

GCC Market Update



Market Commentary

UAE Central bank announced monetary and banking developments for July

According to the latest data from UAE's Central Bank, its money supply aggregates M1, M2 and M3 stood at AED460.8bn (declining 0.7% m-o-m), AED1184.7bn (declining 0.4% m-o-m) and AED 1,347.9bn (declining 0.5% m-o-m), respectively, in July 2015. The decrease in M1 was mainly attributed to the AED 2.8bn decline of monetary deposits while the decrease in M2 and M3 was attributed to the AED2bn decline in quasi-monetary deposits and AED1.9bn decline in government deposits respectively. *(Source: Zawya)*

UAE and India tie in strategic partnership

The Indian Prime Minister Mr Narendra Modi's visit to UAE elevated the relationship between the two countries to a new level of strategic partnership. UAE is estimated to make investments worth ~USD75bn in India through an Infrastructure investment fund, thereby supporting infrastructure developments within India. The two countries target to increase the bilateral trade levels by 60% over the next 5 years. They aim to build their partnership in the energy sector, with UAE's increased participation in India for the development of strategic petroleum reserves together with investments in India's upstream and downstream sectors. With respect to oil trade, UAE is the sixth largest source of crude oil to India and currently contributes only 9% of the total oil supply. India would focus on increasing the volume of crude sourced from UAE; however the terms are under discussion. *(Source: Zawya)*

Saudi bank NCB raises SAR2bn through capital boosting sukuk

National Commercial Bank (NCB), Saudi Arabia's largest lender, is raising SAR2bn (USD533.3mn) through a Basel III compliant Tier 1 perpetual sukuk. The transaction will be privately placed with one or more government-owned investment funds. This is the third such sukuk issuance by NCB since June 2015, which plans on raising as much as SAR7bn of capital before the end of 2015. *(Source: Reuters)*

Prolong drop in oil prices might lead to GCC credit risk re-pricing

International bonds from the Gulf's wealthy energy-exporting countries, which have always outperformed emerging market debts, might lose their safe-haven status, if oil prices continue to drop. Unlike most of the world, GCC governments have enjoyed big budget surpluses, their currency pegs to the U.S. dollar have protected them from currency devaluation. However with oil prices hitting their new six-year lows, most of these surpluses have started declining, leading to a reassessment of GCC credit risk. During the last two weeks of global market turmoil, GCC bonds have not escaped a general emerging markets sell-off. In the recent week while GCC bonds outperformed Russian and Latin American debt, they underperformed Asia and Eastern Europe debt. *(Source: Reuters)*

Abu Dhabi's Mubadala seeks better terms for USD1bn university loan

Abu Dhabi's state investment fund Mubadala is looking forward to refinance a USD1bn loan with improved terms. The loan was initially signed in 2009 with proceeds used for a campus construction at Zayed University. The National Bank of Abu Dhabi and Abu Dhabi Commercial Bank are looking at the deal. The margin is estimated to be around 130bps over the benchmark interest rate. This remains significantly lower than an existing ten-year loan which started at 290bps over the benchmark interest rate and by the time it hit maturity was increased to 390bps. *(Source: Reuters)*

Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/14	01/09/15
Saudi Arabia	2.00%	0.86%	0.86%
UAE	1.00%	0.68%	0.82%
Qatar	4.50%	1.06%	1.13%
Kuwait	0.75%	1.06%	1.31%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.85%

Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	434.20	July-15
UAE	390.66	July-15
Qatar	173.12	May-15
Kuwait	129.94	June-15
Oman	47.67	June-15
Bahrain	42.89	April-15

Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (USD mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
Central Bank of Oman (bond)	3.0%	779	OMR	August-15	5	1.2x
Central Bank of Republic of Turkey (sukuk)	NA	550	TRY	August-15	2	NA
Sarawak Power Generation (sukuk)	5.28%	207	MYR	August-15	20	NA

Source: GCC Central Banks, Kuwait Financial Centre, Zawya, Gulf base, Reuters, Trading Economics, Arabian Business, Fitch, Emirates 247, Bloomberg, Peninsula Qatar, Maktoob News, Muscat Daily, Times of Oman, Arabian Business, Arab Times

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Commercial Bank of Dubai plans USD750mn Tier 1 bond

Commercial Bank of Dubai (CBD) has proposed to issue a Basel III compliant Tier 1 perpetual bond worth USD750mn, subject to shareholders and regulatory approvals. The board meeting regarding the same has been scheduled on 13th September 2015. (Source: Reuters)

TAQA to seal a USD3.1bn loan

Abu Dhabi National Energy Company's (TAQA) five-year loan worth USD3.1bn awaits a sign off from Emirates' Debt Management Office. The proceeds from which will consolidate TAQA's all existing facilities into one lower cost facility. The pricing on the loan starts at 50bps above LIBOR. Lenders including Bank of Tokyo-Mitsubishi, National Bank of Abu Dhabi, BNP Paribas, First Gulf Bank, HSBC, Mizuho, SMBC and Societe Generale have put up USD300mn to USD350mn each for the deal, however some contributions were scaled back later after other banks joined in. (Source: Reuters)

World Bank's IFC to meet investors on sukuk issue

International Finance Corp (IFC), a unit of the World Bank, plans to meet fixed income investors ahead of a potential issue of U.S. dollar-denominated sukuk. IFC (rated Aaa/AAA) has picked Dubai Islamic Bank, HSBC, National Bank of Abu Dhabi and Standard Chartered Bank to arrange the investor meetings. The potential sukuk would be listed on Nasdaq Dubai and an application will be made for its subsequent listing on the London Stock Exchange. (Source: Reuters)

Dubai's Noor Bank plans to arrange Indonesian sukuk

Noor Bank plans to arrange a sukuk or Islamic private placement on behalf of the Indonesian government. This will be in collaboration with the Dubai-based Islamic finance institution that underwrites a portion of the deal. (Source: Arabian Business)

Saudi's Almarai to issue SAR2bn through sukuk

Saudi Arabian dairy producer, Almarai plans to make a senior sukuk issuance worth SAR2bn (USD533mn) to meet its upcoming investment needs. HSBC, Saudi Arabia and Samba Capital and Investment Management Co are acting as joint lead managers to the deal. (Source: Reuters)

Saudi Electricity gets nod for USD2.3bn two-part loan

Saudi Electricity Co (SEC) has received approval from its executive committee to negotiate on a loan worth USD2.3bn and set up a sukuk programme worth as much as USD1.5bn. The two parts of the loan would serve as a back-up facility for the company, one tranche would be worth USD800mn and other would not exceed USD1.5bn. The loan would be structured as a revolving credit facility and will have a lifespan of three to five years. The proceeds from the sukuk programme would be utilized to fund capital projects. (Source: Maktoob)

Saudi fiscal deficit to widen in 2015

Saudi Arabia faces a risk of rising fiscal deficit amid the plunging oil prices, declining reserves and an increase in military spending. The International Monetary Fund forecasts a budget deficit of USD150bn for Saudi Arabia in 2015, which is around 20% of the total economic output in 2015 due to government's strong spendings despite reducing oil revenues. The Economist Intelligence Unit (EIU), however, expects the fiscal deficit to reach 13.3% of GDP (its largest shortfall since 1987) inflated by the rising costs of the Saudi-led air campaign in Yemen. (Source: Zawya)

Qatar bank assets surge 4.1% m-o-m in June 2015

The Qatar bank's assets have increased by QAR42.1bn, up 4.1% to QAR1.06tn in June 2015 from QAR1.02tn recorded in the earlier month. Total domestic loans and credit facilities provided by banks to the local private sector increased about QAR14.2bn to QAR385.6bn, in addition to loans and facilities worth QAR12.2bn for the non-banking financial sector. The month also witnessed an increase in government and public sector deposits by about QAR6.2bn to reach QAR228.1bn. The banks' investments in securities outside Qatar increased QAR0.2bn to reach QAR22.2bn. (Source: Peninsula Qatar)

Qatar's Doha Bank backs loan for SAR2.2bn reservoirs scheme

Doha Bank is backing a project financing which will be used to construct a Water Security Mega Reservoirs Project worth SAR2.2bn (USD604.3mn) for Qatar General Electricity & Water Corporation (KAHRAMAA). The deal has been signed with Leighton Contracting Qatar, a unit of United Arab Emirates-based Habtoor Leighton Group. (Source: Reuters)

Kuwait fiscal deficit stood at KWD 2.7bn

For the first time in the history of Kuwait, the country faced a huge deficit of KWD2.7bn in FY2014. If the prolong weakness in oil prices continues, Kuwait will face a larger deficit this year. The current year's budget has been formed based on Kuwait's crude oil price at USD45/bbl; but the price of crude oil has to be close to USD70/bbl to avoid any shortage in the budget. (Reuters: Arab times)

Kuwait's National Industries Group signs KWD105mn loan

Kuwait's National Industries Group (NIG) signed KWD105mn (USD347.4 million) three-year loan to refinance its existing debts. Lenders from Kuwait and the Gulf, in addition to international banks, participated in the transaction. (Source: Reuters)

KIB signs USD320mn three-year murabaha financing facility

Kuwait International Bank KSC (KIB) has successfully signed an USD320mn three-year debut syndicated murabaha financing facility. Bahrain-based Bank ABC and Bank ABC Islamic acted as the lead managers to the deal. The facility was initially launched for USD100mn, however following the huge investor demands KIB increased the deal size to USD320mn, thereby taking advantage of the significant oversubscription. (Source: Zawya)

Oman's budget deficit swells to OMR1.9 billion

According to the data from National Centre of Statistics and Information (NCSI) Oman's budget deficit surged to OMR1,918.5mn in 1H2015 against a surplus of OMR250mn for the same period in 2014 primarily. This remains against the government target of OMR2.5 billion deficit for the whole of 2015. (Source: Times of Oman)

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Oman's Islamic banking sector records robust growth during the first half of 2015

Helped by growing awareness of Sharia-compliant banking services and increasing number of branches, the Islamic banking sector in the sultanate recorded robust growth in 1H2015. According to the statistics from the Central Bank of Oman, the combined assets of the sector surged 64% to OMR1.83bn as on June 30, 2015 against OMR1.11bn a year ago. Islamic banking accounted for 6.3% of the total banking assets in Oman, compared to 5.3% in 2014 and 3.6% in 2013. Total financing by Islamic banks and windows jumped 85% to OMR1.38bn from OMR745mn. (Source: Muscat Daily)

Oman's conventional bank credit grows 9% y-o-y in 1H2015

According to the latest data from Central Bank of Oman, conventional bank lending in Oman surged 9% y-o-y to OMR17.82bn in 1H2015, from OMR16.37bn during the same period last year. However it remains lower than last year's loan growth and was mostly driven by the private sector demand to fund their projects and working capital requirements. (Source: Times of Oman)

UAE's GEMS Education refinances AED3bn loan with improved terms

GEMS Education, a Dubai-based schools operator, refinanced an AED3bn (USD816.8mn) loan at improved terms. Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, First Gulf Bank, Mashreq, National Bank of Fujairah, and Noor Bank provided the seven-year loan in which around two-thirds of the cash was structured as sharia-compliant financing. The margin on the loan ranged in between 3% to 3.5%. The original loan amount raised back in 2013 was AED2bn which was scaled up later to AED3bn. This is the second time when the loan has been amended with better terms. (Source: Maktoob)

UAE focusses on fiscal consolidation

UAE authority sees reduction in subsidies as a progressive step towards fiscal consolidation in the context of declining oil prices and reduced government revenues (to decline by 22.5% in 2015 as estimated by the Central Bank). As a part of its initial measures it removed fuel subsidies (which expected to save USD7bn) and has reduced power subsidies. With the new tariff system, based on the usage, effective from 1 January 2015, water and electricity tariffs will shoot up by 170% and 40% respectively for expatriates (which account for 82% of the total population of UAE). (Source: Gulf News)



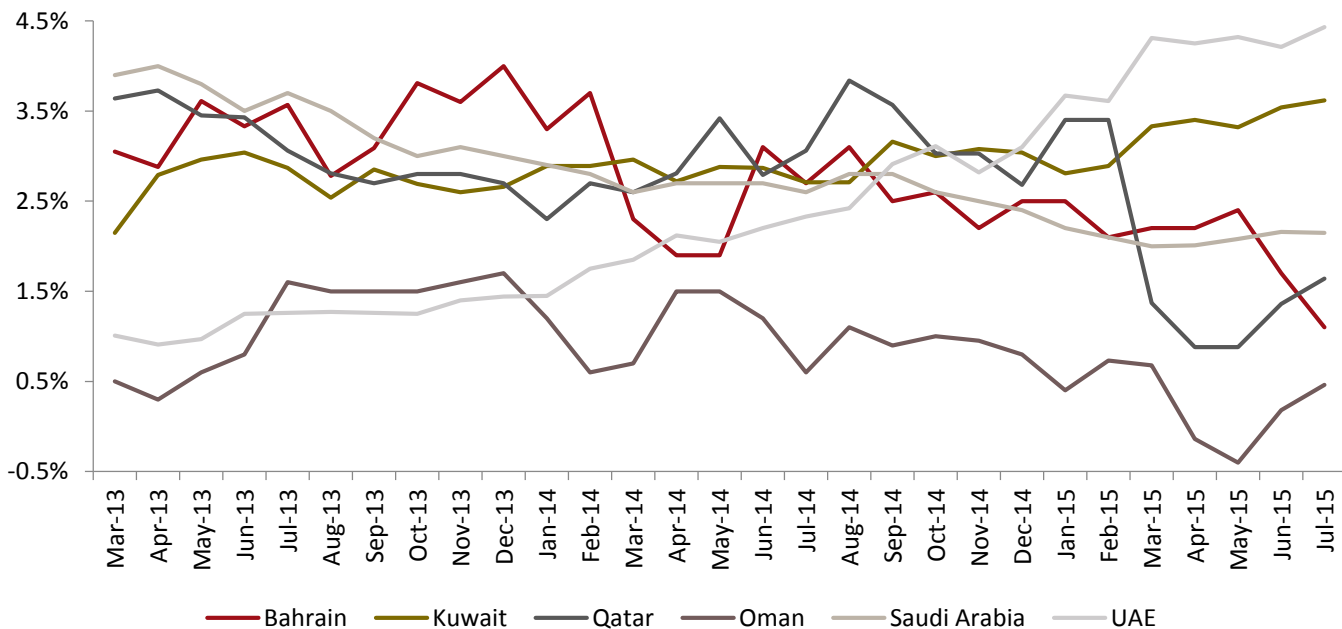
Source: GCC Central Banks, Kuwait Financial Centre, Zawya, Gulf base, Reuters, Trading Economics, Arabian Business, Fitch, Emirates 247, Bloomberg, Peninsula Qatar, Maktoob News, Muscat Daily, Times of Oman, Arabian Business, Arab Times

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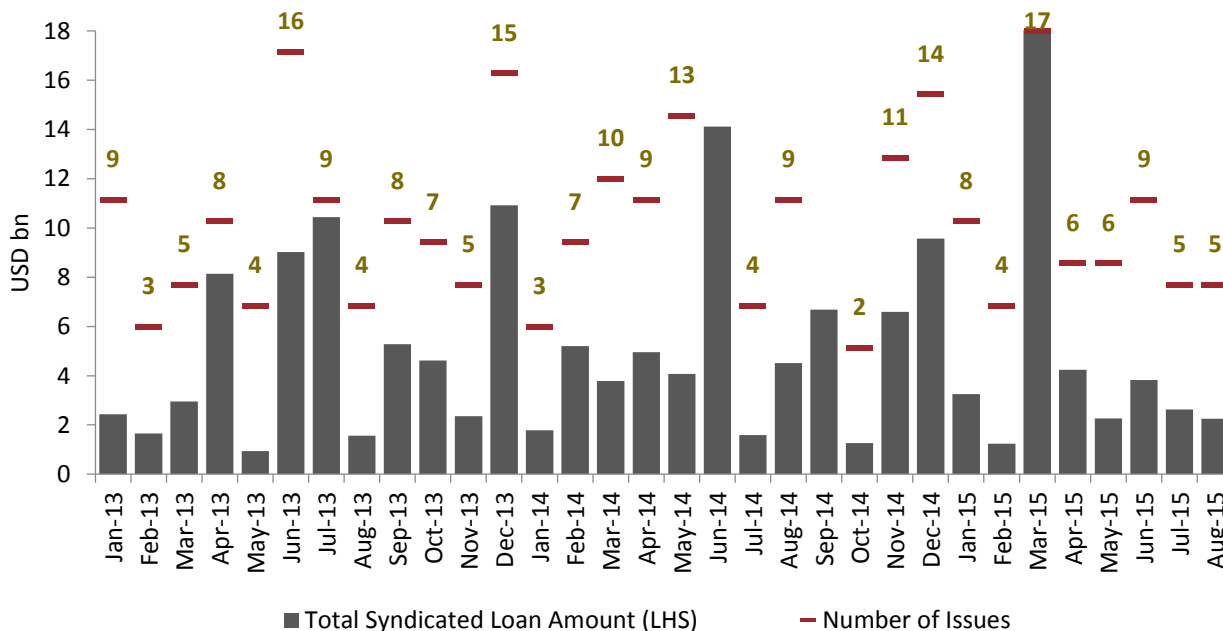


Inflation Trend

UAE's inflation surged to 4.4% y-o-y in July 2015, up from 4.2% in the earlier month led by 10% rise in housing and utility costs.



Syndicated Finance Flows

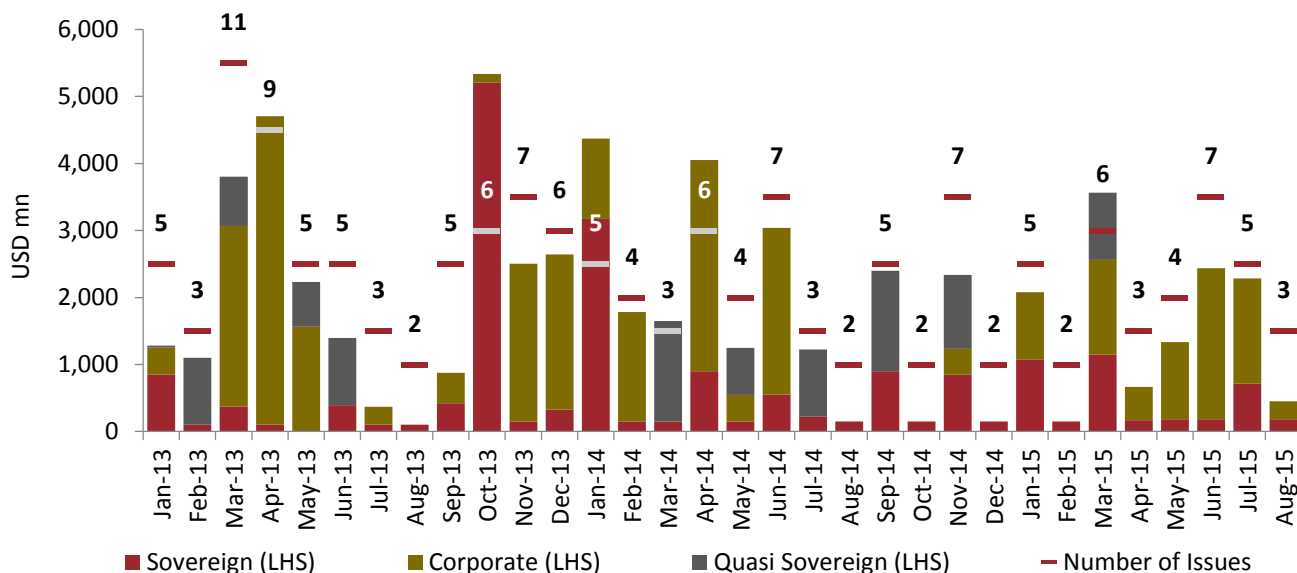


Source: Bloomberg, Thomson banker

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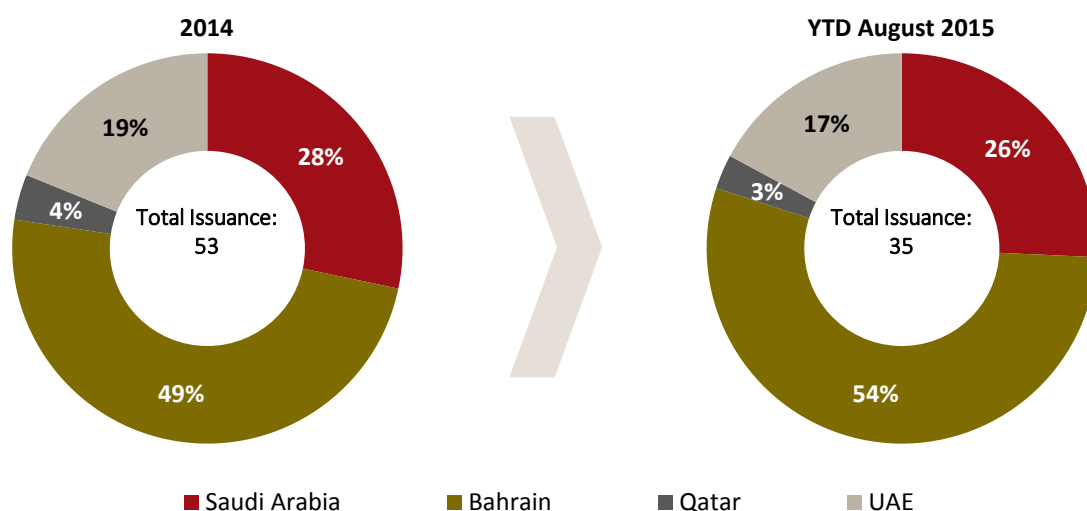


Sukuk Issuance by Value, Number, and Type



- Sukuk issuances in August 2015 stood at USD450mn, declining from USD2.3bn registered in the earlier month. For YTD August 2015 sukuk issuance by value declined 28% y-o-y to USD13.0bn, mainly driven by a sharp decline in corporate issuances (-11% y-o-y, worth USD8.2bn), sovereign (-24% y-o-y, USD3.8bn) and quasi sovereign issuances (-73% y-o-y, USD1.0bn). Corporates comprised 63% of the total issuance value for YTD August 2015, followed by sovereign at 29% and quasi-sovereign issuances at 8%.

Sukuk Issuance by Country – Number of Issuances



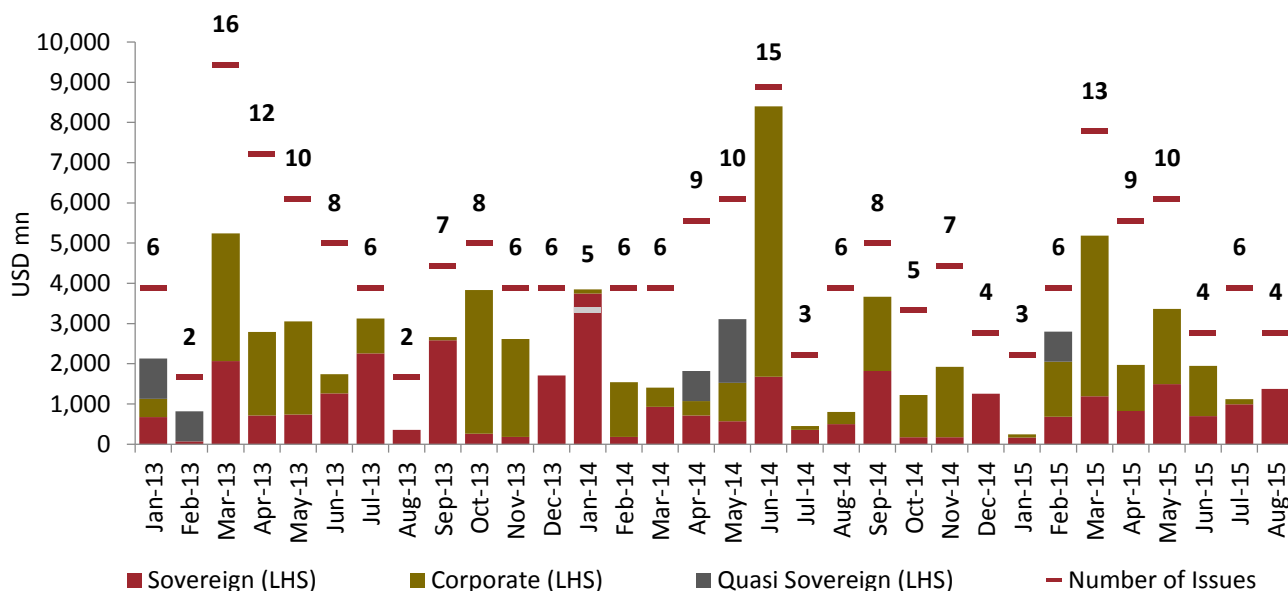
- Bahrain was the largest issuer of sukuk by number of issuances (19) in GCC for YTD August 2015, followed by UAE (6), Saudi Arabia (9) and Qatar (1)
- Saudi Arabia accounted for the largest share of sukuk issued by value among GCC countries, with nine issuances totaling USD4.95bn for YTD August 2015, followed by UAE (six issuances; worth USD4.7bn), Bahrain (nineteen issuances; worth USD2.8bn) and Qatar (one issuance; worth USD0.55bn)

Source: Zawya

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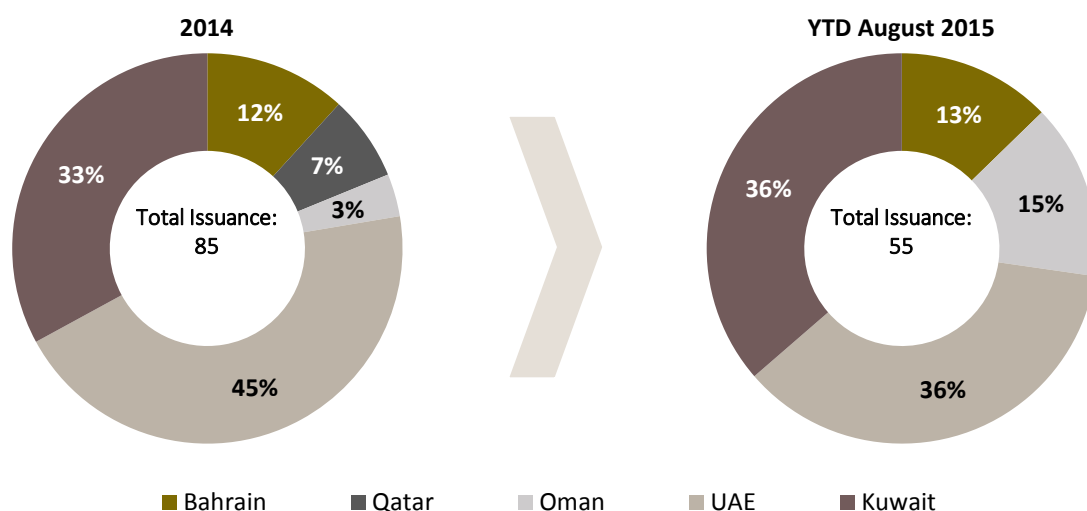


Bond Issuance by Value, Number, and Type



- Bond issuances for August 2015 stood at USD1.4bn, marginally higher than the issuances worth USD1.1bn registered in the earlier month. For YTD August 2015 total bond issuances by value decreased 16.5% y-o-y to USD18.2bn, primarily driven by the decline in corporate issuances (-8%, worth USD10.0bn), sovereign issuances (-14% y-o-y, USD7.4bn) and quasi sovereign (-68%, USD0.8bn). Corporate issuances comprised 55% of the total issuance value for YTD August 2015, followed by sovereign at 41% and quasi sovereign at 4%.

Bond Issuance by Country – Number of Issuances

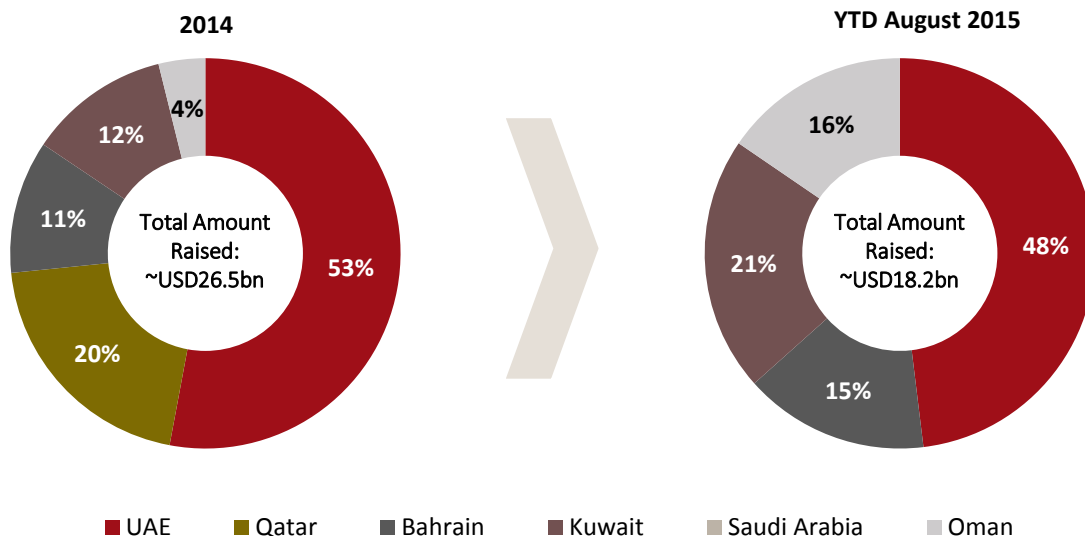


- The UAE accounted for the largest share of bond issuances by value (USD8.7bn) for YTD August 2015, followed by Kuwait (USD3.8bn).
- In terms of number of issuances, both UAE and Kuwait ranked first with 20 issuances each in YTD August 2015

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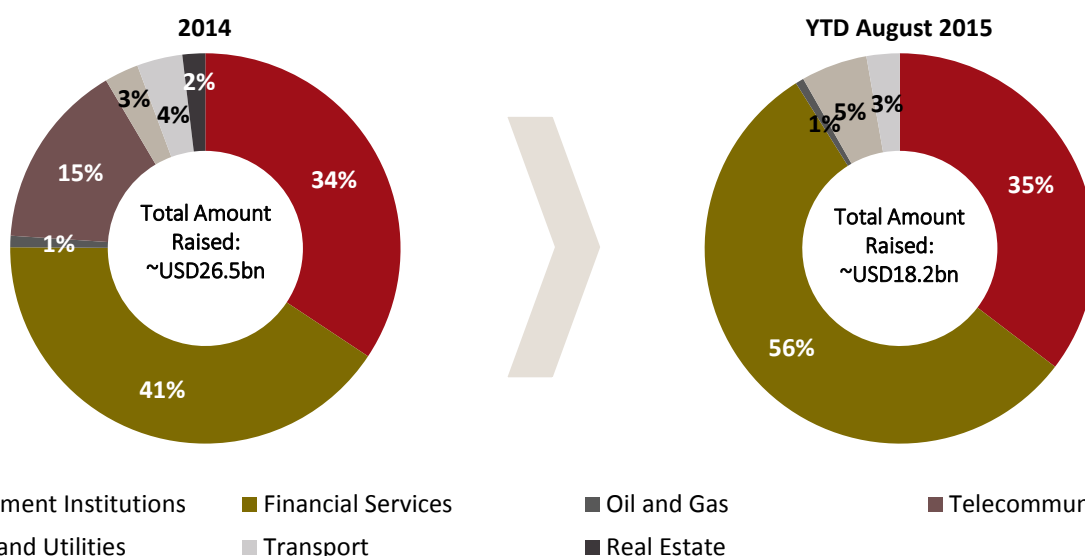


Outstanding Bonds by Country



- The outstanding value of GCC bonds stood at USD18.2bn for YTD August 2015, largely in line with the previous year during the same period. UAE leads the GCC region in 2015 in terms of the number and value of issuances.

Outstanding Bonds by Industry



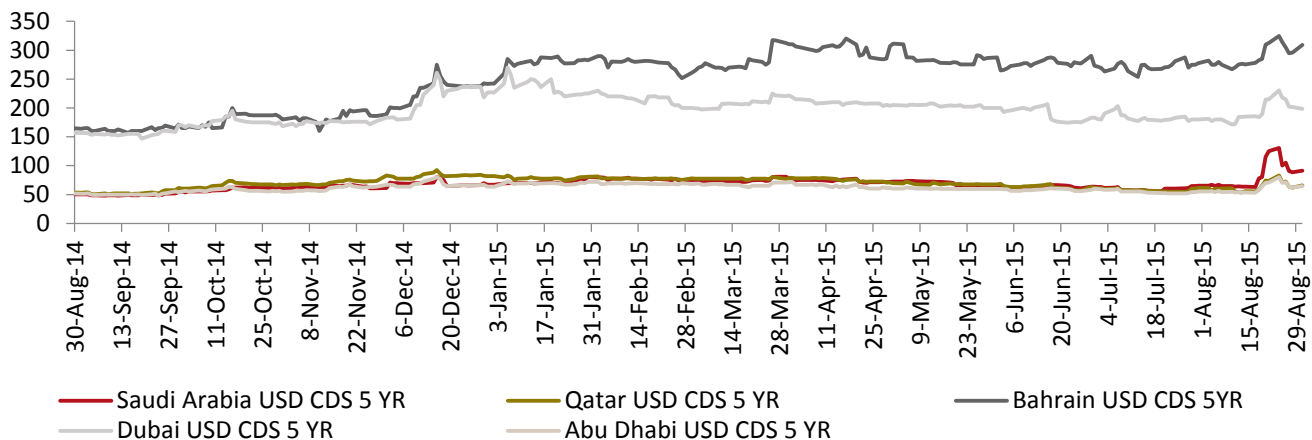
- Financial Services (USD10.1bn) and Government Institution (USD6.4bn) Sectors contributed 91% to the total bond outstanding of USD18.2bn in YTD August 2015. Outstanding value of bonds issued by Financial services increased to USD10.1bn for YTD August 2015 from USD6.3bn in the previous year during the same period.

Source: Zawya

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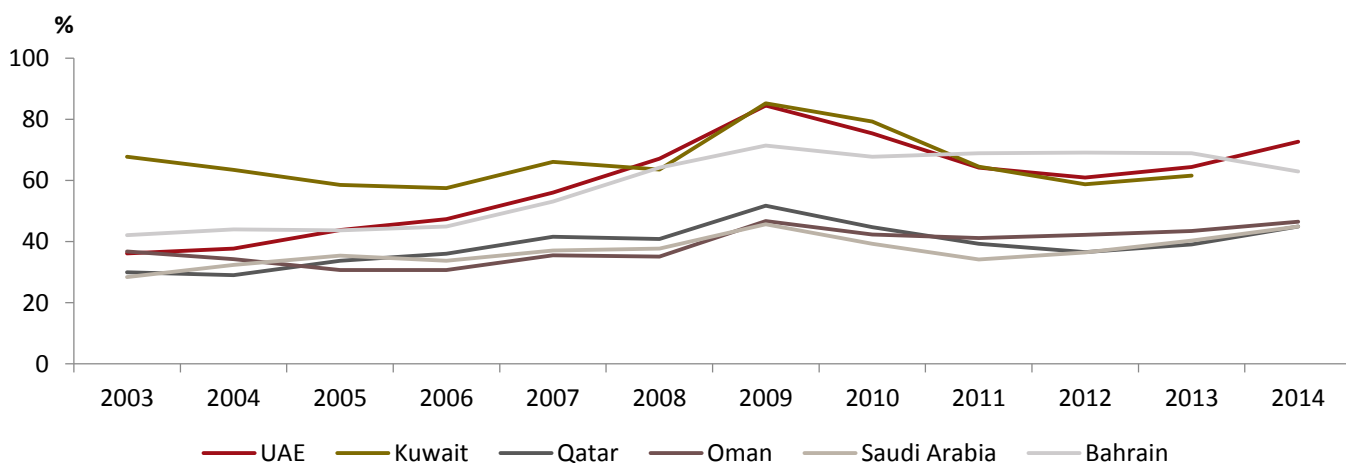
5-Year USD CDS Spread



5-Year CDS Watch (bps)

Country	August 31, 2015	December 31, 2014	52-Week	
			High	Low
Saudi Arabia	91.41	66.71	131.00	48.28
Abu Dhabi	64.80	63.54	80.20	47.50
Dubai	198.34	226.62	270.03	147.01
Qatar	65.81	82.18	92.50	50.50
Bahrain	308.97	241.74	325.00	156.97

Credit to GDP Gap

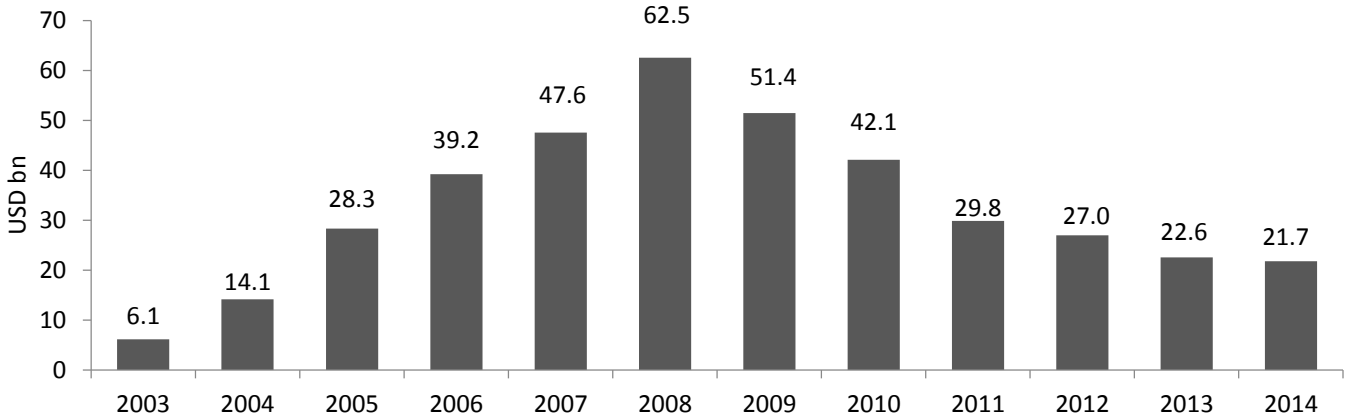


Source: Bloomberg

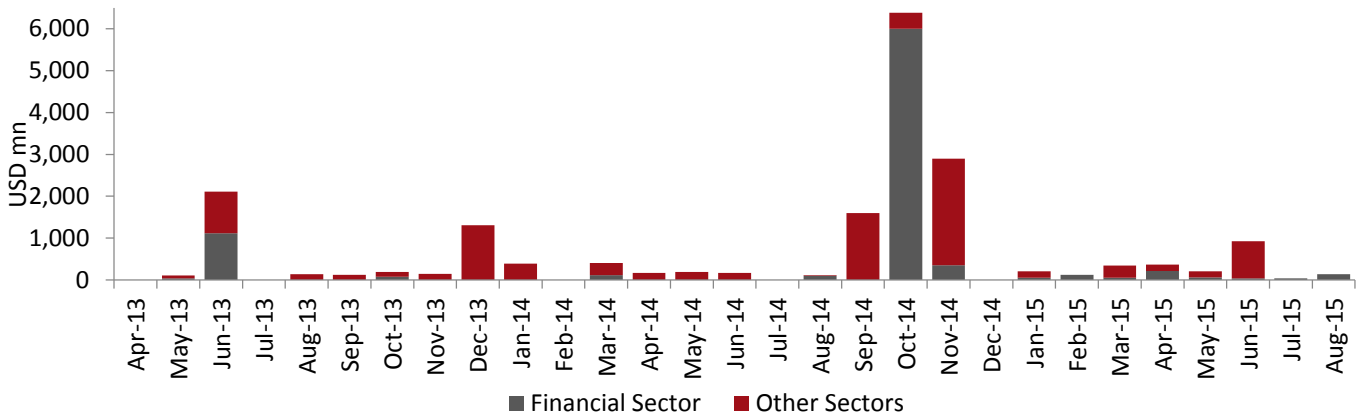
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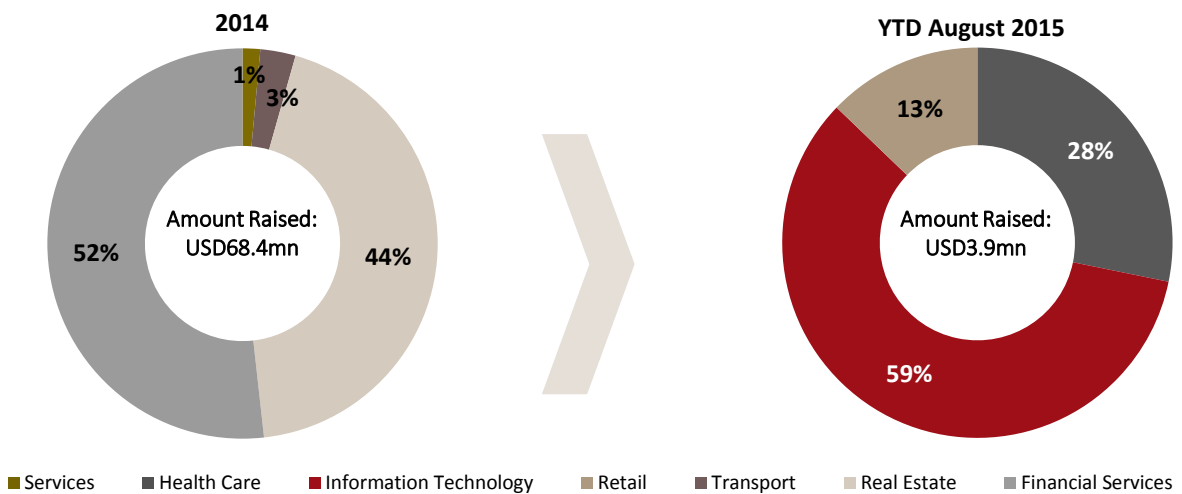
FDI Inflow into the GCC Region



IPO and FPO Activity in the GCC Region



Private Equity Investments in the GCC Region (by Sector)



Source: Thomson One, Zawya, UNCTAD

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