IFN CORPORATE MALAYSIA

Opening doors to new opportunities

VOLUME 3 ISSUE 6, 2018

Increasing oil prices: Good or bad?

Love it or hate it, the price of oil is important – not only is it central to global trade and consequently global prosperity, but for many Muslim-majority jurisdictions in the Middle East and Asia, oil is the lifeblood of their economy and price volatility can have a serious impact on GDP. As a corporate, you probably already know how the oil price affects you in an operational capacity – if you are a shipping firm or an airline, a higher oil price is bad; if you are an energy company or an agribusiness, you will probably benefit. But oil prices impact more than just cash flow and commodity prices. What about your funding strategy? What impact will rising oil prices have on the debt capital market? And how will the new normal affect your cost of funding?

This publication is designed to introduce and explain the concepts and benefits of Islamic capital-raising, and this article will therefore look exclusively at the impact of oil prices on the Islamic bond, or Sukuk, market. Why? Because we believe that Islamic bonds are one of the best ways for corporates in certain jurisdictions to raise finance, and we want to show you why.

So what is happening to global Sukuk issuance so far this year? At first glance, it has to be said that things are not looking good. The total market declined by around 15.3% in the first half of 2018, reaching US$44.2 billion compared with US$52.2 billion in the first half of 2017. S&P Global Intelligence predicts that total issuance could decline to around US$70-80 billion over the course of the full year, compared to an increase in 2017 of 45.3% to reach US$97.9 billion.

In the second half of 2018, S&P expects Sukuk issuance volume to remain muted, constrained by the global tightening of liquidity conditions, as well as by lower financing needs of some GCC countries as a result of oil prices stabilizing at higher levels. An increase in geopolitical risk in the Middle East and concerns over global trade tensions may also weigh on investor appetite.

So far, so pessimistic. But now let's look at the real story. Last year's bumper issuance volumes were driven by sovereign issuance, which made up around 70% of the total (over US$50 billion) compared to just 45.5% in 2016. These sovereigns, in many cases and especially in the GCC, were tapping the Islamic market for liquidity in order to fill the funding left by lower oil

continued next page…

CONTENTS

Competition heats up for Malaysian SME financing

SMEs have in the past struggled with poor access to financing and limited capital capabilities. However, a new push from Malaysia's Islamic banks looks set to transform the face of SME financing in the country – a move that could make a substantial economic contribution as well as improving financial conditions. **5**

Institutional asset management: A user's guide

So you're a corporate, you're doing well, business is booming and you've got cash in the bank. First of all – congratulations! In these challenging economic times, a surplus is not to be sniffed at. But now, you need to do something with it – and that means you need an asset management strategy. **6**

Continued from page 1

prices and to boost their budget deficit in the face of falling public revenues.

In fact, the high volume of sovereign issuances may even have had a negative impact on the corporate Sukuk market, crowding out private sector issuance and sucking up liquidity that would otherwise have gone to corporate issuances.

Now that the oil prices are finally on the rise (from US$30 a barrel in January 2016 to US$80 in May 2018, and currently standing at around US$74) and state income has subsequently increased, oil-producing sovereigns are no longer jockeying to fill their coffers from the capital markets. What does this mean?

On the surface, as we have seen, it means that Sukuk issuance has ostensibly declined. But in reality, with sovereigns leaving the market, this slump actually represents a new space for corporates to step in and fill.

While some international investors may have turned their attention away from emerging markets due to a confluence of factors – rising interest rates, a strong dollar and geopolitical concerns being at the top of the list – demand for Islamic instruments remains buoyant and in fact, due to the global hunt for yield and the demand for diversification, Sukuk could be even more attractive than conventional bonds right now.

In addition, major steps forward in standardization – such as the recent adoption by the UAE of mandatory AAOIFI standards for all Islamic institutions – are also likely to result in stronger demand for Sukuk. "We are of the view that standardization for cross-border Sukuk issuance is not only achievable, but will boost issuance volumes, and restore the attractiveness of the instrument to issuers through a smoother and faster issuance process," said Mohamed Damak, the global head of Islamic finance at S&P Ratings, in his latest outlook.

While corporate and infrastructure issuance so far this year remains muted – US$2.6 billion from five issuers in H1 2018 compared to US$7.6 billion over the same period in 2017, it must also be remembered that the 2017 figure was boosted by massive issuances from two state-supported issuers – Saudi Aramco (US$3 billion) and the Investment Corporation of Dubai (US$1 billion). Without these anomalies skewing the market, the numbers in fact look a lot healthier.

And don't forget that with oil prices increasing, liquidity in the financial system is correspondingly higher - and banks are already posting record performances. In January 2019, Emirates Islamic, the Islamic bank owned by Dubai's biggest lender Emirates NBD, posted its highest -ever net profit of AED702 million (US$191.2 million) – up 562% on 2016. In June, the bank continued its winning streak with net profits for the first half of 2018 rising a further 25% to reach AED475 million (US$132 million), and already on track to break last year's record.

With fewer sovereign issuances to absorb this excess, institutional investors are looking for new avenues in which to invest, making the market for corporate fundraising increasingly competitive.

"In 2017 and 2018 to date, we have seen a visible improvement in the liquidity of GCC banks. The stabilization of oil prices, large issuances by select sovereigns that injected the liquidity locally, and muted loan growth explain this trend," confirmed Mohamed. "Therefore, the banks continue to offer credit at favorable terms to GCC corporates."

Finally, let's not forget the corporate consequences of higher oil prices. Oil price uncertainty exerts a proven negative impact on corporate investment – therefore with oil prices rising, an expansion in corporate capital expenditure is almost certain to follow.

And how will you fund that capital expenditure? As we have outlined in the foregoing, the Islamic debt capital market is the ideal place to look.

The summer lull continues, but corporate Sukuk stay buoyant

It has been a quiet month, and the hot summer weather has inevitably gone hand in hand with a subdued Sukuk market. However, the latest figures suggest continued optimism for the global Sukuk market - despite current economic and geopolitical headwinds.

On the 25th July, RAM Ratings announced a 2018 projected global Sukuk issuance standing at a consistent US$75-85 billion – good news, in a market filled with doom and gloom over the potential US-China trade war and the aggressive rhetoric between world leaders.

According to the statement, Malaysia's increased Sukuk issuance reached US$19.4 billion at the end of June 2018 compared to U$18.6 billion, translating into a healthy 38.7% market share of global Sukuk issuance. Indonesia posted a 52.6% increase to US$6.6 billion, compared to US$4.3 billion end of June 2017.

"Overall, the Sukuk market's showing in 2018 will depend on the performance of the global economy and the state of investment recovery in key Islamic finance countries," said head of Islamic finance at RAM, Ruslena Ramli.

Although total global Sukuk issuance dipped slightly in the first half to US$50.3 billion from US$53 billion (5.2%) the previous year, this can be attributed primarily to a 19.1% contraction in issuance from the GCC – US$21.3 billion as of June 2018 compared to US$26.3 billion over the same period in 2017. This dip was led by Qatar (which fell by -63.6%) along with a drop in issuance from Saudi Arabia (-37.9%) and Turkey (-18%).

S&P also noted the decline in corporate issuance from the GCC. Five Gulf issuers

raised around US$2.6 billion through Islamic bonds in H1 2018, representing a 60% sharp decline from the first half of 2017, according to its latest figures. The agency pointed to "somewhat diminished funding needs, as many GCC corporations continue to operate with relatively limited investment programs," while "regional and international political developments… have increased investors' risk perception of the GCC over the past 12 months."

However, it is worth noting that while emerging markets may be suffering from the current geopolitical tensions, the Sukuk market is by no means alone and in fact could be more resilient than conventional instruments during this challenging time.

"We have seen outflows in all emerging market bond classes, not just Sukuk. Everyone is suffering," noted Alberto Bigolin, the head of fixed income MENA at emerging markets specialist Exotix Capital. "Investor interest in this area is more resilient than you might think. Geopolitical issues come and go, but the asset class itself continues to gain in popularity and we continue to see interest from international investors. It is a great portfolio diversification tool and it is less closely correlated to the global markets, so in fact, there is an argument that Sukuk could even suffer less than conventional bonds in the current market climate.

"The basic situation doesn't change. It may be a more muted upwards trajectory, but this year there will be a gap of around US$175 billion between supply and demand. By 2022 this gap will widen to US$275 billion. Issues such as emerging market risk and geopolitical tensions might temporarily inhibit growth but in the medium to long term, we are confident that demand will remain buoyant and we will see Sukuk issuance continue to increase."

RAM remains optimistic on overall industry performance for 2018, citing growth trends in Sukuk issues from Malaysia, Indonesia as well as Bahrain, Kuwait and the UAE in the first half of 2018 - confirming that while tensions remain, the market is more buoyant than you might think.

Islamic insurance in the GCC offers an appealing alternative – but stick with the big boys

For corporates, insurance can be an expensive headache. Whether employee health insurance, fleet insurance, indemnity insurance or any other of the numerous policies your business requires to stay covered and compliant, finding the right provider offering services you feel comfortable with can be no easy matter. For businesses seeking Islamic solutions, the options can sometimes feel limited. But, as a new study shows, Islamic insurance (Takaful) is proving to be surprisingly resilient in today's competitive environment.

"Medium-term growth prospects in the sector remain satisfactory given relatively low penetration levels, and we expect Islamic insurance to remain profitable overall in 2018. We also observe strengthening capital levels," S&P said in a report on GCC Islamic insurance issued in July 2018.

Publicly listed Islamic insurers in the GCC generated an estimated net income of US$375 million in 2017, compared with US$269 million in 2015 – an increase of almost 40% in two years. Notably, the Islamic insurance industry in GCC countries outside Saudi Arabia (which accounts for around 85% of the total market) recorded a particularly strong increase in net income of around 811% to US$82 million in 2017 from just US$9 million in 2016 – and registered an increase of over 60% in the first quarter of 2018 compared with the same period last year, primarily driven by stronger than expected performance in the UAE, the second-largest market for Islamic insurance in the GCC after Saudi Arabia.

"There might be more volatility of profitability in 2018, as increasing operating costs and fierce competition in the GCC insurance sector will continue to put pressure on less-profitable companies," warned S&P, which also stressed that larger insurers were a better bet than smaller players.

"Since investment returns typically contribute to a significant share of earnings, geopolitical risks and fluctuations in global equity and commodity prices could lead to greater volatility in investment returns in 2018.We consider that these factors may therefore increase the gap between the large

insurers, which are often more diversified and profitable, and their smaller counterparts," said analyst Emir Mujkic. "We believe that greater size helps insurers to mitigate high fixed costs and increase their competitiveness."

Competition heats up for Malaysian SME financing

SMEs have in the past struggled with poor access to financing and limited capital capabilities. However, a new push from Malaysia's Islamic banks looks set to transform the face of SME financing in the country – a move that could make a substantial economic contribution as well as improving financial conditions.

According to Credit Guarantee Corporation Malaysia (CGC), SMEs contributed 36% to the country's gross domestic product (GDP) in 2016, and by 2020 this contribution is expected to increase to 41%. "However, access to capital and financing has always been the main challenge for SMEs as it constrains their ability to grow and be more productive," it said.

Earlier this year, CGC launched a new financing reference platform, imSME, aimed at tackling this problem by aggregating financial products for SMEs to help reduce search costs and improve access to financing. There are currently 14 financial institutions participating in the project — Affin Bank, AmBank, Agrobank, Bank Simpanan Nasional, Bank Rakyat, CIMB Bank, Hong Leong Bank, Maybank, OCBC Bank Malaysia, OCBC Al-Amin Bank, Public Bank, Public Islamic Bank, RHB Bank and SME Bank.

Following the launch, a wave of new initiatives from the country's banks suggests that the SME market could turn into a new battleground for competing financial services – a trend that can only benefit corporate consumers, as prices drop and services improve.

In July 2018, Maybank announced a strategic partnership with CGC to provide up to RM2 billion (US$492.5 million) of financing to SMEs via the CGC portfolio guarantee (PG) scheme. SMEs can choose either Islamic or conventional financing facilities from a minimum of RM50,000 (US$12,312) up to a maximum of RM1.5 million (US$369,387) and for a fixed term of up to seven years, with 70% of the principal financing amount to be guaranteed by CGC.

"As at end 2017, Maybank became the largest PG partner in the SME market with a total disbursement of close to RM3.78 billion (US$933,855) and benefiting more than 8,000 customers nationwide," said Maybank Head of Community Financial Services Malaysia Hamirullah Boorhan. "In the first quarter of 2018, I am happy to say that we surpassed the RM4 billion (US$985 million) PG disbursement mark and we are confident that the numbers will increase."

But other banks are also getting in on the act. In June Hong Leong Bank, which also offers Islamic products and services, earmarked RM2.5 billion (US$615.6 million) for the development of SMEs in 2018, particularly focusing on its new suite of digital business solutions (HL ConnectsLite, which connects SMEs via a single platform, Biztory (e-accounting and invoice solutions), Kakitangan (a human resources platform), SimpleTax (online tax tool) and Digital Advert (outdoor digital screening at over 3,500 screens nationwide)).

A total of RM1 billion (US$246.5 million) was also allocated for SMElite, a program to support SME expansions in property financing and working capital requirements, also supported by the CGC PG scheme. "We are targeting 5,000 SMEs for the first 12 months," said Hong Leong Group SME Banking General Manager Terrance Teoh. SMElite enables qualified SMEs to secure a loan up to RM5 million (US$1.2 million) for property purchases and refinancing, as well as working capital requirements with up to 150% margin financing.

OCBC Bank, which offers Islamic solutions through OCBC Al-Amin, has taken a different approach. In June the bank teamed up with Peoplender, the owner of peer-to-peer crowdfunding platform Fundaztic, to enable access to financing for SMEs.

"With the emergence of peer-to-peer financing platforms, opportunities that were previously unheard of are now available. However, there continues to be a gap between those in need and those in a position to meet the need. We are delighted to play our part in bridging this gap through our partnership with Peoplender," said OCBC CEO Ong Eng Bin.

"The collaboration with OCBC Bank is a promising endeavor as the bank has a much wider reach both in terms of network and personnel," added Peoplender CEO Kristine Ng. Peoplender launched in July 2017 with a commitment to connecting investors directly to SMEs and start-ups in order to fill Malaysia's estimated RM80 billion (US$19.7 billion) SME funding gap.

RHB Group, which offers Islamic products through RHB Islamic, is targeting over RM100 million (US$24.6 million) in SME loan approvals over the next year through its new online financing platform for small businesses.

"SMEs are a key growth area for the banking group. Our aim is to drive the growth of RHB's SME business to contribute 20% of the bank's domestic financing by 2022 from 16% currently," said Head of Group Business and Transaction Banking Jeffrey Ng.

The online platform offers loans from six to 24 months, at values between RM50,000 (US$12,301.4) and RM300,000 (US$73,877). SMEs with an annual turnover of less than RM35 million (US$8.6 million) are eligible to apply for the loan online with minimal documents required.

And Alliance Bank, which offers Islamic products through Alliance Islamic Bank, in July confirmed plans to grow net profit by 10% by 2019 – driven primarily by SME loan growth. The bank is targeting a 20% rise in SME loan growth next year, with total monthly disbursements expected to double to RM300 million (US$73.8 million) by the end of the financial year.

With the wide variety of options on offer, and the increasing competitiveness of the market, now is an excellent time for SMEs to consider Islamic financing alternatives.

Institutional asset management: A user's guide

So you're a corporate, you're doing well, business is booming and you've got cash in the bank. First of all – congratulations! In these challenging economic times, a surplus is not to be sniffed at. But now, you need to do something with it – and that means you need an asset management strategy. What are the options available to businesses keen to invest in a Shariah compliant manner – and, even if you haven't thought about Islamic investment before, what benefits does it bring?

Managing your assets effectively is one of the most important pillars of your business – done well, it will assist you in achieving your medium to long-term business objectives. Done badly, and you could find yourself floundering.

Whether you choose an investment strategy such as equity funds, debt holding, property purchase or other tangible assets, your asset management strategy should express the needs and wishes of your organization at the highest level. And of course, don't forget your pension obligations. While different jurisdictions have different requirements, ensuring the financial wellbeing of your employees and meeting your local compliance regulations is an integral part of your business operations.

So what are the options, and how can Islamic alternatives assist in your objectives?

Cash surplus

You are turning a profit, your clients are paying their bills, and you have a surplus of cash sitting in the bank – where it is slowly losing value. Shariah principles may prohibit the charging of interest, but that does not mean that you cannot put your money to work. There are numerous investment avenues where you can ensure that your liquid assets appreciate – and numerous Shariah compliant asset managers to help you do so. Deciding on a risk profile is essential, to ensure that you retain the liquidity you need to operate your business. Take a look at where you want to invest – it is a good idea to diversify your assets. If you are a regional operator, consider investing in low correlated assets to your core markets. If you are a domestic player, look at your local equity market performance.

Strong performance

Shariah funds are performing exceptionally well at the moment, especially in comparison to conventional markets, so this is a compelling story for institutional investors. The S&P 500 Shariah has returned 18.58% over the past year, for example, compared to 14.89% for the conventional S&P 500 Index. While the fixed income market has not performed quite so strongly this year, Sukuk returns are still slightly exceeding conventional bonds – the S&P MENA Sukuk Index returned 0.5% over the past year, compared to 0.45% for the equivalent bond index.

Global asset managers such as Franklin Templeton, CIMB-Principal and Eastspring Investments (the Asian asset management arm of Prudential) offer a wide range of options for institutions interested in Islamic alternatives. The Templeton Shariah Global Equity Fund returned 8.3% in 2017, while the CIMB-Principal Islamic Sukuk fund returned 3.72% over the past year. If you are cautious with your investments and would rather keep them in a cash-equivalent vehicle, there are plenty of money market funds available – the Eastspring Islamic Income Fund returned 3.6% over the past year and 19.12% over the last five years.

Even if you are not overtly seeking Islamic options for your asset management strategy, it is clear that the returns speak for themselves and Shariah compliant alternatives present a compelling case for investment.

> **Shariah funds are performing exceptionally well at the moment, especially in comparison to conventional markets, so this is a compelling story for institutional investors. The S&P 500 Shariah has returned 18.58% over the past year, for example, compared to 14.89% for the conventional S&P 500 Index**

Ethical impact

Another argument for Islamic is the appealing crossover with ethical and impact investing. If you are a company that cares about the environment, social responsibility, corporate governance and your own ethical footprint, then Shariah compliant funds can offer the ideal solution for your investment strategy. Islamic principles of investment dovetail nicely with ethical considerations – with its rigorous screening and support of real economic impact, ownership and growth, Islamic finance offers a well-established moral framework for investing. Firms such as SEDCO are already working together to bring the twin concepts of Islamic and

ethical investing together, with a range of 14 Islamic funds totaling assets under management of over US$1.8 billion.

The firm's latest research shows that Shariah compliant portfolios have in fact outperformed unconstrained and responsible investment strategies over the last decade on an absolute return and risk-adjusted basis across all analyzed markets.

"Our analysis has shown that sector exclusions and balance sheet constraints cause a distinct return profile for Islamic portfolios," said Christian Gueckel, the chief risk officer at SEDCO Capital. "The lower financial leverage and better cash conversion result in a bias to quality and growth which adds a prudence element to Islamic portfolios. Our results show clearly that responsible and unrestricted investors would have performed better using Islamic criteria."

Depth and diversity

But of course, it is not all about equity and debt. If you want to take on more risk and raise your return potential, alternatives are where it is at – and in the last few years, property in particular has exploded onto the global scene with a surge of REITs that are putting Islamic real estate investment on the map. Malaysia, Singapore, Saudi Arabia and the UAE all host successful Islamic REITs, and the S&P Shariah REIT Index gained a steady 2.32% over the year.

The range, depth and diversity of Islamic products are expanding all the time, and this will inevitably increase the appeal of the institutional asset management sector. For example, 2017 saw the introduction of the first alternative buy and hold Sukuk product, which while Shariah compliant, also offers many of the characteristics of a traditionally managed fund – such as greater diversification, stronger risk-adjusted returns and active, professional portfolio management. Exchange-traded funds are another growth area – in recent years these have become the second-largest asset class in the sector following Islamic mutual funds, with over US$8 billion in assets under management representing 13% of the total Islamic asset management space.

With all these options to choose from, there is no better time to consider your institutional asset management strategy – and explore the attractive options available on the Islamic market.

Malaysian utility demonstrates depth of Islamic debt market

In a deft demonstration of the strength and depth of Islamic capital financing, Malaysian utility firm Pengurusan Aset Air (PAAB) in June issued a further RM2.1 billion (US$522.9 million)-worth of Shariah compliant papers as a means of refinancing existing banking facilities – bringing its total debt load to above RM20.4 billion (US$5.02 billion). Part of a wider RM20 billion (US$4.99 billion) medium-term note program, the issuance reflects the deep and liquid pool of available Islamic funding and, in today's tightening credit environment, highlights the appeal of the asset class as an alternative to traditional bank lending.

Pengurusan Aset Air

Fully owned by the Ministry of Finance and the national provider of water infrastructure in Malaysia, PAAB is no stranger to the Islamic debt capital market and has been a regular issuer of Sukuk since its creation in 2006 as the national water asset-holding company responsible for financing capital expenditure.

Founded under the reform of the water services industry in response to concerns over water shortages in Malaysia, PAAB's financing has followed a unique structure due to its public responsibilities. Although its acquisition of water assets from individual states (as part of reforms to bring Malaysia's water infrastructure under federal control) was funded through working capital provided by the government, the group has historically funded its development of water infrastructure through the issuance of Sukuk on the capital market, taking advantage of the favorable financing rates available due to its position as a state-owned entity.

Its latest Sukuk program (RM20 billion, running from 2009-39) was rated 'AAA/Stable' by RAM Ratings due to its strong government support. This includes an additional RM20 billion government-guaranteed (GG) Islamic medium-term note (IMTN) program running from 2011-41, a five-year moratorium on novated federal government loans and the provision of a wide range of soft loans and equity injections.

However, RAM has warned that the national water asset company faces "immense challenges" in successfully executing the continued consolidation of water assets. To acquire state water assets and related liabilities as part of the ongoing restructuring exercise, PAAB would have to assume loans extended to the respective states by the federal government as well as further drawdowns from its debt issues, including the Sukuk and the GG Program. These debt issues will also finance capex for new water assets. Consequently, the group's debt load is correspondingly large – exceeding RM20.4 billion (US$5.02 billion) as of June 2017.

> **"Based on a cost-plus-profit (Murabahah) structure, one of the most straightforward contracts in the Shariah compliant toolbox, the issuance is a prime example of bang for buck: a swift and efficient exercise to tap a highly liquid market for a specific purpose"**

The latest issuance, a private placement completed in June 2018, comprised five tranches with tenors of between three and seven years, all of which achieved tight profit rates ranging between 4.2% and 4.56%. Based on a cost-plus-profit (Murabahah) structure, one of the most straightforward contracts in the Shariah compliant toolbox, the issuance is a prime example of bang for buck: a swift and efficient exercise to tap a highly liquid market for a specific purpose.

And more issuances are on the cards.

"We expect PAAB to continue to gear up in the coming years as it funds the water infrastructure of migrated states and takes over water assets and liabilities from states that have yet to migrate to the new system," confirmed Chinthamani Thanneermalai, an analyst at RAM.

Utility companies turning to the Islamic debt capital market is not a new trend in Malaysia, of course. Telekom, Indah Water, Ranhill Holdings and many other utility providers have regularly tapped the market – in 2017, national electricity firm Tenaga Nasional returned to the market after almost two decades with a 15-year RM500 million (US$124.84 million) tranche and a 20-year RM1.5 billion (US$373.5 million) tranche, achieving prices of 4.95% and 5.18% respectively.

However, the latest issuance from PAAB is just the tip of an enormous iceberg of Islamic funding, and should go a long way toward reassuring corporate issuers – especially highly-rated ones – of the strength and security of the Malaysian debt capital market.

CORPORATE

MORTAGE-BACKED SUKUK FOR AUTO FIRM

IRAN: The Securities and Exchange Organization of Iran has given its principal consent to Kerman Motor to float mortgage-backed Sukuk. The IRR2 trillion (US$45.75 million) Sukuk facility has a tenor of three years and a coupon rate of 16%. Ayandeh Bank will act as the guarantor while Tamadon Investment Bank will be the bookrunner for the issuance.

ISFAHAN STEEL PLANS SUKUK

IRAN: Isfahan Steel Company, listed on the Iran Fara Bourse, will issue Sukuk Salam worth IRR3 trillion (US$69.04 million) to finance its working capital needs.

CHELLAM ISSUES ISLAMIC PAPERS

MALAYSIA: Chellam Plantations has printed 10 tranches of Islamic medium-term notes for RM1 million (US$246,459) each. The papers have tenors ranging from four to eight years and were arranged by RHB Investment Bank.

SCIENTEX QUATARI FLOATS NOTES

MALAYSIA: Scientex Quatari has sold three tranches of Islamic medium-term notes (IMTNs). The first tranches of Series 4 and Series 5 were floated for RM50 million (US$12.44 million) each, while the first tranche of Series 6 was issued for RM100 million (US$24.88 million). All papers were arranged by RHB Investment Bank.

DANA GAS NEARS SUKUK SETTLEMENT

UAE: Dana Gas is keen to fulfill all the legal requirements for the settlement in its Sukuk case in the UAE and the UK by the end of July, according to Mohammmed Mubaideen, the head of investor relations at Dana Gas.

ANOTHER GREEN BOND IN ASEAN

INDONESIA: Sarana Multi Infrastruktur floated a Sukuk Mudarabah facility and a green bond in July - the first corporate green bond in Indonesia. Both papers are listed on the Indonesia Stock Exchange, and issued under a shelf registration issuance scheme worth IDR3 trillion (US$209.09 million) each. The proceeds from the Sukuk will be used to finance Shariah-based infrastructure projects such as an electricity transmission project in Sumatra by state-owned electricity company PLN and train car production by Inka Multi Solusi. The first phase of the Islamic paper, worth IDR1 trillion (US$69.7 million), will be carried out this year, while additional phases will take place over the next two years, depending on project funding needs.

KOUROSH FOOD INDUSTRY ISSUES SUKUK

IRAN: Kourosh Food Industry Company has issued Sukuk Murabahah worth IRR500 billion (US$11.63 million). The facility's yield to maturity is 19%.

NEW ISSUANCE FOR MEDCO POWER

INDONESIA: Medco Power Indonesia, a subsidiary of oil and gas company Medco Energi International, has listed conventional bonds and Sukuk Wakalah on the Indonesia Stock Exchange on the 5th July 2018 and expects to collect IDR1.2 trillion (US$83.38 million). The turnover of the debt paper issuance would be used to optimize cash management and refinance subsidiary loans as well as to fund capital expenditures and future projects.

CONSENT FOR UNION SUKUK

UAE: The board of directors of developer Union Properties has approved plans to issue a AED500 million (US$136.1 million) Sukuk facility. According to a bourse filing, the board has directed the executive management team to complete the necessary procedures for the issuance.

YONG TAI ISSUES IMTN

MALAYSIA: Property developer Yong Tai has issued a three-year Islamic medium-term note (IMTN) worth RM1 million (US$246,826) with a 6% profit rate. Kenanga Investment Bank was the lead arranger and facility agent.

IHIO TO ISSUE TREASURY BILLS

IRAN: The CEO of Iran Health Insurance Organization (IHIO) has approved the issuance of IRR10 trillion (US$230.14 million)-worth of treasury bills. The proceeds are to be utilized to settle IHIO debt to hospitals.

BANKING

BMI TO RAISE CAPITAL

INDONESIA: Bank Muamalat Indonesia (BMI), an Islamic bank, is planning to increase its capital via a rights issue and Sukuk on the 18th July 2018. The bank intends to raise additional authorized share capital from IDR8 trillion (US$556.16 million) to IDR11 trillion (US$764.72 million).The bank will issue 80 billion units of new series B shares. No details on the Sukuk paper were announced.

NEW NOTES FOR OSK

MALAYSIA: OSK I CM, a subsidiary of investment group OSK Holdings, has printed 13 tranches of Islamic medium-term notes (IMTNs) for RM93 million (US$22.89 million) in total. The papers have tenors ranging from three to six years and were arranged by RHB Investment Bank.

SOVEREIGN

MINDA MULLS SUKUK

PHILIPPINES: The Mindanao Development Authority (MinDA) has requested the president of the Philippines, Rodrigo Duterte, to order a study of the viability of using Sukuk funds for infrastructure and other private-led projects in Mindanao through the state-owned Al Amanah Islamic Bank.

IFN CORPORATE

Group Managing Editor	Lauren McAughtry lauren.mcaughtry@REDmoneygroup.com
Editor	Vineeta Tan vineeta.tan@REDmoneygroup.com
Senior Copy Editor	Kenny Ng kenny.ng@REDmoneygroup.com
Journalist	Durgahyeni Mohgana Selvam durgahyeni.selvam@redmoneygroup.com
Head of Production	Hasnani Aspari hasnani.aspari@REDmoneygroup.com
Senior Production Manager	Norzabidi Abdullah zabidi.abdullah@REDmoneygroup.com
Finance Manager	Fatimah Omar fatimah.omar@redmoneygroup.com
Managing Director	Andrew Tebbutt andrew.tebbutt@REDmoneygroup.com
Managing Director & Publisher	Andrew Morgan andrew.morgan@REDmoneygroup.com

Published By: REDmoney

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

UAE
PO Box 126732, 3rd Floor, X2 Tower, Jumeirah Lake Tower (JLT), Jumeirah Bay, Dubai, UAE
Tel: +971 4 427 36 23 Fax: +971 4 431 4614

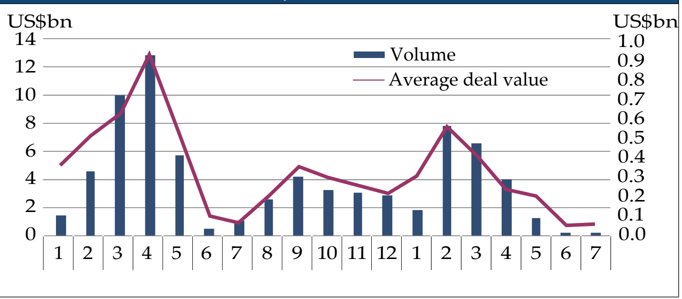
UK
Level 1, Devonshire House, 1 Mayfair Place
London W1J 8AJ, United Kingdom
Tel: +447412 806 386, +44 7469 32 7031

Top Issuers of Global Sukuk

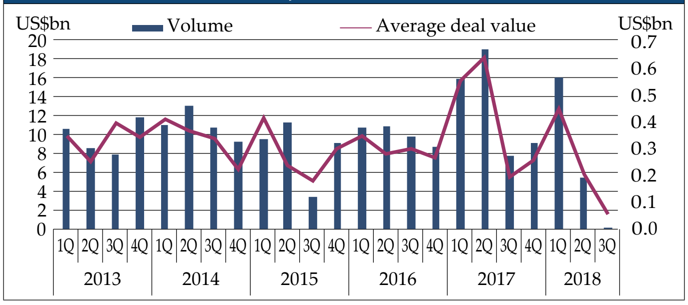
12 Months

Issuer	Nationality	Market	US$ (mln)	Tranches	Managers
Indonesia	Indonesia	Euro market public issue	3,000	2	Deutsche Bank, First Abu Dhabi Bank, HSBC, Mandiri Sekuritas, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,250	1	Emirates NBD, Goldman Sachs, Gulf International Bank, HSBC, Maybank, National Bank of Kuwait, Natixis, Standard Chartered Bank
Islamic Development Bank	Saudi Arabia	Euro market public issue	1,250	1	Dubai Islamic Bank, First Abu Dhabi Bank, Gulf International Bank, HSBC, Maybank, Natixis, Standard Chartered Bank, Warba Bank
China General Nuclear Power	Malaysia	Domestic market public issue	1,246	33	CIMB Group, Maybank, RHB Capital
DanaInfra Nasional	Malaysia	Domestic market public issue	1,022	5	AmInvestment Bank, CIMB Group, HSBC, Maybank, RHB Capital
Pakistan	Pakistan	Euro market public issue	1,000	1	Citigroup, Deutsche Bank, Dubai Islamic Bank, Industrial & Commercial Bank of China, Noor Bank, Standard Chartered Bank
Dubai Islamic Bank	UAE	Euro market public issue	1,000	1	Arab Banking Corporation, Dubai Islamic Bank, First Abu Dhabi Bank, HSBC, JPMorgan, Kuwait Finance House, Sharjah Islamic Bank, Standard Chartered Bank
Sharjah	UAE	Euro market public issue	1,000	1	Dubai Islamic Bank, HSBC, Sharjah Islamic Bank, Standard Chartered Bank
Bahrain	Bahrain	Euro market public issue	1,000	1	BNP Paribas, Citigroup, Gulf International Bank, National Bank of Bahrain, Standard Chartered Bank
Prasarana Malaysia	Malaysia	Domestic market public issue	951	6	CIMB Group, Maybank

Global Islamic Bond Volume by Month

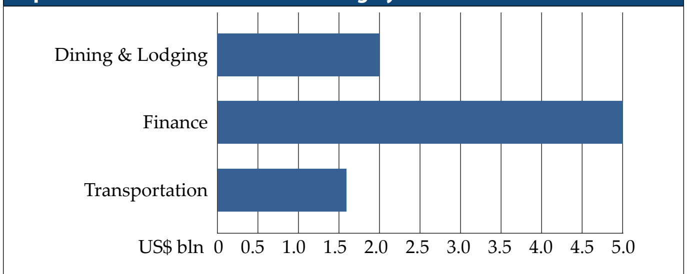


Global Islamic Bond Volume by Quarter



Top Islamic Finance Related Financing by Sector

12 Months



Top Global Islamic Bookrunners

12 Months

	Bookrunner Parents	US$ (mln)	Iss	%
1	**CIMB Group**	6,420	46	16.97
2	**Maybank**	6,246	45	16.51
3	**AmInvestment Bank**	3,015	28	7.97
4	**RHB Bank**	2,800	26	7.40
5	**HSBC**	2,228	13	5.89
6	**Standard Chartered Bank**	2,119	19	5.60
7	**Dubai Islamic Bank**	1,710	11	4.52
8	**Citigroup**	1,545	8	4.08
9	**JPMorgan**	854	4	2.26
10	**Affin Hwang Capital**	785	11	2.07

Top Islamic Finance Related Financing Deal List

12 Months

Credit Date	Borrower	Nationality	US$ (mln)
19th Mar 2018	**Saudi Arabia**	Saudi Arabia	7,650
16th Mar 2018	**Canakkale Otoyol Ve Koprusu Insaat Yatirim Ve Isletme**	Turkey	2,238
15th Aug 2017	**Al Motasaliha**	UAE	1,835
18th Dec 2017	**Ma'aden Aluminum**	Saudi Arabia	1,782
3rd Dec 2017	**GEMS MENASA (Cayman)**	UAE	1,250
21st Mar 2018	**ICD**	UAE	1,200
13th Oct 2017	**DanaInfra Nasional**	Malaysia	948
11th Oct 2017	**PR1MA Corporation Malaysia**	Malaysia	592
2nd Oct 2017	**Kuwait Food (Americana)**	Kuwait	592
17th May 18	**Dubai Aerospace Enterprise (DAE)**	UAE	480

Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
24-May-18	**Pengurusan Aset Air**	Malaysia	Sukuk	Domestic market public issue	528	AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Maybank, RHB Bank
21-May-18	**Qatar Islamic Bank**	Qatar	Sukuk	Euro market private placement	120	Standard Chartered Bank
21-May-18	**Qatar Islamic Bank**	Qatar	Sukuk	Euro market private placement	100	Standard Chartered Bank
17-May-18	**Cagamas**	Malaysia	Sukuk	Domestic market public issue	378	AmInvestment Bank, CIMB Group
30-Apr-18	**Yinson Holdings**	Malaysia	Sukuk	Domestic market public issue	242	AmInvestment Bank, Maybank
24-Apr-18	**MKD Kencana**	Malaysia	Sukuk	Domestic market public issue	333	Maybank
24-Apr-18	**Al-'Aqar Healthcare Real Estate Investment Trust**	Malaysia	Sukuk	Domestic market public issue	147	AmInvestment Bank, Maybank
19-Apr-18	**Kuantan Port Consortium**	Malaysia	Sukuk	Domestic market public issue	167	Maybank
18-Apr-18	**DanaInfra Nasional**	Malaysia	Sukuk	Domestic market public issue	643	AmInvestment Bank, Bank Islam Malaysia, CIMB Group, Kenanga Investment Bank, Maybank, RHB Bank
17-Apr-18	**Noor Bank**	UAE	Sukuk	Euro market public issue	500	Citigroup, Deutsche Bank, Dubai Islamic Bank, Emirates NBD, Noor Bank, Sharjah Islamic Bank, Standard Chartered Bank, Warba Bank

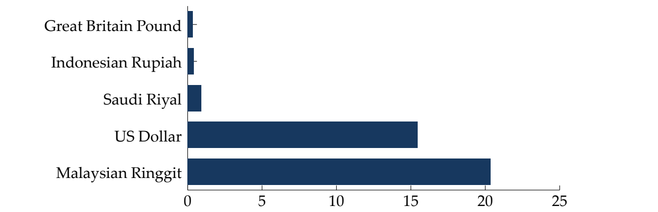
Top Islamic Finance Related Financing Bookrunners

12 Months

	Bookrunner	US$ (mln)	No	%
1	**Standard Chartered Bank**	1,445	8	11
2	**First Abu Dhabi Bank**	1,156	6	9
3	**Mitsubishi UFJ Financial Group**	841	2	6
4	**Citigroup**	823	2	6
4	**HSBC**	823	2	6
4	**Industrial & Commercial Bank of China**	823	2	6
7	**Bank of China**	765	1	6
7	**Credit Agricole**	765	1	6
7	**JPMorgan**	765	1	6
7	**Mizuho**	765	1	6

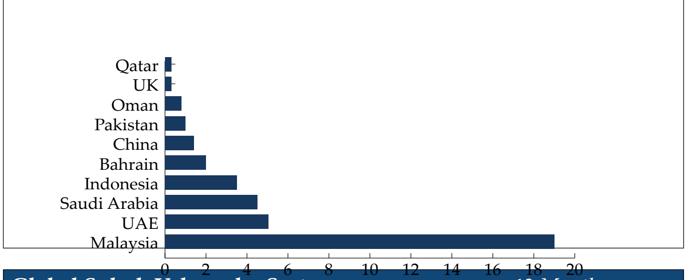
Sukuk Volume by Currency US$ (billion)

12 Months

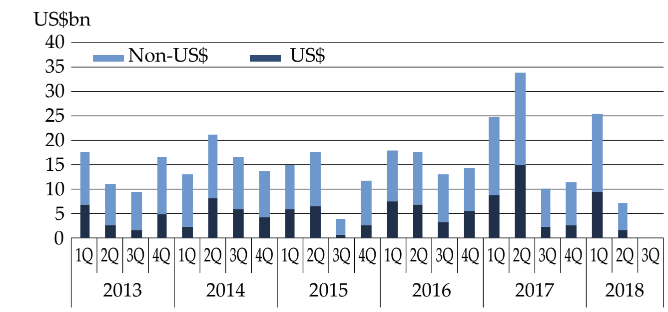


Sukuk Volume by Issuer Nation US$ (billion)

12 Months

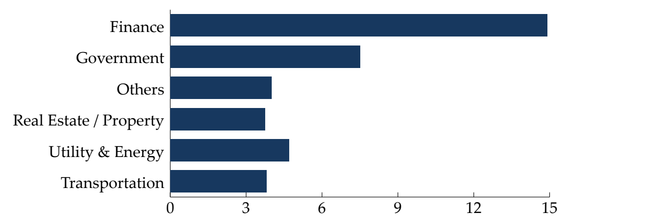


Global Islamic Bond Volume - US$ Analysis



Global Sukuk Volume by Sector

12 Months



If you feel that the information within these tables is inaccurate, you may contact the following directly: Mayumi Ohira (Media Relations)
Email: mayumi.ohira@dealogic.com
Tel: +852 3698 4700

dealogic