

# GCC Market Update



## Market Commentary

### Germany grants first Islamic Banking license to KFH

Kuwait Finance House (KFH), the first Islamic bank in Kuwait, has been granted the license to open up Islamic banking services in Germany. This upcoming German Islamic bank is expected to be operational by July 2015, under the Kuwait Turk Subsidiary and will be headquartered in Frankfurt. It will be KFH's first step towards offering services across Europe. (Source: Zawya)

### Oman to make its first sovereign sukuk issuance by mid-2015

Oman is expected to tap the sukuk market through a sovereign sukuk issuance worth USD520mn by mid 2015. The proceeds from the issue will be primarily used to cover up for the fiscal deficit caused due to the persistent decline in oil prices (which have declined more than 46% since June 2015). The state foresees a deficit of OMR2.5bn in 2015. (Source: Reuters)

### UAE's Ajman bank signs a two-year USD155mn Islamic loan

Ajman Bank, the UAE lender, has signed a syndicated Islamic loan facility of USD155mn to be used for general business operations. The deal includes both Hybrid Murabaha and a Wakala Structure with a two year life span. Dubai based Noor Bank, was the sole arranger for the deal while Emirates Islamic Bank, First Gulf Bank, United Arab Bank and Warba Bank participated in the loan. (Source: Reuters)

### Dubai's PFZW signs a USD1.2bn loan

Port and Free Zone World (PFZW), the holding company for Dubai based port operator DP World, successfully completed a borrowing of USD1.2bn. The loan funding is for 5 years, and priced at 225 bps over LIBOR. The proceeds from the issue would be used to refinance debt, while meet commitments at group and subsidiary levels. The main arrangers for the deal were Citi Group, Emirates NBD and HSBC which were joined by 7 other banks. PFZW is a part of Dubai World, which is currently under negotiations for restructuring its USD14.6bn debt. (Source: Reuters)

### Emirates Airline issued the world's first UKEF guaranteed sukuk

Emirates Airlines issued a ten-year USD913mn Islamic bond guaranteed by the UK export Finance (UKEF) at the profit rate of 2.471%. It attracted orders worth more than USD3bn, representing an oversubscription of 3.6x. The proceeds from the issue would be primarily be used to fund the acquisition of four Airbus A380-800 aircraft. The deal attracted global investor base, with 39% distributed to Middle East and Asia, followed by Europe (32%) and US (29%). (Source: Spyghana)

## Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/14	30/03/15
Saudi Arabia	2.00%	0.86%	0.77%
UAE	1.00%	0.68%	0.71%
Qatar	4.50%	1.06%	1.08%
Kuwait	0.75%	1.06%	1.19%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.45%

## Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	426.36	February-15
UAE	389.27	February-15
Qatar	165.20	February-15
Kuwait	126.45	January-15
Oman	45.13	January-15
Bahrain	41.65	November-14

## Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
Khadrawy Limited – Emirates Airline (sukuk)	2.47%	913	USD	March-15	10	3.6x
Petronas Global Sukuk (sukuk)	2.71%	1,250	USD	March-15	5	NA
Sharjah Islamic Bank (Sukuk)	2.84%	500	USD	March-15	5	7.2x
IDB Trust Services Limited (sukuk)	1.83%	1,000	USD	March-15	5	NA
Ministry of Finance – Egypt (bond)	12.40%	656	EGP	March-15	3	NA
Abu Dhabi Commercial Bank PJSC (bond)	2.63%	750	USD	March-15	5	2.3x
Emirates NBD PJSC (bond)	1.75%	605	EUR	March-15	7	NA

# GCC Market Update



## Market Commentary

### IDB issued five-year USD1bn sukuk

Islamic Development Bank (IDB) (Aaa/AAA/AAA), under its USD10bn Trust Certificate Issuance programme issued a five-year USD1bn sukuk at the profit rate of 1.83%. The deal secured a very attractive pricing, which was 22bps inside the secondary market levels. It attracted strong investor participation across Middle East (50%), Asia (35%) and Europe (15%). Moreover, by investor type, 54% was allocated to Central Banks, followed by other banks (28%) and Fund Managers (10%). The trust certificates will be listed on the London Stock Exchange, Nasdaq Dubai and Bursa Malaysia under an exempt regime. (Source: Reuters)

### Sharjah Islamic Bank issued USD500mn dollar denominated sukuk

UAE's Sharjah Islamic Bank raised USD500mn through a five-year dollar denominated sukuk issuance at a profit rate of 2.843%. The deal attracted orders worth more than USD3bn, representing an oversubscription of 7.2x. (Source: Reuters)

### National Bank of Kuwait sets pricing guidance for capital boosting bond

National Bank of Kuwait (NBK) (Aa3/A+/AA-) has launched a USD700mn dollar denominated bond to enhance its capital reserves. The lender has set the initial pricing guidance at 5.875%. The deal has attracted orders worth USD1.4bn, which has a perpetual lifespan but can be called after the sixth year. (Source: Zawya)

### Kuwait public spending remains high despite lower oil revenues

Government spending in Kuwait went up 12.6% y-o-y to KD11.9bn for fiscal YTD (FYTD) January 2015, as both capital and current spending witnessed gains. Capital spending which includes project executions went up 29% to KD1.1bn for FYTD January, whereas current spending (wages, salaries, transfer to social security fund) increased 11.2% to KD10.9bn. However their total revenues continue to slip down, decreasing 16% to KD22.4bn for FYTD January 2015 mainly due to the fall in oil revenues (which declined 17.3% y-o-y). (Source: Zawya)

### Qatar seeks regulatory norms for Islamic Finance

With the continuous growth in the World Islamic Finance, Qatar has proposed a Global regulatory framework for the industry in order to ensure sector's stability. Islamic Banking plays a major role in Qatar, controls around 25% of the country's total banking assets. Qatar advises a global regulatory authority under Islamic Financing to identify key credit risks and help product innovations while following the basic Sharia guidelines. (Source: Peninsula Qatar)

### FDI in Qatar reached QAR111.8bn

Foreign Direct Investment (FDI) inflow in Qatar has reached QAR111.8bn by the end of 2012, increasing 1.2% from the earlier year. The four major sectors that accounted for 90.7% of the total FDI inflow in Qatar include mining and quarrying; manufacturing; building and construction and other professional, scientific, technical, administrative and supportive service activities. (Source: Peninsula Qatar)

### Saudi – Iran rivalry hits Saudi investments in Yemen

Regional conflicts in Middle East intensified with air strikes led by Saudi Arabia in Yemen against the Iranian backed Houthi rebels. This political turmoil and unrest in the region has taken a toll over Saudi investments in Yemen, as Saudi Yemen Business Council which was established to increase trade and investment relations between the two countries has put its activities on halt. The current geopolitical outbreak in Yemen has prompted Saudi investors to reconsider their investments in the country, while others have stopped pumping more liquidity into the existing projects in several Yemeni cities. (Source: Arab News)

### Islamic Banking assets to touch USD1.8tn by 2019

According to EY's World Islamic Banking Competitiveness latest Report, the participation banking assets with commercial banks in Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey are projected to touch USD1.8tn mark. Moreover, it reported that the participation banking assets in the above mentioned countries will cross USD753bn in 2014, representing 82% of the global participation banking assets. (Source: Zawya)

### Egypt received USD23bn financial aid from Gulf

Egypt remains strongly backed by GCC sovereigns, it has received USD23bn of financial aid from Saudi Arabia, UAE and Kuwait in the last 18 months. In the latest Economic conference held in March, Saudi, UAE and Kuwait pledged USD12bn as financial aid to Egypt for economic recovery and growth. (Source: Zawya)

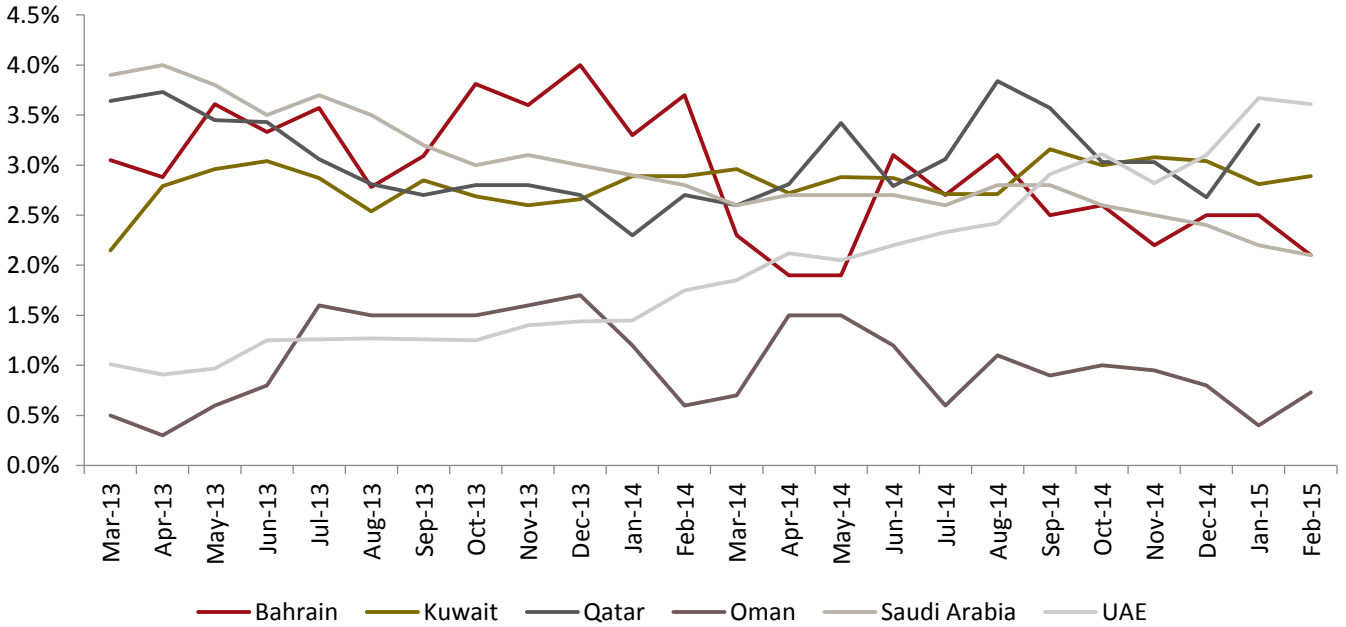


# GCC Market Update

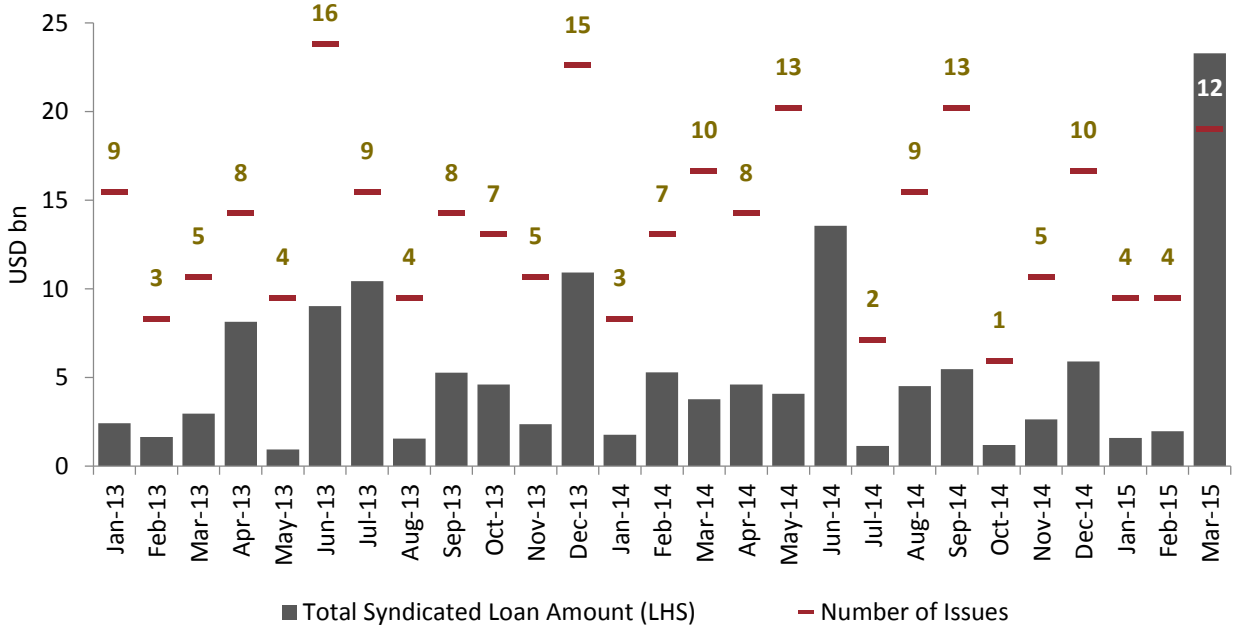


## Inflation Trend

Saudi Arabia's inflation dropped to 2.1% y-o-y in February 2015, its lowest level in nine years mainly driven by the strengthening rial currency and dip in food prices.



## Syndicated Finance Flows

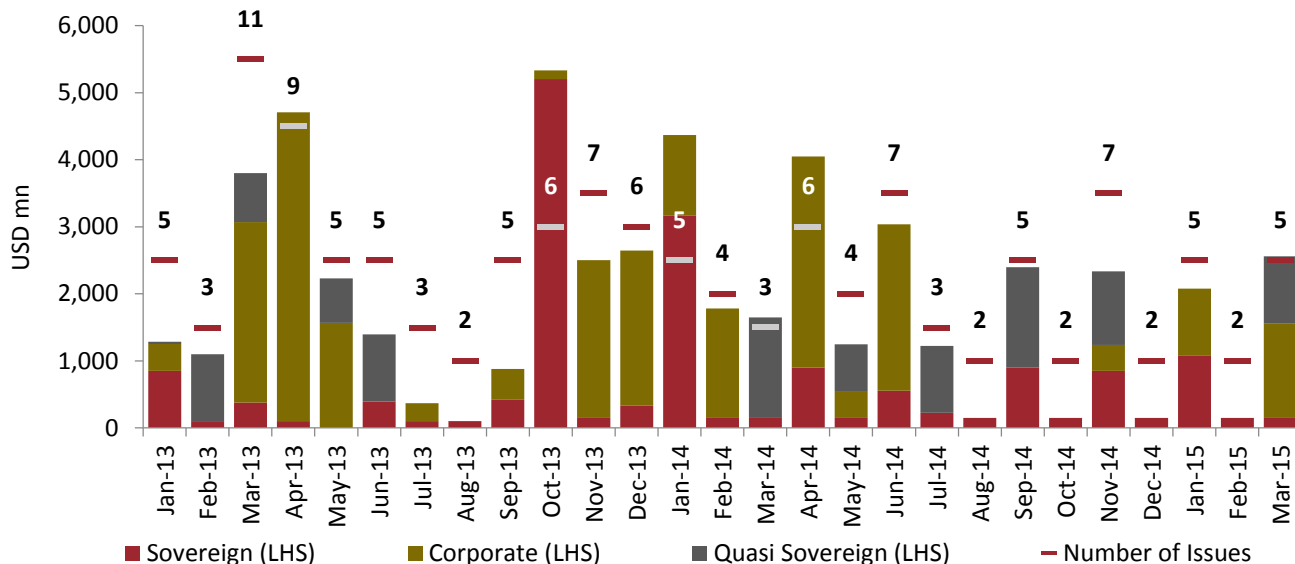


Source: Bloomberg, Thomson banker

# GCC Market Update

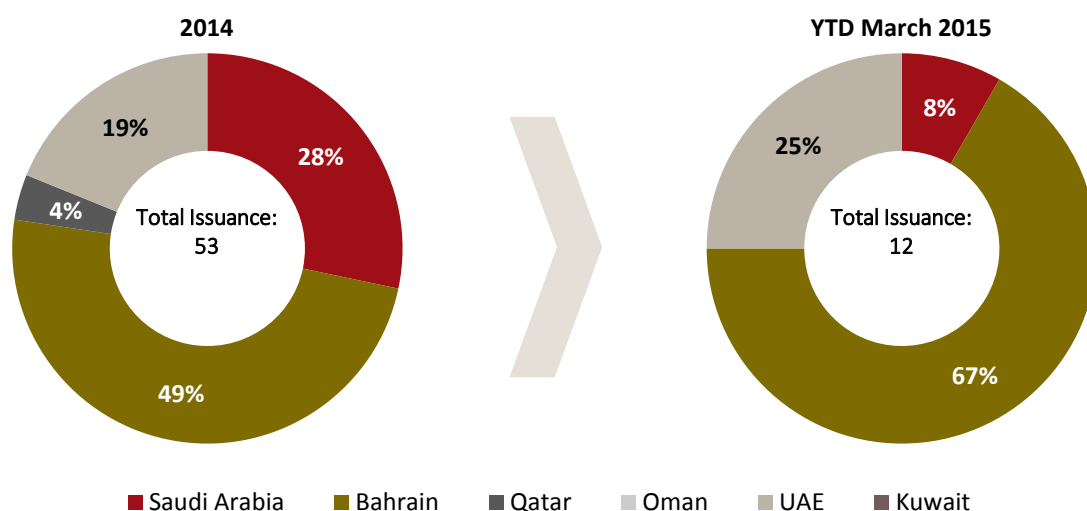


## Sukuk Issuance by Value, Number, and Type



- Sukuk issuances in March 2015 surged in terms of both value and number; by value soared 55% y-o-y to USD2.6bn. For YTD March 2015 Sukuk issuance by value declined 39% y-o-y to USD4.8bn, mainly driven by a sharp decline in sovereign (-60% y-o-y), quasi sovereign issuances (-33%) and corporate issuances (-15%). Corporates comprised 50% of the total issuance volume for YTD March 2015, followed by sovereign at 29% and quasi-sovereign issuances at 21%.

## Sukuk Issuance by Country – Number of Issuances



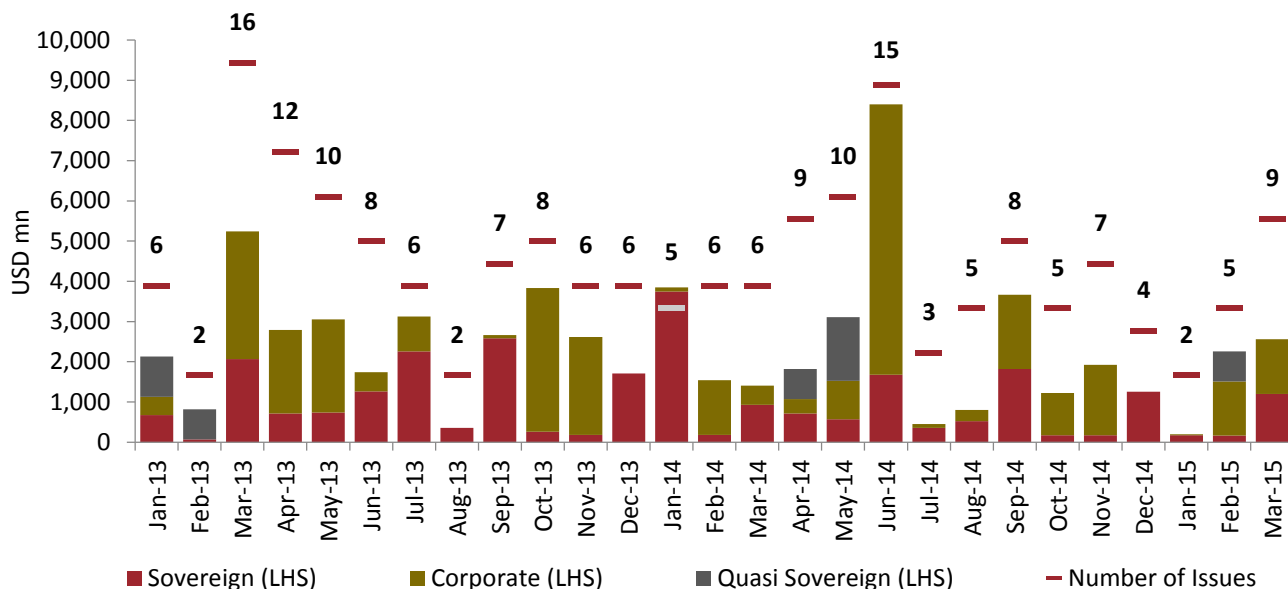
- Bahrain was the largest issuer of sukuk by number of issuances (8) in GCC for YTD March 2015, followed by UAE (3) and Saudi Arabia (1)
- UAE accounted for the largest share of sukuk issued by value among GCC countries, with three issuances totaling USD2.4bn for YTD March 2015, followed by the Bahrain (eight issuances; worth USD1.4bn) and Saudi Arabia (one issuance; worth USD1bn)

Source: Zawya

# GCC Market Update

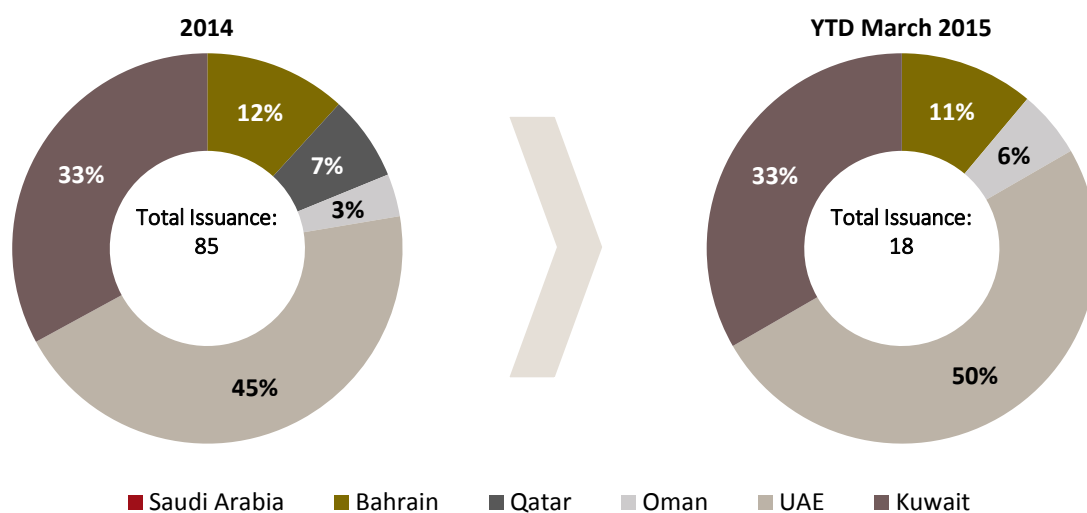


## Bond Issuance by Value, Number, and Type



- Bond issuances by value increased 14% m-o-m and 83% y-o-y for March 2015, with nine issuances totaling USD2.6bn. For YTD March 2015 total bond issuances by value fell 26% y-o-y to USD5.0bn, the rise in corporate issuances (+41% y-o-y) was offset by decline in sovereign (-68% y-o-y). Corporate issuances comprised 54% of the total issuance value for YTD March 2015, followed by sovereign at 31% and quasi-sovereign at 15%.

## Bond Issuance by Country – Number of Issuances



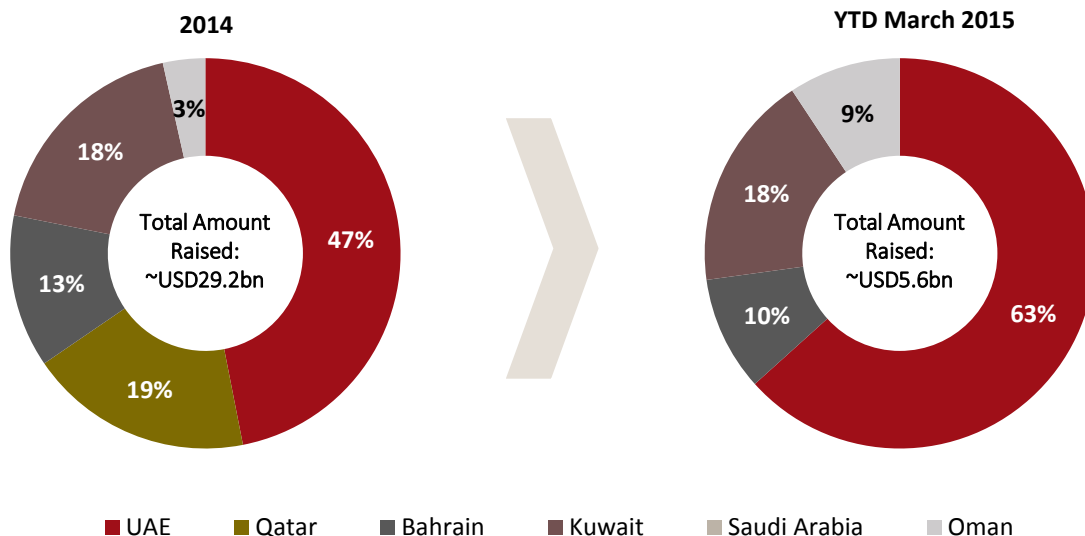
- The UAE accounted for the largest share of bond issuances by number (9) and value (USD3.5bn) for YTD March 2015.
- With 6 issuances, Kuwait not only was the second largest issuer by number but also ranked second in terms of value; its bond issuances totaled USD1.0bn for YTD March 2015.

Source: Zawya

# GCC Market Update

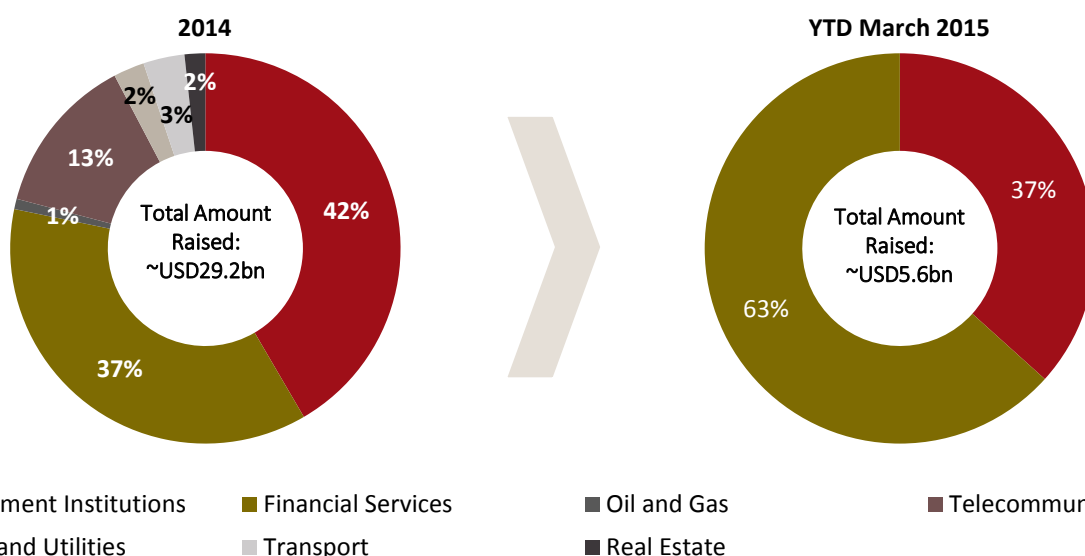


## Outstanding Bonds by Country



- The outstanding value of GCC bonds stood at USD5.6bn for YTD March 2015; the UAE led the GCC region in terms of the number and volume of issuances. Outstanding value of bonds issued for YTD March 2015 in the UAE more than doubled to USD3.5bn from USD1.3bn for YTD March 2014

## Outstanding Bonds by Industry



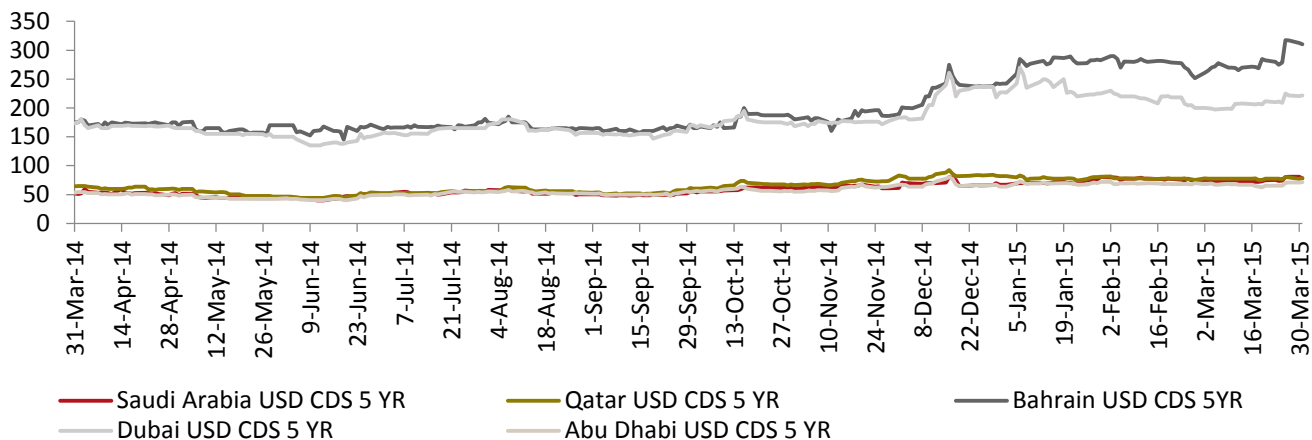
- Financial Services (63%, USD3.5bn) and financial services (37%, USD2.0bn) were the only contributing sectors, with total bond outstanding of USD5.6bn for YTD March 2015. Outstanding value of bonds issued by Financial services soared 86% y-o-y to USD3.5bn for YTD March 2015

Source: Zawya

# GCC Market Update



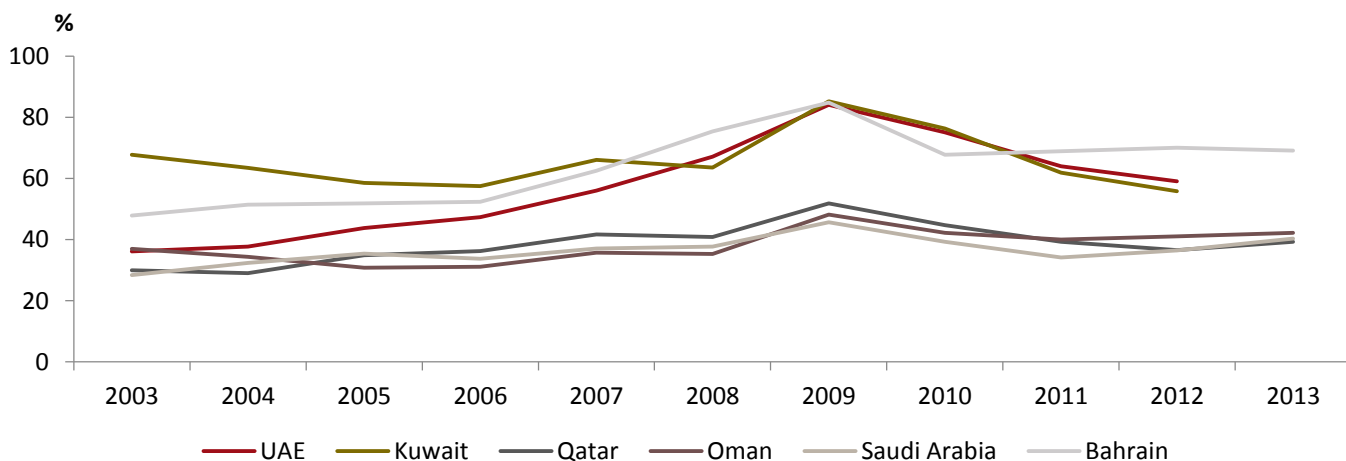
## 5-Year USD CDS Spread



## 5-Year CDS Watch (bps)

Country	March 31, 2015	December 31, 2014	52-Week	
			High	Low
Saudi Arabia	78.01	66.71	81.07	39.79
Abu Dhabi	71.40	63.54	80.14	40.50
Dubai	221.83	226.62	270.03	135.01
Qatar	78.72	82.18	92.50	44.50
Bahrain	310.19	241.74	317.55	145.08

## Credit to GDP Gap

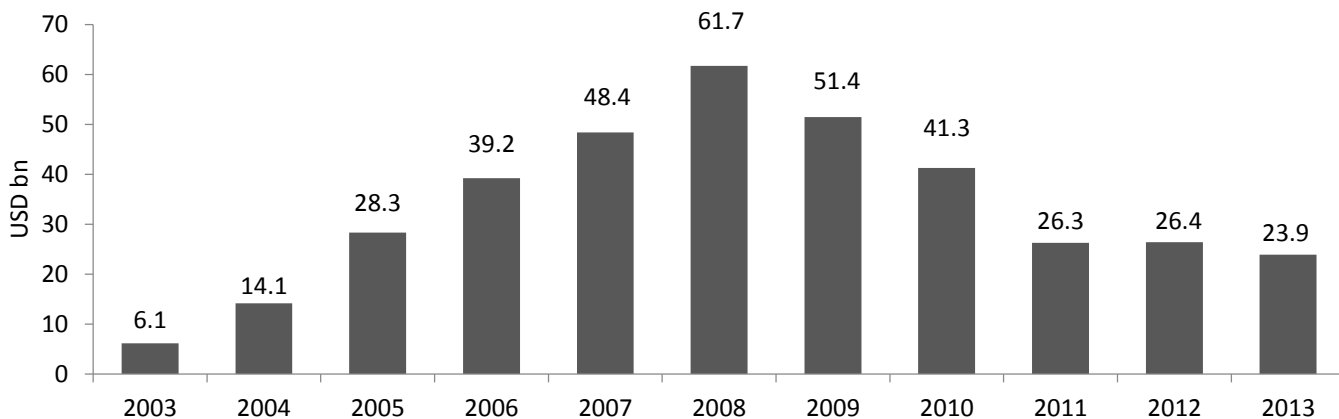


Source: Bloomberg

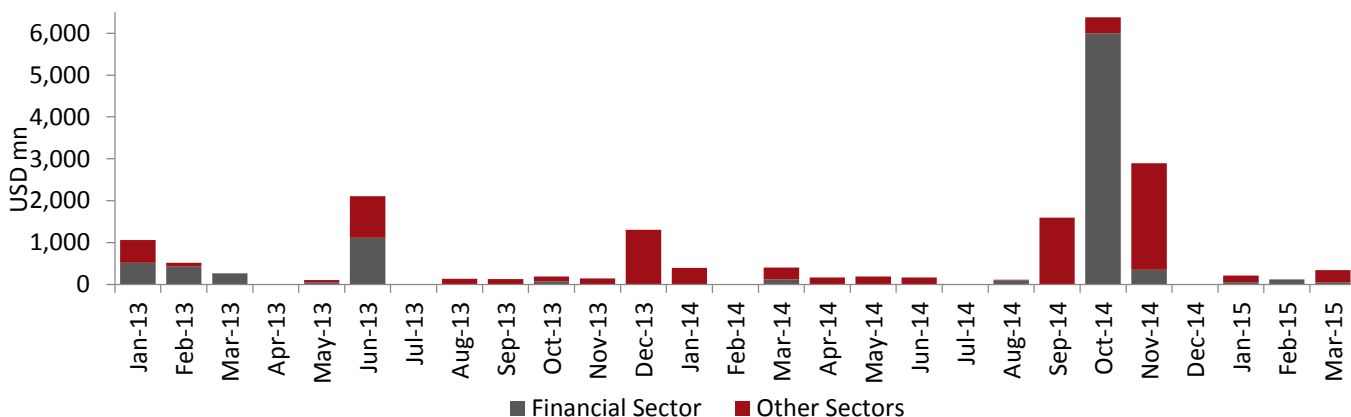
# GCC Market Update



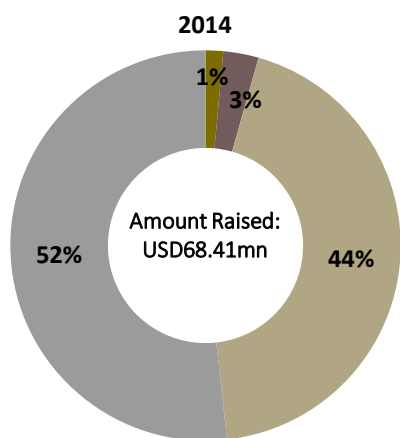
## FDI Inflow into the GCC Region



## IPO and FPO Activity in the GCC Region



## Private Equity Investments in the GCC Region (by Sector)



### YTD March 2015

No Amount Raised

- Media
- Services
- Health Care
- Education
- Information Technology
- Retail
- Transport
- Real Estate
- Financial Services

Source: Thomson One, Zawya



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