

PT PERTAMINA (PERSERO) US\$200 MILLION MURABAHAH SYNDICATION

In January 2006, HSBC Amanah acted as mandated lead arranger and sole bookrunner for a US\$200 million international Murabahah syndication for PT Pertamina (Persero). Pertamina is the Indonesian state-owned oil company and indeed is one of the largest oil companies in Asia.

The US\$200 million Murabahah syndication is a follow-up transaction to Pertamina's first Murabahah syndication in December 2004, which was successfully oversubscribed at US\$322 million. In the first syndication, HSBC Amanah also acted as mandated lead arranger and sole bookrunner.

Since 2004, Indonesia became a net importer of oil. The Murabahah facility provided financing for Pertamina for its large crude oil import requirements, most notably during a period of high oil prices. The US\$200 million syndication was fully utilized by Pertamina for a series of oil imports during 2006.

PIONEERING TRANSACTION

The Pertamina Murabahah transaction is a landmark transaction in many respects:

- The Murabahah syndications for Pertamina are pioneering Islamic facilities for Indonesia. Not only were these the largest Islamic financings in the country, the syndications were also the first Islamic financing syndications in the Indonesian market. Its structuring and execution required intensive interactions with local regulators and Shariah boards. The successful execution of these syndications has set a platform for future Islamic financing syndications in the country.
- There were overwhelming interest from both conventional and Islamic investors in the Murabahah facilities; the second syndication attracted participation from participant banks in the first syndication as well as new financial institutions, which consisted of both Islamic and conventional banks. The facility was distributed 52% to the Middle East and 48% to East Asian investors including onshore banks in Indonesia.
- The transactions successfully introduced Pertamina and Indonesia to the global Islamic investor base, and enabled the company to diversify its funding to a new investor base which was a key objective of Pertamina's management. The entrance of foreign investors from the Middle East reflected a turning point for Indonesia and bodes well for the prospect of increasing foreign direct investment from a previously untapped source. Indeed, since the first syndication in 2004 the market has witnessed increasing efforts to structure and execute other Islamic financing transactions for the country.

- The financing facility was competitively priced in comparison with Pertamina's existing facilities, and has set a new benchmark for the company's subsequent financings.

 The authors are from HSBC Amanah

TERMSHEET

PT PERTAMINA

FACILITY	Syndicated Murabahah Facility
FACILITY SIZE	US\$200 million
PURCHASER	PT Pertamina (Persero)
SELLER	The Hongkong and Shanghai Banking Corporation Ltd. (HSBC) acting as agent for Financiers
FINANCIERS	An international syndicate of banks. Distribution of participation was 52% Middle East and 48% East Asia.
PRINCIPAL ACTIVITY OF PURCHASER	Pertamina is Indonesia's state-owned oil company involved in both exploration and production activities as well as refinery and distribution of oil products
COMMODITY	Any type of crude oil and/or other oil products or commodities needed for Pertamina's internal consumption
SUPPLIERS	Suppliers of crude oil and/or oil products or commodities identified by Pertamina and approved by the banks
PURCHASE PRICE	The purchase price for the commodity payable by the purchaser to suppliers
PROFIT MARGIN	The Murabahah profit margin is determined based on a spread over 6-months LIBOR as reference rate
TENOR	180 days
PAYMENT	The payment of each purchase of commodity by the purchaser from the seller consists of the purchase price for each disbursement and the agreed Profit Margin
LEGAL COUNSEL	Clifford Chance
MANDATED LEAD ARRANGER	HSBC Amanah
SOLE BOOKRUNNER	HSBC Amanah