

IFN Deals of the Year 2018

IFN Awards DEALS OF THE YEAR 2018

The results are in, and IFN is delighted to announce the final winners of our Deals of the Year (DOTY) 2018, as judged by our independent panel of industry experts. We wish all winners the sincerest congratulations.

DOTY 2018 enjoyed three main themes: market expansion, social impact/sustainability, and perpetuity. Oddly, one factor was missing: fintech. Notably, crowdfunding and financial technology-driven transactions were not present among the nominations.

As has become a common thread, the International Islamic Trade Finance Corporation (ITFC) is the most active player expanding the African market and nurturing the Central Asian markets. Following the Kingdom of Morocco's maiden benchmark Sukuk, one is hopeful that Morocco will be a significant contributor to future DOTY competitions. Elsewhere, OCBC Al-Amin took Islamic finance to Cambodia. We have always had this discussion, but never came to a satisfactory conclusion: Is Islamic finance different from a positive moral construct? The heated contest for Social Impact DOTY seems to indicate that the Islamic finance market is increasingly committed to sustainable development.

Innovation in the US and government engagement in Asia and Africa complemented the array of new green and sustainable transactions. Efforts are afoot in Malaysia starting with the first social impact Sukuk. Now, Malaysia is promoting value-based intermediation, and global market players are heeding the call.

Although Malaysia has traditionally led in submissions, in 2018 the UAE pipped Malaysia. Saudi Arabia, Pakistan and Oman were closely followed by Turkey as the top markets. Nonetheless, many submissions were variations of an older theme, even second or third issuances under a program that won an award in the past!

Among the big developments in 2018 was the diversity of submissions from all other markets. In previous years, the well-established markets accounted for 94-96% of submissions. In 2018,

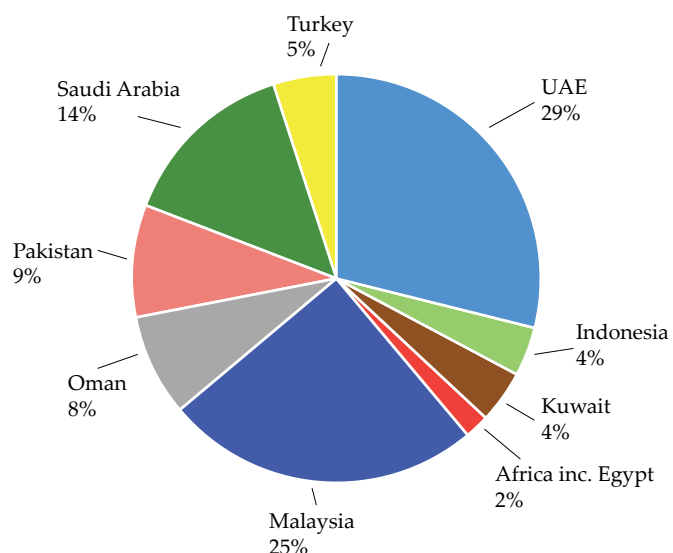
their submissions shrank to 73%. One is hopeful that this is a trend showing a deeper and wider global Islamic finance market. We captured Morocco, Cambodia, Uzbekistan, Tajikistan, Gambia and Togo among the highly regarded newcomers.

Energy remains a theme. In 2018, hydrocarbons and green energy continue to do well. If HSBC Amanah Malaysia, Indonesia, and UiTM Solar were prominent on the sustainable side, then Yinson, Indonesian mining companies, Engro, Dana Gas and Tufail all raised the hydrocarbon flag.

Tawarruq's importance remains untouched. Even many of the so-called Wakalah deals include a Tawarruq tranche as do many of the Mudarabah deals. Deals considered purely commodity Murabahah or Tawarruq

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Chart 1: 2018 submissions



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made up 25% of the submissions. In a number of cases, Tawarruq became the tool of choice to attract multilaterals like the World Bank Group or open new markets like Cambodia. The Wakalah universe, which includes ATKM, TEU, cooling units and Tawarruq, jumped to 27% of the offerings.

Ijarah, both asset-heavy and asset-lite, is still a top choice for structuring.

The 2018 submissions showed a new Malaysian flavor in corporate finance. Three Malaysian corporates were nominated for issuing distinct forms of perpetual Sukuk.

DOTY submissions are disproportionately Sukuk. The 2018 array of Sukuk showed two trends. The first is more equity Sukuk, ie Mudarabah or Musharakah. These are typically alternative capital instruments. The second is the use of Sukuk to roll-up, repackage or restructure obligations. One job which Sukuk seemed to have lost is that of opening new markets or attracting new players. Syndicated Tawarruq seized this mantle.

In 2018, real estate roared. Social housing, REITs in Saudi Arabia and corporate real estate deals in the UAE, Malaysia and beyond were highlighted. There was even the first securitization of UK Islamic home purchase plans.

As has been customary, the importance of the US dollar remained high with 49% of submissions relating to US dollar-denominated deals. Malaysia remains a critical player, but ringgit deals dropped from 30% to 19%. We have long argued that the Sukuk and Islamic finance markets are not achieving their potential until local markets grow.

In 2018, 15% of the deals nominated were in 'other currencies' reflecting increased domestic activity in new markets. For instance, the Kingdom of Morocco launched its benchmark Moroccan dirham Sukuk. The role of local currencies points first to local market growth, and should represent the strengthening of local financial

Chart 2: Deal types

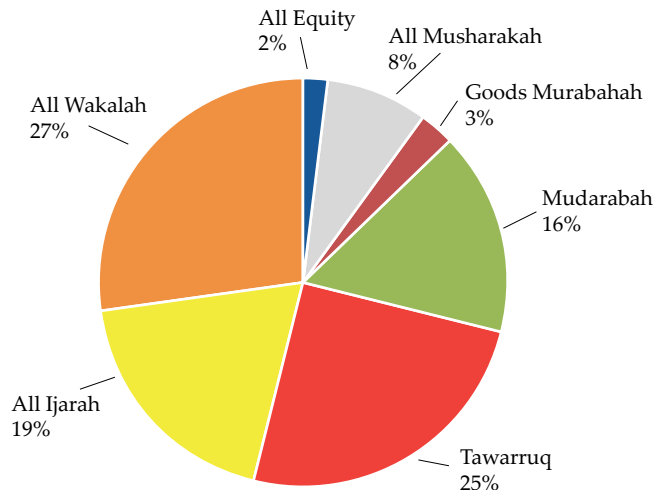
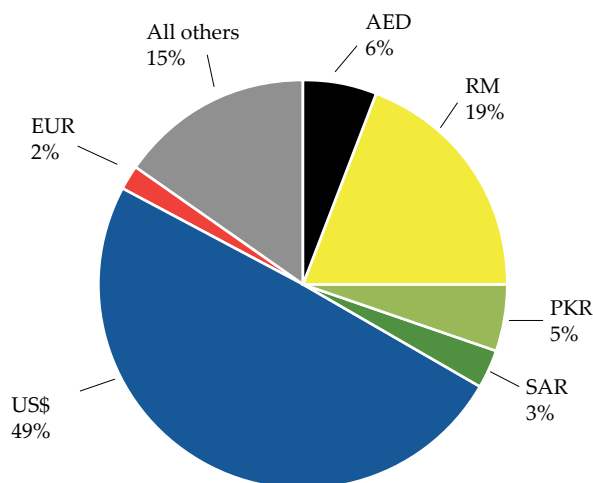


Chart 3: Currency distribution by deals



institutions.

The IDB's first euro-based transactions highlighted new market activity in the eurozone and in countries using euro-linked currencies like the CFA in West and Central Africa. The euro nonetheless has not yet emerged as an active currency for the Islamic financial markets.

Although the number of nominations was nearly the same as in the past, the number of categories slipped as several countries were less well represented than in the past. Winners came from

11 countries of the 31 countries with nominations. 2018 was a solid year as the market grew but the year ended on a number of rocky indicators: retreating oil prices, China-US trade and political feuds, a possibly botched Brexit and a slowing global economy. In 1990, legendary real estate investor Sam Zell laid out the goal "'95 and alive". Perhaps we are in a similar situation, we have to wait for "'20 to enjoy plenty".

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Shortlisted for DOTY 2018

SOCIAL IMPACT: HSBC AMANAH MALAYSIA

Size:	RM500 million (US\$121.92 million)		
Arrangers:	HSBC Amanah Malaysia acted as the sole lead arranger as well as the sole SDG structuring advisor		
Bookrunners:	HSBC Amanah Malaysia, Maybank Investment Bank and RHB Islamic Bank		
Lawyers:	Shook Lin and Bok for the arranger		
Rating:	'AAA(s)' by RAM Ratings		
Date closed:	2 nd October 2018		
Date closed:	HSBC Amanah Malaysia		
<div><div><p>The 2018 Social Impact nominations were highly diversified. The International Islamic Trade Finance Corporation drew direct connections to the social impact of many of their trade deals. Indonesia issued the first sovereign green Sukuk and has committed to allocating proceeds of its most recent Sukuk to green investing.</p><p>In the US, Roberts Mughal advised Mission Driven Finance, a Somali community group in San Diego, on a three-part program that raised capital in the forms of Musharakah, Qard Hasan and city grants. The deal demonstrates the efficacy of Islamic forms in a US charitable context.</p><p>As we have noted, the Saudi Real Estate Refinance Company takes the country forward in a significant way to</p></div><div><p>addressing its housing requirements for middle and low-income citizens.</p><p>But HSBC Amanah Malaysia takes the prize with its landmark RM500 million Sustainable Development Goal (SDG) Islamic medium-term note based on the Islamic principle of Wakalah BI Al Istithmar.</p><p>This Sukuk facility was issued based on the existing HSBC Group SDG Bond Framework (see https://www.hsbc.com/investors/fixed-income-investors/green-and-sustainability-bonds) and proceeds will be used to support projects contributing toward the UN SDGs such as:</p><p>SDG 3 – Good Health and Well-Being SDG 4 – Quality Education SDG 6 – Clean Water and Sanitation</p></div><div><p>SDG 7 – Affordable and Clean Energy SDG 9 – Industry, Innovation and Infrastructure SDG 11 – Sustainable Cities and Communities SDG 13 – Climate Action</p><p>The issuance builds on the HSBC Group’s leading role in the market for sustainable finance and development. On top of that, this deal leveraged Bank Negara Malaysia’s recently launched value-based intermediation initiative, shifting the focus of the Islamic finance industry to integrate environmental and social tenets into banking activities.</p><p><i>Honorable mention: Mission Driven Finance, Republic of Indonesia (through Perusahaan Penerbit SBSN Indonesia III) and Saudi Real Estate Refinance Co</i></p></div></div>			

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GLOBAL INDUSTRY ONE PUBLICATION

Special Awards Report

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Lawyers:	Shook Lin and Bok for the arranger		
Rating:	‘AAA(s)’ by RAM Ratings		
Date closed:	2 nd October 2018		
Shariah advisors:	HSBC Amanah Malaysia		
<div>Much is to be said for the creative structuring and process management involved in Malaysia Building Society (MBSB)’s acquisition of Asia Finance Bank. Yinson TMC stood out for its issuance of perpetual Mudarabah Sukuk. The deal stands out in comparison to Sunway in that</div> <div>it is more like banking perpetuals than corporate deals. HSBC Amanah Malaysia has raised a new flag in the field of sustainable investment by issuing securities linked to the group’s sustainable investment guidelines. HSBC is walking the walk in Malaysia’s value-based intermediation</div> <div>environment. Moreover, it is expanding the group approach to responsible and sustainable finance in Malaysia. This deal truly connects the spirit of Islamic finance to the actions. <i>Honorable mention: Yinson TMC and MBSM</i></div>			

OMAN: TILAL DEVELOPMENT CO

Size:	US\$137 million		
Bookrunners:	Emirates NBD and Maisarah Islamic Banking		
Lawyers:	Trowers and Hamlin for the obligor, Maples and Calder for the issuer SPV and King & Spalding for the arrangers		
Rating:	‘B1’ by Moody’s Investors Service		
Date closed:	12 th November 2018		
Shariah advisors:	Amanie Advisors		
<p>The Sultanate returned to market with a new Ijarah structure. And privately held Golden Group issued the first corporate Sukuk guaranteed by a private individual.</p> <p>King & Spalding advised Emirates NBD and Maisarah Islamic Banking as the joint lead manager with regards to i) a tender and exchange offer in connection with the senior secured OMR50 million (US\$129.59 million) trust certificates due 2018 listed on the Muscat Stock Market issued on behalf of Tilal Development Company, a leading Omani real estate developer and mall operator (Tilal) (Existing Sukuk), and ii) the issuance of</p> <p>senior unsecured US\$137 million 6.5% trust certificates due 2023 on behalf of Tilal (New Sukuk) listed on Euronext Dublin’s Global Exchange Market of Euronext Dublin. The Islamic structure utilized was Ijarah (lease) where a portfolio of real estate owned by the obligor was used as the underlying asset.</p> <p>The transaction involved a complex tender and exchange offer, under which holders of the Existing Sukuk were given the option to receive the New Sukuk at a particular exchange ratio, cash by way of early redemption or a combination of both. The transaction</p> <p>also involved settlement and security release mechanics, given that, among other things, the real estate security package afforded to the holders of the Existing Sukuk were released and re-granted to holders of the New Sukuk. The New Sukuk are rated ‘B1’ by Moody’s. The transaction represents the first liability management exercises involving the issuance of US dollar-denominated securities in the Omani market and one of the first US dollar-denominated Sukuk issued by an Omani corporate.</p> <p><i>Honorable mention: Oman Sovereign Sukuk Company and Golden Group Holding</i></p>			

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