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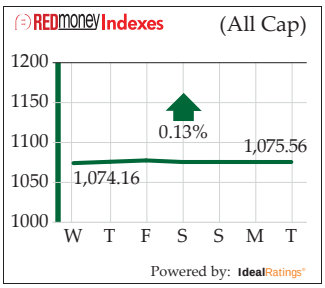


COVER STORY

22nd February 2017 (*Volume 14 Issue 08*)

Holes and hotspots: Where to look for new Sukuk

As Islamic bond issuance becomes increasingly widely accepted, the asset class is not only accessing the mainstream but appropriating new markets. Yet some core jurisdictions are flatlining, while new challengers are stepping up their game. As we approach the end of the first quarter, we take a quickfire look at where is hot — and what is not — for new issuance.

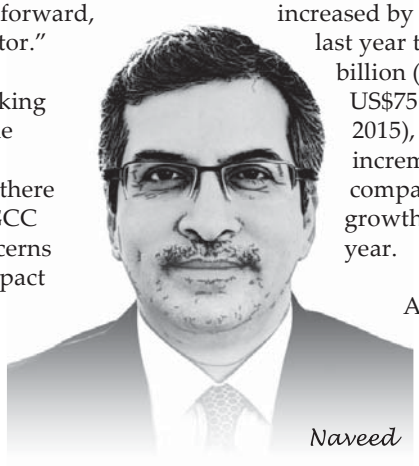
"The debt capital markets have started off on a positive momentum in 2017," noted Naveed Ali, the chief of corporate banking at Dubai Islamic Bank, speaking to IFN. "Primary markets remain active with sovereigns and financial institutions taking center stage. We see a healthy increase in volumes in the debt capital market space going forward, including the corporate sector."

But where is this growth taking place? Malaysia is still at the head of the pack but saw issuance fall in 2016, while there are also concerns that the GCC is flatlining as political concerns and economic pressures impact issuance.

Health concerns

S&P has warned that volume growth of Sukuk issuance is expected to remain flat this year, although this is primarily due to the complexity of issuance rather than a lack of liquidity. Sukuk issuance for the MENA region reportedly fell for the third year in a row in 2016, dropping by 25% (compared with a 27% decline in 2015). In comparison, bond issuance rose from US$42 billion to US$75.8 billion in the same year, a jump of over 80%.

In the core markets of the GCC, Malaysia, Indonesia, Turkey and Pakistan, new Sukuk issuance (with a maturity of over 18 months) rose from US$32 billion in 2015 to US$40 billion in 2016, representing 28.5% of total bond issuance — down from 29% in 2015. And although global Sukuk issuance increased by a reported 2.2% last year to reach US$77.1 billion (compared with US$75.1 billion in 2015), this was a minor incremental increase compared with the 5.5% growth of the previous year.


Naveed

According to Fitch Ratings, this deceleration in growth was in part due to a fall in Sukuk issuance from Malaysia and the GCC. So if the core markets for Sukuk are losing steam, where can investors look for further growth?

Issuance hotspots

Africa is an obvious opportunity. The regional exchange for West Africa, the Burse Regionale des Valeurs Mobilieres (BVRM) is embarking on a major expansion with plans to attract more investors and increase its listings by over a third in the next four years. As the rapid economic growth of African nations increases the demand for capital, bond issuance in the region is also becoming more attractive. The Cote d'Ivoire, which has a current annual growth rate of 9%, has already issued two sovereign Sukuk — of which the last attracted a 38% allocation to international investors. Senegal, Nigeria and Togo have also issued, while Kenya is also keen. New energy discoveries and a rapidly growing mining industry in Senegal, Mali and Burkina Faso are likely to stimulate expansion and add to market potential. Interest from investors in the region is growing, with several large IPOs on the BVRM significantly oversubscribed last year. And in 2016, the exchange launched its

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DEALS

Indonesia auctions IDR6 trillion (US$450 million)-worth of sovereign Sukuk

Dubai Islamic Bank lists US$1 billion Sukuk on **NASDAQ Dubai**

Digi to raise up to RM5 billion (US$1.12 billion) through Sukuk

International Islamic Liquidity Management Corporation's US$840 million three-month Sukuk facility oversubscribed by US$2.3 billion

Sunway Treasury Sukuk's 186th Islamic commercial papers worth RM200 million (US$44.93 million) oversubscribed more than two times

SapuraKencana TMC wins approval for RM7 billion (US$1.57 billion) Sukuk Murabahah

Khazanah Nasional looks at opening world's first ringgit SRI Sukuk to retail investors

Lead managers of Dubai's previous Sukuk issuance pitching to government for possible dollar benchmark issuance

YTL Power International to fund Indonesian and Jordanian projects with RM2.5 billion (US$561.04 million) Sukuk

Malaysia's GII Murabahah oversubscribed

Tanjung Bin Energy Issuer passes resolution to refinance Islamic junior term financing facility; withdraws resolution for construction of jetty

Central Bank of Bahrain sells BHD43 million (US$110.53 million)-worth of Sukuk Salam

NEWS

Muslim Association of Malawi engages government to launch Islamic financial institution

Al Rajhi Bank Malaysia to begin digital transformation this month for corporate and retail businesses

Persatuan Remisier Bumiputera Malaysia to develop new Islamic investment business model in partnership with university

Malaysia's local banking system and financial institutions well capitalized

Malaysia Trade & Export Finance Conference to take place in Kuala Lumpur on the 14th March

Richard Thomas receives the Freedom of the City of London

Eximbank plans to develop credit rating system and Sukuk in 2017

Luxembourg and Iran sign agreement promising greater protection for investors in both countries

Al Rayan Bank to support **Islamic Relief**'s Shariah compliant microfinance project

RESULTS

Syrian International Islamic Bank records net profit of SYP11.56 billion (US$53.81 million) for 2016 fiscal year

Abu Dhabi Islamic Bank realizes net profit of AED1.95 billion (US$530.79 million) for 2016; recommends 24.52% cash dividend

Union National Bank's net interest income and Islamic finance earning dip 10% to AED2.63 billion (US$715.89 million) in 2016

Securities and Investment Company realizes net consolidated profit of BHD2.3 million (US$5.91 million) for 2016

National Takaful Company recovers from 2015 losses; registers AED385,000 (US$104,795) in profits

Al Israa for Islamic Finance and Investment realizes net operating income of JOD1.08 million (US$1.51 million) for 2016

ASSET MANAGEMENT

New York-listed gold exchange-traded fund receives Shariah compliant certification

AFFIN Holdings to undertake reorganization of AFFIN and its group of companies

TAKAFUL

Amana Cooperative Insurance to reduce capital

RATINGS

Fitch affirms Bahrain's ratings at 'BB+' with a stable outlook

Capital Intelligence affirms **Bank Islam Malaysia**'s rating at 'BBB' with a stable outlook

Oman receives rating downgrades on the back of deteriorating fiscal and external balances

MOVES

Hong Kong Exchanges and Clearing appoints Ferheen Mahomed as group general counsel

Bursa Malaysia makes key organizational structure changes to drive Islamic operations among others

Holes and hotspots: Where to look for new Sukuk

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Chart 1: Global Sukuk bond issuance

Deal pricing date by year	Deal value US$ (proceeds) (m)	No.
2001	569	15
2002	889	15
2003	3,492	41
2004	5,649	126
2005	6,806	288
2006	8,811	254
2007	28,171	272
2008	15,125	242
2009	18,246	178
2010	14,913	186
2011	34,265	295
2012	44,772	342
2013	38,428	375
2014	43,459	320
2015	32,862	325
2016	40,351	296
2017 to date	3,584	10

Chart 2: 2017 to date

Rank	Deal nationality	Deal value US$ (proceeds) (m)	No.	% share
1	UAE	1,996	2	55.7
2	Malaysia	938	6	26.2
3	Kuwait	500	1	14.0
4	Nigeria	150	1	4.2

Chart 3: 2016

Rank	Deal nationality	Deal value US$ (proceeds) (m)	No.	% share
1	Malaysia	19,017	241	47.1
2	UAE	6,752	11	16.7
3	Saudi Arabia	4,319	8	10.7
4	Indonesia	2,771	14	6.9
5	Bahrain	2,200	3	5.5
6	Qatar	1,470	6	3.6
7	Kuwait	1,209	4	3
8	Pakistan	1,000	1	2.5
8	Turkey	1,000	1	2.5
10	Oman	590	4	1.5
11	Japan	19	1	0.1
12	Singapore	4	2	0

Source: Dealogic

first Sukuk bond index which is likely to boost interest for the asset class in the region. In October 2016, BVRM began to trade five Sukuk worth around US$1.2 billion. According to CEO Edoh Kossi Amenounve, the development represents a "massive use" of Islamic bonds in addition to the appeal of a new kind of investor to the market.

> ***"One of the key challenges revolve around [the] structuring of Sukuk and issuers are looking at more innovative structures rather than the widely used asset-based structures"***

Indonesia is another hotspot, albeit one that has been well recognized already. The government issued a number of high profile and hugely oversubscribed sovereign Sukuk over the past few years, which have been in high demand from investors. More importantly, however, its industry master plan to increase the volume of Sukuk has seen a multitude of regulations, tax breaks and issuances that have driven the market forward.

In 2016, the government cut the tax paid by bondholders on their interest payments to zero, which stimulated the market by allowing investors to accept lower yields. While there is so far only a limited market for corporate Sukuk in the country, the sovereign side has been immensely successful — with sovereign Sukuk issuance planned to increase to 50% of total debt issuance over the next four years, from its current 13%. This is in sharp contrast to Gulf countries, where Islamic tranches have been

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notably absent from the large recent sovereign issuances from Qatar, Saudi Arabia and Abu Dhabi.

> ***"We believe the complexity of Sukuk issuance will continue to weigh on issuance volumes, unless counterbalanced by tangible results on standardization or the establishment of large issuance programs"***

Complexity and a lack of standardization have often been cited as factors holding back the growth of the Sukuk market — but here too, Indonesia is pushing forward with new and innovative products to attract new players and new investor segments. "One of the key challenges revolve around [the] structuring of Sukuk and issuers are looking at more innovative structures rather than the widely used asset-based structures," explained Naveed.

In October last year, Bank Indonesia unveiled a new Waqf-based Sukuk based on the concept of Islamic endowment, and aimed at developing social property assets. "There are many prospective Waqf plots of land in Indonesia. If we build something productive there, it will generate more economic activity," said Hendar, the former deputy governor of Bank Indonesia. He cited successful Waqf projects in both Kuwait and Singapore, noting that there are over 400,000 hectares of Waqf land in Indonesia, 90% of which are cost centers, making it a lucrative potential pool.

Pakistan is another hotspot for innovation in the Sukuk market. Again, a market that has had some success as a sovereign issuer, retail interest is now beginning to grow and last month, the state-owned National Savings Organization announced the potential launch of a new platform to offer retail Sukuk Ijarah to small investors.

"Recently, the State Bank of Pakistan suggested the government introduce Sukuk Ijarah for retail investors, as it's a big avenue for investment for… people who don't want to indulge in interest-based transactions, which are clearly prohibited in Islam," the head of treasury at an Islamic bank told a local newspaper. "We are trying to convince the government that retail Sukuk widen the appeal of Islamic finance." With interest rates at record lows, alternative investment strategies are increasingly popular which has impacted national savings and sparked greater interest in the retail bond market. Few other jurisdictions have ventured into the retail Sukuk space, so it will be interesting to see how Pakistan succeeds in its latest venture.

Returning to center

But not everyone is worried about the perceived stagnation in the main markets. "There is definitely growth in the corporate Sukuk market especially from the GCC region," insisted Naveed.

"Sukuk issuance … broadly maintained its share of capital market funding despite large conventional bond issues. We expect Sukuk issuance to grow at a similar rate in 2017 and believe market share will rise as more sovereigns issue Sukuk alongside conventional bonds," said Bashar Al Natoor, the global head of Islamic finance at Fitch Ratings.

"The Sukuk market did not play a countercyclical role in core Islamic finance markets in 2016, and we forecast a stabilization of total issuance in 2017 at around US$60-$65 billion," said Mohamed Damak, the global head of Islamic finance at S&P. However, he warned that: "We believe the complexity of Sukuk issuance will continue to weigh on issuance volumes, unless counterbalanced by tangible results on standardization or the establishment of large issuance programs."

Running the numbers

So far in 2017, the UAE has accounted for 55.7% of Sukuk issuance (as at the 16th February, according to Dealogic data), compared to 26.2% for Malaysia. Last year, in contrast, the UAE accounted for just 16.7% compared to

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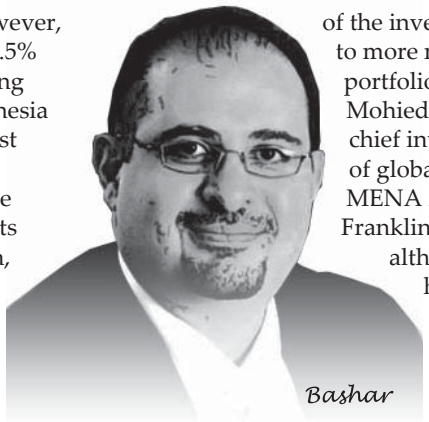
47.1% from Malaysia. However, in total the GCC issued 39.5% of Sukuk in 2016 — catching up to its Asian rival. Indonesia however, accounted for just 6.9% and Pakistan 2.5% — suggesting that while these countries might be hotspots for innovation and growth, they are still bit players in the wider game.


Bashar

Franklin Templeton believes that the negative trend for Sukuk will reverse in 2017, with an optimistic outlook as investors seek better yield and stronger diversification through more innovation and a wider range of fixed income products. In addition, funding challenges in the GCC are likely to push governments to plug their budget deficits and now that the big conventional issuances have taken place, Sukuk could follow to fill the gaps.

> ***"The main barrier to entry from a Shariah perspective is the additional step to identify relevant assets for structuring purposes. However, more innovative structures are being contemplated to meet the growing demands of issuers"***

"Last year, investment bank JPMorgan included Sukuk in their suite of global indexes for the first time, reinforcing the transition of Sukuk from the peripheries of the investment universe to more mainstream portfolios," said Mohieddine Kronfol, the chief investment officer of global Sukuk and MENA fixed income for Franklin Templeton. And although the Fed rate hike in December provoked some anxiety in the debt markets, Franklin Templeton expects US monetary policy to remain accommodative, which should support investor interest.

Corporate interest

Despite the pressure on growth in core markets such as the GCC, there is also growing corporate acceptance which should drive further issuance. Dubai has stepped up in recent months, and recent issuers include Emaar Properties, Ezdan Holdings and DP World (where the Sukuk issuance was completed in conjunction with a tender offer as part of DP World's liability management exercise) with issues of US$750 million, US$500 million and US$1.2 billion respectively in 2016.

"Most of the corporate issuers are price-sensitive and will compare the pricing available in the Sukuk market against the alternate debt financing packages available from relationship banks. Such corporates may have access to [a] low cost of funding, which would translate to better pricing for corporates," explained Naveed. "The main barrier to entry from a Shariah perspective is the additional step to identify relevant assets for structuring purposes. However, more innovative structures are being contemplated to meet the growing demands of issuers. One such initiative [has been the] usage of asset-light structures; in which the requirement of tangible assets is minimal. As an example, Dubai Islamic Bank structured a first-of its-kind asset-light Sukuk structure for DP World, utilizing container throughput (measured in TEU) as its underlying assets."


Mohieddine

A pricing advantage

A major challenge for corporates in 2017 will be the declining regional liquidity. However, with growing interest from a wider range of international and especially western investors, Sukuk again offer a tempting alternative which should support issuance volumes. According to S&P, almost half of Sukuk investors into GCC Sukuk were based outside the region in 2014-16, including around 27% from western investors last year. "Such involvement is likely not driven by the search for Shariah compliance but rather by yields," said Mohamed. "We believe that the involvement of western investors in the Sukuk market could be increased through more market education on Sukuk and the risks involved."

Islamic banks also support growth, and in 2017 their position looks strong. "In the GCC market, Islamic liquidity is driven by Islamic banks and Islamic multilaterals who act as major and long-term investors in the Sukuk market. These Islamic financial institutions remain well capitalized and continue to anchor [the] market which helps to provide pricing benefits to Sukuk issuers," said Naveed. In the current challenging operating environment, S&P has also suggested that some GCC banks could divert some of their standing liquidity toward assets that generate higher income — with Sukuk an attractive alternative to interbank or central bank deposits.

Additionally, Sukuk issuers can take advantage of a larger pool of liquidity derived from Islamic investors who are chasing for liquid assets, which may further push the pricing down versus conventional issuances. "Sukuk pricing benefit can be further demonstrated through the yield curves of regional issuers, with both Sukuk and conventional issuances where we have largely witnessed Sukuk curves trading below conventional counterparts," pointed out Naveed.

Company Focus: Sabana REIT in hot water over lackluster performance

Singapore-based Sabana REIT has been in hot water lately, owing to the 66 disgruntled unitholders of the Shariah compliant REIT that have been calling for the manager — Sabana Real Estate Investment Management — to step down amid the REIT's lackluster performance. Now, the firm will be convening an extraordinary general meeting (EGM) to address the issue and is in the midst of preparing a circular which will be issued once it has been cleared by the Singapore Exchange Securities (SGX). DANIAL IDRAKI takes a look at the drama unfolding at Sabana REIT.

> ***"The oversupply of industrial properties amid waning demand and the changes in regulatory policies which affected subletting rules in FY2014 made it more difficult for Sabana REIT to lease out all of its available space and resulted in higher vacancy"***

It all began when a group of unitholders banded together to express their dissatisfaction over Sabana REIT's recent performance, in which its DPU (distribution per unit) in the fourth quarter 2016 dipped 32.8% year-on-year to 0.88 Singaporean cent (0.62 US cent) from the 1.31 Singaporean cents (0.92 US cents) reported in the corresponding

period of the previous financial year. The DPU for financial year (FY) 2016 came in at 4.17 Singaporean cents (2.94 US cents), a drop of 30.4% from the 5.99 Singaporean cents (4.22 US cents) paid in the previous financial year.

The 66 unitholders' total holdings in Sabana REIT represent approximately 0.6% of the total issued units as at the date of the requisition letter's receipt, and among resolutions proposed for the EGM include the removal of Sabana REIT's current manager, the incorporation of a new subsidiary to internally manage the REIT and the winding-up of the REIT should the resolution to remove its manager not be passed.

Furthermore, the unitholders are not taking too kindly to the SGD$215 million (US$151.59 million) property revaluation loss that was incurred in the last three years. To this, Sabana REIT in a recent bourse filing noted that the property revaluation loss pertains to the loss in the fair value of the investment properties during the three fiscal years from FY2014 to FY2016, the majority of which was incurred in FY2015 and FY2016.

"The oversupply of industrial properties amid waning demand and the changes in regulatory policies which affected subletting rules in FY2014 made it more difficult for Sabana REIT to lease out all of its available space and resulted in higher vacancy. The trend of revaluation loss is in line with the performance of the other industrial REITs which are similarly Singapore-focused and of similar size, where overall valuations for their industrial properties in Singapore have also been trending downwards since FY2014," the firm said.

Sabana REIT further added that it exhibited higher revaluation losses as a percentage of investment property value as 11 of its master leases expired in FY2015, which contributed to approximately two-thirds of the aggregate revaluation loss for the entire portfolio of Sabana REIT in FY2015. These 11 properties further contributed to approximately one-third of the aggregate revaluation loss in FY2016 amid the continuing weakening industrial property market in Singapore.

Making matters a bit more delicate to handle is the fact that the firm acquired a property at 47 Changi South Ave 2 for SG$23 million (US$16.22 million), while its sponsor, Vibrant Group, had previously paid SG$10.9 million (US$7.68 million) for the same property in 2011, less than half the current price. Sabana REIT reasoned that the book value is irrelevant and not the appropriate basis for comparison in the context of the current acquisition by Sabana REIT, where the property valuation is arrived at based on the rental that the property will be generating over the next 10 years. The valuation of SG$23 million was arrived at by two independent property valuers, Savills and Knight Frank, although the acquisition of the property is still subject to unitholders' approval.

Bobby Tay Chiew Sheng, the co-founder and head of strategy and investor relations at Sabana REIT, however, remains optimistic that the firm will bounce back from the current setback. "We are still doing okay, as we are collecting rent from the current properties in our stable," Tay told IFN when contacted recently, adding that the company is unable to stop external factors from determining its share price. Sabana REIT has seen a downward movement of its share price over the last one year, going from 65.5 Singapore cents (46.18 US cents) in April 2016 to a low of 34.5 Singapore cents (24.32 US cents) in January this year, according to data compiled by the SGX, which triggered the unitholders' revolt against Sabana Real Estate Investment Management.

A strategic review board committee has been formed to undertake a review of options available for Sabana REIT to enhance unitholder value, and the outcome of which will be announced in due course.

Saudi braces for major Takaful ranking reshuffling as operators begin to turn a profit

Saudi Arabia's insurance companies are finally making profits thanks to regulatory interventions, ending a protracted period of losses for many of the 33 cooperative operators caught in the fiercely competitive market — also the largest Takaful market in the world — where the value of insurance is still severely underappreciated by the vast majority. This, VINEETA TAN writes, has caused a major shakeup in rankings especially among the mid-tier segment.

> ***"While the top tier of Takaful league remains unchanged, the reverberations from the change in profitability profile have dramatically altered the rankings of insurers in the mid and lower tier"***

Back into black

As many as 28 insurers realized stronger earnings in 2016, with nine swinging into the black, recovering from losses the year before; the market as a collective more than doubled its pre-Zakat profits to SAR2.5 billion (US$666.32 million) from SAR1 billion (US$266.53 million) in 2015, according to figures from AM Best. This is in stark contrast to previous years when almost half of the operators were deep in the red, and when the market behaved almost like a duopoly with two of the largest companies by gross premium revenue (Tawuniya and BUPA) controlling 123% of total market profits; 12 months later, their share contracted by almost half to 57% as other participants raised their earnings capabilities.

Table 1: Market movement and net profit of Saudi insurers

Company	Change in ranking	Profit change
Top Tier		
The Company for Cooperative Insurance (Tawuniya)	—	↑
BUPA Arabia for Cooperative Insurance Co.	—	↓
Mediterranean and Gulf Cooperative Insurance and Reinsurance Co.	—	↑
Middle tier		
Malath Cooperative Insurance and Reinsurance Co.	—	↓
Al Rajhi Company for Cooperative Insurance	—	↑
AXA Cooperative Insurance Co.	▲	↑
Saudi United Cooperative Insurance Co.	▲	↑
Trade Union Cooperative Insurance Co.	▲	↑
Allianz Saudi Fransi Cooperative Insurance Co.	▲	↑
United Cooperative Assurance Co.	▼	↑
Saudi Arabian Cooperative Insurance Co.	▼	↑
Arabian Shield Cooperative Insurance Co.	▲	↑
Salama Cooperative Insurance Co.	▲	↑
Saudi Indian Company for Co-operative Insurance	▲	↑
Allied Cooperative Insurance Group	▼	↓
Wataniya Insurance Co.	▲	↑
Buruj Cooperative Insurance Co.	▲	↑
ARABIA Insurance Cooperative Co.	▼	↑
AlAhli Takaful Co.	▲	↓
Alinma Tokio Marine Co.	▲	↑
Lower tier		
Al Alamiya for Cooperative Insurance Co.	▼	↑
Gulf Union Cooperative Insurance Co.	▲	↑
Solidarity Saudi Takaful Co	▲	↑
Gulf General Cooperative Insurance Co.	▼	↑
Chubb Arabia Cooperative Insurance Co.	—	↑
MetLife, American International Group and Arab National Bank Cooperative Insurance Co.	▲	↑
SABB Takaful	▲	↑
Al Sagr Co-operative Insurance Co.	▼	↑
Amana Cooperative Insurance Co.	▼	↑
Al-Ahlia Insurance Company for Cooperative Insurance	▼	↑
Saudi Enaya Cooperative Insurance Co.	▲	↑
AlJazira Takaful Taawuni Co.	▼	↑
Sanad Cooperative Insurance Co	—	↓

Source: AM Best

The tables have turned

While the top tier of Takaful league remains unchanged, the reverberations from the change in profitability profile have dramatically altered the rankings of insurers in the mid and lower tier (See Table 1).

> ***It, however, remains to be seen if the Saudi Takaful market would be able to sustain its stellar 2016 performance***

In the mid-tier segment for example, while Malath Cooperative and Al Rajhi Company for Cooperative Insurance maintain their dominance and even increasing their share of gross premiums by three percentage points to 45%, Salama Cooperative and Alinma Tokio Marine both surged eight places; while Al Sagr Cooperative and Amana Cooperative dropped 19 and 10 places respectively.

"At the same time, Medgulf, the third-largest insurer in the market lost ground as its internal restructuring and regulatory intervention has meant that the company was unable to write significant volumes of business for long periods," explained AM Best, which expects the mid-tier to be rife with movements as operators recalibrate their strategies between active portfolio management and economies of scale.

Sustainable or not?

This turning of the tables is largely due to strict prudential measures by the Saudi Arabian Monetary Authority (SAMA) in 2014 to end the aggressive price wars between market players, compelling them to revise their risky underwriting strategies. While these new rules initially drained earnings, however they are finally bearing fruit, although the bull run may be short-lived.

With the regulator, SAMA, implementing actuarial reserving practices in 2014, and evidence of increased reserve prudency in 2015, many insurers have felt over-reserved as at year-end 2015," explained AM Best. "As loss experience in 2016 has been substantially better than expected (driven mainly by improved premium rates), many insurers would have seen material levels of reserve releases during the year, augmenting their technical income." Technical income was more than twice as high in 2016 at SAR1.7 billion (US$453.1 million) against SAR600 million (US$159.92 million) the year before.

It, however, remains to be seen if the Saudi Takaful market would be able to sustain its stellar 2016 performance, although current market conditions of weak oil prices and possible rise in operating expenses driven by a stronger focus on enhancing service quality (rather than undercutting prices to capture businesses), point to a likely moderation in premium growth. Things may have improved drastically, but the Saudi insurance market remains as competitive as ever.

Will Indonesian Islamic banks ever catch up?

VINEETA TAN takes a look how Indonesia's Islamic banking fraternity has fared in relation to its conventional peer.

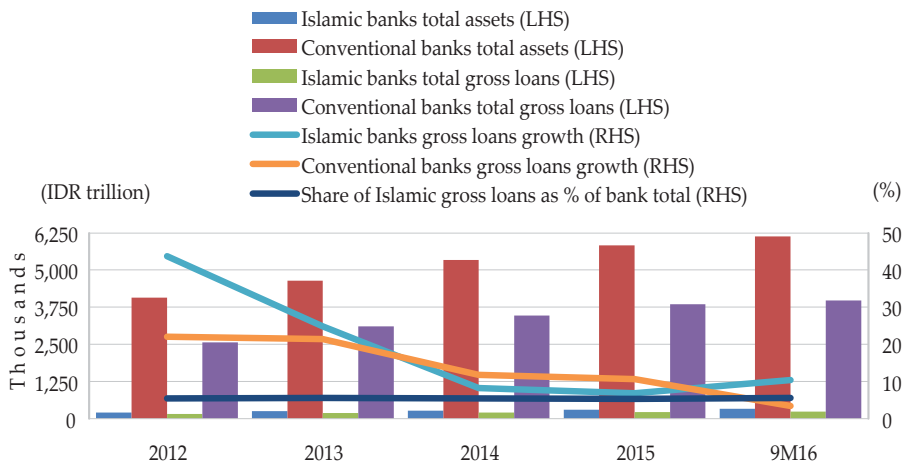
Indonesian Shariah banks are performing worse than their conventional peers when it comes to managing risks, selecting borrowers and building their client base, making Jakarta's goal of doubling its Islamic banking market share in four years' time seems almost elusive as banks shift their focus on improving asset quality rather than expansion.

For the first nine months of 2016, Islamic banks in Indonesia generated a return on assets of 0.6%, well below the conventional average of 1.9% according to data by Fitch Ratings. The agency foresees Shariah banks to continue to struggle on the profitability front this year in the face of stiff competition from non-Islamic lenders amid weak economic recovery. This is exacerbated by Islamic banks' poor asset quality and rising credit cost.

> ***"Indonesian Islamic bank loan growth will remain sluggish in 2017 due to asset-quality issues, as banks focus on reducing non-performing loans rather than growth"***

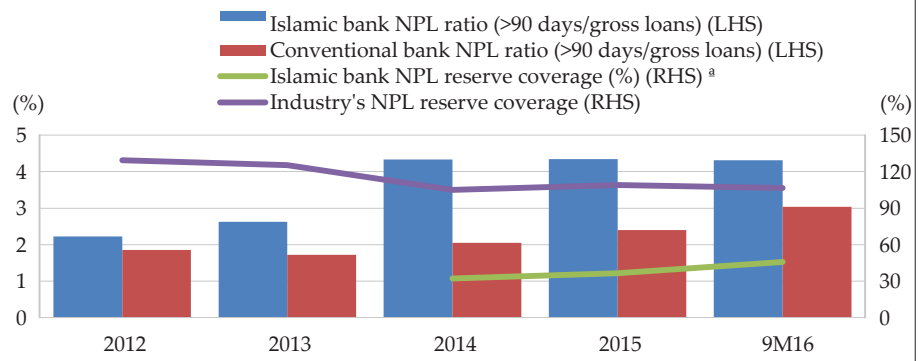
Until the end of September 2016, Islamic banks were posting higher non-performing financing (NPF) ratios averaging 4.3% against conventional banks' 3%, putting into question the former's underwriting practice and risk controls. They are also not as prepared as their conventional peers in covering losses as a result of bad debts: Shariah banks' NPF reserve coverage stood at 45.6% as at the end of the third quarter of 2016, more than half that of conventional banks which clocked in at 108.7%. In terms of capitalization, Islamic banks have a solid 15.4% total capital adequacy ratio, although still lower than the conventional bank average of 22.6%.

Chart 1: Islamic bank and conventional bank lending growth



Source: Fitch, Otoritas Jasa Keuangan, Bank Indonesia

Chart 2: Asset quality



[a] Data unavailable prior to 2014
Source: Fitch, Otoritas Jasa Keuangan, Bank Indonesia

Judging by the quality of their portfolio, Indonesian Islamic banks are likely to rein in credit extension activities over the next 11 months to pare down their NPF ratio which would affect the growth of Shariah compliant financing in the world's most populous Muslim nation. As at the 30th September 2016, Shariah compliant facilities only accounted for 5.6% of the country's gross loans and 5.1% of the industry's total assets.

"Indonesian Islamic bank loan growth will remain sluggish in 2017 due to asset-quality issues, as banks focus on reducing non-performing loans rather than growth," confirmed Fitch. "However, asset-quality deterioration should moderate in the near to medium term, as the operating environment gradually recovers and the industry's risk management practices slowly improve."

President Joko Widodo's government is adamant in boosting the market share of Islamic banks to 10% by 2020 and has implemented a slew of regulatory reforms and awareness campaigns to drive up product take-up in the 250 million-strong nation. But the question is, are these measures enough and would the country's 34 Islamic banking institutions (fully-fledged and subsidiary) be able to leverage government support to optimize their operations and improve their business proposition to meet the nation's Islamic finance ambitions?

Dubai Declaration on sustainable finance welcomes first and only fully-fledged Islamic financial institution

An Islamic insurer has become the first fully-fledged Islamic financial institution in the UAE and one of the very few in the world to officially pledge to make its measures for sustainability public, drive responsible financing activities and run its business in a sustainable manner. VINEETA TAN explores the significance of this development.

Noor Takaful is the latest to join a consortium of eight financial institutions in signing the Dubai Declaration of Financial Institutions in the UAE on Sustainable Finance (the Dubai Declaration), an initiative in support of the government's commitment to the Paris Climate Agreement as well as UN Sustainable Development Goals (UN SDGs).

The other eight signatories are conventional financiers, either fully-fledged or have separate Islamic businesses, making Noor Takaful the only wholly-Shariah compliant signatory.

This development is significant because despite the Shariah finance industry aligning itself with the ethical and socially responsible finance brand, there is a severe lack of Islamic finance participation globally in committing to a set of sustainable finance requirements and measures. Agreeing to the Dubai Declaration or any other sustainable finance metrics such as the UNEP Finance Initiative or UN Global Compact generally means devoting resources to engage in responsible lending, integrate ESG criteria into financial products and investments, implement green initiatives to reduce carbon footprint as well as promote equality and diversity at the workplace among others.

Also crucial is that financial institutions are required to regularly compile and publish a sustainability/CSR report in accordance with international standards — something very rarely done in the Islamic finance community. So while Islamic financial institutions could be engaging in ethical and socially responsible businesses, the social impact of their activities would be difficult to gauge due to the lack of disclosure.

Apart from Noor Takaful, Bahrain's Al Baraka Banking Group is the only fully-fledged Islamic bank to have signed a sustainability initiative — the UN Global Compact in 2016, which boasts over 800 participants from the financial sector. The Islamic Reporting Initiative, established in 2015 to guide companies to deliver on the UN SDGs through the creation of a CSR reporting framework based on Islamic principles and values, does not have a single Islamic bank on board as a member despite its membership exceeding 160.

Islamic finance picks up pace in Russia

Islamic finance is gaining momentum in Russia after the Islamic Corporation for the Development of the Private Sector (ICD), the private arm of the IDB, and the International Association of Islamic Business (IAIB) entered into an agreement to explore possible avenues for collaboration in enhancing business relations between entrepreneurs from Islamic countries and the Russian Federation. DANIAL IDRAKI reports.

The two institutions will look at introducing Islamic banking products in Russia by attracting banks operating with Shariah compliant principles and lobbying for changes in Russian banking legislation to incorporate Islamic banking. The Central Bank of Russia is currently studying proposals to remove existing impediments to the introduction of Islamic finance in Russia's banking sector, and is working toward developing a more favorable regulatory, tax and legal regime.

Furthermore, the ICD and IAIB also reached an agreement to facilitate information and expertise exchange in order to develop effective cooperation, which may include organizing joint professional programs, market research, workshops, publications, study tours and assisting in the production and certification of Halal goods. The IAIB works to foster the development of economic ties among Islamic countries, promote Islamic finance in Russia and attract investors from Islamic countries; Marat Kabayev, the president of the IAIB, noted in a statement that the organization considers the ICD as its strategic partner in the region.

Russia has been making inroads over the last year as the country with around 20 million Muslims seeks to make Islamic finance more visible to cater to the growing demand. Sberbank — the largest Russian bank — had announced in the third quarter last year that it is going to launch Islamic finance products for both companies and individual customers, with Tatarstan being one of the first areas targeted for its Islamic finance business expansion. Sberbank has 135 million individual clients and one million companies in 22 countries, with 17,000 branches in Russia alone.

Another important development was the opening of the Center of Partnership

Banking by Tatagroprombank — one of the largest banking groups in Tatarstan — in March last year. Other banks, such as Vnesheconombank and Tatfondbank, are also reportedly interested in offering Islamic finance products in the Russian market.

The Halal industry has also seen commendable growth in Russia in recent years, as exemplified by the Moscow Halal Expo held annually. Abubakar Arsamaskof, the president of Moscow Industrial Bank, recently noted that Russian companies are entering the Halal industry on a large scale and have invested approximately US$100 million so far, as Halal products are viewed favorably among non-Muslims due to their high quality.

Sovereign Sukuk: Indonesia eyes global markets

As the markets move toward the middle of the first quarter of 2017, a number of interesting developments have been taking place in the sovereign Sukuk space lately, with the latest being Indonesia looking to tap the global markets with a potential dollar issuance this year. DANIAL IDRAKI brings you the usual roundups in the sovereign Islamic debt markets.

Bahrain

The Central Bank of Bahrain announced in a press release that the monthly issue of its Sukuk Salam securities worth BHD43 million (US$110.53 million) has been 100% fully subscribed. The facility carries a maturity of 91 days and matures on the 24th May 2017 with an expected return of 2.23%. This is issue No 190 (BH0007412529) of the short-term Sukuk Salam series.

Malaysia

The government of Malaysia's RM4 billion (US$897.7 million) GII Murabahah offering was oversubscribed, receiving 393 bids worth RM12.49 billion (US$2.81 billion), according to a statement on Bank Negara Malaysia's website. The issuance, maturing on the 15th August 2024, has an average yield of 4.05%.

Indonesia

The government of Indonesia has conducted an auction of sovereign Sukuk (SPN-S 08082017 and four project-based Sukuk series) on the 21st February to finance the 2017 State Budget, according to an announcement on the Ministry of Finance's website. The indicative target for the auction is set at IDR6 trillion (US$449.4 million).

Furthermore, the Indonesian government plans to raise US$5.5 billion from the global markets this year and is looking at US dollar Sukuk as well as yen and euro-denominated conventional bonds, according to Reuters quoting Robert Pakpahan, the director-general of financing at the finance ministry. The government is understood to have invited banks to pitch for a dollar Sukuk facility in January.

Upcoming sovereign Sukuk

Country	Amount	Expected date
Indonesia	US$5.5 billion	2017
Saudi Arabia	TBA	2017
Morocco	TBA	First half 2017
Bahrain	TBA	First quarter 2017
Oman	US$2 billion	TBA
Iran	IRR60 trillion	2017
Nigeria	TBA	First quarter 2017
Egypt	TBA	TBA
Kazakhstan	TBA	2017
Kenya	TBA	2017
South Africa	TBA	2017
Bangladesh	TBA	TBA
Hong Kong	US$500 million to US$1 billion	TBA
Ningxia Hui Autonomous Region	US$1.5 billion	TBA
Niger	XOF150 billion	TBA
Luxembourg	TBA	TBA
Tunisia	US$500 million	TBA
The UAE	TBA	TBA
Shandong Province	CNY30 billion	TBA
Sindh Province	US$200 million	TBA
Kuwait	KWD5 billion	TBA
The Maldives	TBA	TBA
Sri Lanka	US$1 billion	TBA
Germany	US$1 billion	TBA

France: Pockets of growth

With Brexit becoming a reality, many have noted that France could benefit from the UK leaving the EU including potentially capturing a larger chunk of Shariah real estate investments. But with the country on high alert from a string of terror attacks in the last couple of years, does Islamic finance still have a place in Europe's largest Muslim market? VINEETA TAN casts an eye over the country's Islamic finance landscape.

Regulatory environment

France does not have a dedicated legal framework for Islamic financial transactions; however, the French legal system is relatively Shariah-friendly as its contract law principles, particularly those in relation to contractual freedom, accommodate the essence of Islamic transactions.

Under former finance minister Christine Lagarde, several regulatory reforms were introduced to facilitate Islamic finance including on Sukuk, Murabahah, Ijarah and Istisnah, granting these instruments tax parity with conventional finance. For example, double stamp duty and capital gains tax on property were removed to encourage Sukuk issuance.

Banking and finance

Islamic banking and finance activities remain sporadic and minimal as compared to other European markets such as the UK and Luxembourg, although market participants note that they are steadily growing, driven by real estate financing. France (especially Paris and the French Riviera) remains an attractive real estate investment destination for Middle Eastern investors who also heavily invest in the UK and Germany. It is worth noting that most Shariah compliant real estate deals in France are mostly handled by foreign banks.

French lenders such as BNP Paribas and Societe Generale (SocGen), while they have Islamic finance capabilities, are mostly active in overseas markets. In the context of France, fully-fledged Islamic banks are absent; however, there is one Islamic banking window operated by Chaabi Bank whose Shariah product suite includes an Islamic deposit account and a real estate product.

Islamic financial services are nonetheless provided by other non-bank institutions, for example 570 AM that has been particularly active in the fintech sector. The asset manager in 2017, together with its Luxembourger partner EETHIQ Advisors, set up a four-year joint research program in partnership with the University of Luxembourg on blockchain technology for ethical and Islamic finance. IFN has also learned that 570 AM is working on expanding its Shariah compliant digital mortgage offering to other European countries and developing a personal Islamic finance management platform in collaboration with EETHIQ.

Takaful

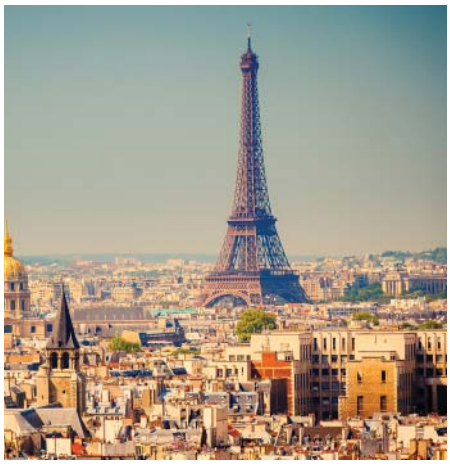
While the French Islamic banking space lacks domestic participation, the Islamic insurance arena is fairly active, although the sector is dominated by Family Takaful. Solution providers include Swiss Life, FWU, VITIS Life, Noor Assur and SAAFI. There are also a number of Takaful brokers including DEEFI. The relatively vibrant Takaful market is facilitated by the fact that existing laws are compatible with the Takaful business model and that France is one of the world's largest insurance markets with a penetration rate of almost 10% — almost five times more than that of the GCC, bolstered by the government's efforts in making insurance compulsory. These coupled with France's large Muslim population make Takaful a lucrative proposition.

The Takaful market is growing: in 2016, Azurite Courtage made its mark in the space with its first Shariah compliant insurance product; NoorAssur, which began as a digital start-up in 2012, expanded its physical presence nationwide throughout 2016; while SAAFI took advantage of the AAOIFI Shariah standard on gold to launch an Islamic gold dinar savings plan.

Ezzedine Ghlamallah, IFN's Correspondent for the European Takaful and re-Takaful market as well as a director of SAAFI, estimated that if Islamic insurance were to capture merely 1.75% of the French insurance market, the country could become the world's largest Takaful market after Saudi Arabia.

Sukuk

Despite publishing guidance on Sukuk issuance and removing double stamp



duty for Sukuk sales, France has yet to originate a Sukuk transaction. SocGen came closed to issuing (albeit from Malaysia) when it proposed a RM1 billion (US$224.42 million) Sukuk facility in 2014. The facility however, which was rated 'AAA(s)/Stable' by RAM Ratings, was delayed and in May 2016 had its rating withdrawn suggesting that the deal is likely off the table.

Islamic funds

Latest figures from the European Central Bank (2013) indicate that there are six Shariah compliant funds in France with total assets under management of US$147.2 million, relatively evenly distributed between the money market (47%) and equity (53%).

Outlook

There are certainly pockets of growth for Islamic finance in France especially in the Takaful segment; France could even carve its position in the global Islamic finance landscape leveraging its insurance repertoire. Its favorable demographics (7.5% out of the 66 million-strong population, according to Pew Research) and growing US$6 billion Halal industry could swing open doors to great Islamic opportunities; however, rising anti-Muslim sentiments in the secular nation exacerbated by a string of extremist terror attacks in the past two years are likely to cast dark shadows over the country's Islamic finance prospects.

Risk management in Islamic finance

Risk management is crucial for Islamic finance, particularly given the risk and return-sharing principle that governs the industry. While in theory offering lower risk exposure due to Islamic finance's firm principles and basis in the real economy, Islamic transactions and institutions nevertheless face real and unique risks that require a robust and comprehensive management process. DANIAL IDRAKI gives an update on the latest events in the Shariah compliant risk management arena.

Regulations

The IFSB had in April 2016 issued a working paper titled 'Strengthening the Financial Safety Net: The Role and Mechanisms of Shariah Compliant Deposit Insurance Schemes (SCDIS) (WP-06)', which seeks to shed light on the principles and existing institutions through which deposit insurance schemes are provided on a Shariah compliant basis.

The IFSB and Shariah Research Academy for Islamic Finance (ISRA) had also issued a joint IFSB-ISRA Working Paper titled 'Shariah Non-Compliance Risk in the Banking Sector: Impact on Capital Adequacy Framework of Islamic Banks (WP-05)'. The working paper endeavors to explore the appropriate approach for the application of a capital charge for Shariah non-compliance risk.

Middle East

Earlier this month, Ibdar Bank appointed the Bahrain Institute of Banking and Finance to provide corporate governance training to its board of directors. The training, part of the Islamic wholesale bank's Continued Development program, will focus on Shariah fundamentals and governance, risk management and strategy in Islamic financial institutions. The 15-hour executive course is aimed at ensuring the board members are well versed in the latest practices in Shariah and corporate governance, in order to meet the requirements of the Central Bank of Bahrain.

In August last year, Moody's Investors Service noted that the IDB's credit profile is propped up by its strong shareholder support, robust capital base and prudent financial and risk management policies, and that the multilateral Islamic bank's strong capital base is a result of multiple capital increases that place it in a generally favorable capital adequacy position when compared with other 'Aaa'-rated multilateral development banks.

Dubai Financial Market launched the draft of its Shariah compliant 'Standard on Hedging against Investment and Finance Risks' in October 2016 and invited Islamic finance professionals to provide feedback, with the consultation period ending on the 10th November.

Dubai Financial Services Authority (DFSA) announced in January this year that its regulatory framework for central counter parties has been recognized by the European Commission as equivalent to the EU's regulatory framework. The recognition is based on DFSA's work and practices in promoting financial stability through a reduction in systemic risk.

Africa

In Nigeria, the Islamic Corporation for the Development of the Private Sector will provide technical advisory and fundraising services to MFB Holdings, which plans to establish a new Islamic bank in Nigeria. It will include the areas of project management, Shariah governance and product development, treasury, accounting, risk management, human resources, information technology, marketing and legal support.

In March last year, Faisal Islamic Bank of Egypt launched a risk management department, following the Central Bank of Egypt (CBE)'s directive. The bank also created a micro, small and medium enterprises (MSMEs) department and began granting loans to MSMEs, in line with the new initiative by the CBE obliging banks to provide a minimum of 20% of their total loans portfolio to the SME sector within four years.

Asia

Indonesia's parliament passed a law in March 2016 that made its biggest banks increase their capital to provide a buffer against any possible setbacks, with the aim of managing financial crises. The law establishes rigid, step-by-step protocols to handle a crisis and will direct the central bank to help with liquidity problems and help the deposits insurer to deal with bank insolvency. Fauzi Ichsan, CEO of the Indonesia Deposit Insurance Corp, was quoted as saying that under the new system, the required capital-adequacy ratio (CAR) may need to be raised to 20% for systemically important banks. The required CAR now starts at 8% of risk-weighted assets.

In May last year, Bank Negara Malaysia (BNM) finalized for issuance the policy document on operational risk which is expected to be a point of reference for Malaysian financial institutions on BNM's expectations on how to manage operational risk along with other risks. Specific guidelines include having dedicated subcommittees to assess operational risk at each business level, and 'operational risk appetite' statements which should include all major operational risks associated with the financial market activities that the institution is involved in.

The policy document is applicable to licensed banks, investment banks, Islamic banks, international Islamic banks, insurers, Takaful operators, international Takaful operators and prescribed development financial institutions pursuant to the Financial Services Act 2013, Islamic Financial Services Act 2013 and Development Financial Institutions Act 2002.

Over in Pakistan, the State Bank of Pakistan (SBP) had earlier this year issued the Prudential Regulations for infrastructure project financing. Taking into consideration the environmental impact of projects, the regulations have also set rules on technical, legal, cash flow-generating capacity, risk assessment and insurance aspects among others. The SBP encourages banks and development financial institutions to utilize Islamic finance for infrastructure projects.

DIB's US$1 billion Sukuk: Quenching investors' thirst for a GCC paper

Dubai Islamic Bank (DIB) in February issued its US$1 billion Sukuk, the largest senior unsecured Sukuk issuance globally by a financial institution, and the first from GCC this year. Issued under DIB's US$5 billion Sukuk program, the deal was oversubscribed more than twice. DURGAHYENI MOHGANA SELVAM has the exclusive on why the deal elicited positive reception.

Though just recently issued, the Reg S senior Sukuk Wakalah deal, with the aim of accessing the market for additional funding for general business purposes, was already making the rounds in the news since 2016. DIB organized investor meetings in Asia last year, which concluded with a roadshow in London on the 6th February 2017. A consortium of nine banks initially guided the pricing of the deal at 185bps over midswaps. The price thought was further tightened to 170bps over midswaps, before a final print at the tight end.

Commenting on the structure's significance, DIB said: "The Wakalah principle is particularly well suited to Islamic banks as it allows such banks to use its existing Islamic financial assets to structure a Sukuk issuance. Given this was a standard drawdown off a program, no other structure was considered. This structure not only provides DIB with the flexibility in selecting the mix of financial assets for each drawdown, it also is one of the most widely accepted and recognized structures among Islamic investors, which thereby allows DIB to attract a wide investor base for its issuances."

Though it was planned to be priced during what is expected to be a hectic time for the GCC's debt capital market as sovereigns and corporates compete to raise international funds to secure capital and boost liquidity which has been in deficit due to low oil prices, the issuance stood resiliently and became a successful venture. The orderbook received US$2.1 billion including lead interests, with more than 120 orders.

This vast investor base, as well as a geographically diverse interest, highlights the strong demand for a GCC issuance. There has been a shortage in supply for a Gulf paper in recent times, according to NASDAQ Dubai. The last Sukuk facility from the Middle East was from Ahli United Kuwait in October 2016.

"DIB managed to capitalize on a window of opportunity and announced the transaction when the investor base indicated an interest. DIB benefited from its strong credit quality as well as first-mover advantage in the rated Sukuk space, and was able to successfully price [the] transaction ahead of the envisaged healthy pipeline of supply from the region," the bank quipped.

The paper was listed on the Irish Stock Exchange and NASDAQ Dubai. It brought the total value of DIB's current Sukuk listings on NASDAQ Dubai to US$4.25 billion, the largest by a UAE issuer. The issuance strengthened Dubai's position as the world's largest venue for Sukuk listings by value, raising the total listed in the emirate to a groundbreaking US$47.81 billion.

"DIB's offering has not only re-opened the market for the regional banking sector, but has also effectively assisted in the development of the global Islamic finance industry by establishing a liquid and efficient benchmark for other global and regional peers, as and when they opt to access the market in the coming months. This should be seen in the context of the limited Sukuk supply globally," the bank said.

Investor breakdown	Geography: 61% Middle East 20% Europe 19% Asia Type: 52% Banks 39% Fund Managers 3% Agencies 4% Private banks/ Insurance
Face value / minimum investment	Minimum investment of US$ 200,000 in multiples of US$1,000

Dubai Islamic Bank five-year 3.66% Sukuk

US$1 billion

14th February 2017

Issuer	DIB Sukuk
Obligor	Dubai Islamic Bank
Size of issue	US$1 billion
Mode of issue	Reg S senior unsecured Sukuk
Purpose	General funding purposes
Tenor	Five years
Issuance price	100%
Profit rate	3.66% per annum
Currency	US dollar
Maturity date	14th February 2022
Lead manager(s) and bookrunners (s)	Bank ABC, Dubai Islamic Bank, Emirates NBD Capital, HSBC, KFH Capital, Maybank Investment Bank, National Bank of Abu Dhabi, Sharjah Islamic Bank and Standard Chartered Bank
Governing law	English and UAE law
Legal advisor(s)/ counsel	To DIB: *English, DIFC and UAE law* – Allen & Overy *Cayman Islands law* – Maples and Calder (Dubai) To dealers: *English, DIFC and UAE law* – Clifford Chance
Listing	Irish Stock Exchange and NASDAQ Dubai
Underlying assets	100% tangible assets
Rating	'Baa1' (Moody's)/'A' (Fitch)
Shariah Advisor(s)	Dar al Sharia Legal & Financial Consultancy
Structure	Wakalah

Protectionism

By Kavilash Chawla, a partner at boutique management consulting firm Baton Global and a visiting scholar at Drake University.

One of the most significant setbacks to global trade occurred a few weeks ago with the withdrawal of the US from the TPP. The withdrawal of the US from the TPP, however, is not just an isolated event but rather, it is reflective of a broader and widening trend toward protectionist trade policies globally. Considering this trend, I have been 'thinking big' about protectionism, and its nexus with Islamic finance.

Firstly, I do not see the current global trend toward protectionist policies having a unique or oversized impact on the Islamic finance industry: as goes the broader economic and financial impact of protectionist policies, so will go the impact on the Islamic finance industry.

The more interesting, and perhaps more relevant, discussion of protectionism within the scope of Islamic finance is around the role of protectionist policies in underpinning the growth and development of the Islamic finance industry.

Like most young and developing industries, the Islamic finance industry was supported by policymakers and regulators through direct and indirect subsidies. These measures were designed and implemented to protect the industry in its infancy and enable it to grow to adequate strength so it could compete head-to-head with conventional finance.

Having studied development economics, I strongly believe and agree that creating enabling environments for infant industries to flourish is a necessary tool within a region's economic development toolkit, and that protectionist policies can and have played key roles in supporting nascent industries toward becoming globally competitive giants. But, as any parent knows, the most difficult part about protecting one's child is knowing when to let go, ie when to push that child out into the great wide open to succeed (or fail) on their own merits and hard work.

While the Islamic finance industry continues to grow, it remains at between 1% and 1.5% of the total global financial market, and it has continued to remain around this range of 1-2% of the global total for nearly a decade now. This has had me 'thinking big' about why, despite growth in the industry itself, the industry has not gained significant market share from conventional finance on a global scale. In looking toward answering this question, it is necessary to 'think big' about the economic development models that have been employed in different markets to enable the Islamic finance industry to develop.

To be clear, we are yet to conduct extensive research into the topic and to do a thorough comparative analysis of economic development models employed across jurisdictions to develop local Islamic finance industries.

A cursory review of the landscape, however, indicates that a common approach has been employing protectionist-oriented policies that provide both direct and indirect subsidies to the Islamic finance industry. This begs the question, how effective have protectionist policies been in enabling the Islamic finance industry to flourish? And how effective and necessary are they for the future growth of the industry?

While we have certainly seen the market share of Islamic finance grow within countries, and between countries with Islamic finance services, on a global scale, the industry continues to be a fringe player. Why? I would hypothesize that the protectionist-oriented economic development policies which enabled the growth and development of local Islamic finance industries have, unintentionally but simultaneously, handicapped many local industry players from sufficiently developing to compete successfully against conventional finance on a global scale.

Specifically, such protectionist policies have created a status quo where the market has low competition and low risk, and where investors secure higher returns than their level of risk would afford them in a competitive environment. This has enabled operational inefficiencies and non-market competitive strategies to survive, allowing institutions to continue to survive despite their lack of competitiveness. In other words, we have kept our kids in the safe zone for far too long, and now neither of us is sure if they can succeed in the real world.

My goal here is not to criticize the industry. I pay great respect and compliment the pioneers, the policymakers and the regulators who have supported the industry and enabled its growth and development to this stage. My point is, however, that it is perhaps time to reevaluate policies and regulations that, while necessary to have helped start the industry, may now be serving to handicap the ability of the industry and industry players to go out into the global market and compete purely on the merits of their products, their efficiency and their hard work.

Let's 'think big' about how we grow beyond the 1-2% of market share that we have carved out over the last 30 years and compete, head on, for the entire pie.

Qatar: A promising start

QATAR

By Amjad Hussain

The last month presented an opportunity to reflect on the performance of the banking sector in Qatar during the past year, with the majority of the banks disclosing their results for 2016. It is anticipated that the results of the remaining banks will be declared in the coming weeks. Overall, banks have outperformed the financial results of 2015, which is a promising sign for the banking sector and provides a positive outlook for the performance of the banks during the course of 2017.

Qatar Islamic Bank (QIB) announced that it has achieved a net profit attributable to equity holders of QAR2.16 billion (US$592.75 million) for 2016 compared with QAR1.95 billion (US$535.12 million) for the year 2015, showing an increase by 10.3% over last year. QIB's board of directors also proposed a profit distribution to shareholders of 47.5% of the nominal share value (QAR4.75 (US$1.3) per share).

> ***"Current indications are that the banking sector in the State of Qatar remains in a strong position. This certainly signals a positive outlook for 2017"***

Qatar International Islamic Bank disclosed its financial statements for the period ended on the 31st December 2016, which showed a net profit of QAR784.8 million (US$215.37 million) compared with net profit amounting to QAR784.2 million (US$215.2 million) for the same period of 2015. Earnings per share amounted to QAR5.18 (US$1.42) for the period ended the 31st December 2016.

QNB Group announced that net profit reached QAR12.4 billion (US$3.4 billion), up by 10% from last year. Total assets reached QAR720 billion (US$197.58 billion), up by 34% from December 2015. The board of directors recommended the distribution of a cash dividend of 35% of the nominal share value (QAR3.5 (96 US cents) per share) and a bonus share of 10% of the share capital (one share for every 10 shares).

QInvest's results for 2016 showed that revenues increased 6% to QAR416 million (US$114.16 million), operating profits increased 3% to QAR220 million (US$60.37 million) and assets increased by 5% to QAR4.69 billion (US$1.29 billion).

Masraf Al Rayan also announced its financial results for 2016, delivering a net profit of QAR2.08 billion (US$570.8 million). The board of directors, at a meeting held on the 16th January 2017, recommended a cash dividend distribution of QAR2 (54.88 US cents) per share, representing 20% of the paid-up capital.

The financial performance of Masraf Al Rayan is definitely one to watch as it is in the process of undergoing a potential merger with Barwa Bank and the International Bank of Qatar, which (if consummated) may result in the new merged entity becoming the largest Shariah compliant bank in the State of Qatar and the third-largest Shariah compliant bank in the Middle East with assets worth more than QAR160 billion (US$43.91 billion) and a share capital of more than QAR22 billion (US$6.04 billion).

A few more banks are yet to disclose their financial results (particularly Barwa Bank and Qatar First Bank). However, current indications are that the banking sector in the State of Qatar remains in a strong position. This certainly signals a positive outlook for 2017.

With oil prices stabilizing, it is hoped that Qatar's spending will resume a growth cycle this year, and if that happens, local banks will be in a key position to benefit from it.

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member, Partnership Banking Working Group, Central Bank of the Russian Federation
SAUDI ARABIA: Nabil Issa
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The challenges of public external financing in Tunisia: The role of Islamic finance

TUNISIA

By Mohamed Araar

Over the past five years, Tunisia's sovereign rating had been downgraded due to the slow progress in implementing reforms and redressing Tunisia's persistent low economic growth. The negative impact on the country's situation continued (imbalances in the current account and budget deficit, increase in external debt and the plunge in international reserves) as high political, geopolitical and security risks depressed private investor and consumer confidence with unemployment still at dangerously high levels.

The latest downgrade, at the time of writing, came from Fitch Ratings who lowered the country's foreign debt rating to 'B+' from 'BB' in February 2017. Also, Moody's Investors Service has changed the 'Ba3' rating outlook to negative in November 2016. In addition, Rating and Investment Information downgraded the 'BBB-' investment grade rating on Tunisia to 'BB+' speculative grade rating with a negative outlook in December 2015. Moreover, in December 2013 the Tunisian authorities canceled its contract with S&P who moved the country from 'BB-' to 'B' in August 2013.

Tunisia's downgraded ratings have made financing costs higher, but Tunisia enjoyed support from the international community which offered concessional financing (including from the EU and World Bank) and an approximately US$1.41 billion IMF standby loan disbursed at an interest rate of approximately 1.08%.

To cover the remaining needs, Tunisia sourced funds four times from the international debt market with financial backers such as the US Treasury and the Japan Bank for International Cooperation (the last issuance of five-year US$500 million bonds at 1.42% was backed by US guarantee in August 2016). For the first time since 2011, the authorities closed the gap by tapping international markets, without resorting to sovereign guarantees, by issuing 10-year US$1 billion bonds at 5.88% in January 2015.

In the meantime, the steps taken by the Tunisia 2020 International Investor Conference held in November 2016, during which the international community pledged around TND34 billion (US$14.7 billion), will help meet the challenges of Tunisian redevelopment and plugging part of its budget deficit over the next four years, in addition to another US$2.9 billion loan approved by the IMF in 2016.

However, Tunisia will continue to fund its deficit while opportunistically accessing international capital markets. Actually, Tunisia has started a roadshow, at the time of writing, for a forthcoming euro-denominated bond. Furthermore, the issuance of a US$500 million Sukuk facility was brought up again on the sidelines of the five-year development plan (2016/2020) review by the Finance Committee prior to it being presented to the Assembly of the Representatives of the People. As a result of difficulties related to sovereign real estate properties, this issuance was hampered in recent years.

Clearly, Sukuk issuance is a more expensive way to obtain foreign currency than concessional financing from multilateral or agencies, but the strategic objectives of international sovereign Sukuk issuance should be embedded in the public debt strategy of the five-year development plan (2016/2020) in order to meet government funding needs beyond the current market capacity and to raise the market profile and visibility procured by an investor base diversification.

Actually, Tunisia's use of Islamic finance is increasing, with the primary focus on development financing through agreements with the IDB which has offered nearly US$1.2 billion in funds that were used for cooperation in priority areas during the 2013-15 period. The IDB is also fully involved with a US$2 billion pledge over five years announced during the Tunisia 2020 conference.

Once more, the strategic objectives of the new planned IDB program during the 2016-20 period should be embedded in the international community partnership strategy of the five-year development plan (2016/2020) in order to extend financing to the development of finance products in the private sector, specifically Islamic products.

Any public opinion or media appearance is the author's independent personal opinion and should not be construed to represent any institution with whom the author is affiliated.

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Turkey: Economic developments and foreign investments

TURKEY

By Ali Ceylan

Rating agency Fitch Ratings recently downgraded Turkey's sovereign debt to junk, underlining concerns about political and security developments of the country. It lowered Turkey's rating to 'BB+' from 'BBB-'. S&P also lowered its outlook for Turkey to negative from stable, citing growing constraints on policymakers' ability to contain inflation and shore up the tumbling Turkish lira. The authorities have stated that there was no great problem with the country's macroeconomic indicators and that rating agencies sometimes move according to political motives.

Despite the credit rating agencies' low ratings on Turkey, investments from foreign countries are still continuing. According to the head of UK defense giant BAE Systems, Turkey can be stronger than ever with the government's actions to strengthen the economy, having recently signed a US$125 million deal with a Turkish company.

The Bank of China, the world's seventh-largest and the third-largest in China, will become the second Chinese lender to operate in Turkey after the Industrial and Commercial Bank of China which purchased a majority stake in Tekstilbank in 2016. Meanwhile, Turkey's Banking Regulation and Supervision Agency, the BDDK, recently said three foreign banks had expressed a strong interest in Turkey and were likely to enter the Turkish market in 2017.

The European Bank for Reconstruction and Development (EBRD) said it continued to deliver strong support for Turkey in 2016 with a combination of a powerful investment program and the backing of crucial sector policies to modernize the country's economy and build its resilience to shocks.

In a challenging year, the EBRD invested EUR1.9 billion (US$2.01 billion) in Turkey.

Turkey's new citizenship rules are expected to encourage real estate sales amid stagnating property sales to foreigners. The new regulations will grant citizenship to foreigners who buy real estate in Turkey worth at least US$1 million under the condition that the property is not sold for at least three years.

Finance Minister Naci Agbal stated that a new sovereign wealth fund formed by Turkish authorities will be audited and adhere to international standards. There will also be no change in the

management and operational activities of Turkish companies whose stakes have been transferred to the fund and the fund will never interfere with the strategies of these companies. Turkey has transferred stakes worth billions of dollars in Ziraat Bank, Halkbank, the Borsa Istanbul stock exchange, Turkish Airlines and state-owned pipeline operator BOTAS.

Despite Turkey's low ratings, the lira rose 1.2% and rebounded to 3.8 late on the 30th January from over 3.86 in early trading, as many analysts believed that the worst was over for the currency in the short term.

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Hong Kong's potential to develop as a Takaful center

HONG KONG

By Wilson Yeung

Hong Kong is a leading Asian insurance center; a huge number of major international insurers, reinsurers and intermediaries that provide a full range of insurance services are based in Hong Kong.

In addition to fulfilling the requirements of their local market, many reinsurers and captive insurers use Hong Kong as their base to write risks from the region. A well-developed and responsive regulatory framework underpins Hong Kong's insurance industry.

Consistent with Hong Kong's strategy, the same platform can be utilized for Islamic insurance (Takaful). Although Takaful insurance has not been made available in Hong Kong yet, there is much potential interest from Middle East Takaful insurers to use Hong Kong as their base to tap the regional Takaful market alongside Malaysia and Singapore. In addition, there is a potentially increasing number of re-Takaful companies ready to establish their operations in Hong Kong. Furthermore, there are opportunities for Takaful and re-Takaful companies to leverage on Hong Kong's fund management industry for their asset management demands.

Hong Kong's strategy in Islamic finance is to play a value-adding role in the worldwide growth of Islamic finance and to become an indispensable component of the international financial system. Being a major international financial center, Hong Kong is well positioned to leverage on the expertise and talent base in conventional financial products and services. Hong Kong's free markets, efficient infrastructure and transparent regulatory system will remain appealing to both conventional and Islamic financial services players. Hong Kong is also foreseeing a growing number of professional service providers such as specialist lawyers and tax advisors strengthening their Islamic finance expertise.

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Takaful and re-Takaful: Marketing strategy for Takaful companies

TAKAFUL & RE-TAKAFUL (EUROPE)

By Ezzedine Ghlamallah

The marketing approach of a Takaful product in the European region has to be based on a three-pronged vision: cultural, organizational and strategic, as well as reflect the atmosphere of a Takaful company while it must have the purpose of maintaining coherence of actions and ensure veracity of speech.

As in all key areas of a Takaful company, the commitment of leaders is essential. Marketing can be defined as an effort to adapt organizations to competitive markets, in order to influence the public's behavior on which they depend, by an offer whose perceived value is higher than competitors.

> ***"It is by using a tailored marketing mix adapted to the Takaful industry that companies will manage to meet their customers' needs and ensure commercial success"***

Marketing for Takaful companies is therefore a customer-oriented mindset but it also relates to profitability. It is the set of techniques that enable the meeting of products and services intended to satisfy the consumers' expectations.

Today, the power of customers is growing, thanks to the development of blogs, forums and social networks. It is possible to enquire before a purchase, to testify as a result of good or bad experiences, to propose improvements products, etc. Takaful companies must learn to take this into account in a transparent and respectful manner. It

is by using a tailored marketing mix adapted to the Takaful industry that companies will manage to meet their customers' needs and ensure commercial success.

The seven Ps of the Takaful marketing mix

1. Pedagogy: The more knowledge a person has about Takaful, the more Takaful will interest him. Consequently, if the Takaful company wishes to increase the degree of his interest, it is necessary to increase the degree of his knowledge.

2. Pureness (Shariah compliance): Companies must build trust through honesty, transparency and sincerity and must participate in social and educational activities. Proposed contracts must be validated by Shariah scholars and surpluses must be allocated between companies and participants.

3. Price: Affordable prices must be sought without seeking to take advantage of the absence or weakness of competition to increase them, at the risk of creating mistrust which would be perceived as a misappropriation of religious values of solidarity and mutual assistance for pecuniary ends.

4. Product: To ensure successful commercialization, the products offered must meet real needs arising from cultural, religious, social and economic factors.

5. Professionalism: Takaful companies' credibility depends on the professionalism of their representatives, who must be competent, honest and focused on meeting customer needs.

6. Place: One of the main challenges is distribution where it must be optimized so that the tariff can be competitive with the conventional offer. Marketing should be in tune with the spirit of these types of Islamic products which unfortunately are badly perceived to use aggressive sales techniques.

7. Promotion: Develop viral marketing to demonstrate the solvency and solidity of the Takaful company by communicating both on compliance and on the quality of products and services.

Ezzedine Ghlamallah is the executive director of SAAFI which specializes in Islamic finance and Takaful solutions. He can be contacted at ezzedine.ghlamallah@saafi.fr.

Real estate: Malaysian harvesting of London profits

REAL ESTATE

By Philip Churchill

As the plans of Islamic investors for 2017 have been finalized and, in many cases, shared with the world, I've picked up on a noticeable trend of what could be interpreted as Malaysian investors choosing to exit the London real estate market.

First to share with the Malaysian press was the intention of the Federal Land Development Authority, better known as Felda, to sell its Park City Grand Plaza Hotel in London's Kensington for an amount in excess of GBP90 million (US$112.53 million).

This was fairly quickly followed by an announcement from the Employees Provident Fund (EPF) that it intended to sell its St James Square property in the prime West End of London, as well as its Tower Bridge House office property in St Katherine Docks on the edge of the financial City of London. With a combined value reportedly of around GBP400 million (US$500.14 million), this is even more significant.

While material, both institutions are reporting that the moves are motivated by a desire to harvest a profit, not from any fundamental change of strategy or sudden dislike for what London has to offer. Felda bought its hotel in 2014 and if it achieves the targeted price, will realize a 50% profit, which would be impressive.

Meanwhile, EPF was among the first Malaysian institutions to come to London in 2010/2011. The sale of these two assets would be at yields materially below 5%, allowing a very healthy profit and the capital to be redeployed elsewhere, with EPF confirming that the capital would be retained for new overseas investments.

Supporting this theory that Malaysians aren't running from the UK was Tabung Haji's announcement recently of its allocation of RM2 billion (US$449.34 million), to new investments in the UK, as well as Australia. All very positive.

So, while the Malaysian institutions are looking to reinvest, the big question is what to purchase next? With the pound relatively weak at the moment, but the UK having the strongest GDP growth of any G7 country, this combination is proving to be attractive for many overseas investors, with London yields remaining very low.

Perhaps it's time for a major acquisition outside London?

Philip Churchill is the founder and managing partner of 90 North Real Estate Partners. He can be contacted at pchurchill@90northgroup.com.

Industry practitioners as Shariah board members — a reputational risk?

TAKAFUL&RE_TAKAFUL (ASIA)

By Marcel Omar Papp

Two local (re)insurance companies in Indonesia recently announced their intentions to set up a (re)Takaful window operation. This will hopefully boost the local Takaful industry.

Subsequently, both companies will be planning to appoint industry practitioners into their Shariah boards. This is not an exception as many industry practitioners are already members of Shariah boards of (re)Takaful operators in Indonesia. In some cases, the entire board consists of industry practitioners only. Interestingly, a few of them are still working in the management of other insurance-related organizations.

In fact, the inclusion of practitioners addresses the concern that Shariah scholars do not have the necessary understanding of Islamic finance, let alone Takaful or re-Takaful. Companies may also prefer to have practitioners in their board as it may be 'easier' to deal with them.

However, this practice raises several critical questions. How can a board consisting of only practitioners ensure that their decisions are in line with Shariah? Do they have the necessary knowledge in Fiqh (Islamic jurisprudence) to make decisions based on it? A reputational risk may arise if Shariah boards make decisions that are not in line with Fiqh. The confidence in Shariah insurance in Indonesia can be negatively affected if certain decisions are challenged in public.

> ***"A reputational risk may arise if Shariah boards make decisions that are not in line with Fiqh"***

There is also a conflict of interest when Shariah board members are actively involved in the management of other insurance-related operations. How can it be ensured that these Shariah board members do not make decisions to the benefit of their other management interests but just to the benefit of the risk fund participants?

Furthermore, as compared to some other countries, there is a significant number of Shariah scholars in Indonesia. As such, there is no need to appoint practitioners, highlighted by the fact that some (re) Takaful operators have also appointed boards consisting of Shariah scholars only.

Given the aforementioned scenarios, the National Shariah Council of Indonesia, as the supervisory body, needs to play a critical role to ensure that all Shariah board members of Takaful operations have the necessary knowledge of Shariah and that they make decisions in the best interest of participants and the industry as a whole.

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Brunei Darussalam – Islamic finance, a legacy for a sustainable future

Brunei Darussalam is widely known for the sovereignty of the monarchy and the in-depth practices of Islamic principles and teachings. The Sultanate incorporates Islam in its people's daily lives which is apparent from various angles, such as the food industry, hospitality industry, as well as the financial services industry. SHUKRI AHMAD writes.

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Islamic finance was offered as early as 1991 and has a sizeable share of today's banking and insurance sector. This exponential growth of the market share of Islamic financial institutions is a prime example of the importance placed on the application of Islamic values in the Bruneian way of life.

As of 2016, the total deposits held by Islamic deposit-taking institutions (Chart 1) made up 61% of the total assets while total gross Takaful contributions (Chart 2) totaled BND152.5 million (US$106.38 million) (51% market share) in 2016 compared with BND50 million (US$34.88 million) (27% of total gross premiums) in 2006.

Current landscape

In addition to the impressive growth, the development of Islamic finance in Brunei also received a boost in terms of rankings. According to the Islamic Corporation for the Development of the Private Sector-Thomson Reuters Islamic Finance Development Report 2016, Brunei ranked 14th out of 124 nations in the Global Islamic Finance Development Indicator, which comprises five indicators: quantitative development (QD), knowledge, governance, corporate social responsibility and awareness.

Brunei also ranked ninth in the Research Knowledge sub-indicator and in the Funds and Activities Corporate Social Responsibility sub-indicators.

In terms of governance, Brunei ranked 10th in Shariah governance, placing it as one of the top-ranked countries in the third-tier in regulations. This is a reflection of Brunei's performance against regional counterparts in terms of QD where there has been a significant increase in the profitability of its Islamic financial institutions.

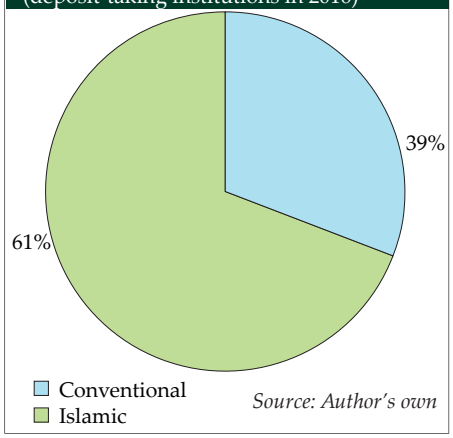
Brunei's drive toward achieving sustainable growth in the development of Islamic finance in the country remains potent. In 2006, the country announced the maiden offering of the Brunei government Sukuk Ijarah program (Chart 3). Since then, the issuances have been at a steady momentum. On the 10th anniversary, the total issuance was BND1.17 billion (US$816.12 million) compared to its initial offering of BND570 million (US$397.6 million).

> ***"The call to grow a new generation of young experts and scholars to succeed the seniors has been well received by the authorities"***

On the capital market front, as at the end of 2016, there are 10 capital market services licensees, of which one company conducts a fully-fledged Islamic investment business dealing in securities and another conducts a fully-fledged Islamic investment business dealing in fund management services.

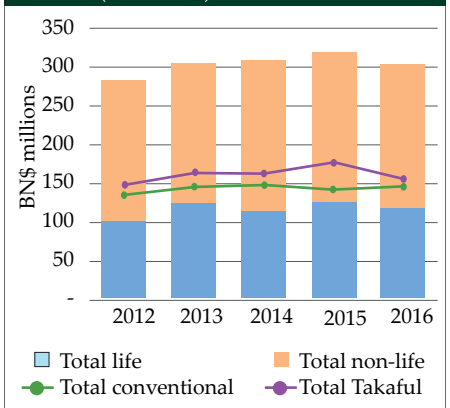
Additionally, there are 13 collective investment schemes (CIS) registered for distribution in Brunei, comprising four public conventional funds, seven public Islamic funds and two private Islamic CIS. Based on Chart 4, as at end of 2016, 33.5% of the total size of the CIS is Islamic.

Chart 1: Deposit taking total share (deposit-taking institutions in 2016)



Source: Author's own

Chart 2: Brunei's insurance/Takaful total gross premiums/contributions 2012-16 (unaudited)

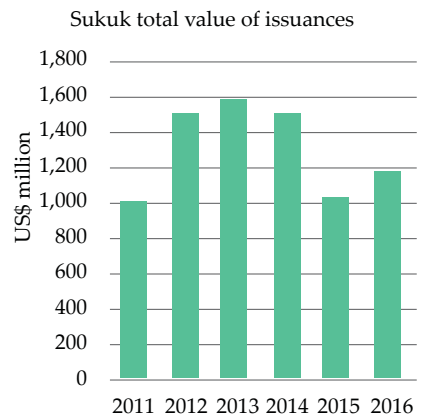


Source: Author's own

With these rapid developments, great importance is placed on preserving the purity of Islamic financial products and the operations of all licensed Islamic financial institutions. This is governed and administered through a thorough two-tier Shariah governance framework, comprising a Shariah Financial Supervisory Board (SFSB) at the national level and a Shariah Advisory Board (SAB) at the industry level. Both the SFSB and SAB are made

Continued

Chart 3: Total value of Sukuk Ijarah issuances



Source: Author's own

Chart 4: Capital market (Islamic CIS vs conventional CIS

Source: Author's own

> ***In undertaking its commitment to develop Islamic finance, Brunei is aligned to its developed counterparts by being members of renowned Islamic international organizations like the IFSB and International Islamic Financial Market***

up of renowned and prominent Islamic scholars with diverse experience and backgrounds including Shariah, legal, economics and finance.

Recognizing this importance, Brunei shares the same challenges as its fellow counterparts in building a solid succession plan for its Islamic finance experts and Shariah scholars. The call to grow a new generation of young experts and scholars to succeed the seniors has been well received by the authorities.

Among the initiatives toward developing a new generation of experts include the Fiqh Muamalat Professional Program (FMPP) by the Center for Islamic Banking, Finance and Management, the training arm of Autoriti Monetari Brunei Darussalam (AMBD). The FMPP has attracted participation from both Muslims and non-Muslims alike and has produced 26 junior Islamic scholars.

Furthermore, higher education institutions, such as Universiti Brunei Darussalam and Universiti Islam Sultan Sharif Ali, offer courses up to the PhD level in Islamic finance. As of 2016, Brunei is ranked 8th out of 53 nations that offer Islamic finance education.

On the international front, in undertaking its commitment to develop Islamic finance, Brunei is aligned to its developed counterparts by being members of renowned Islamic international organizations like the IFSB and International Islamic Financial Market.

The fruits of today are the seeds of yesterday

Brunei acknowledges that in order to achieve a sustainable future for Islamic finance, the infrastructure built today must be strong and able to weather any headwinds.

Among the building blocks laid out in that direction are the establishment of an Islamic deposit protection scheme administered by the Brunei Darussalam Deposit Protection Corporation and a central securities depository that supports secondary market trading of Sukuk while the authorities are also working toward a stock exchange that would list Shariah compliant securities.

The Financial Sector Blueprint (2016-25) that was recently released by AMBD serves to complement these infrastructures by setting out the future directions of Islamic finance development toward realizing the goal of becoming one of the renowned Islamic finance hubs. These future directions include the development of a Shariah compliant capital market and a Shariah market index as well as building Brunei's competitive edge in the fund management industry.

Moreover, Brunei continues to calibrate itself toward achieving meaningful development milestones in Islamic finance. The Muktamar Kewangan Islam Brunei (MKIB) and Brunei Islamic Investment Summit (BIIS) to be held in August 2017 are aimed at positioning Brunei on the international platform and contributing toward the ongoing development initiatives. Both the MKIB and BIIS will house globally renowned Islamic finance scholars to share their experiences and knowledge.

Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy or position of Autoriti Monetari Brunei Darussalam.

Dynamic trends in leading best practices

During the last decade, the turmoil in the financial industry and the different global crises (eg the subprime crisis, the sovereign debt crisis, the volatility in oil prices, etc) had, undeniably, reshaped financial practices and the way global business is conducted in both the conventional and Islamic finance fields. ALI KHOKHA explores.

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Consequently, regulators all over the world have been seeking the 'magic' tool that will enable them to monitor all the risk areas generated by the financial sector. Starting from this, the risk management practice has been strongly reinforced during the post-crisis period.

Indeed, the practice has been propelled to the front by the regulators through their post-crisis regulations (eg Dodd Frank, UCITS, AIFMD, MIFID, etc), where the risk management requirements (eg governance, risk-profiling, risk-reporting, etc) represented key/hot topics. This supporting regulatory environment enabled the risk management practice to shift from a 'passive' approach (ie where risk management was embedded in the investment management process with very limited influence and decision power) to a 'proactive' approach (ie a fully independent function, involved in the early stages in the review, assessment and validation of the investment process/targeted products).

In addition, the substance of the risk management practice in financial institutions has become a key differentiator with regards to regulators, investors and clients, and is even used as marketing material to demonstrate all the governance surrounding the business management. As a matter of fact, risk management comes with new trends of best practices that become crucial steps to complete before engaging in any investment decision. We can summarize those trends and best practices in three main blocks as follows:

(A) Risk management surrounding the governance of investment management activities

As an important signal from the regulators, one of the key requirements in all post-crisis regulations was the involvement of risk management in governance (eg involvement in governance bodies, the escalation process to senior management, the reporting to the regulators and to the investors, the validation of the investment selection/structuring process, the approval of the investment decision, the ongoing monitoring of the investments, the review of third-party activities, etc).

(B) Risk management for listed Shariah compliant products

Regarding Islamic listed instruments, it is worth mentioning that a dedicated risk management framework was more obvious to implement using modern portfolio management techniques, but including some minor/major adjustments to capture all the specificities of the Islamic products (eg no risk-free rate of return, no time value of money, etc). Some of them are described as follows:

- Risk measurement analysis: Market risk analysis including value at risk and stress testing; performance analysis on an ex-post and ex-ante basis; the use of risk-adjusted returns as the tracking error; the Sharpe ratio; the use of Jensen's Alpha, etc.
- Liquidity risk analysis: Using the analysis of the bid-ask spreads; the volatility between the pricing of different market makers; the number of pricing contributors; the size of holdings/volumes traded, etc.
- Counterparty and concentration risk analysis: Using internal/external credit rating models; counterparty specific analysis/assessment; scorecards, etc.

(C) Risk management for non-listed Shariah compliant products

The spirit of Islamic finance is, and will always remain, its profit and loss-sharing principle. Thus, a clear understanding of the Islamic products' risks is key to correctly handling them. In addition, the large diversity in the Islamic investment universe and the different specificities of its products (especially their structuring) add considerable complexity to the set-up of an adequate risk management framework. From here, it was obvious that each type of Shariah-structured product should have a 'tailor-made' approach (ie a multilayer analysis, both on the product itself and on its underlying assets/structures). However, we can summarize the current trend of risk management as follows:

- The screening phase (ie structuring, sourcing and pre-investment analysis processes)
  – Understand and define the risk appetite and include it in the investment management process, and
  – Identify all the risks related to the selected investments.
- The acquisition/structuring phase (ie due diligence, investment approval and fund disbursement processes)
  – Selection of the partners for the due diligence
  – Quantify the indicators of the main risks: income risk (eg cash flows, etc), economic and market risks (eg macro and socioeconomic risks, financing, liquidity, etc) and valuation risk.
- The monitoring phase (ie review of assets, review of portfolio management and review of financing/re-financing cycles)
  – Set up acceptable risk limits
  – Measure and monitor identified risks
  – Conduct periodic stress tests/scenario analysis, and
  – Monitor the management and liquidity of the investments.
- The exit phase (ie selection of the partners, approval and negotiations and the liquidation/full exit)
  – Selection of the partners in the negotiation, and
  – Define the time required and analyze the opportunities for sale/exit.

Aside from the technical aspects, the Islamic finance industry should continuously leverage on the accumulated experience from past events/crises to always focus on substance over form in the building process of a sound risk management framework. We could expect Islamic finance in its growth to face some significant challenges, for example, an increasing market pressure to always provide innovative products and competitive finance engineering. This could be considered as an opportunity to continuously design, adapt and review the existing frameworks and to always target a high level of governance that will undoubtedly consolidate and feed the spirit of this ethical finance.

DEALS

Indonesia auctions Sukuk

INDONESIA: The government of Indonesia has conducted an auction of sovereign Sukuk (SPN-S 08082017 and four project-based Sukuk series) on the 21st February to finance the 2017 State Budget, according to an announcement. The indicative target for the auction was set at IDR6 trillion (US$450 million).

Separately, the Indonesian government plans to raise US$5.5 billion from global markets this year and is looking at US dollar Sukuk as well as yen and euro-denominated conventional bonds, according to Reuters quoting Robert Pakpahan, the director-general of financing at the finance ministry. The government is understood to have invited banks to pitch for a dollar Sukuk in January.

NASDAQ Dubai welcomes listing of DIB's Sukuk

UAE: Dubai Islamic Bank (DIB) has listed its US$1 billion Sukuk on NASDAQ Dubai, according to a press release. The listing brings the total value of DIB's Sukuk listings on NASDAQ Dubai to US$4.25 billion, the largest by a UAE issuer. The listing also reinforces Dubai's position as the world's largest venue for Sukuk listings by value, with a total of US$47.81 billion.

Digi gets nod for Sukuk

MALAYSIA: Digi.com has announced in a bourse filing that its wholly-owned subsidiary Digi has received approval from Securities Commissions Malaysia for its Sukuk programs with a combined limit of up to RM5 billion (US$1.12 billion) in nominal value. The programs, an Islamic medium-term note (IMTN) program with a 15-year tenor; and an Islamic commercial paper (ICP) program with a seven-year tenor, will be solely arranged and managed by CIMB Investment Bank which is also the sole principal advisor. The sole Shariah advisor for the transaction will be CIMB Islamic Bank.

The proposed IMTN and ICP programs have been rated 'AAA/Stable' and 'P1' respectively by RAM Ratings.

IILM's US$840 million Sukuk oversubscribed

GLOBAL: The International Islamic Liquidity Management Corporation (IILM)'s US$840 million three-month tenor Sukuk facility with a profit rate of 1.38%, and to be issued on the 22nd February, was oversubscribed by US$2.3 billion, according to an announcement. The Sukuk facility, which matures on the 22nd May 2017, received a total of 15 bids.

STSSB's 186th ICPs oversubscribed

MALAYSIA: Sunway Treasury Sukuk (STSSB)'s 186th Islamic commercial papers (ICPs) worth RM200 million (US$44.93 million), issued on the 16th February, were oversubscribed by RM317 million (US$71.22 million) after receiving a total of 19 incoming bids, according to its tender results. The 'MARC-1IS'-rated facility will mature on the 20th March 2017.

STSSB has also issued RM100 million (US$22.44 million) in ICPs on the 20th February, according to a separate announcement. The facility, rated 'MARC-1IS', will mature on the 23rd March 2017.

SKTMC's Sukuk approved

MALAYSIA: Maybank Trustees has announced that the resolution for SapuraKencana TMC (SKTMC)'s RM7 billion (US$1.57 billion) Sukuk Murabahah has been approved by Sukukholders unanimously on the 27th January 2017, according to a press release.

SRI Sukuk for retail investors

MALAYSIA: Khazanah Nasional will seek the approval of holders of the RM1 billion (US$224.66 million) Sukuk Ihsan issued in 2015 under the Sustainable and Reponsible Investment Sukuk framework to allow the program to be offered to retail investors, CIMB Investment, the deal's sole lead arranger and manager, said in a statement.

Dubai plans bond

UAE: Lead managers of Dubai's previous bond issuances have reportedly pitched for a new mandate with the Dubai government which is anticipated to raise at least US$500 million from the international debt capital markets this quarter, reported Reuters. Referencing unnamed sources, the newswire said that official requests for proposals have not been sent out yet.

The emirate in 2014 issued a US$750 million Sukuk facility arranged by Dubai Islamic Bank, Emirates NBD, HSBC, National Bank of Abu Dhabi and Standard Chartered. The same banks along with Abu Dhabi Islamic Bank, Barwa Bank and Citi lead-arranged a US$600 million Sukuk issuance in 2012.

YTL proposes Sukuk

MALAYSIA: YTL Power International is proposing a RM2.5 billion (US$561.04 million) Sukuk Murabahah facility to fund the equity contribution of a 1,320 MW coal-fired power plant in Indonesia and a 470 MW oil shale power plant in Jordan.

The proposed paper has been rated 'AA1/Stable' by RAM. The rating agency said in a statement that despite the group's weaker earnings and expanding debt

DEAL TRACKER Full Deal Tracker on page 31

EXPECTEDDATE	COMPANY'S NAME	SIZE	STRUCTURE	ANNOUNCEMENTDATE
TBA	YTL Power International	RM2.5 billion	Sukuk	19th February 2017
2017	Government of Indonesia	US$5.5 billion	Sukuk/Bond	16th February 2017
First Quarter of 2017	Government of Dubai	US$500 million	Sukuk	16th February 2017
TBA	SapuraKencana TMC	RM7 billion	Sukuk Murabahah	15th February 2017
TBA	Tanjung Bin Energy Issuer	RM4.5 billion	Sukuk	15th February 2017

load, YTL's company-level credit metrics are still within RAM's expectations.

Malaysia's GII Murabahah oversubscribed

MALAYSIA: The government of Malaysia's RM4 billion (US$897.7 million) GII Murabahah offering was oversubscribed, receiving 393 bids worth RM12.49 billion (US$2.81 billion), according to a statement. The issuance, maturing on the 15th August 2024, has an average yield of 4.05%.

TBEI to refinance junior term financing facility

MALAYSIA: Tanjung Bin Energy Issuer (TBEI) has passed a resolution to refinance a junior term financing facility during an extraordinary general meeting with Sukukholders of a Sukuk Murabahah program of up to RM4.5 billion (US$1.01 billion), according to a filing with Bank Negara Malaysia. Concurrently, TBEI has withdrawn the proposed construction of a new coal unloading jetty on the project site for the power plant.

CBB's Sukuk Salam fully subscribed

BAHRAIN: The Central Bank of Bahrain (CBB) has announced in a press release that the monthly issue of its Sukuk Salam securities worth BHD43 million (US$110.53 million) has been 100% fully subscribed. The facility carries a maturity of 91 days and matures on the 24th May 2017 with an expected return of 2.23%. This is issue No 190 (BH0007412529) of the short-term Sukuk Salam series.

AFRICAS

Malawi mulls Islamic financial institution

MALAWI: The Muslim Association of Malawi (MAM) is engaging the government and other partners on plans to establish an Islamic finance institution as an alternative and potential solution to the exorbitant interest rates (approximately 45%) offered by conventional banks, said Secretary-General Alhaj Twaibu Lawe according to Nyasa Times.

ASIA

Al Rajhi Bank Malaysia to go digital

MALAYSIA: Al Rajhi Bank has engaged iGTB, the global transaction banking division of Intellect Design Arena, to implement digital transformation of its corporate and retail banking services in Malaysia this month. The Islamic bank said in a statement that the transformation includes putting in place a comprehensive front-to-back solution such as mobile and tablet banking applications among others.

PRIBUMI partners with INCEIF

MALAYSIA: International Center for Education in Islamic Finance (INCEIF) has signed a three-year MoU with Persatuan Remisier Bumiputera Malaysia (PRIBUMI), an association representing the interest of Bumiputera dealer's representatives, according to a press release. Under the partnership, INCEIF will assist PRIBUMI members to upskill through its Masters in Islamic Finance Practice program, conduct joint research in the development of an Islamic investment business model to expand PRIBUMI's business model and to cooperatively advance Islamic finance.

Domestic banking system well buffered

MALAYSIA: Malaysia's domestic banking system and financial institutions are well capitalized, with vast liquidity to support the nation's financing needs, according to Bernama quoting Bank Negara Malaysia. The domestic financial system's stability is expected to be preserved as financial institutions have a loss absorption capacity which is supported by strong capital and liquidity buffers. The combined capital buffers of banks, insurers and Takaful operators stood at RM172.5 billion (US$38.71 billion), with a high level and quality of capitalization. The capital adequacy ratio for the insurance and Takaful sectors remained high at 243.8%, an increase from 226.3% in the third quarter of 2016.

Malaysia Trade & Finance Conference in March

MALAYSIA: The Malaysia Trade & Export Finance Conference 2017 will be held at the Mandarin Oriental in Kuala Lumpur on the 14th March. Organized by the Global Trade Review, the event will discuss government initiatives to increase international trade and investment, the primary business challenges facing the commodity sector and the knock-on effect of the Chinese economic slowdown on Malaysian growth among others. IFN is a media partner to the event.

EUROPE

Richard Thomas receives the Freedom of the City of London

UK: Islamic finance expert Richard Thomas, OBE FCSI, has been accorded the Freedom of the City of London in a ceremony on St Valentine's Day held at the Chamberlain's Court in the city's 600-year-old Guildhall, attended by among others Sir Roger Gifford, the previous Lord Mayor of the City of London; and Lord Carrington of Fulham, the chairman of Gatehouse Bank.

The ceremony, one of the oldest surviving traditional ceremonies still in existence today, is believed to have been first presented in 1237. In the modern world, the Freedom of the City of London honor is more like a professional accolade. The traditional 'perks' of driving sheep across Tower Bridge, being hanged with a silken rope after being found guilty of a capital crime, or the right to go about with a sword out of its scabbard, or put into a cab and sent home by police if found in a disheveled and over-entertained state in the street are largely notional.

In 2010, Thomas received his OBE (Order of the British Empire), an honor bestowed by Her Majesty Queen Elizabeth II, in recognition for civic excellence and his contributions to the UK Islamic Financial Services industry.

Eximbank to launch credit ratings and Sukuk

TURKEY: Eximbank plans to develop a credit rating system and Sukuk among others by the end of 2017, according to Anadolu Agency quoting the bank's general manager, Adnan Yildirim. Yildirim said that the bank intends to issue rated credit this year.

GLOBAL

Luxembourg and Iran sign agreement

GLOBAL: Luxembourg and Iran have forged an agreement that promises greater protection for investors in both countries, Luxemburger Wort reported. The agreement would see Luxembourg benefit from enhanced access to the Iranian market by international investors and businessmen.

Al Rayan forms partnership with Islamic Relief

GLOBAL: Al Rayan Bank has appointed Islamic Relief as its exclusive charity partner for 2017, according to a press release. The effort is aimed at empowering people to establish enterprises and alleviate poverty. Al Rayan will be supporting Islamic Relief in a microfinance project in the Republic of Mali to aid local women and provide them with opportunities to start their own Shea butter business. Using the Qard Hasan principle, which offers financing without benefits, money will be made available to the women to commercially harvest the nut of the Shea tree and subsequently create Shea butter. The butter can then be used to develop various products.

Iran enhances ties with Japan and Azerbaijan

GLOBAL: As part of its efforts to revitalize the country's banking relations with other nations, Iran has sought to increase partnerships with Japan and Azerbaijan, according to the Financial Tribune. The Central Bank of Iran and Japan's Financial Service Agency have signed an exchange of letter to ease banking relations and to promote the exchange of experience related to supervision. The bank said that Japanese bankers should be knowledgeable in Islamic banking to develop their relations with Iran's banking system. The letter is expected to enhance both countries' trade and business relations. Iran is also expecting to expand cooperation between its commercial banks and those of Azerbaijan to ease trade and develop a banking account and bank card systems that would work with the currencies of both countries.

Bank Rakyat to tap Indonesian market

GLOBAL: Bank Rakyat, a Malaysia-based Islamic bank, has signed an MoU with Bank Rakyat Indonesia in a bid to enter the Indonesian market, according to national news agency Bernama. The partnership, targeted for the second quarter of 2017 after getting approval from the authorities including Bank Negara Malaysia, is aimed at providing money order services to over 700,000 Indonesians in Malaysia.

MIDDLE EAST

Aldar Properties not planning to issue Sukuk

UAE: Aldar Properties does not have plans to issue either Sukuk or bonds to refinance its debt in 2017, as the company is in a strong financial position, according to Mubasher, quoting Talal Al Dhiyebi, the company's chief development officer. Aldar posted a net profit of AED2.8 billion (US$762.15 million) for 2016, up 8% from AED2.6 billion (US$707.71 million) in 2015.

Dubai transfers DEC to DED

UAE: Sheikh Mohammed Rashid Al Maktoum, the vice-president and prime minister of the UAE and the ruler of Dubai, has issued Law No. 03 of 2017 that requires the transfer of the responsibilities of the Dubai Economic Council (DEC) to the Department of Economic Development (DED), according to Emirates News Agency. The new law also annuls Law No. 28 0f 2007 on the DEC and any other legislation that contradicts or challenges its articles. The initiative is aimed to support the business environment in Dubai, involve the private sector in the development of public policies through the Dubai Chamber and the DED, and to boost partnerships between the public and the private sectors. Employees of the DEC will be transferred to the DED without prejudice to their vested rights.

BisB recommends 5% cash dividend

BAHRAIN: Bahrain Islamic Bank (BisB) has proposed to distribute a 2016 cash dividend of 5% of share nominal value equivalent to 5 fils (1.32 US cents) per share for a total of BHD5 million (US$13.17 million), Chairman Dr Esam Abdulla Fakhro said in a statement. The dividend will be paid on the 2nd April.

Iran looking to alternative capital market

IRAN: Iran is looking to the capital market to increase financing, according to a press release by the country's Ministry of Economic Affairs and Finance. Shapour Mohammadi, the head of Iran's Securities and Exchange Organization, said that the government and the private sector should issue Sukuk and Murabahah bonds, and the issuances should be made available to the private sector and the public. The financing would be carried out in several ways: (1) increasing the amount of capital shareholders bring to companies, (2) selling products in the form of forward contracts, and (3) through initiating project funds.

Saudi banks open SPV in Cayman Islands

SAUDI ARABIA: Riyad Bank, which offers Islamic banking products and services, has completed the establishment of its SPV in the Cayman Islands, following approval from the Saudi Arabian Monetary Authority. According to a bourse filing, the company, named Riyad Financial Markets, is a limited liability company fully owned by the bank and registered with an authorized capital of US$50,000.

Separately, Alawwal Bank has secured approval to also establish an SPV in Caymans Islands. The new company, under the name of Alawwal Financial Markets, will be fully owned by the bank with an authorized capital of US$50,000. Both the SPVs will be engaging in derivatives trading and repo activities.

ADIB launches letter of credit financing

UAE: Abu Dhabi Islamic Bank (ADIB) has announced in a press release the launch of its letter of credit financing without recourse. Aimed at ensuring exporters and customers have the ability to manage their working capital and receive payments early, the product will be providing businesses with the liquidity needed if the exporters face working capital gaps. The bank will be concentrating on building its portfolio of cash and trade management solutions, as the launch is expected to boost ADIB's global transaction banking business.

Ibdar Bank upgrades ICT

BAHRAIN: Shariah compliant Ibdar Bank has replaced its existing ICT infrastructure with networking, wireless and team engagement solutions from Avaya Technology, allowing employees to work remotely in a secured manner, according to a press release.

AIB proposes dividend

PALESTINE: Arab Islamic Bank (AIB) has proposed a cash dividend of 12% of paid-up capital for the year 2016, reported Reuters.

DFM launches app for investors

UAE: Dubai Financial Market (DFM) has launched a smartphone application for investor relations (IR), according to a press release. The application, available in both Arabic and English and intended to boost investor communications and further strengthen transparency level, aids users to easily access the company's financial information and various updates through their hand-held devices. The application features key information about the company, updated and historical data of the share price, annual and quarterly reports, IR calendar and press releases. Users are also able to set the push notification function to instantly receive updates as soon as company news, disclosures and any other new content are posted. The application is managed by Euroland IR's financial analysts and support team.

CMA approves corporate governance regulations

SAUDI ARABIA: Saudi's Capital Market Authority has issued its resolution approving the new corporate governance regulations, which aim to standardize the effective governance of companies listed on the Saudi stock exchange and boost the clarity of strategic relationships between shareholders and the company's board and between the board and the executive management team, according to a press release. The regulations detail the composition of the board of directors and committees in the context of competencies, responsibilities, meetings, members' rights and duties and also set detailed provisions on companies' external auditors and internal control procedures, requiring boards of directors to disclose all information to shareholders and dealers to ensure transparency in transactions.

Ithmaar Bank trains staff in sign language

BAHRAIN: The employees of Ithmaar Bank has undergone training in sign language to enable them to better communicate with customers with hearing disabilities as part of the Islamic bank's efforts to improve customers' banking experience, according to a statement. The training was organized in partnership with the Bahrain Deaf Society.

Warba renews agreement

KUWAIT: Warba Bank has agreed to increase the allocated amount of the acquisition of financing portfolios from Al-Mulla International Financing from KWD30 million (US$97.99 million) to KWD50 million (US$163.32 million), the Islamic bank confirmed in a statement.

MEPCO renews Islamic credit facilities

SAUDI ARABIA: Middle East Paper Company (MEPCO) has signed an agreement with Saudi British Bank (SABB) to renew its Islamic credit facilities, according to a bourse filing. The value of the facilities has been increased to SAR115 million (US$30.64 million), an increase of 77% over the previous agreement. Effective until the 28th February 2018, the agreement is designed to ensure the credit facilities fund working capital requirements. The company also added that no related parties are involved in the deal.

KCB escrow agent for Fontana project

BAHRAIN: Khaleeji Commercial Bank (KCB), a Bahrain-based Islamic bank, has signed an escrow agency agreement for the Fontana Infinity Towers project, a residential project by Fontana Infinity Real Estate Company, according to a press release. Under the agreement, KCB will create an escrow account aimed at providing protection for all involved parties, ensuring that the money raised is channeled solely to the development of the investment project.

Al Rajhi Bank eyes corporate lending growth

SAUDI ARABIA: Al Rajhi Bank is looking to boost its corporate lending sector, according to Reuters quoting Steve Bertamini, the bank's CEO. The bank only has approximately a 7% share of corporate financing although it is Saudi's biggest Islamic bank and one of the key players in the country's banking industry. The bank aims to use the opportunities provided by Saudi's National Transformation Plan to realize its goal to secure a spot among the Kingdom's top five corporate banks by 2020. Bertamini also said that the bank has no plans to tap the debt market until 2020.

RESULTS

Syrian International Islamic Bank

SYRIA: Syrian International Islamic Bank has recorded an increase in its net profit from SYP5.86 billion (US$27.27 million) in 2015 to SYP11.56 billion (US$53.81 million) in 2016, according to Reuters.

Abu Dhabi Islamic Bank

UAE: Abu Dhabi Islamic Bank (ADIB) has realized a net profit of AED1.95 billion (US$530.79 million) for 2016, according to bourse filings. Total assets for 2016 were recorded at AED122.29 billion (US$33.29 billion), an increase from the previous year's total assets which were AED118.38 billion (US$32.22 million). The bank posted a growth in group net revenues of 4.9% for 2016 to

AED5.39 billion (US$1.47 billion). The board of directors recommended the distribution of a 24.52% cash dividend for 2016, which represents 39.8% of full-year net profits for 2016.

Union National Bank

UAE: Union National Bank (UNB), which owns Shariah compliant Al Wifaq Finance, posted a profit of AED1.58 billion (US$430.08 million) in 2016, down 15% year-on-year compared with AED1.86 billion (US$506.29 million) during the previous year, according to a press statement. Net interest income and net income from Islamic financing also dipped 10% during the period to AED2.63 billion (US$715.89 million) compared with AED2.92 billion (US$794.83 million) recorded in 2015.

Securities and Investment Company

BAHRAIN: Securities and Investment Company, which offers Islamic financial services, has recorded a net consolidated profit of BHD2.3 million (US$5.91 million) for the 2016 fiscal year, compared with BHD2.8 million (US$7.2 million) in 2015, a decrease of around 18% attributable to the continued volatility of regional and global equity markets in 2016, according to a statement. Basic earnings per share also decreased to 5.5 fils (1.41 US cents) versus 6.6 fils (1.7 US cents) for the previous year. The company's assets under management increased by 19% to BHD395.9 million (US$1.02 billion).

Watania

UAE: National Takaful Company (Watania) registered a profit of AED385,000 (US$104,795) in 2016, recovering from the AED41.39 million (US$11.27 million) loss it incurred in 2015, the firm's preliminary financial results show. Total assets as at the end of 2016 stood at AED322.94 million (US$87.9 million) against AED356.52 million (US$97.04 million) the year before.

Al Israa for Islamic Finance and Investment

JORDAN: Al Israa for Islamic Finance and Investment has announced in a statement that it has realized a net operating income of JOD1.08 million (US$1.51 million) for 2016. Total comprehensive income for the year attributable to equity holders was JOD452,453 (US$636,022), an increase from 2015's total which was JOD78,356 (US$110,146).

United Arab Bank

UAE: United Arab Bank (UAB), which offers Islamic banking services, posted a net loss of AED522.69 million (US$142.28 million) in 2016, almost three times more compared with AED183.1 million (US$49.84 million) recorded in the previous year, according to a bourse filing. UAB's revenues for the period were also lower at AED861.37 million (US$234.47 million) compared with AED1.2 billion (US$326.64 million) in 2015.

Al Salam Bank-Bahrain

BAHRAIN: Al Salam Bank-Bahrain, an Islamic bank, has reported total assets of BHD1.68 billion (US$4.43 billion) for 2016, according to the bank's consolidated statement for 2016. Net profit for the year was BHD16.1 million (US$42.41 million), an increase from the previous year's net profit which was BHD10.55 million (US$27.79 million). The basic and diluted earnings per share also increased from 5.8 fils (1.53 US cents) in 2015 to 7.6 fils (2 US cents) in 2016.

Abu Dhabi Islamic Bank Egypt

EGYPT: Abu Dhabi Islamic Bank Egypt has recorded a consolidated net profit of EGP397 million (US$24.78 million) in 2016, an increase from EGP219.2 million (US$13.68 million) in 2015, according to Reuters. The bank's consolidated net interest income also increased to EGP1.44 billion (US$89.89 million) from EGP966.7 million (US$60.35 million) for 2015. The Egyptian pound flotation had a positive impact of EGP1.52 billion (US$94.89 million) on financial year results.

ASSET MANAGEMENT

SPDR Gold Trust certified as Shariah compliant

US: SPDR Gold Trust has been certified as Shariah compliant by Malaysia-based Islamic advisory firm Amanie Advisors, Reuters reported. The exchange-traded fund holds 836.7 tonnes of bullion worth US$33 billion.

AFFIN Holdings initiates reorganization

MALAYSIA: AFFIN Holdings (AFFIN), the parent of AFFIN Islamic, has announced in a press release that it is undertaking the reorganization of AFFIN and its group of companies. The reorganization includes AFFIN Bank becoming the bank holding company, an exchange of AFFIN shares on a one-to-one basis with the shares of its wholly-owned subsidiary, AFFIN Bank and a transfer of AFFIN's listing status on the main market of Bursa Malaysia Securities to AFFIN Bank.

Tadawul lists Al Jazira Mawten REIT

SAUDI ARABIA: Tadawul in a statement has announced the listing and trading of Al Jazira Mawten REIT as of the 15th February 2017. The fund will be listed under the symbol 4331 in the REIT sector with a 10% daily price fluctuation limit per unit. The REIT is managed by Shariah compliant Al Jazira Capital.

QInvest exits London project

GLOBAL: QInvest has announced in a statement its exit from the St Edmund's Terrace LP Fund, a Shariah compliant London residential real estate fund. QInvest invested GBP50 million (US$62.04 million) into developing 50 St Edmund's Terrace, a residential project that delivered an average selling price in excess of GBP2,600 (US$3,225.85) per square foot. The fund was created to provide an opportunity for investors to invest in the city's prime residential market and it achieved 22% net returns on completion.

FMSF gains positive returns in 2016

MALAYSIA: Franklin Malaysia Sukuk Fund (FMSF) has reported a 5.67% gross return (and a total income distribution of 3.2 Malaysian sen (0.72 US cent) since its launch in 2015, according to a press release. The fund, owned by Franklin Templeton GSC (FTGSC) Asset Management has achieved a positive gain despite volatility experienced in the local bond market although in the last quarter of 2016, the market slowed due to expectations of rising inflation and interest rate in the US as a result of the US presidential election. The supply for Sukuk seems firm this year, according to Hanifah Hashim, the head of Malaysia

fixed income and Sukuk for FTGSC and manager of the fund, and will be participated mainly by the financial services, infrastructure and utilities sectors as they consider Islamic financing instruments to fulfill their funding needs. Hanifah also said that this will be an opportunity for FMSF to tap into.

KBW launches Crestmount Capital

UAE: KBW Investments has launched Crestmount Capital which specializes in Islamic finance, according to a press statement. The company's Crestmount Fund I, its premier Shariah compliant real estate investment fund, has also achieved the full subscription of AED267 million (US$72.68 million). The company aims to invest the attained amount into five separate Shariah compliant Australian residential projects at a collective value of AU$100 million (US$76.6 million), under the guidance of Amanie Advisors.

TAKAFUL

Amana approves capital cut

SAUDI ARABIA: Amana Cooperative Insurance has approved a capital cut of 56.25%, from SAR320 million (US85.28 million) to SAR140 million (US$37.31 million), according to a bourse filing. This will be achieved by reducing 1.125 shares for every two shares. According to Argaam, after the reduction, the company is planning to increase capital by SAR100 million (US$26.65 million) through a rights issue to boost its solvency margin and support future activities.

RATINGS

Bahrain's ratings affirmed by Fitch

BAHRAIN: Fitch has affirmed Bahrain's long-term foreign and local currency issuer default ratings (IDRs) at 'BB+' with a stable outlook, according to a statement. The country ceiling has also been affirmed at 'BBB+', with the short-term forei gn and local currency IDRs at 'B'. The ratings on the Sukuk trust certificates issued by CBB International Sukuk Company 5, meanwhile, have been affirmed at 'BB+' together with the issue ratings on Bahrain's senior unsecured foreign and local currency long-term bonds. The

issue ratings on Bahrain's senior unsecured local currency short-term bonds have been affirmed at 'B'.

Oman's ratings downgraded

OMAN: Oman's long-term foreign currency and local currency ratings have been downgraded from 'A-' to 'BBB+' while its short-term foreign and local currency ratings have been affirmed at 'A2' by Capital Intelligence; the outlook on these ratings have been upgraded to stable from negative. The rating agency noted in a statement that the downgrade reflects the continued deterioration in fiscal and external balances as well as the rapid increase in central government debt — albeit from a low base. In addition, the government's capacity to mitigate future shocks is declining owing to the continued drawdown of fiscal buffers to bridge the large budget deficit.

BIMB affirmed at 'BBB'

MALAYSIA: Capital Intelligence has affirmed the financial strength rating of Bank Islam Malaysia (BIMB) at 'BBB' with a stable outlook, according to a statement.

MOVES

Hong Kong Exchanges and Clearing

HONG KONG: Hong Kong Exchanges and Clearing (HKEX) has appointed **Ferheen Mahomed** as its group general counsel and she will head its legal services department and oversee the group's legal function, including the teams at the London Metal Exchange (LME) and LME Clear, according to a bourse filing. Ferheen was most recently the executive vice-president of business development at Pacific Century Group, and had previous general counsel roles at CLSA and Asia Pacific of Societe Generale.

Bursa Malaysia

MALAYSIA: Bursa Malaysia has announced changes to its organizational structure aimed at strengthening the exchange's base in the region, according to a press release. Effective the 15th February 2017, **Selvarany Rasiah**, formerly the director of regulation, is the new chief commercial officer (CCO, a newly created role) while **Azalina Adham**, formerly the director of strategy and transformation, will now captain operational transformation as COO and **Yew Yee Tee**, formerly the head of enforcement, will now assume the role of chief regulatory officer.

The key changes in the structure are based on: (1) centralizing commercial and development function where the CCO will focus on, among others, enhancing Islamic capital market products, stakeholder management and the widening of the investor base via marketing and education for Bursa Suq Al-Sila' and Bursa Malaysia-i and new product development for the securities and Islamic capital markets and ecosystem management; and (2) streamlining operations, technology and information management, and corporate legal functions.

AFFIN Holdings

MALAYSIA: AFFIN Holdings, the holding company of AFFIN Islamic, has appointed **Mohd Hata Robani** as an independent and non-executive director, according to a bourse filing.

Tadawul

SAUDI ARABIA: Saudi Stock Exchange (Tadawul) has nominated **Sarah Al Suhaimi** as its board chairperson replacing **Khalid Al Rabiah**, and **Abdulrahman Al Mofadhi** as the vice-chairman, according to an official statement. Sarah is CEO of NCB Capital and the first woman to chair the bourse.

Bank Sohar

OMAN: Bank Sohar, which offers Islamic banking products through window Sohar Islamic, has announced in a bourse filing that **Nasser Saud Al Maawaly**, the deputy general manager and head of internal audit, has submitted his resignation. The bank's board of directors has accepted the resignation and will appoint a replacement before the end of Nasser's notice period, together with the necessary disclosures to the market as required under the applicable laws and regulations.

Samba Financial Group

SAUDI ARABIA: Samba Financial Group has announced the resignation of **Sajjad Razvi** as the group's general manager effective the 19th February 2017 due to personal reasons, according to a bourse filing. The board of directors welcomed **Rania Mahmoud Nashar** as the group's CEO, also effective on the 19th February. She has vast experience in the banking industry, having worked in several leadership roles in Samba for the past 20 years. Rania is also a board member of Samba Bank in Pakistan and Samba Global Markets.

Slaughter and May

UK: Slaughter and May, a UK law firm providing Islamic services, has elected **Dan Schaffer** as its new partner in the firm's Pensions and Employment Group, according to a press release. Schaffer was previously the head of pensions and a partner at Herbert Smith Freehills for the last seven years.

Bank Nizwa

OMAN: Bank Nizwa has confirmed acting CEO **Khalid Al Kayed** as its CEO, the Islamic bank said in a statement. Khalid was previously deputy CEO and CFO of Jordan Dubai Islamic Bank before joining Bank Nizwa.

Kuwait Investment Authority

KUWAIT: Kuwait Investment Authority (KIA), one of the world's biggest sovereign wealth funds with an estimated asset size of US$592 billion, has appointed **Farouk Bastaki** as its managing director to replace **Bader Mohammed al-Saad**, al-Rai reported quoting unnamed sources. Farouk, currently KIA's executive director for alternative investments, will assume his new post by April as part of a board reshuffle.

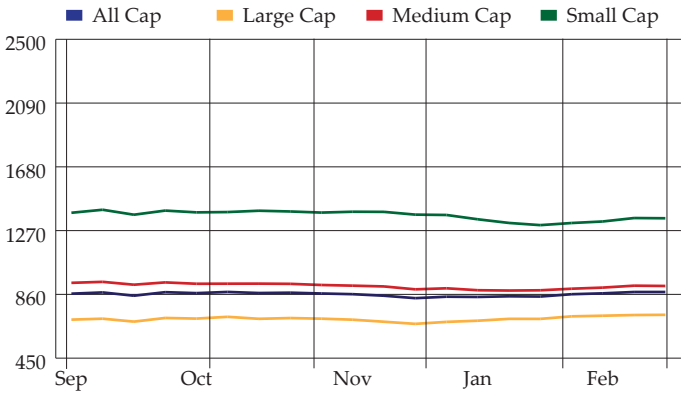
SHUAA Capital

UAE: SHUAA Capital, which offers Islamic and conventional products, announced in a bourse filing that **Hamad Al Sagar** has resigned from the board of directors and that **Hisham Al Rayes** has been appointed as his replacement.

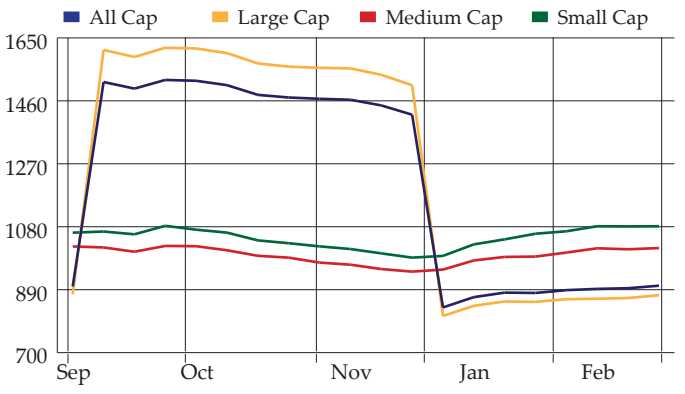
Expected date	Company's name	Size	Structure	Announcement Date
TBA	YTL Power International	RM2.5 billion	Sukuk	19th February 2017
2017	Government of Indonesia	US$5.5 billion	Sukuk/Bond	16th February 2017
First Quarter of 2017	Government of Dubai	US$500 million	Sukuk	16th February 2017
TBA	SapuraKencana TMC	RM7 billion	Sukuk Murabahah	15th February 2017
TBA	Tanjung Bin Energy Issuer	RM4.5 billion	Sukuk	15th February 2017
TBA	Digi.com	RM5 billion	Sukuk	14th February 2017
TBA	Hong Kong	US$1 billion	Sukuk	9th February 2017
TBA	State of Kano, Nigeria	TBA	Sukuk	7th February 2017
2017	Aktif Bank	US$120 million	Sukuk	31st January 2017
2017	The Government of Tunisia	US$500 million	Sukuk	31st January 2017
TBA	Pakistan's National Savings Organization	TBA	Sukuk Ijarah	22nd January 2017
TBA	Government of Egypt	TBA	Sukuk	18th January 2017
TBA	Government of Indonesia	US$449.4 million	Sukuk	18th January 2017
TBA	Nogaholding	TBA	Sukuk/Bond	15th January 2017
TBA	Masraf Al Rayan	US$500 million	Sukuk	11th January 2017
TBA	Sabah Credit Corporation	US$781.99 million	Sukuk Musharakah	11th January 2017
TBA	Dubai Islamic Bank	US$500 million	Sukuk	4th January 2017
TBA	Government of Oman	US$1 billion	Sukuk/bond	3rd January 2017
TBA	Sabana Reit	US$55.24 million	Sukuk	27th December 2016
TBA	Kingdom of Saudi Arabia	TBA	Sukuk	28th December 2016
22nd March 2017	Central Bank of Bahrain	US$112.37 million	Sukuk Salam	21st December 2016
TBA	Nigeria Debt Management Office	TBA	Sukuk	19th December 2016
First quarter of 2017	Al Baraka Banking Group	US$300 million	Sukuk	7th December 2016
TBA	ACWA Power	up to US$1 billion	Sukuk	6th December 2016
TBA	TRIplc Medical	up to RM639 million	Sukuk Murabahah	16th November
TBA	Sichuan Development Holdings	US$300 million	Sukuk	4th November 2016
TBA	Warba Bank	US$250 million	Sukuk	3rd November 2016
First quarter of 2017	National Real Estate Company	US$500 million	Sukuk	25th October 2016
TBA	Housing Development Finance Corporation of Maldives	TBA	Sukuk	13th October 2016
TBA	APM Automotive Holdings	up to RM1.5 billion	Sukuk Murabahah	11th October 2016
TBA	Shatel	IRR10 trillion	Sukuk Murabahah	10th October 2016
2017	Muhammadiyah	up to IDR1 trillion	Sukuk	28th September 2016
TBA	Aktif Bank	TRY25 million	Sukuk Murabahah	26th August 2016
TBA	Widad Capital	up to RM110 million	Sukuk Murabahah	23rd August 2016
First quarter of 2017	Government of Nigeria	TBA	Sukuk	11th August 2016
First quarter of 2017	Government of Kuwait	up to KWD5 billion	Sukuk	4th July 2016
TBA	Iranian Mines and Mining Industries Development and Renovation Organization	IRR4 trillion	Sukuk Musharakah	24th June 2016
TBA	Tiga Pilar Sejahtera Food	IDR1.5 trillion	Sukuk	17th June 2016
TBA	Almarai Company	TBA	Sukuk	10th June 2016
By the end of 2017	Ministry of Housing Saudi Arabia	TBA	Sukuk	9th June 2016
TBA	Mahan Air	IRR5 trillion	Sukuk Ijarah	8th June 2016
TBA	The Philippines	TBA	Sukuk	6th June 2016
TBA	GFH Financial Group	US$150 million	Sukuk	2nd June 2016
TBA	Government of Sri Lanka	US$1 billion	Sukuk	27th May 2016
TBA	Saudi Aramco	TBA	Sukuk	26th May 2016

REDMONEY SHARIAH INDEXES

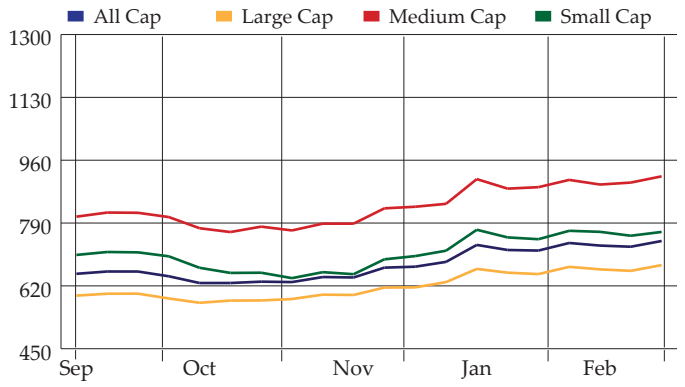
REDmoney Asia ex. Japan *6 Months*



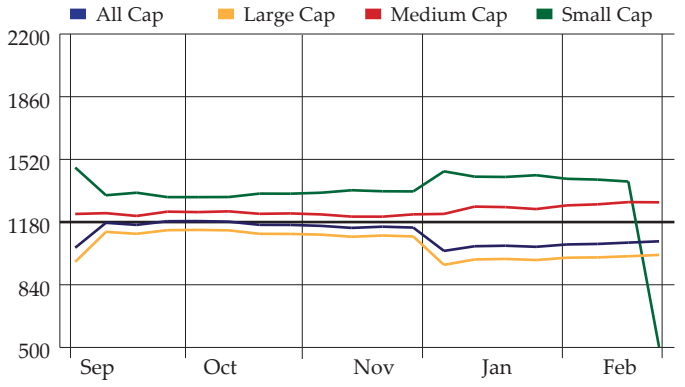
REDmoney Europe *6 Months*



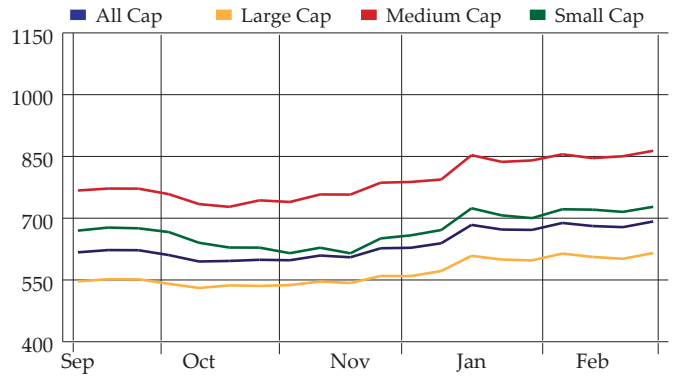
REDmoney GCC *6 Months*



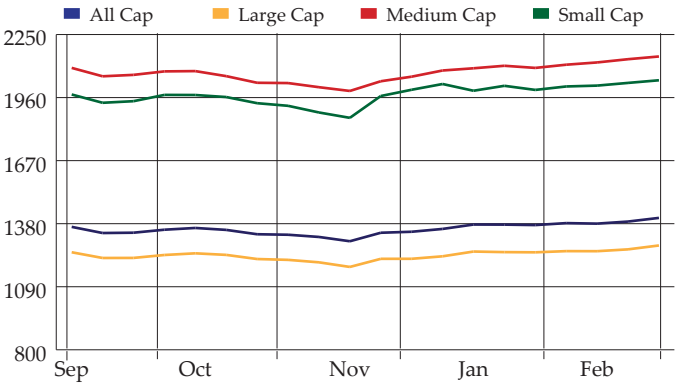
REDmoney Global *6 Months*



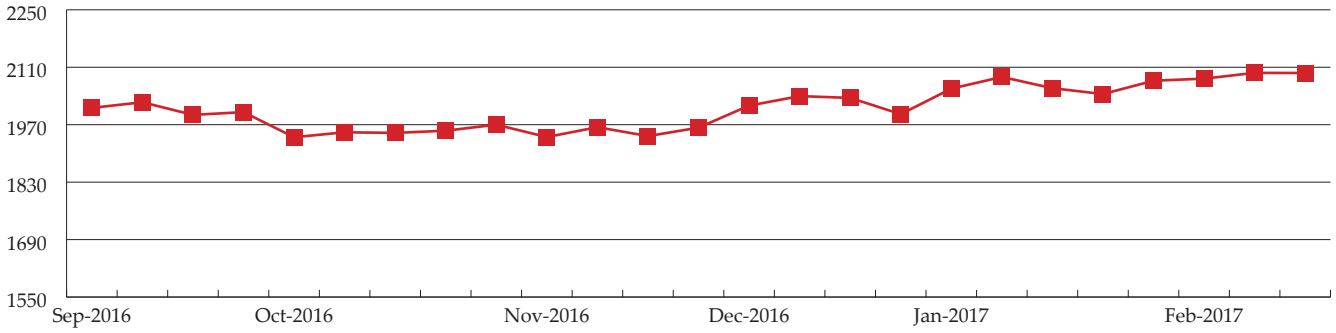
REDmoney MENA *6 Months*



REDmoney US *6 Months*

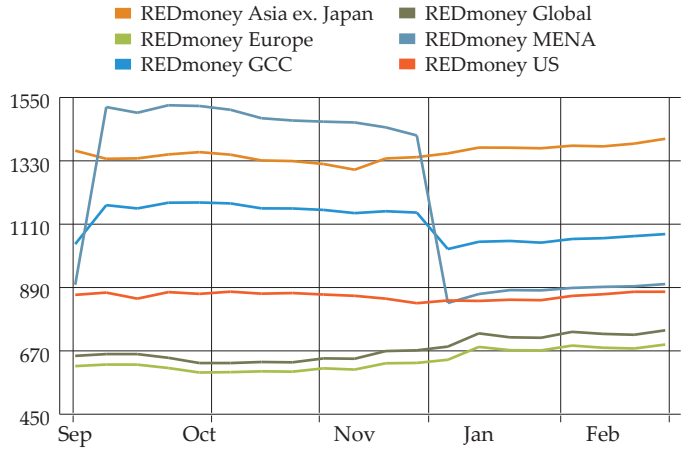


SAMI Halal Food Participation (All Cap) *6 months*

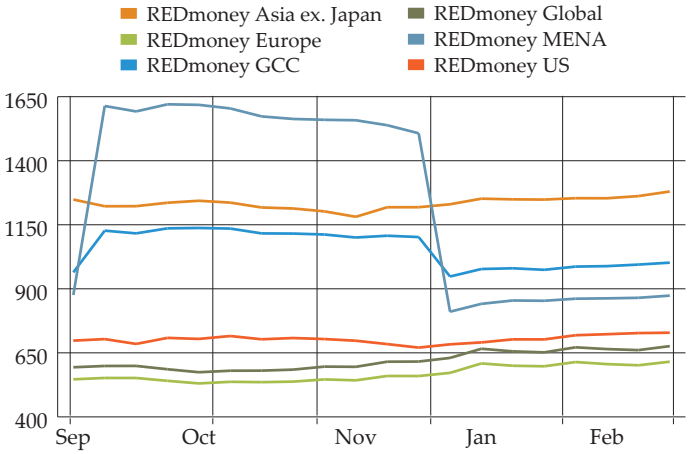


REDMONEY SHARIAH INDEXES

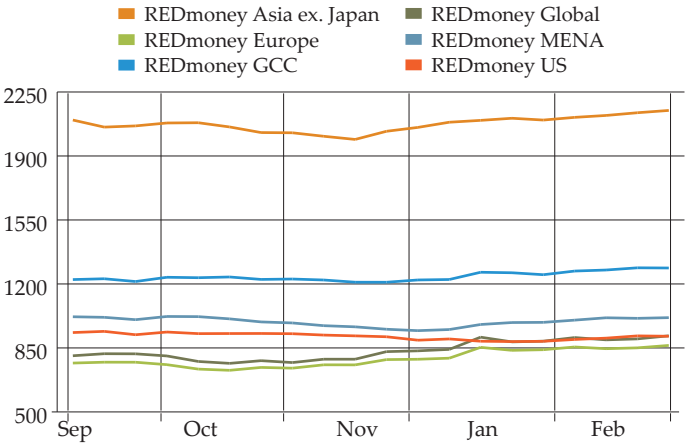
REDmoney Global Shariah Index Series (All Cap) *6 Months*



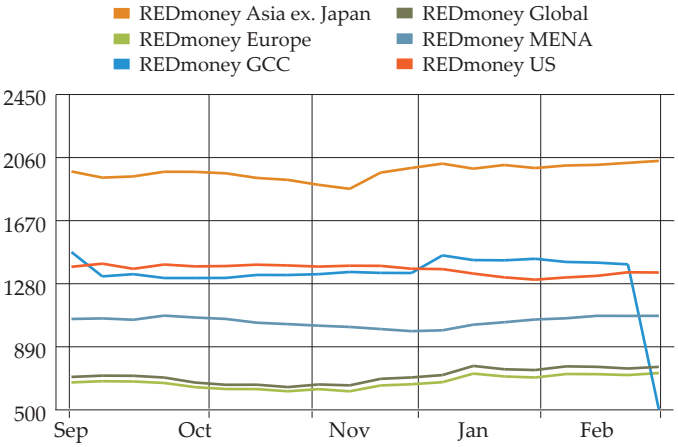
REDmoney Global Shariah Index Series (Large Cap) *6 Months*



REDmoney Global Shariah Index Series (Medium Cap) *6 Months*



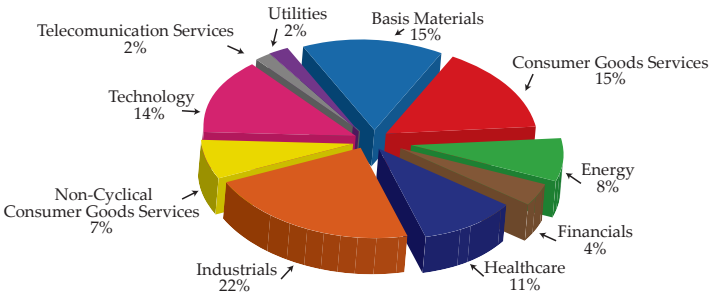
REDmoney Global Shariah Index Series (Small Cap) *6 Months*



REDmoney Global Shariah

Equities are considered eligible for inclusion into the REDmoney Global Shariah Index Series only if they pass a series of market related guidelines related to minimum market capitalization and liquidity as well as country restrictions.

Once the index eligible universe is determined the underlying constituents are screened using a set of business and financial Shariah guidelines.



The REDmoney Global Shariah Index Series powered by IdealRatings consists of a rich subset of global listed equities that adhere to clearly defined and transparent Shariah guidelines defined by Shariyah Review Bureau in Jeddah, Saudi Arabia.

The REDmoney Shariah Indexes provides Islamic investors with an accurate and Shariah-specific equity performance benchmark with optimized compliance credibility due to the intensive research conducted to ensure that index constituents do not conflict with the defined Shariah requirements.

IdealRatings™ is the leading provider of Shariah investment decision support tools to investors globally, including asset managers, brokers, index providers, and banks to empower them to develop, manage and monitor Shariah investment products and Shariah compliant funds. IdealRatings is headquartered in San Francisco, California. For more information about IdealRatings visit: www.idealratings.com

REDmoney Global Shariah Index Series

REDmoney Indexes IdealRatings®

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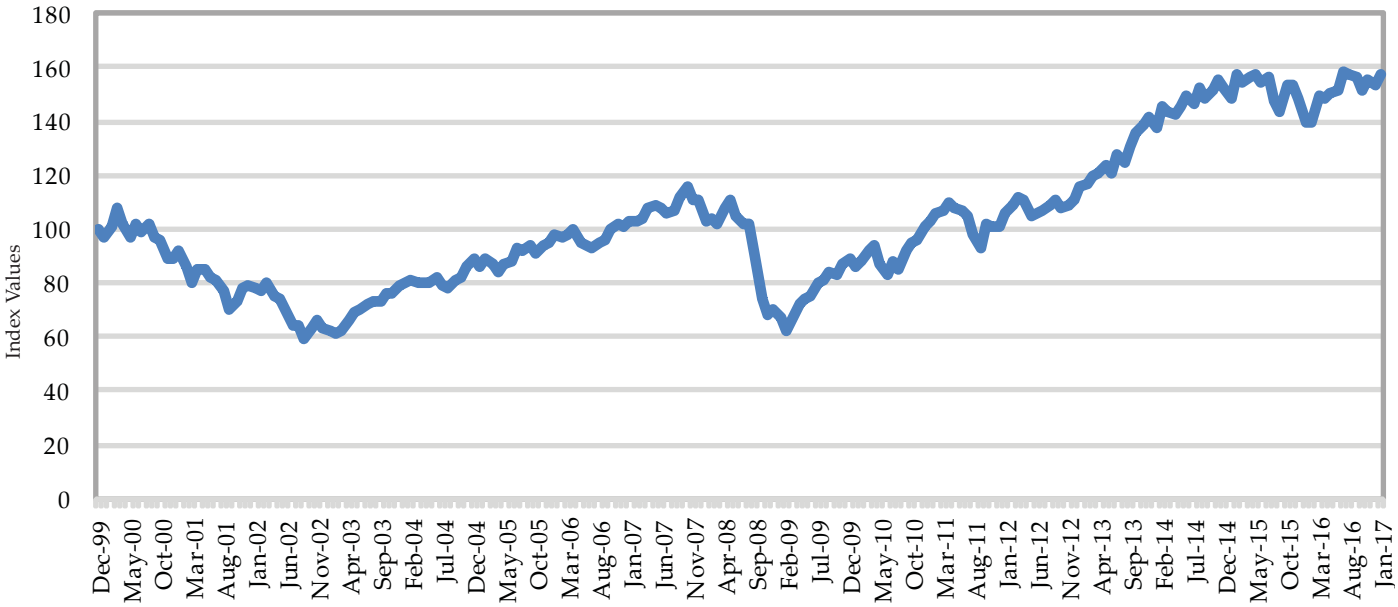
Andrew Morgan
Managing Director, REDmoney Group

Email: Andrew.Morgan@REDmoneygroup.com
Tel +603 2162 7800

EUREKAHEDGE FUNDS TABLES

Eurekahedge North America Islamic Fund Index



Top 10 Monthly Returns for Developed Market Funds

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Deutsche Noor Precious Metals Securities - Class A	DWS Noor Islamic Funds	8.12	Ireland
2	QInvest Edgewood Sharia'a	QInvest	5.83	Cayman Islands
3	CIMB Islamic Greater China Equity	UOB Asset Management	5.81	Malaysia
4	QInvest GAM Sharia'a	GAM International Management	5.55	Cayman Islands
5	QInvest JOHCM Sharia'a	J O Hambro Capital Management	4.00	Cayman Islands
6	Azzad Ethical	Azzad Asset Management	3.62	US
7	EFH Islamic Financial Institution USD	QInvest	3.30	Luxembourg
8	Amana Growth	Saturna Capital	3.19	US
9	Al Rajhi Global Equity	Al Rajhi Bank	3.02	Saudi Arabia
10	The Iman	Allied Asset Advisors	2.79	US
	Eurekahedge Islamic Fund Index		**1.79**	

Based on 62.50% of funds which have reported January 2017 returns as at the 21st February 2017

Top 10 Monthly Returns for Emerging Market Funds

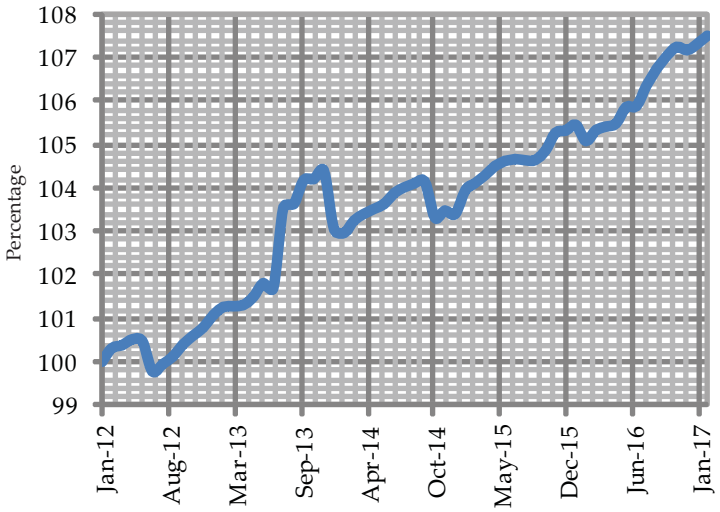
	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Fursan BRIC Equity Trading	Banque Saudi Fransi	6.87	Saudi Arabia
2	Al Baraka	Hermes Fund Management	6.76	Egypt
3	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	6.48	Egypt
4	Hang Seng Islamic China Index	Hang Seng Investment Management	6.34	Hong Kong
5	iShares MSCI Emerging Markets Islamic UCITS ETF	BlackRock Advisors (UK)	5.84	Ireland
6	Al Naqaa Asia Growth	Banque Saudi Fransi	5.78	Saudi Arabia
7	WSF Asian Pacific - USD I	Cogent Asset Management	5.24	Guernsey
8	CIMB Islamic Small Cap	CIMB-Principal Asset Management	4.74	Malaysia
9	Riyad Gulf	Riyad Bank	4.37	Saudi Arabia
10	Am-Namaa' Asia-Pacific Equity Growth	AmInvestment Management	4.02	Malaysia
	Eurekahedge Islamic Fund Index		**1.30**	

Based on 51.70% of funds which have reported January 2017 returns as at the 21st February 2017

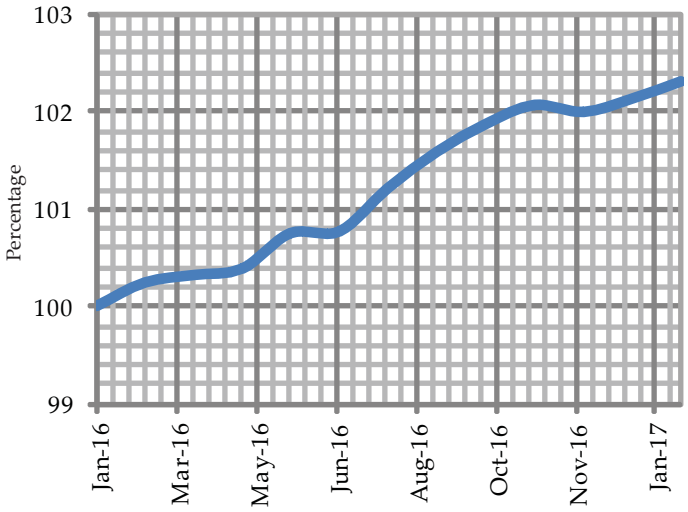
Comprehensive data from Eurekahedge will now feature the overall top 10 global and regional funds based on a specific duration (yield to date, annualized returns, monthly returns), Sharpe ratio as well as delve into specific asset classes in the global arena – equity, fixed income, money market, commodity, global investing (which would focus on funds investing with global mandate instead of a specific country or geographical region), fund of funds, real estate as well as the Sortino ratio. Each table covering the duration, region, asset class and ratio will be featured on a five-week rotational basis.

EUREKAHEDGE FUNDS TABLES

Eurekahedge Islamic Fund Money Market Index over the last 5 years



Eurekahedge Islamic Fund Money Market Index over the last 1 year



Top 10 Islamic Fund Equity by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Al Baraka	Hermes Fund Management	52.70	Egypt
2	Faisal Islamic Bank of Egypt Mutual	Hermes Fund Management	41.50	Egypt
3	Banque Misr No. 4	HC Securities & Investment	34.60	Egypt
4	Al Rajhi Petrochemical and Cement Equity	Al Rajhi Bank	23.22	Saudi Arabia
5	Al Meezan Mutual	Al Meezan Investment Management	22.53	Pakistan
6	Meezan Tahaffuz Pension - Equity Sub	Al Meezan Investment Management	22.53	Pakistan
7	Atlas Pension Islamic - Equity Sub	Atlas Asset Management	22.41	Pakistan
8	Atlas Islamic Stock	Atlas Asset Management	22.32	Pakistan
9	Meezan Islamic	Al Meezan Investment Management	22.02	Pakistan
10	Al Rajhi Saudi Equity	Al Rajhi Bank	18.43	Saudi Arabia
	Eurekahedge Islamic Fund Index		**6.09**	

Based on 57.25% of funds which have reported January 2017 returns as at the 21st February 2017

Top 10 Islamic Fixed Income by 3 Months Returns

	Fund	Fund Manager	Performance Measure	Fund Domicile
1	Public Islamic Bond	Public Mutual	3.43	Malaysia
2	Atlas Pension Islamic - Debt Sub	Atlas Asset Management	1.75	Pakistan
3	Meezan Islamic Income	Al Meezan Investment Management	1.42	Pakistan
4	Meezan Tahaffuz Pension - Debt Sub	Al Meezan Investment Management	1.34	Pakistan
5	Al-Ameen Islamic Aggressive Income	UBL Fund Managers	1.12	Pakistan
6	Public Islamic Select Bond	Public Mutual	0.65	Malaysia
7	AmBon Islam	AmInvestment Management	0.20	Malaysia
8	PB Islamic Bond	Public Mutual	0.12	Malaysia
9	QInvest Sukuk	QInvest	0.06	Cayman Islands
10	BIMB Dana Al-Fakhim	BIMB UNIT Trust Management (BUTM)	0.00	Malaysia
	Eurekahedge Islamic Fund Index		**0.21**	

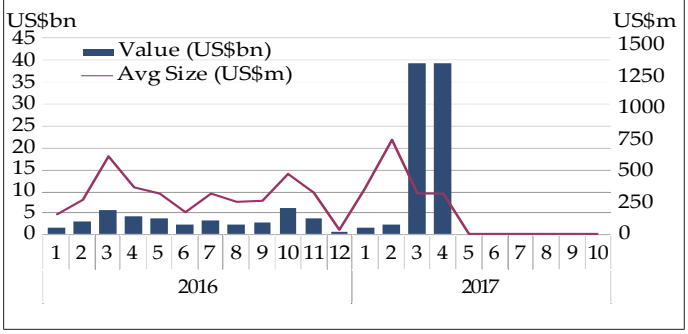
Based on 42.86% of funds which have reported January 2017 returns as at the 21st February 2017

Contact Eurekahedge
To list your fund or update your fund information: islamicfunds@eurekahedge.com
For further details on Eurekahedge: information@eurekahedge.com Tel: +65 6212 0900

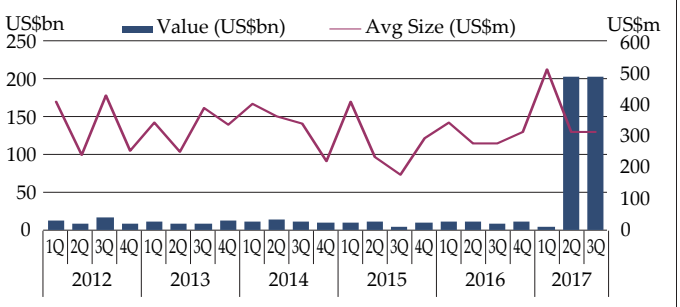
Most Recent Global Sukuk

Priced	Issuer	Nationality	Instrument	Market	US$ (mln)	Managers
14th Feb 2017	Equate Petrochemical	Kuwait	Sukuk	Euro market public issue	500	Mizuho, Sumitomo Mitsui Financial Group, JPMorgan, HSBC, Kuwait Finance House, National Bank of Kuwait, National Bank of Abu Dhabi, Mitsubishi UFJ Financial Group, Citigroup
14th Feb 2017	GovCo Holdings	Malaysia	Sukuk	Domestic market public issue	674	Maybank, CIMB Group
7th Feb 2017	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, National Bank of Abu Dhabi, Maybank, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD
25th Jan 2017	Investment Corporation of Dubai	UAE	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup, Emirates NBD
17th Jan 2017	Africa Finance Corporation	Nigeria	Sukuk	Euro market private placement	150	FirstRand, Mitsubishi UFJ Financial Group, Emirates NBD
9th Jan 2017	Rantau Abang Capital	Malaysia	Sukuk	Domestic market public issue	224	CIMB Group, AmInvestment Bank
30th Nov 2016	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	1,250	Mizuho, Standard Chartered Bank, JPMorgan, National Bank of Kuwait, National Bank of Abu Dhabi, RHB Capital, Gulf International Bank, Natixis, Credit Agricole
23rd Nov 2016	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
21st Nov 2016	Bank Muamalat Malaysia	Malaysia	Sukuk	Domestic market public issue	113	OCBC, DRB-HICOM
18th Nov 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	560	Maybank, CIMB Group, AmInvestment Bank
8th Nov 2016	Barwa Bank	Qatar	Sukuk	Euro market private placement	130	National Bank of Abu Dhabi
31st Oct 2016	Bank Pembangunan Malaysia	Malaysia	Sukuk	Domestic market public issue	357	HSBC, CIMB Group
25th Oct 2016	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Foreign market public issue	500	Standard Chartered Bank, Kuwait Finance House, Arab Banking, Dubai Islamic Bank, Emirates NBD, QInvest, Noor Bank
24th Oct 2016	Celcom Networks	Malaysia	Sukuk	Domestic market public issue	133	HSBC, CIMB Group
20th Oct 2016	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	120	AmInvestment Bank
18th Oct 2016	Ahli United Bank	Bahrain	Sukuk	Euro market public issue	200	Credit Suisse, Citigroup, Credit Agricole
12th Oct 2016	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	BNP Paribas, HSBC, CIMB Group, Citigroup
12th Oct 2016	Cagamas	Malaysia	Sukuk	Domestic market private placement	139	CIMB Group
12th Oct 2016	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	1,079	HSBC, RHB Capital, Maybank, CIMB Group, AmInvestment Bank
5th Oct 2016	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank

Global Sukuk Volume by Month



Global Sukuk Volume by Quarter



Top 30 Issuers of Global Sukuk *12 Months*

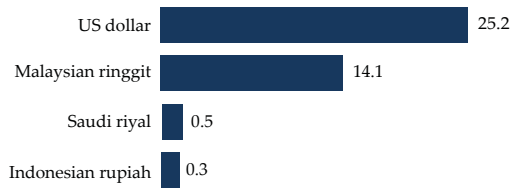
	Issuer	Nationality	Instrument	Market	US$ (mln)	Iss (%)	Managers
1	IDB Trust Services	Saudi Arabia	Sukuk	Euro market public issue	2,850	7.0	Standard Chartered Bank, JPMorgan, National Bank of Kuwait, Gulf International Bank, Natixis, CIMB Group, Emirates NBD, Mizuho, National Bank of Abu Dhabi, RHB Capital, Credit Agricole
2	Perusahaan Penerbit SBSN Indonesia III	Indonesia	Sukuk	Euro market public issue	2,500	6.2	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, CIMB Group, Citigroup
3	DanaInfra Nasional	Malaysia	Sukuk	Domestic market public issue	2,242	5.5	RHB Capital, Maybank, CIMB Group, Hong Leong Financial Group, AmInvestment Bank, HSBC
4	Kingdom of Bahrain	Bahrain	Sukuk	Euro market public issue	2,000	4.9	Standard Chartered Bank, JPMorgan, BNP Paribas, Arab Banking, Credit Suisse
5	Dubai Islamic Bank	UAE	Sukuk	Euro market public issue	1,570	3.9	Standard Chartered Bank, HSBC, Arab Banking, National Bank of Abu Dhabi, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates NBD, Kuwait Finance House, Maybank
6	Malaysia Sukuk Global	Malaysia	Sukuk	Euro market public issue	1,500	3.7	JPMorgan, HSBC, Maybank, CIMB Group
6	Etihad Airways	UAE	Sukuk	Euro market public issue	1,500	3.7	JPMorgan, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank
8	Sarawak Hidro	Malaysia	Sukuk	Domestic market public issue	1,365	3.4	RHB Capital, Maybank
9	DP World	UAE	Sukuk	Euro market public issue	1,200	3.0	JPMorgan, Deutsche Bank, HSBC, National Bank of Abu Dhabi, First Gulf Bank, Barclays, Dubai Islamic Bank, SG Corporate & Investment Banking, Citigroup, Emirates NBD
10	GovCo Holdings	Malaysia	Sukuk	Domestic market public issue	1,066	2.7	RHB Capital, Maybank, CIMB Group
11	EI Sukuk	UAE	Sukuk	Euro market public issue	1,007	2.5	Standard Chartered Bank, HSBC, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, Al Hilal Bank, Noor Bank
12	Islamic Republic of Pakistan	Pakistan	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, Deutsche Bank, Dubai Islamic Bank, Citigroup, Noor Bank
12	Hazine Mustesarligi Varlik Kiralama Anonim Sirketi	Turkey	Sukuk	Euro market public issue	1,000	2.5	Standard Chartered Bank, HSBC, Emirates NBD
14	Investment Corporation of Dubai	UAE	Sukuk	Euro market public issue	996	2.5	Standard Chartered Bank, JPMorgan, HSBC, National Bank of Abu Dhabi, Dubai Islamic Bank, Citigroup, Emirates NBD
15	Lembaga Pembiayaan Perumahan Sektor Awam	Malaysia	Sukuk	Domestic market public issue	986	2.4	OCBC, RHB Capital, Maybank, Bank Islam Malaysia, CIMB Group, Affin Investment Bank, AmInvestment Bank
16	Lebuhraya DUKE Fasa 3	Malaysia	Sukuk	Domestic market public issue	912	2.3	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
17	Maxis Broadband	Malaysia	Sukuk	Domestic market public issue	886	2.2	CIMB Group, AmInvestment Bank, Maybank
18	National Higher Education Fund	Malaysia	Sukuk	Domestic market public issue	880	2.2	Maybank, CIMB Group, Affin Investment Bank, AmInvestment Bank
19	TNB Global Ventures Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	BNP Paribas, HSBC, CIMB Group, Citigroup
19	Emaar Sukuk	UAE	Sukuk	Euro market public issue	750	1.9	RHB Capital, Maybank, CIMB Group, AmInvestment Bank
19	Danga Capital	Malaysia	Sukuk	Euro market public issue	750	1.9	Standard Chartered Bank, DBS, CIMB Group
22	Jambatan Kedua	Malaysia	Sukuk	Domestic market public issue	644	1.6	RHB Capital, Maybank, Kenanga Investment Bank, AmInvestment Bank
23	Barwa Bank	Qatar	Sukuk	Euro market private placement	605	1.5	National Bank of Abu Dhabi, Standard Chartered Bank
24	Sime Darby	Malaysia	Sukuk	Domestic market public issue	535	1.3	Maybank
25	Bank Albilad	Saudi Arabia	Sukuk	Euro market private placement	533	1.3	HSBC
26	Sultanate of Oman	Oman	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank
26	SIB Sukuk III	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, HSBC, Kuwait Finance House, Arab Banking, Maybank, Dubai Islamic Bank, Emirates NBD, QNB Capital, Noor Bank
26	Noor Bank	UAE	Sukuk	Euro market public issue	500	1.2	Standard Chartered Bank, First Gulf Bank, Dubai Islamic Bank, Sharjah Islamic Bank, Citigroup, Emirates NBD, Noor Bank
26	Kuveyt Turk Katilim Bankasi	Kuwait	Sukuk	Foreign market public issue	500	1.2	Standard Chartered Bank, Kuwait Finance House, Arab Banking, Dubai Islamic Bank, Emirates NBD, QInvest, Noor Bank
26	Equate Petrochemical	Kuwait	Sukuk	Euro market public issue	500	1.3	Mizuho, Sumitomo Mitsui Financial Group, JPMorgan, HSBC, Kuwait Finance House, National Bank of Kuwait, National Bank of Abu Dhabi, Mitsubishi UFJ Financial Group, Citigroup
	Total				**33,028**	**82**	

DEALOGIC LEAGUE TABLES

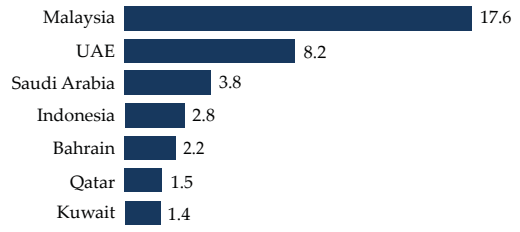
Top Managers of Sukuk *12 Months*

	Manager	US$ (mln)	Iss	%
1	CIMB Group	5,561	37	13.9
2	Maybank	4,002	28	10.0
3	Standard Chartered Bank	3,898	23	9.7
4	HSBC	3,160	20	7.9
5	RHB Capital	2,592	25	6.5
6	AmInvestment Bank	2,332	20	5.8
7	Dubai Islamic Bank	1,955	16	4.9
8	JPMorgan	1,796	9	4.5
9	Emirates NBD	1,715	16	4.3
10	National Bank of Abu Dhabi	1,703	12	4.2
11	Citigroup	1,343	8	3.4
12	Deutsche Bank	987	4	2.5
13	Arab Banking Corporation	965	9	2.4
14	Noor Bank	590	7	1.5
15	BNP Paribas	588	2	1.5
16	First Gulf Bank	550	5	1.4
17	National Bank of Kuwait	505	5	1.3
18	Credit Suisse	467	2	1.2
19	Affin Investment Bank	391	4	1.0
20	Hong Leong Financial Group	367	4	0.9
21	Natixis	353	2	0.9
21	Gulf International Bank	353	2	0.9
23	Abu Dhabi Islamic Bank	349	2	0.9
24	Kuwait Finance House	329	5	0.8
25	OCBC	262	6	0.7
26	Kenanga Investment Bank	257	5	0.6
27	Sharjah Islamic Bank	254	3	0.6
28	DBS	253	3	0.6
29	Credit Agricole	223	3	0.6
30	Mizuho	219	3	0.6
	Total	**40,155**	**124**	**100**

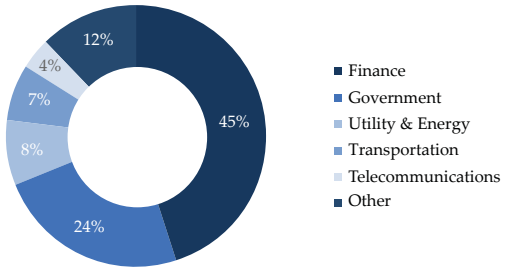
Sukuk Volume by Currency US$ (billion) *12 Months*



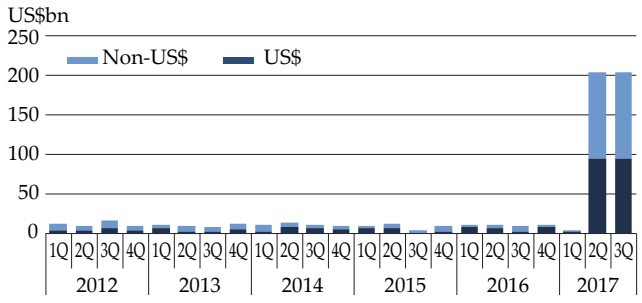
Sukuk Volume by Issuer Nation US$ (billion) *12 Months*



Global Sukuk Volume by Sector *12 Months*



Global Sukuk Volume - US$ Analysis



Top Islamic Finance Related Project Finance Mandated Lead Arrangers *12 Months*

	Mandated Lead Arranger	US$ (million)	No	%
1	Kuwait Finance House	1,996.95	1	16.75
1	National Bank of Kuwait	1,996.95	1	16.75
3	Al Rajhi Capital	663.095	2	5.56
4	Alinma Bank	549.59	2	4.61
5	Banque Saudi Fransi	497.22	3	4.17
5	HSBC	497.22	3	4.17
5	Samba Capital & Investment Management	497.22	3	4.17
8	National Commercial Bank	490.69	3	4.11
9	Mitsubishi UFJ Financial Group	377.18	3	3.16
10	Standard Chartered Bank	328.93	3	2.76

Top Islamic Finance Related Project Financing Legal Advisors Ranking *12 Months*

	Legal Advisor	US$ (million)	No	%
1	Latham & Watkins	4,279.41	3	32.24
2	Allen & Overy	3,197.46	3	24.09
3	Clifford Chance	2,755.10	2	20.76
4	Baker & McKenzie	1,365.39	1	10.29
5	Norton Rose Fulbright	915.00	1	6.89
6	White & Case	758.14	1	5.71

DEALOGIC LEAGUE TABLES

Top Islamic Finance Related Financing Mandated Lead Arrangers Ranking *12 Months*

	Mandated Lead Arranger	US$ (mln)	No	%
1	Samba Capital	969	5	7.4
2	Dubai Islamic Bank	964	11	7.4
3	Banque Saudi Fransi	939	4	7.2
4	Saudi National Commercial Bank	933	4	7.2
5	Noor Bank	815	12	6.2
6	Emirates NBD	643	8	4.9
7	SABB	604	6	4.6
8	Abu Dhabi Islamic Bank	588	6	4.5
9	Standard Chartered Bank	525	8	4.0
10	Abu Dhabi Commercial Bank	385	4	3.0
11	Al Rajhi Capital	366	2	2.8
12	HSBC	365	6	2.8
13	Union National Bank	345	4	2.6
14	Natixis	265	4	2.0
15	Alinma Bank	260	2	2.0
16	Riyad Bank	258	2	2.0
17	Arab National Bank	254	2	2.0
18	Arab Banking Corporation	251	4	1.9
19	Credit Agricole	249	3	1.9
20	First Gulf Bank	243	6	1.9
21	Bank Albilad	229	1	1.8
22	National Bank of Abu Dhabi	207	3	1.6
23	Gulf International Bank	193	3	1.5
24	Al Hilal Bank	184	1	1.4
25	National Bank of Bahrain	159	2	1.2
25	Ahli United Bank	159	2	1.2
27	Mitsubishi UFJ Financial Group	138	1	1.1
28	Sharjah Islamic Bank	136	3	1.0
29	BBK	133	2	1.0
30	Mashreqbank	118	2	0.9

Top Islamic Finance Related Financing Mandated Lead Arrangers *12 Months*

	Bookrunner	US$ (mln)	No	%
1	Abu Dhabi Islamic Bank	806	5	11.3
2	Noor Bank	746	7	10.4
3	Dubai Islamic Bank	642	5	9.0
4	Standard Chartered Bank	570	5	8.0
5	Emirates NBD	474	3	6.6
6	SABB	312	2	4.4
7	Abu Dhabi Commercial Bank	283	1	4.0
8	Arab Banking Corporation	275	4	3.8
9	Saudi National Commercial Bank	267	1	3.7
9	Samba Capital	267	1	3.7

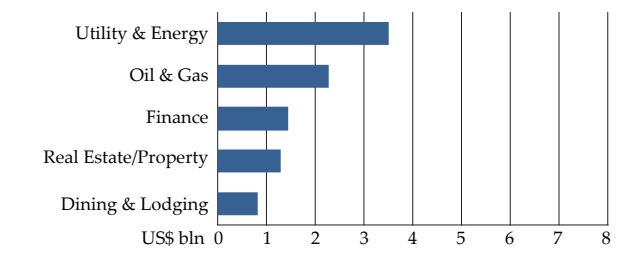
Top Islamic Finance Related Financing Deal List *12 Months*

Credit Date	Borrower	Nationality	US$ (mln)
15th Apr 2016	Yanbu Aramco Sinopec Refining	Saudi Arabia	4,700
27th Jun 2016	Rabigh Electricity	Saudi Arabia	2,686
20th Sep 2016	Aluminium Bahrain	Bahrain	1,500
19th Sep 2016	Saudi Electricity	Saudi Arabia	1,333
9th Mar 2016	Dhuruma Electricity	Saudi Arabia	1,138
15th Jun 2016	PNB Jersey	Malaysia	889
29th Aug 2016	Atlantis The Palm	UAE	850
31st Aug 2016	Almarai	Saudi Arabia	600
1st Mar 2016	National Oil & Gas Authority	Bahrain	570
10th May 2016	Allana International	UAE	500

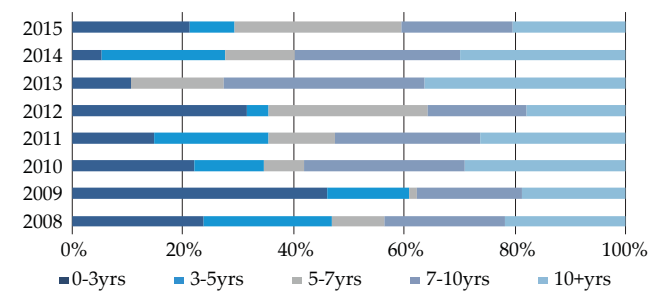
Top Islamic Finance Related Financing by Country *12 Months*

	Nationality	US$ (mln)	No	%
1	Saudi Arabia	5,756	7	44.1
2	UAE	4,181	19	32.0
3	Bahrain	1,188	2	9.1
4	Qatar	460	1	3.5
5	Turkey	384	3	2.9
6	India	368	1	2.8
7	Malaysia	283	1	2.2
8	Pakistan	200	1	1.5
9	Egypt	105	1	0.8
10	United Kingdom	77	1	0.6

Top Islamic Finance Related Financing by Sector *12 Months*



Global Islamic Financing - Years to Maturity (YTD Comparison)



Are your deals listed here?
If you feel that the information within these tables is inaccurate, you may contact the following directly: Mayumi Ohira (Media Relations)
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EVENTS DIARY

FEBRUARY 2017		
22nd	KL Awards Dinner	Kuala Lumpur, Malaysia
28th	Dubai Awards Dinner	Dubai, the UAE
MARCH 2017		
7th	IFN Oman Forum	Muscat, Oman
14th	CIS Forum	Astana, Kazakhstan
22nd	China OIC Forum	Beijing, China
APRIL 2017		
10th – 11th	IFN Asia Forum	Kuala Lumpur, Malaysia
11th	IFN FinTech Forum	Kuala Lumpur, Malaysia
MAY 2017		
9th	IFN Morocco Forum	Casablanca, Morocco
17th	IFN UK Forum	London, the UK
JULY 2017		
27th	IFN Indonesia Forum	Jakarta, Indonesia

SEPTEMBER 2017		
14th	IFN Turkey Forum	Istanbul, Turkey
18th	IFN Europe Dialogue	Luxembourg
19th	IFN Investor Forum	Luxembourg
TBC	IFN Iran Forum	Tehran, Iran
OCTOBER 2017		
TBC	Africa Islamic Finance Forum	Lagos, Nigeria
16th	Sovereign Sukuk Dialogue	Washington DC, the US
18th	IFN US Forum	New York, the US
TBC	IFN Pakistan Forum	Lahore, Pakistan
NOVEMBER 2017		
19th	IFN Kuwait Forum	Kuwait City, Kuwait
21st	IFN Jordan Forum	Amman, Jordan
22nd	IFN Saudi Arabia Forum	Jeddah, Saudi Arabia

Islamic Finance news

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