



# GROWING DEMAND FOR CORPORATE SUKUK

**IFN 2013**  
*Issuers & Investors*  
**EUROPE FORUM**

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**DEPUTY CEO, FWU GLOBAL TAKAFUL SOLUTIONS**



**Global Sukuk Issuances growing**

**Malaysia & the Ringgit dominate**

**Corporate Sukuk Issuances increasing**

**Attractiveness of Corporate Sukuk**

**Supply & Demand for Corporate Sukuk**

**Corporate Sukuk: Investor preferences**

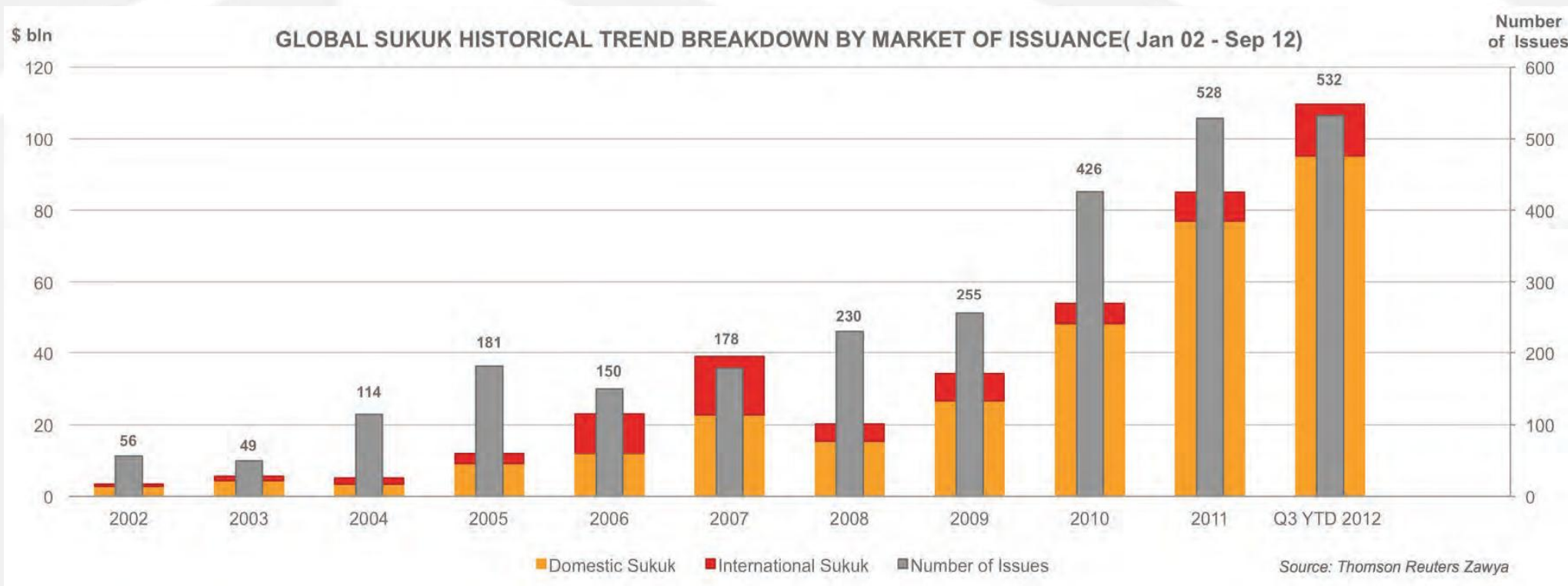
**FWU: Pioneering Sukuk Issuance in Europe**

# GLOBAL SUKUK ISSUANCES GROWING

## 2012 Global Sukuk milestones:

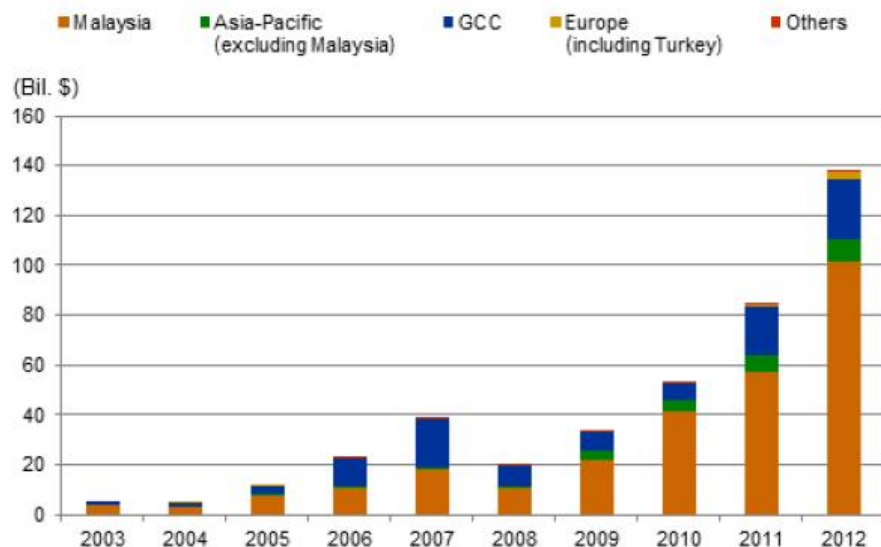
- US \$ 138 billion issuance
- 64% growth in Global Sukuk issuances
- 4<sup>th</sup> consecutive year of expansion in issuances

➤ **US \$ 290 billion Global Sukuk issuances expected by 2016\***



# MALAYSIA & THE RINGGIT DOMINATE

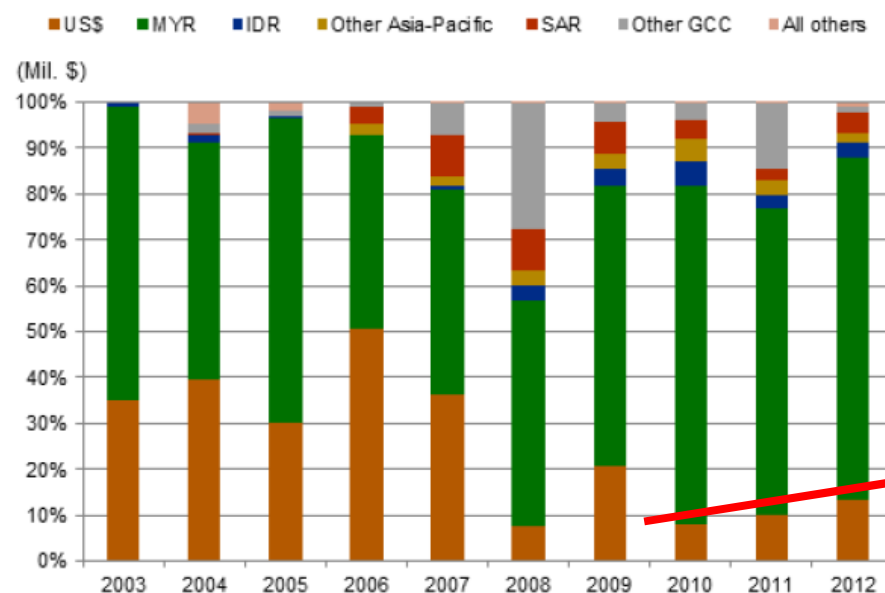
Total Sukuk Issuance By Major Region



Asia-Pacific (excluding Malaysia)—Indonesia, Pakistan, Brunei, Singapore, Japan, Iran, China. GCC—Gulf Cooperation Council, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates. Europe (incl. Turkey)—Germany, U.K., Turkey, France. Others—U.S., Sudan, Gambia, Jordan, Yemen, Kazakhstan. Sources: Standard & Poor's, Zawya Sukuk Monitor Database.

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Sukuk Issuance By Currency



GCC—Gulf Cooperation Council. IDR—Indonesian rupiah. MYR—Malaysian ringgit. SAR—Saudi Arabian riyal. Sources: Standard & Poor's, Zawya Sukuk Monitor Database.

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Over 2011-2012, around 70% of Global Sukuk issues were in the Malaysian market

Sukuk Issues within the GCC market gained momentum over 2012, with US \$ 24 billion (40% increase over 2011)

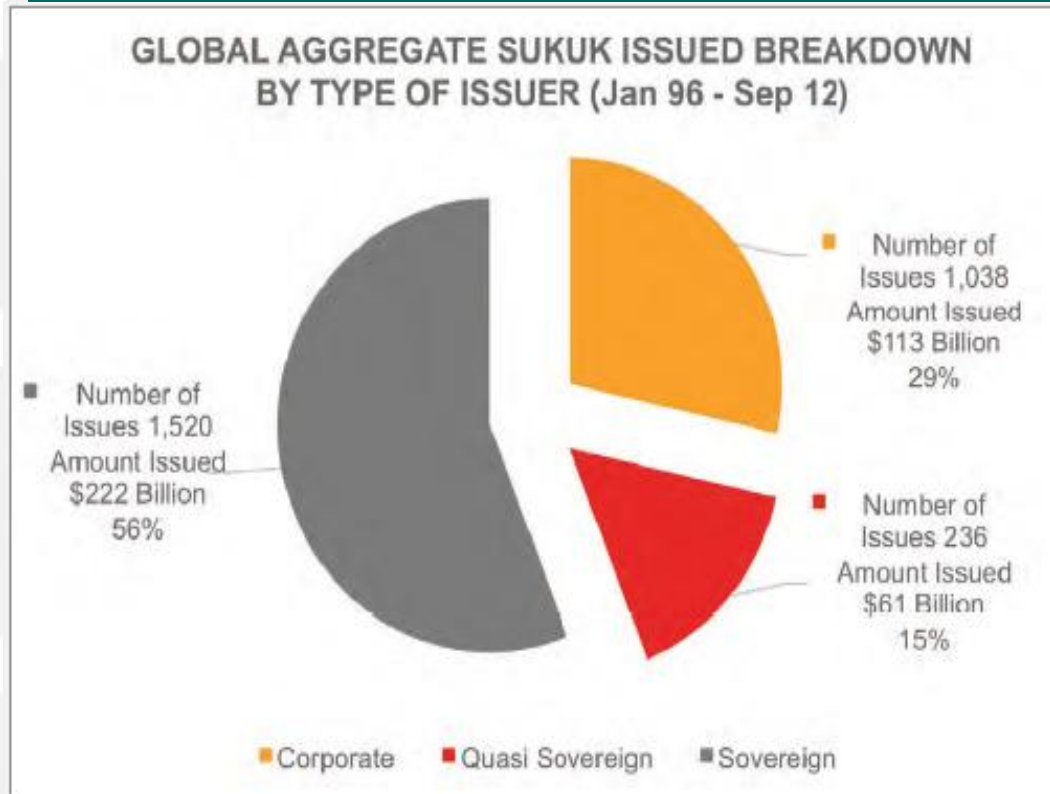
➤ MENA issuers are also tapping into the liquidity pool in Malaysia, by issuing Sukuk cross-border

Malaysian Ringgit is the currency of choice for issuers

Since 2010, US \$ has been gaining share of issuance currency

➤ GCC and non-Asia Pacific Investors tend to prefer US \$ Sukuk

# CORPORATE SUKUK ISSUANCES INCREASING

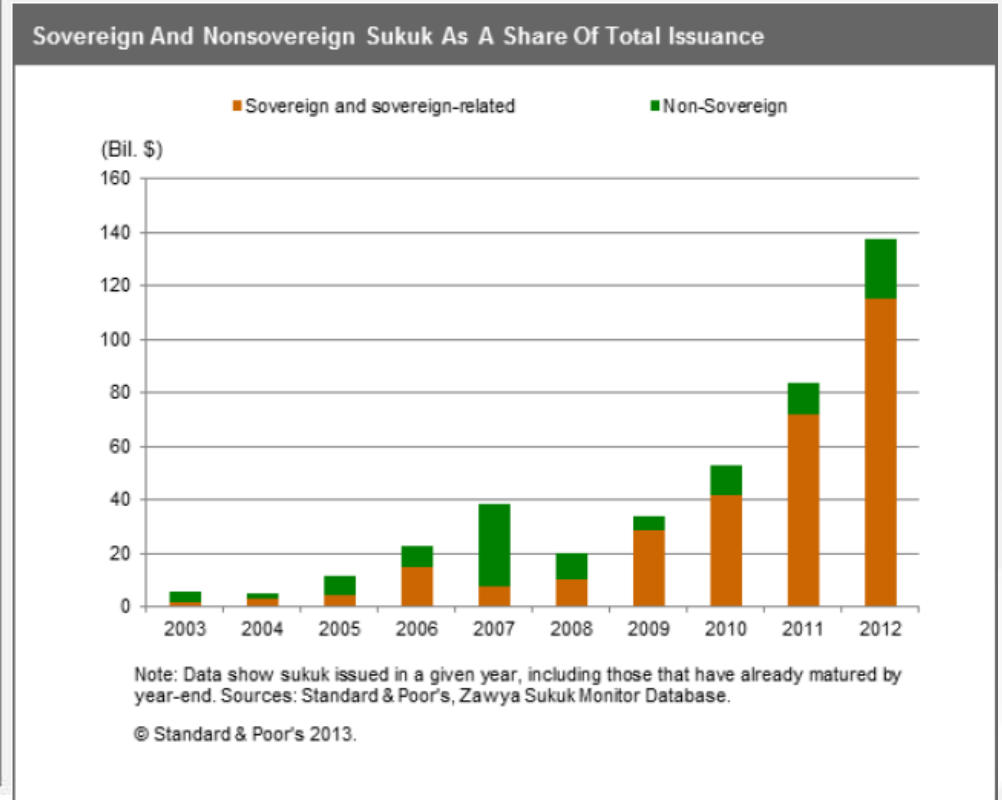


Thomson Reuters 2013 report

Historically, around 29% of Sukuk issued by Corporates

Pre-2008, 70% to 80% of Sukuk issued by Corporates

- **Following 2008, with investor flight to security, safer Sovereign and sovereign related Sukuk preferred**



20% of 2012 Sukuk issued by Corporates, up from only 13% in 2011

- **With signs of economic recovery, investor appetite for Corporate sukuk could increase in future**

○ Sukuk provide corporates with alternative source of funding

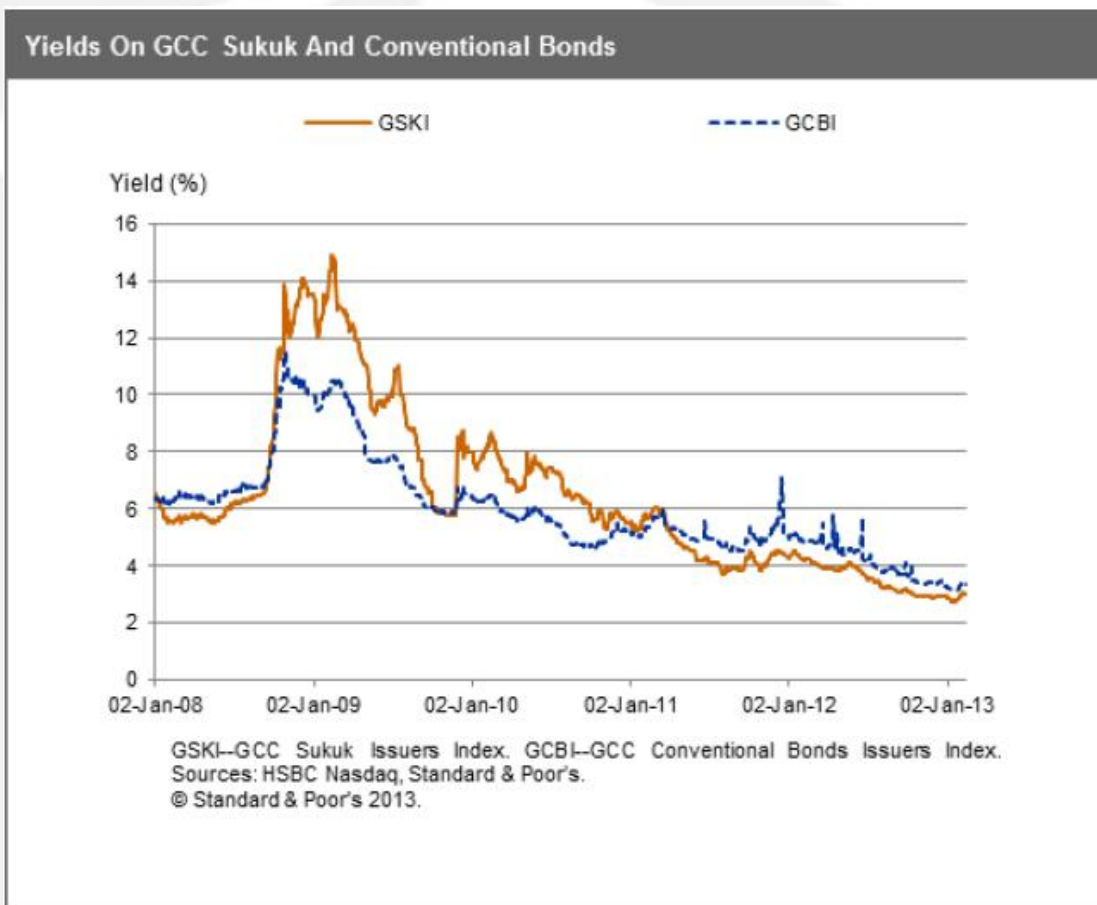
○ From an investor perspective, Corporate Sukuk offer:

**1. Diversification**

✓ Diversification benefits for both Shariah and non-Shariah investors

**2. Yield enhancement**

✓ Yield enhancement over Sovereign and sovereign related Sukuk



➤ Demand may be driven up by the rise in Islamic banking assets, expected to reach US\$ 1.8 trillion in 2013, from US\$ 1.3 trillion in 2011\*

➤ In the GCC market, for example, yields on Sukuk are lower than on conventional bonds

➤ Provides corporates with the opportunity to lock in cheaper funding

○ **Corporate Sukuk issuances gaining pace, as corporates seek to diversify funding channels**

**Example ➤ Majid Al Futtaim Holding, the highest rated corporate in Middle East issued both a Sukuk and a conventional bond during 2012**

**Sukuk issue US \$ 400 million (Feb. 2012)**

**Conventional bond issue US \$ 500 million (July 2012)**

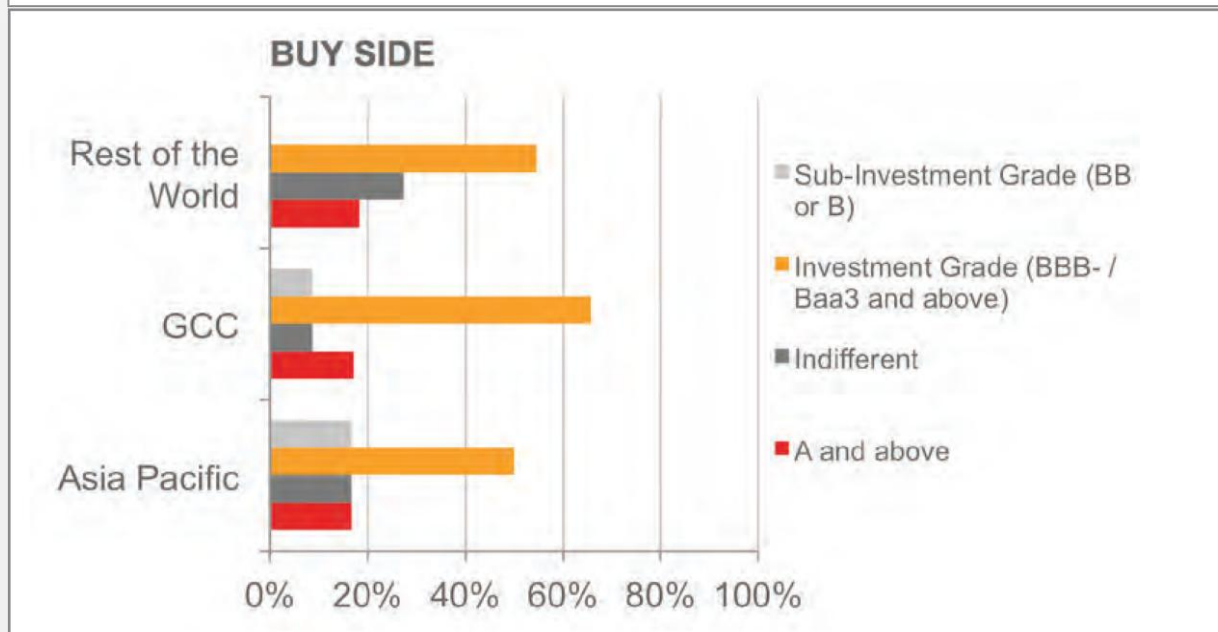
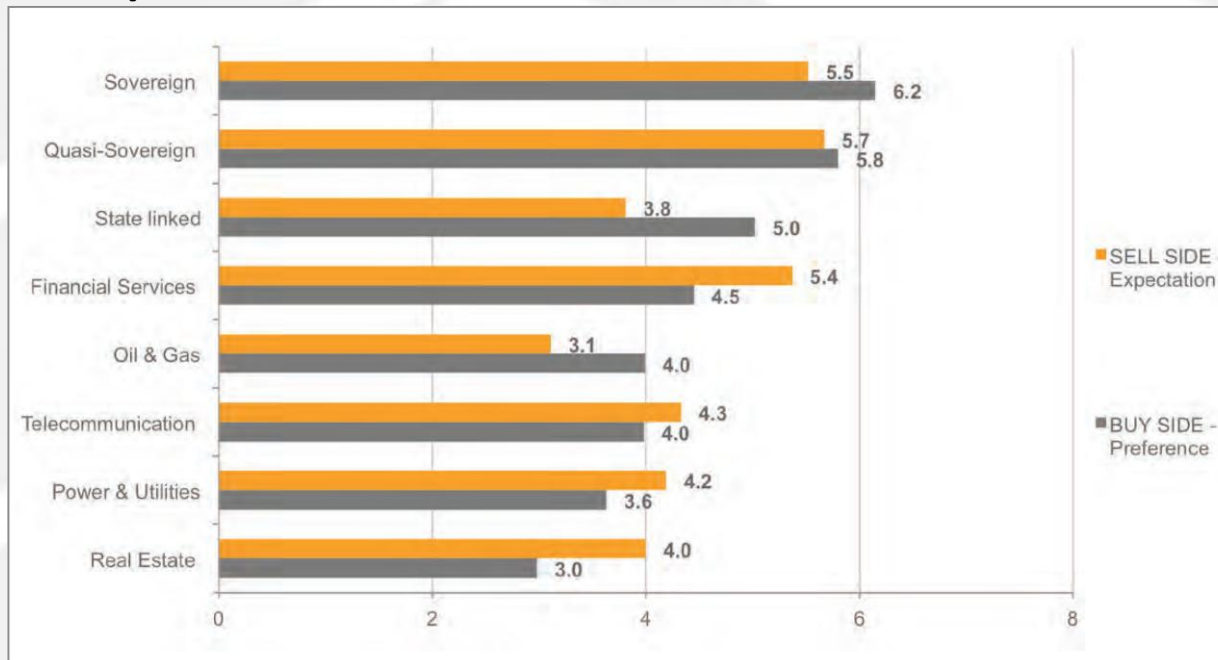
○ **Investor demand for Sukuk is being intensified particularly by the tremendous appetite created by Sukuk mutual funds**

Sukuk mutual funds provide a structured way for many different investors to gain exposure to Sukuk

- **These Sukuk mutual funds often chase the yield enhancement opportunities provided by Corporate Sukuk over sovereign and sovereign related Sukuk**
- **This demand for Sukuk Issuances is paving the way for corporates to either replace maturing debt or obtaining new funding**

# CORPORATE SUKUK: INVESTOR PREFERENCES

Thomson Reuters Sukuk perception and forecast study 2013 revealed the following insights into the preferences of investors:



Of Corporate (non-government) Sukuk issuances:

✓ Financial services is the most favoured industry

✓ Investors favour investment grade Sukuk (BBB- and above)

✓ Very few investors favour Sukuk rated A and above

➤ Investors have a tolerance for taking on some risk

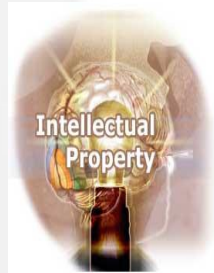




Largest Sukuk Issuance by a European Corporate



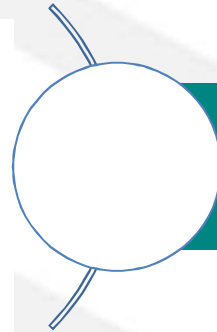
1<sup>st</sup> Sukuk Issuance by a German Corporate



1<sup>st</sup> Sukuk to be backed by Intellectual Property

## Innovative Sukuk Structure

- ❖ Underlying Asset is a proprietary computer software system, used by FWU bank distribution partners
- ❖ Intellectual Property rights developed in-house by FWU
- ❖ Ernst & Young provided advice in relation to the underlying assets



**Target: Institutional Investors from GCC**

**Issuance Date**

November 2012

**Size**

USD 55 million

**Periodic Payback  
(principal & profit)**

Half Yearly (in arrears)

**Tenure**

7 years (due in 2019)

**Profit rate**

7 % per annum

**Issue Type**

Al Ijara

**Use of Proceeds**

Shari'ah compliant  
commission re-  
financing

**Shari'ah Scholars**

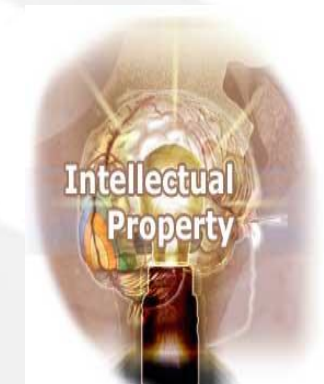
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Rolfs Partner

**Legal Counsel**

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- ❖ Loyens Loeff (Luxembourg & Tax Counsel)



*Thank you...*



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