsDB's latest issuance. This year, the submissions were highly compelling.	The <b>government of Malaysia's Sukuk Prihatin</b> represent a national approach to fund COVID-19 measures. The deal simultaneously logs technological advances in securities offerings and innovates with a charitable contribution feature.
Among the dynamic projects are the US\$125 million Saudi-sponsored, IFC- and EBRD-funded deals for the construction of new hospitals in Egypt and Morocco by <b>AI Batterjia Medical SAE</b> (incorporated in Egypt) and <b>Batterjia Medical SARLAU</b>	The IsDB Sustainability Sukuk facility is not just the 18 <sup>th</sup> issuance from the IsDB; it is the multilateral development bank's aggressive response to fund and support member countries' fight against COVID-19. The deal follows the IsDB's sustainable finance framework with Sustainalytics providing the environmental, social and governance (ESG) rating and CICERO Shades of Green.
	<b>Why IDB Trust Services was selected</b> This is the only Sukuk issued for this cause by a multilateral development bank in order to refinance social projects. This is the IsDB's second Sukuk under its Sustainable Finance Framework, in quick succession to the green Sukuk that was completed in December 2019. It is evidence of the growing importance of sustainable finance in our communities and the very positive trend the IsDB is setting. This is the IsDB taking a global lead.
	<i>Honorable mention: Government of Malaysia and Batterjia</i>

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## SOVEREIGN &amp; MULTILATERAL: THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT'S EUR142 MILLION COVER FOR IVORIAN HEALTH SECTOR

Size:	EUR142 million (US\$171.46 million)
Provider:	ICIEC
Legal counsel:	Ashurst for the provider
Insured:	Deutsche Bank
Rating:	Unrated
Date:	N/A
Shariah advisor:	ICIEC

**The cream at the top**  
The government of Sharjah returned with an issuance supporting the banking sector in alignment with the Central Bank of the UAE's pandemic programs. The Kingdom of Saudi Arabia was omnipresent with multiple issuances and activities. Egypt's Ministry of Finance raised funds through Tawarruq to bolster the economy during COVID-19.

The IsDB issued Sukuk to provide relief to member states during the pandemic. The government of Malaysia issued the innovative Sukuk Prihatin for domestic pandemic alleviation. To be frank, each has a strong case for best sovereign or multilateral deal.

The ICIEC, a member of the IsDB Group, supported two new hospitals, one located in Adzope (105 km north of Abidjan) and the other in Aboisso (120 km east of Abidjan) in the Ivory Coast. These will have a collective capacity of around 400 beds and will significantly improve the availability of healthcare services in each region using state-of-the-art equipment.

In addition, the project will finance five new medical units in five hospitals across the country. They include a radiotherapy center in Abengourou, an emergency unit each in Daoukro and Seguela, a traumatology center in Toumodi, and a surgery and emergency unit in Bouna.

As the EPC contractor is a Moroccan company, the project is also supporting export of services from Morocco.

**Why the ICIEC's Ivory Coast healthcare issuance was selected**  
The 2020 sovereign and multilateral space was crowded. Contestants include macro billion dollar-plus deals which address COVID-19 and its impact. This is a long-term project that will have a greater impact on future health outcomes. It is part of the Ivory Coast's National Development Plan for 2016–20. The two hospitals will employ around 600 local people and will foster the development of a micro economy in the areas surrounding them. The project will facilitate intra-OIC trade of services and human capital between the Ivory Coast and Morocco, both member countries of the OIC.

*Honorable mention: Government of Sharjah, Kingdom of Saudi Arabia, Arab Republic of Egypt, IsDB and government of Malaysia*

## STRUCTURED FINANCE: ENGRO POLYMER &amp; CHEMICALS'S US\$35 MILLION FX HEDGE

Size:	US\$35 million
Arranger:	Dubai Islamic Bank Pakistan
Legal counsel:	Mohsin Tayebaly & Co for the issuer
Rating:	Unrated
Date:	January 2020
Shariah advisor:	Dubai Islamic Bank Pakistan

**The finalists**  
The structured finance market included securitizations like Zamarad in Malaysia which followed the classic model of a direct asset sale. ACWA Power for the Jazlah Water Desalination Plant built a profit rate hedge on top of its Istisnah-Ijarah model. Dubai Islamic Bank Pakistan also developed a novel asset-based foreign exchange (FX) profit rate hedge.

RCE Marketing (RCM) sold all the rights, benefits, titles and interest to and under certain Islamic financing agreements (including the receivables thereunder) to Zamarad Assets (ZAB) Tranche 4. ZAB is a special purpose bankruptcy remote vehicle sponsored by RCEM. ZAB funds the purchases by issuing Sukuk Murabahah. The receivables are generated by various Malaysian cooperatives and typically subject to members' non-discretionary salary deductions as well as ZAB's eligibility criteria. The transactions are true securitization of receivables aggregated by RCEM. There is no cross-collateralization/default with each tranche secured by unique personal finance receivables.

ACWA Power's project financing for Jazlah Water Desalination Co was a complex blend of distinctive Shariah styles for a common cause. In addition to the core Wakalah-Ijarah, Istisnah-Ijarah and Tawarruq facilities, ACWA secured a US\$290 million hedge or Tahawwut for its cash flows. The ACWA project used International Islamic Financial Market master documentation.

Engro Polymer & Chemicals (EPCL) had a US\$35 million five-year Ijarah obligation with the IFC. But EPCL was worried about FX and the benchmark (LIBOR) rate risk given its revenues are primarily in the Pakistani rupee (PKR). DIBPL was able to structure a real asset-linked hedge that used the proceeds from the IFC transaction to fund Mudarabah accounts with DIBPL. Secured by the deposits, DIBPL entered into a separate diminishing Musharakah facility with EPCL in PKR. The net result was a PKR obligation linked with the local benchmark (KIBOR) for EPCL and a US\$ deposits matching EPCL's US\$ obligation.

**Why the EPCL-DIBP hedge was selected**  
This landmark Shariah compliant synthetic FX hedging mechanism covered a long-term client foreign currency obligation. Until this arrangement, there was no approved product available in Pakistan which would allow companies to hedge their FX exposures on long-term loans in a Shariah compliant manner.

*Honorable mention: Zamarad Assets Tranche 4 and Jazlah Water Desalination Co*





## IFN Deals of the Year 2020

Continued from page 17

## TRADE FINANCE: INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION-ECO BANK'S US\$5 MILLION MURABAHAH FINANCING TO MALAWI

Size:	US\$5 million
Financier:	ITFC
Legal counsel:	ITFC's counsel
Rating:	Unrated
Date:	June 2020
Shariah advisor:	ITFC/IsDB
<b>The finalists</b>	
The biggest component of South-South trade is energy. Standard Chartered Bank managed funding for Pakistan's LNG imports from Qatar. And the ITFC was widening the acceptance of Islamic finance, particularly via energy deals, across Africa.	The ITFC was involved in multiple market expansion activities in Africa, these included facilities for <b>SODECOTON</b> in Cameroon, Banque Islamique de Senegal and ECO Bank in Malawi. As one with the whole IsDB Group, the ITFC dropped everything to provide financial support to member states by keeping ordinary lines of financing open and providing new and innovative solutions. Within this engagement, the ITFC broadened the Islamic finance space in Africa.
Standard Chartered returned to the competition with an innovative dual tranche facility for the <b>Ministry of Finance of Pakistan</b> .	
The US\$200 million transaction was the first-ever dual tranche (Islamic and conventional financing) trade availed by the Ministry of Finance through a commercial bank. The facility funds LNG imports by Pakistan State Oil from Qatargas.	The ITFC collaborated with Pan-African banking powerhouse <b>Eco Bank</b> to provide Murabahah financing for fertilizers and petroleum products importation to Malawi. The facility supports key sectors of the Malawian economy such as agriculture and energy. About 83% of Malawi's population of approximately 18 million live in rural areas with youth accounting for over 40% of the population. The agricultural sector contributes about 30% of the country's GDP and employs 80% of the population. The Murabahah financing further supports the development of the private sector with several SMEs targeted to be the recipient of this financing.
	<b>Why Eco Bank Malawi was selected</b> In addition to expanding the market, the ITFC's financing is expected to bolster inclusive growth by targeting end beneficiaries including women- and youth-centered enterprises.
	<i>Honorable mention: ITFC SODECOTON, ITFC Banque Islamique de Senegal and Standard Chartered for Ministry of Finance Pakistan</i>

## Country Deals

## AFRICA: ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT'S EUR20 MILLION COVER FOR SCIENTIFIC HIGH SCHOOL OF YAMOISSOUKRO, CAMEROON

Size:	EUR20 million(US\$24.15 million)
Beneficiary:	BMCE Bank Offshore, Morocco
Legal counsel:	ICIEC Legal Department
Rating:	None
Date:	2020
Shariah advisor:	ICIEC's Shariah board
<b>Family feud</b>	
While we wait for Islamic banks in Nigeria, Kenya and Somalia to share their stories, the IsDB-affiliated ITFC and ICIEC were active.	yearly needs of refined petroleum products for electricity generation. Insufficient electric power is one of the major afflictions holding Mali back.
The ITFC engaged in its double Murabahah program with <b>Eco Bank Malawi</b> . The deal expands Islamic finance into a new country and provides vital financial capacity to Malawi during the pandemic.	<b>The Scientific High School of Yamoussoukro</b> project addresses one of the key impediments to education in the Ivory Coast, which is the lack of adequate facilities. According to The Borgen Project: "Ivory Coast's education problem is mirrored by one horrifying statistic: nearly one in two children did not attend primary school. This ratio varied little throughout individual communities, and a large part of the blame went to lack of infrastructure. Inadequate facilities and the small number of teachers resulted in the low enrollment figures." The renovation and expansion of schools
The ITFC also provided vital support to EDM in Mali. This financing is in favor of the <b>Republic of Mali</b> , a less developed member country, with a relatively low Human Development Index score of 0.43, ranking 182 out of 189 countries. EDM, the national power company, is the executing agency. The facility is aimed at securing 45% of EDM's	is one step of the Pan-African cooperation addressing a part of this problem.
	<b>Why the Scientific High School of Yamoussoukro was selected</b> The ICIEC illustrates the multilateral insurance decisive role in channeling financial resources to support the government of the Ivory Coast's 10-year Education and Training Sector Plan by mobilizing resources from the banking sector to be directed to the education sector thanks to the ICIEC's de-risking solutions, offered this time to a leading Moroccan bank.
	<i>Honorable mention: EDM and Eco Bank Malawi by the ITFC</i>

## IFN Deals of the Year 2020

Continued from page 18

## BAHRAIN: GFH FINANCIAL GROUP'S US\$300 MILLION SUKUK

Size:	US\$300 million	
Arrangers:	Emirates NBD Capital, Kamco Investment Company, Mashreqbank; SHUAA Capital, Société Générale, Standard Chartered Bank, Warba Bank	
Legal counsels:	Allen & Overy and Zu'bi & Partners for the issuer; Simmons & Simmons and Hassan Radhi & Associates for the arrangers	
Rating:	'B' by S&P and Fitch	
Date:	January 2020	
Shariah advisors:	Shariah Advisory Boards and Committees of GFH, Societe Generale and Standard Chartered Bank	
<b>The pearl of Islamic finance</b>	financing facilities to fund the provision of housing solutions to low- to middle-income families in the Kingdom of Bahrain through its group which includes Eskan Properties Company and Danaat Al Lawzi.	<b>Why GFH was selected</b>
Bahrain, the first center of contemporary Islamic finance, feels underrepresented among the nominees. The Kingdom of Bahrain, acting through the Ministry of Finance and National Economy, issued again, as did Mumtalakat.	GFH Financial Group was active at the end of the year with the Tier 1 issuance for its affiliate Khaleeji Commercial Bank via KHCBC Tier 1 Sukuk. It started the year with a US\$300 million issuance via <b>GFH Sukuk Company</b> . The deal marked GFH's return to the capital market after a 12-year hiatus.	This high-yield deal is an asset-light structure blending Wakalah and Tawarruq. The transaction was innovative because it allowed for the substitution of real estate-related assets under the Wakalah limb of the structure for shares or Sukuk, at the option of GFH.
Social responsibility took precedence with <b>Eskan Bank</b> . In May, DLA Piper advised Kuwait Finance House (Bahrain) on the syndicated financing for government-linked Eskan Bank. Eskan is using the proceeds of the Tawarruq		<i>Honorable mention: Kingdom of Bahrain, Mumtalakat and Eskan Bank</i>

## Shortlisted for Overall Deal of the Year 2020

## EGYPT: ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT'S EUR2 BILLION SUKUK

Size:	EGP2 billion (US\$127.36 million)	
Bookrunner:	EFG Hermes	
Legal counsel:	Helmy, Hamza & Partners for the issuer	
Rating:	'A+' rating from the Middle East Rating & Investors Service, a regional arm of Moody's	
Date:	April 2020	
<b>The finalists</b>	finance. In this case, they funded the deal via Tawarruq .	one of EFG Hermes's affiliates. The Sukuk Ijarah proceeds will be used to accelerate the completion of the Open Air Mall located in a prime spot in Madinaty. The mall's market value is expected to exceed EGP8.5 billion (US\$541.29 million) at its full inauguration.
Egypt is slowly living up to its promise. Multilaterals supported the Batterjia project. The Ministry of Finance syndicated its first Islamic finance deal. And Talaat Mustafa Group issued its first corporate Sukuk.	There is no doubt that the syndicated Islamic financing for the <b>Ministry of Finance</b> of the Arab Republic of Egypt is an important milestone. Not only does it diversify Egypt's funding sources at a difficult time (the pandemic), but it promises that Islamic finance will play a more constructive role in Egypt's development.	<b>Why Arab Company was selected</b>
<b>Al Batterjia Medical Group</b> , a corporate cousin of Tadawul-listed Saudi-German Hospital Group, will build a greenfield hospital in Alexandria and another in Morocco's Casablanca with US\$125 million in financing from the EBRD, the IFC, the OPEC Fund for International Development and the Finnish Fund for Industrial Cooperation.	Helmy, Hamza & Partners advised the <b>Arab Company for Projects and Urban Development</b> , a subsidiary of Talaat Moustafa Group Holding, on a Sukuk program with a value of EGP2 billion with final maturity at the end of 2024. The arranger and advisor in this case was EFG Hermes Promoting and Underwriting,	"This is the first Sukuk issuance in Egypt which makes it a landmark transaction in particular given its successful and timely closing despite the global COVID-19 situation," commented Mohamed Ghannam, the managing partner and head of capital markets at Helmy, Hamza & Partners. The deal is hoped to set an example for many other prospective corporate issuers in Egypt.
This deal will deliver long-term healthcare improvements in Alexandria. It is notable for expanding the universe of multilateral and development entities using Islamic		<i>Honorable mention: Batterjia and Ministry of Finance</i>

## IFN Deals of the Year 2020

Continued from page 19

## INDONESIA: GARUDA INDONESIA'S US\$500 MILLION SUKUK RESTRUCTURING

Size:	US\$500 million
Restructuring advisor:	Houlihan Lokey
Legal counsel:	Allen & Overy for the issuer
Arranger:	As a restructuring, there is no arranger per se, but a Sukukholders and creditors group
Rating:	Unrated
Date:	June 2020

**Sustaining**  
Indonesia is not yet showing its weight with only 5.5% of submissions. COVID-19 and hydrocarbon markets took their toll on Indonesia leading to restructurings at Sumberdaya Sewatana and Garuda Indonesia. And the Republic continued its well-received programs.

As expected, the **Republic of Indonesia** was back through its issuer SPV Perusahaan Penerbit SBSN Indonesia III. The Republic is a regular nominee reflecting its understanding of the value of the global Islamic capital markets, and increasingly the sustainable and green markets.

**Sumberdaya Sewatama** shared the less happy side of the industry as the firm completed another restructuring of its conventional and Islamic obligations.

**Garuda Indonesia** was able to extend the maturity of its existing Available Tonne Kilometers (ATKM) Sukuk by three years. The airline also secured a covenant holiday during the COVID-19 crisis. The Reg S certificates did not suffer a cut which allows a balance of relief for Garuda and comfort for investors.

**Why Garuda was selected**  
The consent solicitation exercise was a market-first with respect to amending a Sukuk structure that was based on rights to travel/ATKM. The Sukukholders meeting was held virtually. The extraordinary resolution was successfully passed allowing Garuda a flight plan out of the pandemic.

*Honorable mention: Perusahaan Penerbit SBSN Indonesia III with the government of the Republic of Indonesia as the obligor and Sumberdaya Sewatama*

## KUWAIT: KUWAIT INTERNATIONAL BANK'S US\$300 MILLION TIER 2 SUKUK

Obligor:	Kuwait International Bank (KIB)
Size:	US\$300 million
Joint global coordinators:	Citi and Standard Chartered Bank
Co-arrangers:	Boubyan Bank, Citi, Emirates NBD Capital, First Abu Dhabi Bank, Islamic Corporation for the Development of the Private Sector, Kamco Invest, KFH Capital and Standard Chartered Bank
Legal counsels:	Dentons for the issuer and Linklaters for the arrangers
Rating:	Not stated
Date:	December 2020

**The little fort**  
More is expected from Kuwait which was light on nominees for 2020. Equate was back, as were Boubyan and KIB. Given its historical role and powerhouse investors, one awaits news of a more active 2021.

Allen & Overy advised the dealers on the update of **Equate Sukuk SPC's** US\$2 billion trust certificate issuance program. The only Reg S/Rule 144A Sukuk program for a Kuwaiti obligor, the deal supports Equate Petrochemical Company and The Kuwait Olefins Company project. The issuances are based on Ijarah and Tawarruq, allowing asset-light jumbo issuances.

Kuwaiti banks like KIB and **Boubyan Bank** shored up their finances. Boubyan struck early, raising US\$750 million on the eve of the pandemic. The Boubyan Sukuk are a Wakalah-Tawarruq hybrid. **KIB** topped up its 2019 Tier 1 issuance with US\$300 million Tier 2 trust certificates. Keep in mind that this is at the height of the current pandemic.

**Why KIB Sukuk was selected**  
The KIB issuance is the first-ever Tier 2 Sukuk publicly issued to international investors out of Kuwait. Beyond using the well-traveled Wakalah-Tawarruq hybrid, the Tawarruq leg was documented in accordance with AAOIFI's recent guidelines and current Shariah market practice.

*Honorable mention: Equate and Boubyan Bank*

## IFN Deals of the Year 2020

Continued from page 20

## Shortlisted for Overall Deal of the Year 2020

## MALAYSIA: GOVERNMENT OF MALAYSIA'S RM666 MILLION SUKUK PRIHATIN

Size:	RM666 million (US\$164.87 million)
Arranger:	Maybank
Legal counsel:	Not stated
Rating:	Unrated
Date:	September 2020
Shariah advisor:	Shariah committee of Bank Negara Malaysia
<b>'Maju', progress, leadership</b>	<b>Bank Rakyat</b> issued Imtiaz Sukuk II Sukuk Wakalah for RM700 million (US\$173.29 million) in two tranches. The terms of the sustainable and responsible investment (SRI) Sukuk Wakalah may be determined as and when an eligible SRI project has been identified, and Bank Rakyat (via the issuer) intends to issue the SRI Sukuk Wakalah to fund the eligible SRI project. Once the proposed terms for a particular issuance of SRI Sukuk Wakalah have been determined, the terms for such SRI Sukuk Wakalah shall be submitted to the Islamic Capital Market Development Division of Securities Commission Malaysia (SC) for endorsement by the SC's Shariah Advisory Council, with no additional consent required from the holders of the Sukuk Wakalah who, pursuant to the terms of the Sukuk Wakalah Programme shall be deemed to have consented to the issuance of SRI Sukuk Wakalah by the issuer.
Malaysia continues to demonstrate the depth and capacity of the Malaysian Islamic debt capital market. In 2020, Malaysian nominees represented 32% of all nominees. These ranged from the government's Sukuk Prihatin and government-linked companies like Bank Rakyat to regional titans like Axiata to solar projects.	<b>The government of Malaysia</b> has persistently contributed to the evolution of the Islamic capital market. On the one hand, Sukuk Prihatin represent part of a comprehensive response to the pandemic. On the other hand, Malaysian innovation with pandemic reality led to a new marketing wrinkle as the Sukuk Prihatin facility was truly a digital product.
Via <b>Axiata SPV5</b> (Labuan), Axiata Group issued a US\$1 billion 30-year Sukuk facility. The Singapore Exchange-listed Sukuk is based on Wakalah Bil Istithmar, which allows for underlying assets to be any or a combination of tangible lease assets, Shariah compliant shares, airtime vouchers and commodity Murabahah investment. For this Sukuk series, the issuance utilized 100% airtime vouchers as underlying assets which represent a specified number of airtime minutes on Axiata's telecommunications network for on-net calls services.	<b>Why the Sukuk Prihatin facility was selected</b> The deal was upsized from RM500 million (US\$123.78 million) to RM666 million following a successful online campaign. The distribution bank went beyond traditional media and its website into the wider social media, using Facebook, Twitter and YouTube videos to draw investor enthusiasm. <i>Honorable mention: Axiata and Bank Rakyat</i>

## OMAN: OMAN ARAB BANK'S OMR300 MILLION ACQUISITION OF ALIZZ ISLAMIC BANK

Size:	OMR300 million (US\$777.2 million)
Arrangers:	Alizz Islamic Bank, Bank Muscat and Bank Nizwa
Legal counsels:	Addleshaw Goddard for Alizz Bank; Linklaters for the arrangers and issuer
Rating:	Unrated
Date:	December 2020
Shariah advisors:	Shariah Supervisory Boards of Alizz Islamic Bank, Bank Muscat's Islamic window, Meethaq, and Bank Nizwa
<b>The finalists</b>	consortium of sponsors including Kuwait's Gulf Investment Corporation and Alternative Energy Projects Co in an agreement with the Oman Power and Water Procurement Company for conventional (US\$400 million) and Islamic financing (US\$50 million) of the <b>Ibri II</b> photovoltaic solar independent power project which is expected to generate 500 MWac of renewable power.
The Sultanate is now a significant and regular issuer. Its Sukuk Ijarah are well received. ACWA Power showed up in Oman. But changes in the Islamic banking market stood at the front of the list.	<b>Oman Arab Bank</b> (OAB) acquired all of the shares of Alizz Islamic Bank (AIB). The combined bank has approximately US\$8.4 billion in assets. AIB is now the Islamic banking arm of OAB. The banks, their shareholders and advisors and the regulators worked closely together during lockdown to complete a complex merger of two of
The Sultanate of Oman was active with three issuances. Each had a particular merit. Of the Series 3, 4 and 5 of <b>Oman Sovereign Sukuk</b> , Series 5 raised OMR25 million (US\$64.77 million) by way of public offering. It was the first time that the government of Oman issued domestic Sukuk by way of public offering.	the largest banks in the Sultanate under a completely new set of untested regulations which was also the first successful bank merger in Oman in eight years.
International Company for Water and Power Projects (ACWA Power) led the	<b>Why OAB-AIB was selected</b> The transaction was the first takeover to be regulated by the new Oman Public Takeover Regulations and involved AIB becoming a wholly-owned Islamic banking subsidiary of OAB, a delisting of AIB from the MSM and a subsequent listing of OAB on the MSM. This demonstrates one path forward for banking consolidation in the GCC. <i>Honorable mention: Oman Sovereign Sukuk Series 5 and Oman Power and Water Procurement Company</i>



## IFN Deals of the Year 2020

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## PAKISTAN: AMRELI STEELS'S PKR650 MILLION DIMINISHING MUSHARAKAH FACILITY

Size:	US\$3.93 million
Arranger:	Faysal Bank
Legal counsel:	Ali Khan Law Associates for the issuer
Date:	May 2020
Shariah advisor:	Faysal Bank Pakistan
<p><b>Dirilis, Qiyamat, Renaissance</b> Pakistan is rising as a challenger market. Pakistani deals made up 8.6% of submissions and demonstrated thoughtful solutions creativity. There was Bank Islami's pioneering work in the capital markets and Dubai Islamic Bank innovating in the asset-linked hedging market. And Faysal Bank's efforts cannot be ignored with complex structuring</p> <p><b>Kot Addu Power Company's</b> short-term paper is hoped to be the cornerstone for a dynamic Islamic commercial paper market.</p>	
<p><b>Engro Polymer &amp; Chemicals and Dubai Islamic Bank Pakistan</b> organized a clever asset-linked long-term FX hedge. The deal addressed an important gap in the Pakistani Islamic finance space and shows promise to expand hedge opportunities linked to real assets.</p> <p><b>Amreli Steel</b> stands just a smidgen above the others. This Faysal Bank-structured diminishing Musharakah qualified under the SBP Renewable Energy Scheme – IFRE. This allowed for the financing to be executed with concessionary rates.</p>	
<p><b>Why Amreli Steel was selected</b> Amreli qualified for the US AID credit guarantee program. Not only does this offer greater protection to the financiers, it broadens the perspective of US government entities to embrace Islamic finance solutions in a secular context.</p> <p><i>Honorable mention: Kot Addu Power Company and Engro Polymer &amp; Chemicals</i></p>	

## SAUDI ARABIA: SAUDI ELECTRICITY COMPANY'S SAR168 BILLION RECAPITALIZATION EXERCISE

Size:	SAR168 billion (US\$44.72 billion)
Advisor:	HSBC Saudi Arabia
Legal counsels:	Baker McKenzie with Abdulaziz Alajlan & Partners for the issuer; Clifford Chance and Abuhimed Alsheikh Alhagbani Law Firm in cooperation with Clifford Chance for the advisor
Rating:	Unrated
Date:	November 2020
Shariah advisor:	HSBC Saudi Arabia
<p><b>A vision for competition</b> Saudi deals were mega, meaningful and driving the Kingdom forward to meeting its 2030 objectives. This included a revamping of the government development bonds, the first unicorn and supercharged SEC.</p> <p>HSBC and SAMBA Capital worked on the single largest consolidated local debt capital markets issuance ever. The SAR34.65 billion (US\$9.22 billion) issuance of four-, eight-, 12- and 15-year Sukuk tranches unified local issuances of the Ministry of Finance.</p> <p>The purchase of outstanding <b>Saudi government development bonds</b> and simultaneous issuance of Sukuk under the Kingdom's local Sukuk program is dynamic evidence of the role of the National Debt</p>	
<p>Management Center's single program framework.</p> <p>Western Union's investment into stc pay created a unicorn. Advised by King &amp; Spalding, the deal is one of the largest and most dynamic Mudarabah investments ever. The deal captures the aspirations of Vision 2030 as <b>stc pay</b> has become the top digital wallet service in Saudi Arabia. With over four million customers, Western Union hopes to benefit from the fintech's position in a fast-growing, digitally-aware and youthful population.</p> <p>The context for the <b>SEC</b> deal is noted by Tadawul: "The electricity sector's regulatory and financial reforms demonstrate the government's continuous support to the</p>	
<p>electricity sector and its endeavors to raise the overall level of service to its citizens and residents across the Kingdom in line with Vision 2030 objectives."</p> <p>This transaction is considered the world's largest Islamic finance transaction to ever be executed and has raised the Kingdom's challenge for leadership in Islamic finance.</p> <p><b>Why SEC Mudarabah was selected</b> The SAR168 billion goes beyond addressing sector policies; it gives proof of the Kingdom's Islamic finance ambition while demonstrating an efficient and clever corporate finance solution for all parties.</p> <p><i>Honorable mention: Western Union –stc Pay and Ministry of Finance</i></p>	

## IFN Deals of the Year 2020

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## TURKEY: ZORLU ENERGY'S GREEN SUKUK

Size:	TRY50 million (US\$6.68 million) issued under TRY450 million (US\$60.11 million) program	
Structurer:	Industrial Development Bank of Turkey	
Legal counsel:	Not stated	
Rating:	None	
Date:	June 2020	
<b>The finalists</b>	<p>Beyond the resilience demonstrated by the Republic, Kuveyt Turk and other Islamic financial institutions, the Zorlu Group's subsidiary, Zorlu Energy, offered its debut domestic sustainable Sukuk. The deal conforms to the sustainability criteria of the International Capital Markets Association with a second opinion from Turkish sustainability expert Escarus TSKB.</p> <p><b>Why Zorlu was selected</b> Escarus Sustainable Finance Projects Manager Melis Bitlis said: "[A] Sustainable bond world is a universe that is still under</p>	<p>development in our country. Sustainable and green Sukuk practices have been implemented especially in Southeast Asia, but there has been no issuance in our country in this context yet. The company's sustainable Sukuk framework is a pioneering example in this field, as it includes project eligibility areas such as sustainable infrastructure and clean transportation, in addition to the green energy criteria we are accustomed to seeing in these bond frameworks."</p> <p><i>Honorable mention: Republic of Turkey and Kuveyt Turk</i></p>
	<p>Turkey figures as a key growth market for Islamic finance. <b>The Republic of Turkey</b> returned to market and successfully raised EUR232.75 million (US\$281.04 million) and US\$666.4 million in April 2020.</p> <p>The transaction shored the Republic's finances and showed its attraction to global Islamic financial investors. The same attraction assured success for <b>Kuveyt Turk's</b> KT 1 Sukuk US\$250 million issuance in September 2020.</p>	

## Shortlisted for Overall Deal of the Year 2020

## UAE: DP WORLD SALAAM'S US\$1.5 BILLION PERPETUAL SUKUK

Size:	US\$1.5 billion	
Arrangers:	Abu Dhabi Islamic Bank, Citigroup Global Markets, Commercial Bank of Dubai, Crédit Agricole CIB, Deutsche Bank (London Branch), Dubai Islamic Bank, Emirates NBD Bank, First Abu Dhabi Bank, HSBC Bank, JPMorgan Securities, Samba Financial Group, Standard Chartered Bank, The Bank of Nova Scotia	
Bookrunners:	Citigroup Global Markets; Deutsche Bank, London Branch; and JPMorgan Securities as joint global coordinators	
	Citigroup Global Markets; Crédit Agricole Corporate and Investment Bank; Deutsche Bank, London Branch; Dubai Islamic Bank; Emirates NBD Bank; First Abu Dhabi Bank; HSBC Bank; JPMorgan Securities; Samba Financial Group; Standard Chartered Bank; and The Bank of Nova Scotia as joint lead managers	
Legal counsels:	Clifford Chance and Maples & Calder for the issuer; White & Case and Linklaters for the arrangers	
Rating:	'Ba2' by Moody's Investors Service and 'BB' by Fitch Ratings	
Date:	July 2020	
Shariah advisors:	Shariah Advisory Board of Citi Islamic Investment Bank, the Fatwa and Shariah Supervisory Board of Dubai Islamic Bank and the Shariah Committee of Dar Al Sharia Islamic Finance Consultancy, the Internal Shariah Supervision Committee of First Abu Dhabi Bank, the Internal Shariah Supervision Committee of HSBC Bank Middle East, the Shariah advisors of JPMorgan Securities and the Global Shariah Supervisory Committee of Standard Chartered Bank	
<b>Context</b>	<p>Unity 1 Sukuk commits the airline to a goal of reducing carbon emissions. As the first of its type, the <b>Unity 1 Sukuk</b> facility again shows how the UAE is market-leading in more than just Islamic finance.</p> <p>After the announcement of its intention to delist its shares, <b>DP World</b> returned to the debt capital markets, with indirect ownership by the government of Dubai. The successful DP World Salaam Sukuk represented the first international investment grade Sukuk by a corporate. The deal was the largest of its type at the time of issuance.</p>	<p><b>Why DP World Salaam was selected</b> DP World Salaam's Sukuk give proof to the vision of Dubai. A leading global port and logistics operator, DP World plays a critical role in trade when times are good and relief when times are not so good. The Mudarabah structure is a hybrid of equity with debt-like features, thereby helping to deleverage the group.</p> <p><i>Honorable mention: DAE Sukuk (DIFC) and Etihad</i></p>
	<p>The UAE is the second-largest contributor, just pipping Saudi Arabia, with 20% of the Deal of the Year nominees. This shows the vitality of the UAE as a cluster of financial hubs as well as a persevering domestic market. The deals ranged from Dubai Aerospace (DAE)'s inaugural DAE Sukuk (DIFC) and Etihad's transition Sukuk on the aviation side to DP World's Mudarabah issuance.</p> <p>With DAE's <b>DAE Sukuk (DIFC)</b>, the company widened its investor base. Etihad's</p>	

## IFN Deals of the Year 2020

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## UK: P1'S US\$50 MILLION SUKUK

Size:	US\$50 million
Bookrunner:	Al Waseelah
Arranger:	Bedford Row Capital
Legal counsels:	Baker McKenzie for the issuer and Greenwoods GRP for the arranger
Trustee:	Truva Trustees
Rating:	None
Date:	6 <sup>th</sup> August 2020
Shariah advisor:	Khalij Islamic (UK)

**Action at the hub**

Traditionally a liquidity management center for Islamic financial institutions, the UK is also a key destination for real estate investors. GCC and ASEAN investors showed up in the 2020 nominations. But it was fintech plus real estate that stood out.

**The Bank of London & the Middle East**

joined Bank ABC to provide a GBP32 million (US\$43.46 million) financing to support the construction of a 222-unit co-living development in Harrow, North London for the DTZ Investors Co-Living Fund.

Baker McKenzie Wong & Leow represented OCBC Bank (Malaysia) and Sumitomo Mitsui Banking Corporation, Singapore in their financing of PNB Jersey. The Islamic financing provided GBP119.63 million (US\$162.48 million) in support of Permodalan Nasional (the guarantor) as it invested in Aviation House.

The **P1 Sukuk** deal, issued through the UK's Al Waseelah platform, is based on UK residential property investments. Structured as a Tawarruq financing, the deal delivers 7% per annum over a three-year period. Profit coupons are payable quarterly with the investment capital repaid on maturity.

P1 is a UK-based company that invests in developments throughout Southeast England in projects with a sales value of GBP1–15 million (US\$1.36–20.37 million). P1's strategy is to provide regular payments to investors by focusing on a portfolio of well-researched and diversified investments where there is a fundamental demand for housing.

The current economic climate offers excellent investment opportunities secured against UK property. P1 originally worked with institutional investors, family offices, sophisticated investors and high-net-worth

clients. The Waseelah platform allows P1 a means to widen its investor base.

**Why P1 was selected**

The P1 deal is structured on a platform that seeks to reduce the cost of Sukuk issuance through standardized documentation. The Waseelah platform caters to deals with smaller tickets than the so-called international benchmark sizes of US\$100 million and up. P1 is Bedford Row's third deal on the platform. The other deals, executed in 2019, were not real estate transactions. This shows that the platform accommodates issuer diversity. One can imagine both PNB and BLME taking their deals onto such a platform in the future. This paves the way for new dynamics in the UK Islamic finance market.

*Honorable mention: DTZ Investors Co-Living Fund (BLME and Bank ABC) and Aviation House (PNB)*

**Shortlist for IFN Overall Deal of the Year**

1. Saudi Electricity Company's SAR168 billion recapitalization exercise
2. Government of Malaysia's RM666 million Sukuk Prihatin
3. DP World Salaam's US\$1.5 billion perpetual Sukuk
4. Arab Company for Projects and Urban Development's EUR2 billion Sukuk

**ARE WE MISSING SOMETHING?**

If you have been involved in one of the winning deals and your company has not been mentioned, please notify [Andrew.Morgan@redmoneygroup.com](mailto:Andrew.Morgan@redmoneygroup.com) by the 31<sup>st</sup> January 2021.



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