

## Covered Sukuk: A brand new asset class for 2019?

In our last issue of the year, instead of taking you through the same tired old statistics or extolling the virtues of Islamic issuance ad nauseam, we thought it might be more interesting to take you on a journey – an introduction, if you will – to explore an unusual class of bond that, while rare in the current market, could hold the key to confident capital-raising for originators new to the market or nervous about their prospects. Join us this month, therefore, as we push the boundaries of traditional issuance to learn about the unique advantages of Islamic covered bonds.



**When issuing for the first time, or considering an issuance in an unfamiliar market, the temptation is always to go for the easiest option – or at least, the cheapest. In Islamic finance, this can often mean the same thing, as the most straightforward contracts require the least amount of complex documentation. But does this always serve your purpose? Sometimes, taking the time to consider the most suitable choice for your specific needs is worth the wait. And for nervous issuers or new investors, covered bonds could be just the ticket.**

the bond- or Sukukholders, making them the ideal vehicle to reassure investors in situations where fundraising is necessary but payment streams are insecure.

The most important element of a covered bond is the dual protection - investors are entitled to claims not only on the issuer but also on assets backing the structure, giving them two layers of security.

This vital recourse to a pool of assets in the event of issuer insolvency makes the investment safer and more liquid for investors than alternative structures, and importantly, it can consequently reduce borrowing costs for the issuer – an attractive option for issuers with large pools of securitizable assets such as loans, mortgages or receivables.

*continued next page...*

**ADNAN SUNDRA & LOW**

Capital Markets | Islamic Markets

### CONTENTS

**COVER STORY ..... 1**

*Covered Sukuk: A brand new asset class for 2019?*

**CAPITAL MARKETS ..... 4**

**RETAIL FOCUS ..... 5**

**COPRRATE FINANCE ..... 6**

**CASE STUDY ..... 7**

*Malaysian corporate becomes first to monetize unbilled sales*

**NEWS ..... 8**

**MARKET DATA ..... 9**

### Corporate issuance expands across borders with inaugural South African transaction



In October this year, South African bank Al Baraka became the first institution in the country to issue a local Shariah compliant instrument denominated in local currency. The deal was not only a first for South Africa, but demonstrated the growing popularity and increasing high profile appeal of Islamic instruments for corporate capital raising purposes, even in countries with relatively small Muslim populations. **4**

### Updated regulations, strong retail growth, new fund access



It has been a busy month for Islamic retail finance, with new advances across multiple markets proving unequivocally the growth and strength of the Islamic banking sector. This month, IFN CORPORATE brings you the latest developments from around the world to prove that when it comes to retail banking needs, Shariah compliance really can show the way. **5**



**World No. 1 in Sukuk**

Source: Bloomberg 2015 Global Sukuk League Table

**CIMB ISLAMIC**  
ASEAN FOR YOU

Continued from page 1

“

**The most important element of a covered bond is the dual protection - investors are entitled to claims not only on the issuer but also on assets backing the structure, giving them two layers of security**

”

The structure is increasingly popular in the conventional market, where it has sprung up numerous times over the past year in a wide range of different circumstances. In early November 2018 Singapore's DBS issued Asia's largest ever covered bond, a US\$1.25 billion issuance that saw its orderbook heavily oversubscribed. Later the same month the Turkish banking association recommended the issuance of covered bonds as beneficial as a tool to diversify sector funding and create additional liquidity. On the 20<sup>th</sup> November

the European Bank for Reconstruction and Development (EBRD) recommended covered bonds as a method to stimulate emerging capital markets (citing Croatia as an example) by attracting investors through stable returns.

Regulators too are getting in on the act. In June of this year, Luxembourg introduced a new law covering green covered bond issuances (the world's first ever legal framework for green covered bonds) where the covering assets are linked to

renewable energy – a move that reportedly has Chinese banks already keen to issue, and which could tie in well with the green Islamic bond movement that has grown in momentum over recent years. And most recently, the European Union on 4<sup>th</sup> December 2018 took a landmark step by introducing a new legislative package to regulate covered bonds under EU law, enabling the wider issuance of covered bonds across the EU and, most importantly, reducing the cost of issuing and holding these instruments.



## ASEAN CONDUCTS US\$598 BILLION IN TRADE.

### Let's increase that figure together.



ASEAN gives us the economies of scale to deliver products and services that compete with the world's best. From all corners of the region we draw on our people, knowledge and insights to serve and connect our customers. By harnessing the power of scale and diversity of the region, we stand ready to propel ASEAN into a new era of growth together.

 CIMB BANK
  CIMB NIAGA
  CIMB THAI
  CIMB ISLAMIC

CIMB Group Sdn Bhd (706803-D)

ASEAN FOR YOU



*Continued from page 1*

The advantages of covered bonds are obvious – but how much progress has been made in the issuance of Islamic covered instruments?

The vehicle is not new, and the concept has successfully been used before. In 2012 the UK's Gatehouse Bank issued a five-year, GBP6.9 million (US\$8.8 million) privately-placed Sukuk, backed by a property in Basingstoke which the bank acquired in July 2011.

In 2013 the Malaysia Building Society (MBSB) followed suit, issuing an initial RM495 million (US\$118.9 million) tranche of a RM3 billion (US\$720.8 million) 15-year covered Sukuk program.

So how does an Islamic covered bond work, in contrast to a conventional structure?

The benefit of a covered Sukuk is that investors are able to make claims on the assets backing the structure as well as making claims on the issuer in the event of a default. The issuer provides a purchase undertaking to the Sukukholders to offer primary security, but also gives them secondary security on the assets themselves through a collateralization process that backs the Sukuk with real assets that the investor is able to make a claim on should the issuer default.

Usually, a covered Sukuk is based on a lease contract (Ijarah), which does not offer investors recourse to the underlying assets as standard. Plain Sukuk Ijarah are asset-based rather than asset-backed, because they do not entail a full transfer of ownership of the underlying assets to the investor. By using collateral and adding a second layer of security, the issuer can turn this into an asset-backed Sukuk and in doing so, substantially reduce the investment risk – which in turn, can translate to higher ratings and lower cost of funds. For example, the MBSB Sukuk program was rated 'AA1' by Malaysia's RAM Ratings.



Another facet to a covered Sukuk issuance is the ability to over-collateralize, as a method of credit enhancement which lowers risk exposure and improves the debt rating even further. Over-collateralization (OC) occurs when the value of the underlying pool of assets used to back the Sukuk is greater than the principal value of Sukuk issued.

For example, in November 2017 MBSB decided to swap its structured covered Sukuk with a new covered issuance from its recently acquired subsidiary the Asian Finance Bank. In the case of the MBSB Sukuk to be re-issued, the four outstanding tranches were all over-collateralized by a certain ratio: Tranche 1 for RM290 million (US\$69.7 million) held an OC ratio of 76%; Tranche 2 for RM590 million (US\$141.7 million) an OC ratio of 37%; Tranche 3 for RM765 million (US\$183.8 million) an OC ratio of 61%; and Tranche 4 for RM810 million (US\$194.6 million) an OC ratio of 55%.

However, further examples of Islamic issuance are thin on the ground, despite the growing popularity of covered bonds in the conventional market. So why are these unique and appealing structures not more widely used for Shariah compliant capital raising?

The biggest barrier is the capital commitment. Covered Sukuk require the issuer to tie up a certain amount of collateral over the long-term, which can be challenging for corporates who require regular access to their income-generating assets. As a result, covered Sukuk have to date been predominantly issued by banks, which can use long-term loans such as mortgage receivables to back the transaction with few negative consequences of capital access.

For other corporates however, do not be too quick to dismiss this instrument – it could work better for you than you expect. Companies who hold substantial receivables on their own balance sheet, for example, or who have long payment cycles, could and should consider the covered Sukuk as a highly cost-effective means of raising funds from investors seeking stable long-term income streams backed by high quality assets. This could apply to industries from oil and gas extraction, to research and development, to civil engineering projects, and indeed any sector in which secure receivables command a long shelf-life.

For 2019, therefore, why not consider a covered Sukuk issuance as a brand new way to meet your capital requirements? ☺

# ADNAN SUNDRA & LOW



# Corporate issuance expands across borders with inaugural South African transaction

In October this year, South African bank Al Baraka became the first ever institution in the country to issue a local Shariah compliant instrument denominated in local currency. The deal was not only a first for South Africa, but demonstrated the growing popularity and increasing high profile appeal of Islamic instruments for corporate capital raising purposes, even in countries with relatively small Muslim populations. Finance director ABDULLAH AMEED explains the advantages of an Islamic issuance.

**A pioneer in the South African market, which has a Muslim population of around 1.5%, Al Baraka Bank was the obvious choice for this landmark deal, having operated as an Islamic institution in the country for the past 20 years. The bank raised ZAR200 million (US\$14.6 million) in a Tier 2 capital issuance that was the first of its kind in the market. Notably, the issuance was targeted at the retail rather than institutional market – and its success suggests that an attractive path could now be opening up for other corporates to follow its example.**

The bank's issuance decision is in line with an escalating international trend, with the Sukuk market globally demonstrating considerable growth in recent years. Sukuk issuances world-wide totalled US\$116.7 billion in 2017 growing by around 32% from the US\$ 87.9 billion achieved in 2016, according to the latest data from the International Islamic Financial Market Sukuk Report 2018.

“**The Sukuk enables us to grow our advances book by both creating direct cash flow from its proceeds and also allows us to leverage its capital effect as required by regulation**”

“Most encouragingly, our Sukuk initiative has been fully subscribed at the end of October this year,” commented Al Baraka's finance director, Abdullah Ameen. “Initially it was gradual to gain traction because this type of investment structure was new to the South African Islamic market, [and] we are most gratified to have achieved the target by raising these funds from the retail market. The Sukuk enables us to grow our

advances book by both creating direct cash flow from its proceeds and also allows us to leverage its capital effect as required by regulation.”

A total of 94 retail investors and institutions invested in the issuance, which was restricted to local investors and comprised primarily of individuals in the professional and business sectors, with a number of institutions also joining the investor base.

“Because of the little-known nature of Sukuk and its risks and rewards in South Africa, we adopted a one-on-one, soft marketing approach to presenting and securing acceptance of the concept, which proved most successful,” explained Abdullah. “Although fully-subscribed at this time, we now have numerous prospective investors showing great interest in the Sukuk investment concept which, based on the risk involved, yields an encouragingly higher rate of return to holders. This makes it a most attractive investment vehicle and because of the popularity it has gained, we intend giving serious consideration to further capital issuances in the future, as a means of further stimulating the growth of the bank.”

Abdullah added that one of the benefits of Sukuk is that, once established as a vehicle, it is tradable between a willing buyer and willing seller. “Sukuk are transferable and amalgamate the characteristics of debt and equity. Al Baraka Bank chose to look beyond share capital - its traditional source of capital - considering alternatives and selecting Sukuk; an uncharted territory for our bank. After careful consideration and following professional advice, we opted to prepare a Shariah compliant Sukuk structure, approved by our Shariah Board. We were very pleased to have received approval from the South African Reserve Bank for a Sukuk.”

This approval, and the success of targeting the retail market, suggests that while the debut transaction might have been from an Islamic bank, the template is one that other corporates could easily replicate to diversify their own funding sources.



Abdullah Ameen, Al Baraka Bank

Islamic finance is already making sizeable gains in the South African and wider African markets. According to a recent report from Moody's, Islamic finance is set to grow steadily across Africa as financing needs increase and global investors become more comfortable with the legal structure of Islamic debt securities.

The South African Government has, in recent years, made amendments to financial legislation to better accommodate Shariah compliant banking and investment products and services, leading to enhanced public recognition of the attractiveness of Islamic banking amongst South Africans, and suggesting that the corporate market for Sukuk is likely to grow. With the recent announcement from the government of its own plans to issue domestic, local-currency Sukuk (following its debut US\$500 million Sukuk issuance back in 2014) a newly created rand yield curve could only encourage this trend.

“With the successful launch of the sovereign Sukuk, this creates a great opportunity to source funding from the Middle East. But more importantly, the South African government has indicated it wants to issue a domestic Sukuk and I do believe this creates a fantastic opportunity to address some of the funding requirements,” concluded Al Baraka CEO Shabir Chohan. ☺

# Updated regulations, strong retail growth, new fund access

It has been a busy month for Islamic retail finance, with new advances across multiple markets proving unequivocally the growth and strength of the Islamic banking sector. This month, IFN CORPORATE brings you the latest developments from around the world to prove that when it comes to retail banking needs, Shariah compliance really can show the way.

## Philippines inches closer to Islamic finance

As Shariah compliant banking gradually penetrates all corners of the globe, it is the Philippines' turn to take the stage. The Philippine government is currently working on legislation for the development of Islamic finance and is nearing completion of a framework that would allow the country to set up more Islamic banks, reach out to its underbanked Muslim community (estimated at over 10 million) and issue government and corporate Islamic bonds. First launched in April 2018, the regulatory initiative is supported by the Asian Development Bank, which earlier this year granted technical assistance to develop Islamic finance in the country.

The framework is also expected to expand and strengthen the mandate of Al-Amanah Islamic Investment Bank of the Philippines, the first and only Shariah compliant lender in the country, which is run by the state-owned Development Bank of the Philippines. House Bill 8281, which aims to amend the bank's charter in this respect, was approved on second reading in the last week of November 2018. Its counterpart, Senate Bill 668, is still pending.

## Bahrain central bank casts eye on Islamic windows

One of the most rigorous regulators in the world and a pioneer of Islamic banking regulation, the Central Bank of Bahrain (CBB) is now looking to expand its coverage. In a report released on the 27<sup>th</sup> November the agency, which was the first in the world to issue legislation on Shariah compliant banking and insurance, noted

that it could consider guidance covering Islamic windows, investment accounts and benchmark rates to expand and strengthen its framework.

The central bank recently tightened governance rules for standalone Islamic banks, introducing independent external audits and a more stringent framework for Shariah boards in a bid to boost confidence in the sector. These rules could now be extended to apply to the Islamic windows of conventional banks, according to Khalid Hamad, CBB's executive director of banking supervision.

The bank is also believed to be investigating the practices of Islamic retail banks regarding pool management and profit distribution to their depositors, known as investment account holders (IAHs), to ensure fair treatment. Finally, CBB is exploring the potential for a better performance benchmark rate for Islamic banks, to replace the current practice of using the interbank rate for Shariah compliant financings.

## Oman posts exceptional growth for Islamic banks

Since the introduction of the Islamic banking framework in Oman six years ago the Shariah compliant retail banking industry has gone from strength to strength, and the latest figures confirm the success of the sector. Total assets of Islamic banks increased from OMR3.3 billion (US\$8.6 billion) in March 2017 to OMR3.9 billion (US\$10.2 billion) in March 2018, a rise of 21%. Deposits with the Islamic banking sector also increased from OMR2.4 billion (US\$6.2 billion) in March 2017 to OMR3.2 billion (US\$8.3 billion) at the end of March

2018, a growth of 32.4%. Financing issued by Islamic banks increased from OMR2.6 billion (US\$6.8 billion) to OMR3.2 billion over the same period, an increase of 20.9%. The total market share of Islamic banks and windows accounted for 12.4% of the total assets of the banking sector, as at the end of Q1 2018. Tahir bin Salim Al Amri, the executive president of the Central Bank of Oman (CBO), has urged banks and Islamic banking windows to open more branches to meet customer needs.

## Malaysia boosts retail fund participation

On the 26<sup>th</sup> November the Securities Commission Malaysia issued revised guidelines to encourage greater retail participation in exchange-traded funds (ETFs), including Shariah compliant funds. "The introduction of an array of ETFs aims to promote competitive growth and facilitate product innovation in the market, providing new investment opportunities and exposure for investors with varying risk appetites," said the authority.

"These enhancements are in tandem with global trends, with the Asian ETF market expected to see an annual growth rate in assets of 18% by 2021." Malaysia currently has 10 listed ETFs with a combined market capitalization of about RM2.03 billion (US\$487.7 million), as at October 2018. First time retail investors must undergo an e-learning module developed by Bursa Malaysia (the Malaysian stock exchange) as well as a performance simulator, before they can access certain types of more complex ETF products including leveraged and inverse ETFs. ☺

# Danajamin

Malaysia's First Financial Guarantee Insurer



## Helping Companies Grow

by providing financial solutions through our Guarantee



+603 2265 0800  
+603 2265 0900



Level 18, Menara Allianz Sentral, 203 Jalan Tun Sambanthan,  
Kuala Lumpur Sentral, 50470 Kuala Lumpur



www.danajamin.com  
danajamin@danajamin.com

# New developments in Islamic trade finance

**At the 34<sup>th</sup> Ministerial Session of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) Turkish President Recep Tayyip Erdogan urged that boosting trade between Islamic countries would make them stronger – a call to action that could see OIC member countries prioritise Shariah compliant methods of trade finance.**

There are plenty of commercial reasons why increasing trade between Islamic countries is a good idea. The global market for trading Shariah compliant (or Halal) products, which has a current volume of over US\$4 trillion, is expected to reach US\$7 trillion in three years, according to the OIC. And that is only accounting for products that have a specific Shariah compliant certification, and doesn't even consider the vast volumes of naturally compliant traded commodities that also fall under the Islamic aegis.

Yet the volume of intra-Islamic trade is currently negligible. In 2016 trade volume between the 57 OIC member countries equated to around US\$700 billion, equivalent to around 20% of the OIC's total trade volume (global imports and exports). The current volume accounted for by Islamic trade finance is just 1.14% of the total. However, analysts suggest that with the right instruments and closer cooperation between Islamic banks within the OIC, that volume could easily reach 20%, or \$140 billion, within the next five years.

But how can this be catalysed? Some attempts have already been made – the Islamic Trade Finance Corporation (ITFC, an arm of the multilateral Islamic Development Bank) is instrumental in promoting Shariah compliant trade, for example, and over the last 10 years has disbursed over US\$40 billion across member countries, along with cumulative funds from partner banks totalling an additional US\$25 billion. In 2017 approvals reached US\$4.9 billion, a 10% increase on 2016, while funds mobilized from partner institutions added a further US\$3 billion.

But the ITFC cannot do it alone – the private sector needs to step in. There have already been some efforts made by Islamic banks that have driven the sector forward: Emirates Islamic, for example, is a pioneer in the sector and in 2015 rolled out the region's first online Shariah compliant trade finance and supply chain platform. Dubai Islamic Bank entered into a deal with Deutsche Bank to facilitate Shariah compliant letters of credit for trade with Europe; while Barclays Bank in March 2018 unveiled a new Islamic trade financing product in Kenya. Malaysia's central bank is pushing for Islamic trade financing to support

10% of the country's total trade up to 2020, and is currently consulting the industry on a broad range of trade finance and connectivity initiatives, including the integration and digitization of trade finance; while earlier this year the Bankers Association for Finance and Trade (BAFT) partnered with the Bahrain-based International Islamic Financial Market (IIFM) to develop standard documentation for both Islamic-funded and unfunded trade finance deals, with two new trade finance standards expected to be published soon.

So what more needs to be done to encourage Islamic trade finance? According to Erdogan, the solution is to use local currencies for international trade.

"The more we invest in each other as COMCEC member countries, the higher we increase our trade, the stronger we will get," he urged at the COMCEC meeting in Istanbul on the 28<sup>th</sup> November. "I would like to once again underline the importance we attach to increasing the trade within the OIC to 25%. I invite Islamic countries to complete procedures and update the concessions lists to make a preferential trade system a reality."

Using local currencies as the medium of exchange in bilateral trade with top trade partners would in theory alleviate foreign currency pressure, which is weighing on corporates and SMEs in many emerging market economies as the US dollar becomes stronger and the Federal Reserve continues to inch up interest rates.

"There is no other way out than to use our local and national money," stressed Erdogan. "As you know, the increase of tariffs by the current US administration has increased protectionist tendencies in world trade. It is obvious that trade wars will cause serious damages to global trade, production and prosperity. Reducing non-tariff barriers and facilitating customs procedures will provide a new opening and will be a life buoy for the world trade."

OIC secretary general Yousef al-Othaimeen noted that operations to finance trade were continuing to rise and investments in OIC member countries were concentrating on the trade and finance sectors. "The main

goal is to encourage integration in the OIC and provide sustainable development in the goods and services sector," he stated.

The Trade Preferential System among the Member States of the OIC (TPS-OIC), first proposed in 2002, and considered to be COMCEC's most important project for increasing trade among the Islamic countries, is believed to be nearing its final stage, with a majority of OIC members having already ratified the required agreements and submitted the necessary list of updated concessions. Once operational the system could herald a sea-change in intra-Islamic change that should in theory stimulate a new wave of Shariah compliant trade finance solutions.

Work is also underway to establish an 'OIC Arbitration Center', run by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) in partnership with the Islamic Chamber of Commerce, Industry and Agriculture (ICCIA) and serving as a platform where both commercial and investment-related disputes among OIC member countries can be resolved.

In response to Erdogan's suggestion, Qatar's Minister of Commerce and Industry Ahmed Al Kuwari called for a free trade zone between OIC member states as the first step towards the establishment of a world-wide Islamic Common Market, an idea first endorsed at the Tehran Summit in 1997. He also called for the launch of new rounds of negotiations on the trade preferential system among OIC member states to ensure a swift and voluntary tariff reduction, and to assess the potential use - if any - of local currencies and a clearing system in intra-trade transactions.

Finally, Kuwari suggested the establishment of a fund to finance four projects, including an integrated program for the development of the Halal industry across OIC member states and the OIC Investment Program, in addition to organizing a high-level conference on investment challenges in the Islamic world. He also advocated the development of a trade facilitation program and a unified window system, and the promotion of trade between OIC countries similar to Arab-African trade bridges. (P)



# Malaysian corporate becomes first to monetize unbilled sales

Malaysian property developer Exsim Development made history in November, becoming the first company in Malaysia to monetize unbilled sales from multiple development projects to finance a RM290 million (US\$69.6 million) Sukuk, the first tranche to be issued under its RM2 billion (US\$480.5 million) Islamic medium-term notes (IMTN) program.



**The Sukuk was issued via special purpose vehicle Exsim Capital Resources under a unique structure set up to efficiently utilize sale billings. The IMTN program specifically allows for the monetization of progress billings by Exsim Development or its subsidiaries, meaning that the group can, as and when it is needed, sell a beneficial interest back to the issuing vehicle under the respective sale and purchase agreements signed with buyers related to specific property development projects.**

In return, Exsim will use the Sukuk proceeds to refinance its borrowings, fund its working capital and acquire lands. Future receipts under the agreement will be used to fund the remaining construction costs of the identified projects under the program, as well as to meet the issuer's fees, expenses and obligations under each Sukuk issuance.

Concurrently, the issuer has also undertaken an unrated RM130 million (US\$31.2 million) Islamic commercial paper (ICP) facility based on a straightforward cost-plus-profit structure (Murabahah), to be issued under a separate RM1 billion (US\$240.3 million) Sukuk ICP program.

The additional tranche will be secured against 1,855 executed sale and purchase agreements for two development projects – Nidoz Residences (Nidoz) and D'Nuri Residences (D'Nuri) in Desa Petaling, a suburb of the Malaysian capital Kuala Lumpur. Nidoz is a condominium project comprising 1,305 residential units in four 33-storey towers while D'Nuri is an 557-unit affordable housing project under Kuala Lumpur's City Council Rumah Mampu Milik Wilayah Persekutuan (RUMAWIP) program, a government housing scheme to provide affordable homes for the people working in the three federal territories of Putrajaya, Kuala Lumpur and Labuan.

The unrated RM130 million ICP tranche is designed to act as a contingent line to cover any shortfalls in profit payments and senior expenses in respect of the RM290 million IMTN tranche, along with any construction cost overruns and/or timing mismatches between the projects' development costs and expected progress payments. To this end, and for extra protection, the ICP issuance is guaranteed by state financial guarantor Danajamin, and underwritten by United Overseas Bank (UOB) Malaysia. On this basis, the RM290 million IMTN issuance has been given a preliminary 'AA3/Stable' rating by RAM Ratings.

"The IMTN is the first Sukuk issuance in Malaysia to monetize unbilled sales from multiple development projects," explained

the rating agency. "RAM's preliminary 'AA3' rating considers the transaction structure's 'step-in' mechanics, among other things, to allow Sukukholders to replace the contractor via the security trustee to ensure the underlying development project is completed. Furthermore, strong underlying local housing laws, projects economics and other available structural features will enable the transaction to promptly meet ongoing development expenses, periodic profit payments and principal obligations."

As at the end of September 2018, the development projects were 99.5% sold and estimated to register a combined remaining net development profit of RM399 million (US\$95.9 million) within the Sukuk's tenor.

"Including available cash in the relevant accounts under the transaction, the overcollateralization ratio of the IMTN issuance stands at 37.5%. This level of credit enhancement supports the adequacy of the cashflow under a stressed scenario – mitigating buyer defaults and softer property prices in the event of recoveries – commensurate with an 'AA3' rating," added RAM analyst Lim Chern Yit. "Overall, the buyers' default risk on progress payments is largely moderated by the fact that 94.5% of the units are end-financed by financial institutions, with a weighted average loan-to-value of 85.4%. The above factors substantially reduce the buyers' default risk on progress payments." (3)

AMANAH RAYA  
TRUSTEES

Delivering Business Confidence  
[www.artrustees.com.my](http://www.artrustees.com.my)

Trustee for Unit Trust Funds, Private Retirement Schemes, Real Estate Investment Trusts, Corporate Bonds and other Corporate Trusts



## CORPORATE

## AL HILAL PIONEERS BLOCKCHAIN

**UAE:** Al Hilal Bank has partnered with Jibrel Network to use blockchain technology to transact a secondary market deal for its US\$500 million senior Sukuk maturing in September 2023. In a first for the Islamic finance industry, blockchain was employed for the resale and settlement of the Islamic paper. The transaction was conducted with the support of Abu Dhabi Global Market's fintech platforms.

## DANAINFRA NASIONAL SELLS ISLAMIC PAPER

**MALAYSIA:** Danalnfra Nasional has issued five Islamic medium-term notes (IMTNs) for a total amount of RM3.24 billion (US\$772.04 billion). The papers have tenors ranging from seven to 30 years with profit rates between 4.32% and 5.17%.

## SUKUK PLANS FOR DYNASTY

**MALAYSIA:** Dynasty Harmony is planning to issue a 10-14.5-year Sukuk facility worth RM165 million (US\$39.77 million) as part of its RM300 million (US\$72.3 million) Islamic medium-term note program.

## GEMS REDEEMS SUKUK

**UAE:** GEMS MENASA Cayman fully redeemed its US\$200 million, 12% subordinated perpetual Islamic certificates on the 21<sup>st</sup> November 2018, resulting in the repayment to Sukukholders shortly thereafter.

## OOREDOO MAKES PAYMENT

**QATAR:** Ooredoo has announced that its subsidiary, Ooredoo Finance, paid its Sukuk principal and the last installment of the profits of the periodic distributions to Sukukholders on the 3<sup>rd</sup> December 2018.

## MASTEEL RECEIVES CREDIT GUARANTEE

**MALAYSIA:** Malaysia Steel Works (KL) has received an irrevocable and unconditional credit guarantee from state finance guarantor Danajamin for its five-year RM130 million (US\$31.09 million) lease-based Sukuk (Ijarah) program.

## XL AXIATA ISSUANCE DELISTED

**INDONESIA:** The Indonesia Stock Exchange has delisted XL Axiata's lease-based Sukuk (Ijarah) Series B, effective from the 3<sup>rd</sup> December. The Sukuk paper, which was issued for IDR285 billion (US\$19.71 million), matured on the 2<sup>nd</sup> December 2018.

## SENAAT ISSUES SUKUK

**UAE:** SENAAT has raised US\$300 million through a fixed-rate senior unsecured US dollar-denominated Reg S seven-year Sukuk to refinance the investment holding's existing debt. The paper, which will be listed on the exchanges of London and Abu Dhabi, carries a profit rate of 4.76% per year.

## ALMARAI DELAYS MAIDEN SUKUK

**SAUDI ARABIA:** Dairy giant Almarai has postponed its maiden international Sukuk issuance to next year, according to various sources. The sale of the benchmark-sized Sukuk has been delayed due to the company having to pay a higher interest rate to reflect the general market volatility and Saudi Arabia's higher borrowing costs in the wake of journalist Jamal Khashoggi's murder. Almarai had previously hired banks including JPMorgan, HSBC, Standard Chartered and First Abu Dhabi Bank to arrange the dollar paper and the mandates are still valid despite the delay and the deal is expected to resurface in the first quarter of next year.

## BANKING

## TURKIYE FINANS ISSUES UPSIZED SUKUK

**TURKEY:** Turkiye Finans has floated a 97-day domestic Sukuk paper worth TRY270 million (US\$51.3 million). The issuance was upsized to TRY350 million (US\$66.49 million) due to high demand.

## AL BARAKA BANK ISSUES SOUTH AFRICA'S FIRST CORPORATE SUKUK

**SOUTH AFRICA:** Durban-based Al Baraka Bank has issued a Tier 2 capital Sukuk facility, raising ZAR200 million (US\$14.43 million) from 94 retail and institutional investors. The issuance represents the first corporate Sukuk issuance in South Africa, and the first local currency Sukuk in the country.

## MAYBANK ISLAMIC ISSUES ICPs

**MALAYSIA:** Maybank Islamic has issued three Islamic commercial papers (ICPs) totaling RM1 billion (US\$238.47 million) with tenors of 68 days, 70 days and 84 days. Separately, Maybank Islamic also sold another two ICPs for a total of RM1 billion with tenors of 98 days and 112 days.

## SOVEREIGN

## INDONESIA TO SELL SUKUK WAQF IN 2019

**INDONESIA:** The Ministry of Finance of Indonesia is looking to float the first series of its charitable endowment-based Islamic bond, Sukuk Waqf, in January 2019. According to the chairman of the Indonesian Waqf Agency (BWI)'s public relations division, Atabik Luthfi, the agency is currently preparing, among others, a draft proposal for cooperation for various parties, including Dompot Dhuafa, Global Waqf, Al-Azhar, Waqf House, Mandiri, Amal Insani, ESQ and Bani Umar Waqf.

## BANGLADESH ISSUES ISLAMIC PAPER

**BANGLADESH:** Bangladesh Bank has auctioned a six-month Bangladesh Government Islami Investment Bond (BGIIIB) worth BDT2.73 billion (US\$32.26 million). The paper received seven bids and has a profit-sharing ratio of 90:10.

## TURKEY TO SELL LEASE CERTIFICATES

**TURKEY:** The Turkish Ministry of Treasury and Finance has confirmed in a statement that it will be selling a two-year lease certificate on the 12<sup>th</sup> February 2019. The paper, which will be sold via a direct sale, will mature on the 10<sup>th</sup> February 2021.

## ECC ALLOWS SUKUK

**PAKISTAN:** The Economic Coordination Committee (ECC) of Pakistan has approved plans to issue Sukuk to reduce the nation's circular debt during a meeting chaired by Federal Finance Minister Asad Umar. The committee has also allowed the Ministry of Energy to raise Islamic financing for the power sector through Power Holding. (F)

## IFN CORPORATE

<b>Group Managing Editor</b>	Lauren McAughtry lauren.mcaughtry@REDmoneygroup.com
<b>Editor</b>	Vineeta Tan vineeta.tan@REDmoneygroup.com
<b>Senior Copy Editor</b>	Kenny Ng kenny.ng@REDmoneygroup.com
<b>Journalist</b>	Durgahyeni Mohgana Selvam durgahyeni.selvam@redmoneygroup.com

<b>Head of Production</b>	Hasnani Aspari hasnani.aspari@REDmoneygroup.com
<b>Senior Production Manager</b>	Norzabidi Abdullah zabidi.abdullah@REDmoneygroup.com
<b>Finance &amp; Administration Manager</b>	Fatimah Omar fatimah.omar@redmoneygroup.com
<b>Managing Director</b>	Andrew Tebbutt andrew.tebbutt@REDmoneygroup.com
<b>Managing Director &amp; Publisher</b>	Andrew Morgan andrew.morgan@REDmoneygroup.com

Published By: (F) REDmoney

**MALAYSIA**  
Suite 22-06, 22<sup>nd</sup> Floor, Menara Tan & Tan, 207, Jalan Tun Razak  
50400 Kuala Lumpur, Malaysia  
Tel: +603 2162 7800 Fax: +603 2162 7810

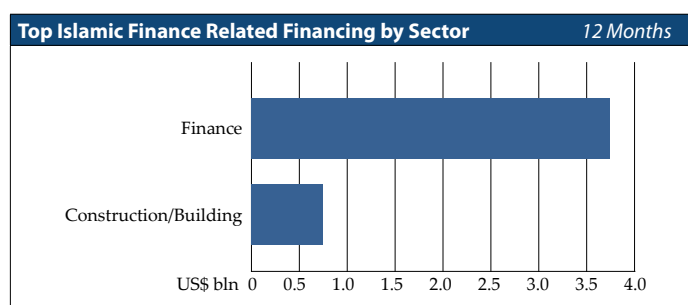
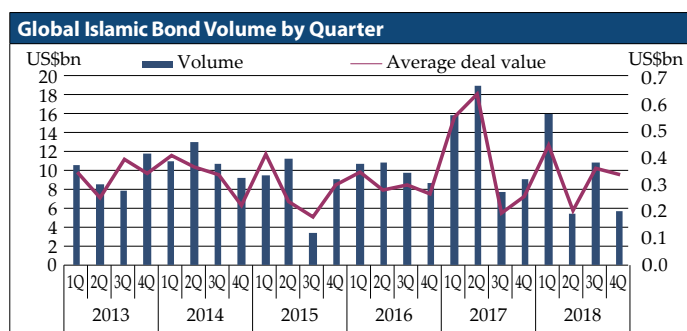
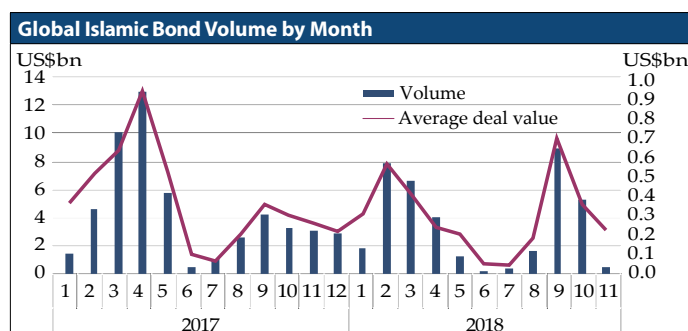
**UAE**  
PO Box 126732, 3<sup>rd</sup> Floor, X2 Tower, Jumeirah Lake Tower (JLT),  
Jumeirah Bay, Dubai, UAE

**UK**  
Level 1, Devonshire House, 1 Mayfair Place  
London W1J 8AJ, United Kingdom

**DISCLAIMER:** All rights reserved. No part of this publication may be reproduced, duplicated or copied by any means without the prior consent of the holder of the copyright, requests for which should be addressed to the publisher. While every care is taken in the preparation of this publication, no responsibility can be accepted for any errors, however caused.



Top Issuers of Global Sukuk					12 Months
Issuer	Nationality	Market	US\$ (mln)	Tranches	Managers
<b>Indonesia</b>	Indonesia	Euro market public issue	3,000	2	Abu Dhabi Islamic Bank, CIMB Group, Citigroup, Dubai Islamic Bank, HSBC
<b>Saudi Arabia</b>	Saudi Arabia	Euro market public issue	2,000	1	BNP Paribas, Citigroup, HSBC, JPMorgan, Mizuho, Samba Capital
<b>Saudi Electricity</b>	Saudi Arabia	Euro market public issue	2,000	2	Citigroup, First Abu Dhabi Bank, HSBC, Mizuho, MUFG, Natixis, Standard Chartered Bank, Sumitomo Mitsui Financial Group
<b>Oman</b>	Oman	Euro market public issue	1,500	1	Gulf International Bank, HSBC, JPMorgan, Kuwait Finance House, Standard Chartered Bank
<b>Islamic Development Bank</b>	Saudi Arabia	Euro market public issue	1,300	1	Dubai Islamic Bank, First Abu Dhabi Bank, Gulf International Bank, HSBC, Maybank, Natixis, Standard Chartered Bank, Warba Bank
<b>Islamic Development Bank</b>	Saudi Arabia	Euro market public issue	1,250	1	CIMB Group, Citigroup, Emirates NBD, Gulf International Bank, HSBC, Natixis, Standard Chartered Bank, Sumitomo Mitsui Financial Group
<b>China General Nuclear Power</b>	China	Domestic market public issue	1,246	33	CIMB Group, Maybank, RHB Bank
<b>Danainfra Nasional</b>	Malaysia	Domestic market public issue	1,022	5	AmInvestment Bank, CIMB Group, HSBC, Maybank, RHB Bank
<b>Dubai Islamic Bank</b>	UAE	Euro market public issue	1,000	1	Arab Banking Corporation, Dubai Islamic Bank, First Abu Dhabi Bank, HSBC, JPMorgan, KFH, Sharjah Islamic Bank, Standard Chartered Bank
<b>Sharjah</b>	UAE	Euro market public issue	1,000	1	Dubai Islamic Bank, HSBC, Sharjah Islamic Bank, Standard Chartered Bank



Top Islamic Finance Related Financing Deal List				12 Months
Credit Date	Borrower	Nationality	US\$ (mln)	
19 <sup>th</sup> Mar 2018	<b>Saudi Arabia</b>	Saudi Arabia	7,650	
16 <sup>th</sup> Mar 2018	<b>Canakkale Otoyol Ve Korusu Insaat Yatirim Ve Isletme</b>	Turkey	2,413	
18 <sup>th</sup> Dec 2017	<b>Ma'aden Aluminum</b>	Saudi Arabia	1,782	
28 <sup>th</sup> Mar 2018	<b>GEMS Education</b>	UAE	1,250	
3 <sup>rd</sup> Dec 2017	<b>GEMS MENASA (Cayman)</b>	UAE	1,250	
21 <sup>st</sup> Mar 2018	<b>ICD</b>	UAE	1,200	
6 <sup>th</sup> Aug 2018	<b>Aldar Properties</b>	UAE	500	
24 <sup>th</sup> Oct 2018	<b>Masraf Al Rayan</b>	Qatar	500	
17 <sup>th</sup> May 2018	<b>Dubai Aerospace Enterprise (DAE)</b>	UAE	480	
10 <sup>th</sup> Dec 2017	<b>Warba Bank</b>	Kuwait	400	

Top Global Islamic Bookrunners				12 Months
	Bookrunner Parents	US\$ (mln)	Iss	%
1	<b>CIMB Group</b>	4,948	43	11.76
2	<b>Maybank</b>	4,258	40	10.12
3	<b>HSBC</b>	3,574	22	8.49
4	<b>RHB Bank</b>	3,479	41	8.27
5	<b>Standard Chartered Bank</b>	3,115	27	7.40
6	<b>AmInvestment Bank</b>	2,742	29	6.52
7	<b>Citigroup</b>	2,407	13	5.72
8	<b>Dubai Islamic Bank</b>	1,885	15	4.48
9	<b>JPMorgan</b>	1,647	9	3.91
10	<b>BNP Paribas</b>	1,092	5	2.59

**Most Recent Global Sukuk**

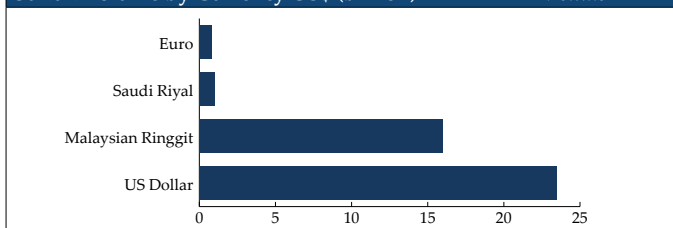
Priced	Issuer	Nationality	Instrument	Market	US\$ (mln)	Managers
28-Nov-18	<b>Cagamas</b>	Malaysia	Sukuk	Domestic market public issue	119	RHB Bank
27-Nov-18	<b>General Holding</b>	UAE	Sukuk	Euro market public issue	300	Abu Dhabi Islamic Bank, Citigroup, Dubai Islamic Bank, First Abu Dhabi Bank, Standard Chartered Bank
15-Nov-18	<b>DanaInfra Nasional</b>	Malaysia	Sukuk	Domestic market public issue	772	Affin Hwang Capital, AmInvestment Bank, CIMB Group, Maybank, RHB Bank
14-Nov-18	<b>NMC Health</b>	UAE	Sukuk	Euro market public issue	400	Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank, Arab Banking Corporation, Barclays, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, HSBC, Noor Bank, Standard Chartered Bank
14-Nov-18	<b>Sarawak Energy</b>	Malaysia	Sukuk	Domestic market public issue	358	AmInvestment Bank, CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank
31-Oct-18	<b>Islamic Development Bank</b>	Saudi Arabia	Sukuk	Euro market public issue	739	Credit Agricole, LBBW, Natixis, Standard Chartered Bank
26-Oct-18	<b>Oman</b>	Oman	Sukuk	Euro market public issue	1,500	Gulf International Bank, HSBC, JPMorgan, Kuwait Finance House, Standard Chartered Bank
25-Oct-18	<b>National Central Cooling</b>	UAE	Sukuk	Euro market public issue	500	JPMorgan
24-Oct-18	<b>Khazanah Nasional</b>	Malaysia	Sukuk	Domestic market public issue	168	CIMB Group, HSBC, Maybank
23-Oct-18	<b>Tenaga Nasional</b>	Malaysia	Sukuk	Euro market public issue	750	BNP Paribas, CIMB Group, Citigroup, HSBC

**Top Islamic Finance Related Financing Bookrunners**

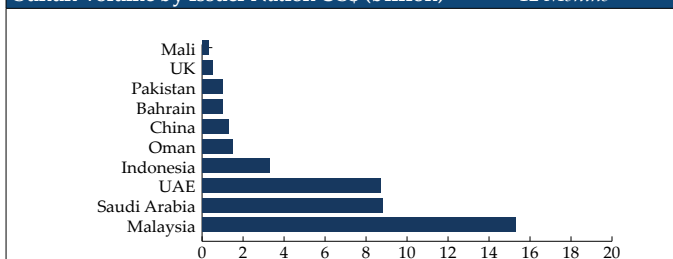
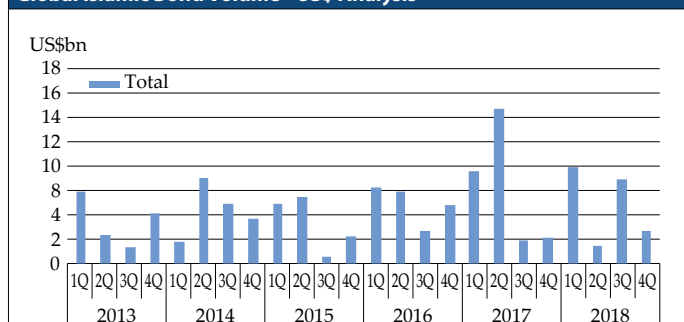
12 Months				
	Bookrunner	US\$ (mln)	No	%
1	<b>Standard Chartered Bank</b>	1,295	6	10
2	<b>HSBC</b>	1,073	3	8
3	<b>MUFG</b>	841	2	7
4	<b>Citigroup</b>	823	2	6
4	<b>Industrial &amp; Commercial Bank of China</b>	823	2	6
6	<b>Bank of China</b>	765	1	6
6	<b>Credit Agricole</b>	765	1	6
6	<b>JPMorgan</b>	765	1	6
6	<b>Mizuho</b>	765	1	6

**Sukuk Volume by Currency US\$ (billion)**

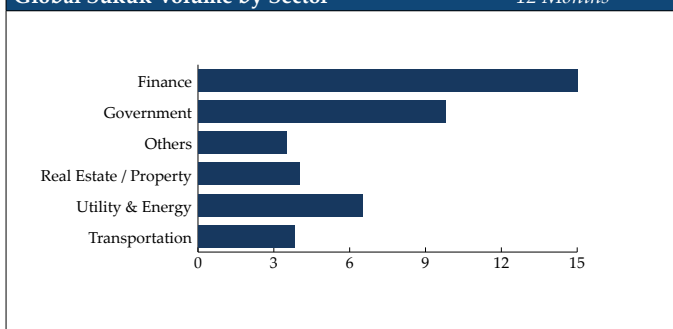
12 Months


**Sukuk Volume by Issuer Nation US\$ (billion)**

12 Months


**Global Islamic Bond Volume - US\$ Analysis**

**Global Sukuk Volume by Sector**

12 Months



If you feel that the information within these tables is inaccurate, you may contact the following directly: Mimi Lee (Media Relations)  
Email: [mimi.lee@dealogic.com](mailto:mimi.lee@dealogic.com)  
Tel: +852 3698 4715

**dealogic**