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Future Potential & Opportunities for Asian Issuers in Europe's Islamic Finance Sector

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**EUROPEAN
PRIVATE BANKERS**

KBL European Private Bankers – Key figures

KBL European Private Bankers, a unique model in Europe

- A network of local banks with a human size.
- A strong presence in each country, thanks to its own cultural identity.

Data as at 31.12.2012

Private bank present in 9 Western European countries

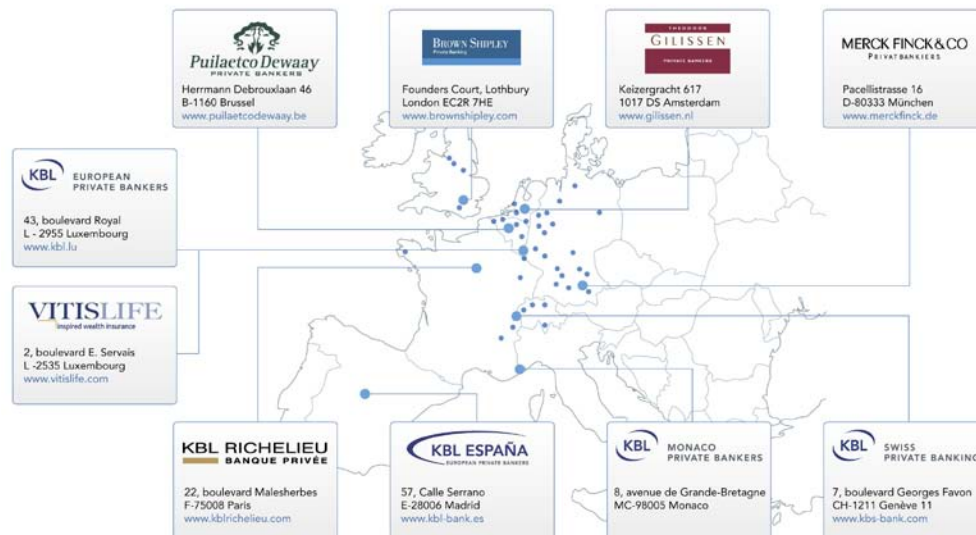
Assets under management €40.9 bn

Assets under custody €38.6 bn

Financial ratios

→ Core Tier One – Basel II	12.6%
→ Tier One – Basel II	12.6%
→ Solvency – Basel II	18.7%
→ Loan to deposit ratio	21.5%

Around 2 200 employees



KBL *epb*'s Commitment to Islamic Finance

KBL *epb* understands the importance and benefits of the Islamic Finance industry.

Market making and trading in Sukuk

The screenshot shows a trading interface for Sukuk. The breadcrumb trail is: KBL European Private Bankers -> Products -> Fixed Income -> SUKUK (GDCO 22291 1). The table displays the following data:

	Eurobonds	Maturity	Yield		Size		Time
			Bid	Ask	Bid	Ask	
1) BHRAIN6.247 14		06/17/14	0.982	0.081	500	500	04:11
2) RAKS8 07/22/14		07/22/14	1.299	-0.136	500	500	04:11
3) PETMK 4 1/4 14		08/12/14	0.707	0.235	500	500	04:11
4) ISDB 3.172 14		09/16/14	0.471	-0.282	500	500	04:11
5) TDICUH4.949 14		10/21/14	0.921	0.434	500	500	04:11
6) DUGB 6.396 14		11/03/14	1.737	1.383	500	500	04:11
7) GE 3 1/2 11/14		11/26/14	1.126	0.669	500	500	04:11
8) DARALA10 1/2 15		02/18/15	5.315	4.548	500	500	04:11
9) BSFR4 1/2 03/15		03/30/15	1.539	1.000	500	500	04:11
10) QIBKQD3.856 15		10/07/15	1.594	1.455	500	500	04:11
11) ISDB 1.775 15		10/27/15	0.774	0.527	500	500	04:11
12) ADIBUH3.745 15		11/04/15	1.712	1.575	500	500	04:11
13) RAKS 5.2392 16		01/28/16	2.212	1.822	500	500	04:11
14) MUBAUH 3 1/2 16		04/20/16	1.446	1.084	500	500	04:11
15) ISDB2.35 05/16		05/25/16	1.111	0.980	500	500	04:11
16) SIB4.715 05/16		05/25/16	2.616	2.399	500	500	04:11
17) HSBC 3.575 16		06/02/16	2.096	1.904	500	500	04:11
18) FGBUH 3.797 16		08/02/16	2.103	1.895	1000	1000	08:27

Execution, custody & liquidity provider on Funds

- KBL *epb*, a one-stop-shop services provider for the set-up and running of Luxembourg-based investment funds - including Shariah-compliant investment funds.
- KBL *epb* currently services **119 fund structures with 719 sub-funds** totalling **USD 45 billion** of net assets, for **63 fund promoters** from **21 countries** selling their funds into **more than 30 jurisdictions** including in Asia and in the Middle East.

KBL *epb* & IILM

KBL *epb* has been appointed as a **Primary Dealer of the IILM Sukuk programme** (only European bank having been chosen as a primary dealer)

In August, IILM issued its inaugural short-term USD 490 million Sukuk, backed by sovereign assets, rated A-1 (S&P):

- the pricing met the market demand and KBL *epb* successfully distributed the issue among its institutional clients in Luxembourg, Belgium, France, Monaco, Switzerland and in UK.

Luxembourg, a Financial Hub

The Luxembourg Financial Sector

Luxembourg's success as a financial centre is founded on:

- its **social and political stability**;
- its best-in-class **legal and regulatory environment**, refreshed on a regular basis by consultation between the government, the legislator and the private sector.

This business friendly legal environment has attracted banks, insurance companies, investment fund promoters and specialised service providers **from all over the world**.

A multilingual and multicultural workforce, which has extensive experience in the needs of an **international clientele**.

A strong culture of **investor protection** and rigorous **anti money-laundering policies**.

Key figures as at July 2013

(source: LFF, CSSF)

2nd largest investment fund centre in the world (after the US)

World leader in the cross-border distribution of retail investment funds

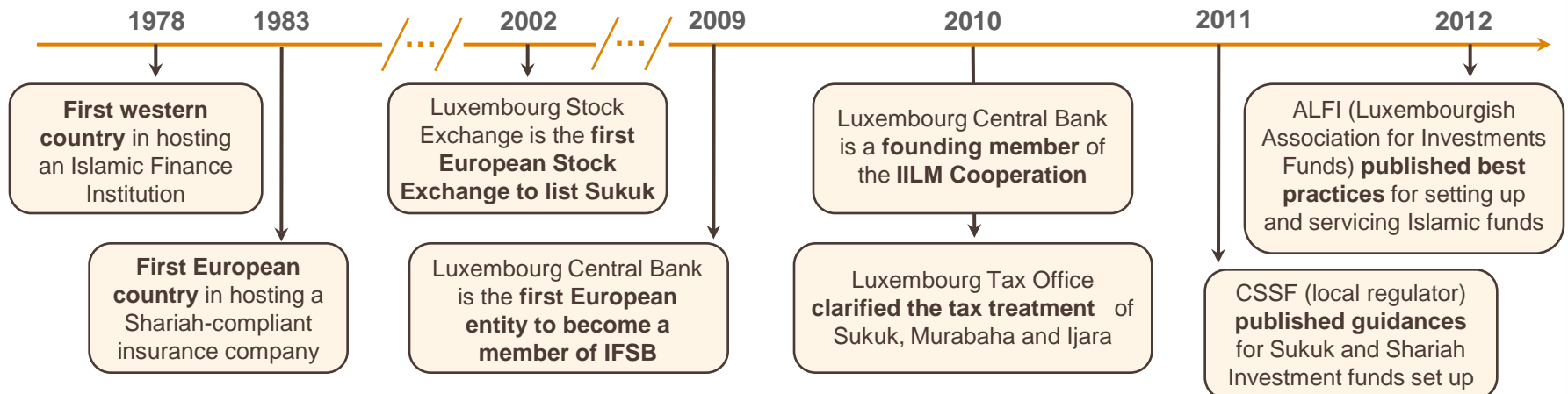
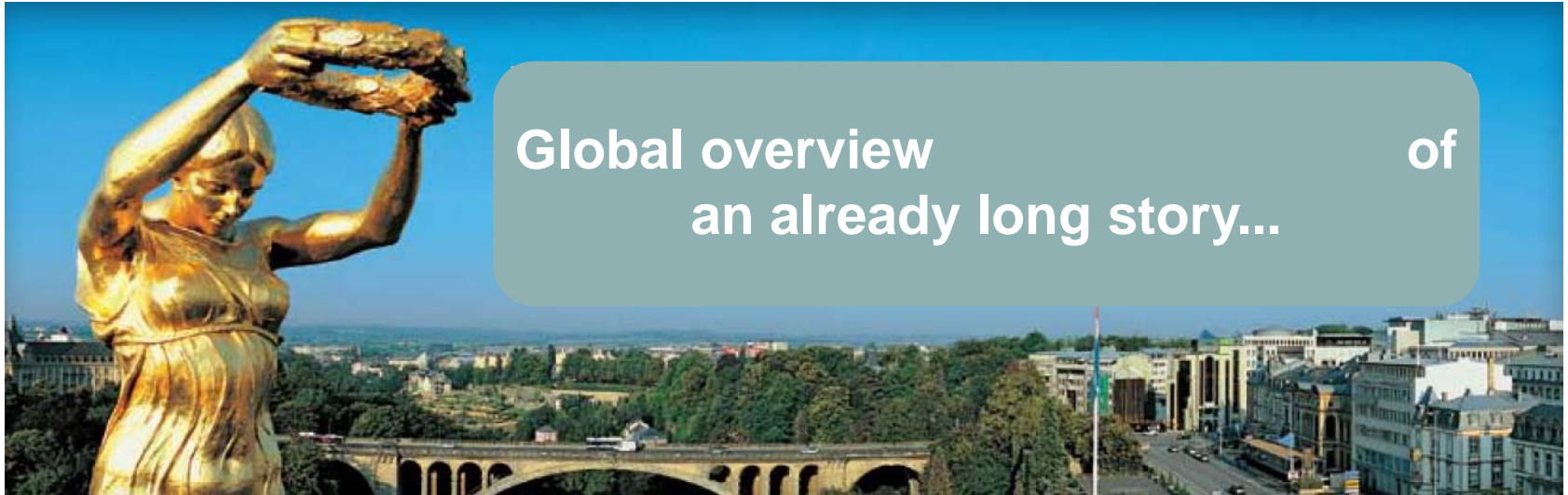
Home to **68% of all investment funds sold cross-border**

Banking sector at a glance

- **141 banks from 26 countries**
- **Balanced sheet total: €742 billion**



Luxembourg & Islamic Finance



Luxembourg, EU Hub to Islamic Finance

Luxembourg has **much to offer to Islamic Finance clients:**

- decades of experience in dealing with **an international client base** and **focusing on the cross-border distribution of products and services;**
- **a legal framework** that permits the creation of Shariah-compliant products and services;
- **clear guidelines** from the authorities on the tax treatment of Islamic Finance products;
- **political stability.**

Islamic Finance service providers: major banks, legal and audit firms, fund administration companies and other service providers have trained and active **Islamic Finance teams.**

Three main drivers behind the recent reaffirmed interest in Luxembourg:

- Several MENA actors now want to expand internationally: having a UCITS product helps to extend investor base and penetrate new markets. **Luxembourg's international reach and know-how in cross-border distribution** has definite appeal.
- **The demand for transparency and increased investor protection**, which resulted from the financial crisis: expected by an increasing number of investors and **offered by the Grand Duchy.**
- **Luxembourg's growing recognition in the Islamic Finance world.** Shariah-compliant investment funds are a natural development, given Luxembourg's strengths in conventional investment funds, combined with the country's international reach.

Luxembourg, a Islamic Finance Hub

(Source: CSSF, E&Y, LFF, ALFI)

41 Shariah-compliant funds (Jul 2012) Europe **#1** World **#5**
(2011) **€4.0 bn** in AuM (Sep. 2012)

16 Sukuk listed
World **#3**
€5.5 bn in AuM (2012)

The Luxembourg Central Bank is a:

- **member of the IFSB** (1st central bank in Europe)
- **co-founder of the IILM** (the **only one in Europe**)

Luxembourg, EU Hub to Islamic Finance

Islamic Investment Funds

Luxembourg is currently among the **world leading financial centres for Islamic investment funds and the largest in the EU**, with some 40 regulated Islamic investment fund units.

- **Most of the Luxembourg Islamic investment funds are UCITS** (undertakings for collective investment in transferable securities) **and can thus be easily marketed throughout the Member States of the EU without new registration requirements.**
- **EU passport is also accepted in Asia.**

No specific legislation for Islamic funds: the same laws and regulations apply to conventional and Shariah-compliant funds.

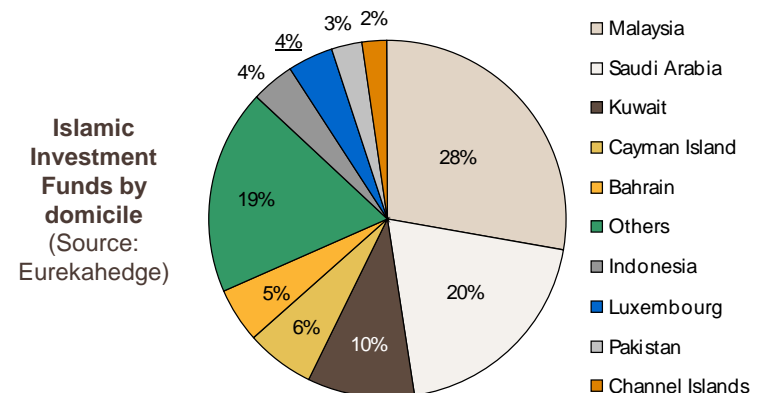
In a recent classification established by the Luxembourg investment fund association, ALFI, **Shariah-compliant funds are classified under “cross sectorial ethical funds”** as part of the “responsible investing” universe.



A new distribution passport for non-UCITS (AIFMD - Alternative Investment Fund Managers Directive)

Since July 2013, a passport is available for **EU Alternative Investment Fund Managers** marketing EU Alternative Investment Fund (AIF; on Real Estate, Private Equity...) in the EU.

From January 2015, passport becomes **available for all EU AIF Managers** marketing Non-EU AIF in the EU **and for Non-EU AIF Managers** marketing EU/Non-EU AIF in the EU (if approved by the European Securities & Markets Authority (ESMA).



Luxembourg, EU Hub to Islamic Finance

Sukuk



- For tax purposes, Sukuk are treated like conventional bonds.
- Issuers of Sukuk have recognised the **attractiveness of the Luxembourg legal framework for Islamic Finance**:
 - Currently, 16 Sukuk listed on the Luxembourg Stock Exchange, **including issuers from Malaysia, Saudi Arabia, the UAE, Pakistan,...**
- Benefits of **Sukuk listing and trading in Luxembourg**:
 - **Advanced trading and post-trading infrastructure** relying on NYSE Euronext's UTP platform (trading) **and connections with international clearing** and settlement organisations (LCH.Clearnet, Euroclear, Clearstream).
 - **Competitive costs for listing procedures**, compared to other Sukuk international listing domiciles.
 - **Fast and secure admission process** for Sukuk listing and trading.
 - **Strong support from both authorities** (Regulator, Luxembourg Central Bank, Ministry of Finance) **and the private sector** to facilitate the set up of Islamic Finance products **in Luxembourg**.
 - **The Euro MTF market enables non-European issuers, who do not require a European passport, to obtain a listing** in a recognized financial centre in Europe. Issues on MTF market are **authorised by the Luxembourg Stock Exchange**.

Terima kasih atas perhatian anda

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