

# GCC Market Update



## Market Commentary

### DIB successfully issues perpetual sukuk worth USD1bn

In January, 2015, Dubai Islamic Bank (DIB) issued a dollar-denominated perpetual sukuk of USD1bn. Its profit rate fell to 6.75% from an initial price guidance of 7%, backed by higher demand from diverse investors. The sukuk attracted orders worth USD2.5bn, representing an oversubscription of 2.5x. The entire deal got structured by HSBC and Standard Chartered, along with Al Hilal Bank, Dubai Islamic Bank, Emirates NBD Capital, National Bank of Abu Dhabi, Noor Bank, and Sharjah Islamic Bank. The sukuk got listed on the Irish Stock Exchange and NASDAQ Dubai. (Source: Zawya)

### Mumtalakat signs five-year USD500mn loan

Bahrain's sovereign wealth fund Mumtalakat signed a five-year unsecured revolving credit facility of USD500mn in December 2014. The proceeds from the loan would be used to refinance Mumtalakat's existing debt. Along with BNP Paribas, the main coordinating bank, other participating banks were Arab Banking Corp, Bank of Tokyo-Mitsubishi UFJ, Deutsche Bank Luxembourg, Standard Chartered, and National Bank of Bahrain. (Source: Global Capital)

### Dubai successfully issues seven-year USD1.8bn loan

Dubai Aluminum (Dubal) successfully closed its seven-year new money loan of USD1.8bn at a margin of 145bps over Libor and 90bps fees. The main arrangers of the deal were Citi, Emirates NBD, and Soceite Generale, which have fully underwritten the loan. The proceeds from the loan would be used to refinance Dubal's existing debt and finance other general operations. (Source: Global Capital)

### Dubai corporates rush toward loans

Huge bank liquidity and lower pricing have been diverting corporates in Dubai toward more loan issuances. Corporates such as Emirates National Oil Company (ENOC) and Tecom Investments are expected to sign long-term loans worth USD1.5bn and USD1.1bn, respectively. The proceeds from the loan issued by ENOC would be primarily used to fund general business operations. Its participating banks are Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, Mashreq, and Standard Chartered. However, details of Tecom loan have not been disclosed yet. (Source: Global Capital)

### Dubai World restructures USD14.6bn debt deal

The government-owned conglomerate Dubai World successfully restructured its USD14.6bn debt deal for the second time in four years due to substantial majority from creditors. It plans an early repayment of its USD2.92bn debt due in September 2015, while pushing the USD10.3bn debt due in 2018, four years ahead to 2022. However, this would come with an increased price and more collateral, which some banks might resist. Royal Bank of Scotland (RBS) does not welcome the restructuring as it intends to exit its exposure on Dubai World and focus more on its UK business. (Source: Global Capital, FT)

## Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/14	01/02/15
Saudi Arabia	2.00%	0.86%	0.86%
UAE	1.00%	0.68%	0.68%
Qatar	4.50%	1.06%	1.05%
Kuwait	0.75%	1.06%	1.06%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.45%

## Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	419.42	December-14
UAE	388.16	November-14
Qatar	164.55	November-14
Kuwait	128.86	November-14
Oman	44.87	November-14
Bahrain	41.65	November-14

## Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
Government of Malaysia (sukuk)	NA	1,113	MYR	Jan-15	7.5	NA
DIB Tier 1 Sukuk (2) Ltd	6.75%	1,000	USD	Jan-15	Perpetual	2.5x
Central Bank of Bahrain (sukuk)	5.5%	663	BHD	Jan-15	10	1.47x
Ministry of Finance Egypt (bond)	14%	658	EGP	Jan-15	5	NA
Central Bank of Kuwait (bond)	1%	169	KWD	Jan-15	1	NA

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### Oil price declines could impact loan volumes

The continuous decline in oil prices and increasing credit spread in Dubai have prompted decline in loan volumes from oil and gas corporates. If oil prices continue to decline further in a similar manner, borrowers might not risk increasing their debt levels or may even cancel some of their existing financial deals. *(Source: Global Capital)*

### Islamic finance and banking industry to reach USD2.5tn in 2015

According to a forecast by the Centre of Islamic Banking and Economics (CIBE), the global Islamic banking and finance industry is expected to surge 19% from USD2.1tn in 2014 to an estimated USD2.5tn in 2015. The coverage of Islamic finance would expand to other countries such as South Korea, Australia, and Brazil, among others. Global Takaful (Islamic insurance) is estimated to touch \$20bn in 2015, registering a 15% y-o-y growth, led by its expansion in new territories including Tanzania, Namibia, Morocco, and India. *(Source: Zawya)*

### Qatar Islamic Bank (QIB) plans to issue sukuk

Qatar Islamic Bank (QIB) plans to raise capital through an Islamic bond issuance of QAR2bn (\$549.4mn). Gulf banks has been focusing on increasing their capital base from diversified sources as the complete implementation of the Basel III norms by 2019 would raise capital buffer concerns for many of these banks. *(Source: Reuters)*

### Islamic banks in UAE posted strong growth in 2014

Dubai Islamic Bank, the largest Islamic bank in the UAE, recorded a net profit of DH2.8bn in 2014, up 63% y-o-y. Furthermore, its net financial assets rose 32% to DH74bn. Additionally, other banks such as Abu Dhabi's Islamic Banking Group and Abu Dhabi Commercial banking group posted robust growth with its net profits surging 21% and 16% to DH1.75bn and DH4.2bn, respectively in 2014. *(Source: Zawya)*

### Corporate Sukuk issuances might rise

Continuous decline in oil prices (which fell more than 50% since June 2014), lower revenues, and high government expenses this year might prompt the government to decrease its deposits with commercial banks. This would affect bank liquidity and credit levels in the market, which might in turn lead corporates in the GCC region to issue sukuk as an alternative to bank loans. *(Source: Gulf News)*

### Oman to issue rial-denominated sukuk in Q12015

Oman is expected to issue a rial-denominated sukuk in 1Q2015 to narrow down its budget deficit, which is expected to rise in 2015 due to increased governmental expenditures. The issue could be in the range of USD300mn to USD400mn for maturity of 5–7 years. *(Source: Zawya)*

### Qatar Islamic Bank's net profit rose 20% in 2014

Qatar Islamic Bank's (QIB) net profit stood at QAR1.6bn in 2014, up 20% y-o-y, largely due to the construction boom. Banks in Qatar have expanded aggressively owing to the economic boom in the country, backed by heavy infrastructure investments and preparations for the 2022 FIFA World Cup. *(Source: Market Watch)*

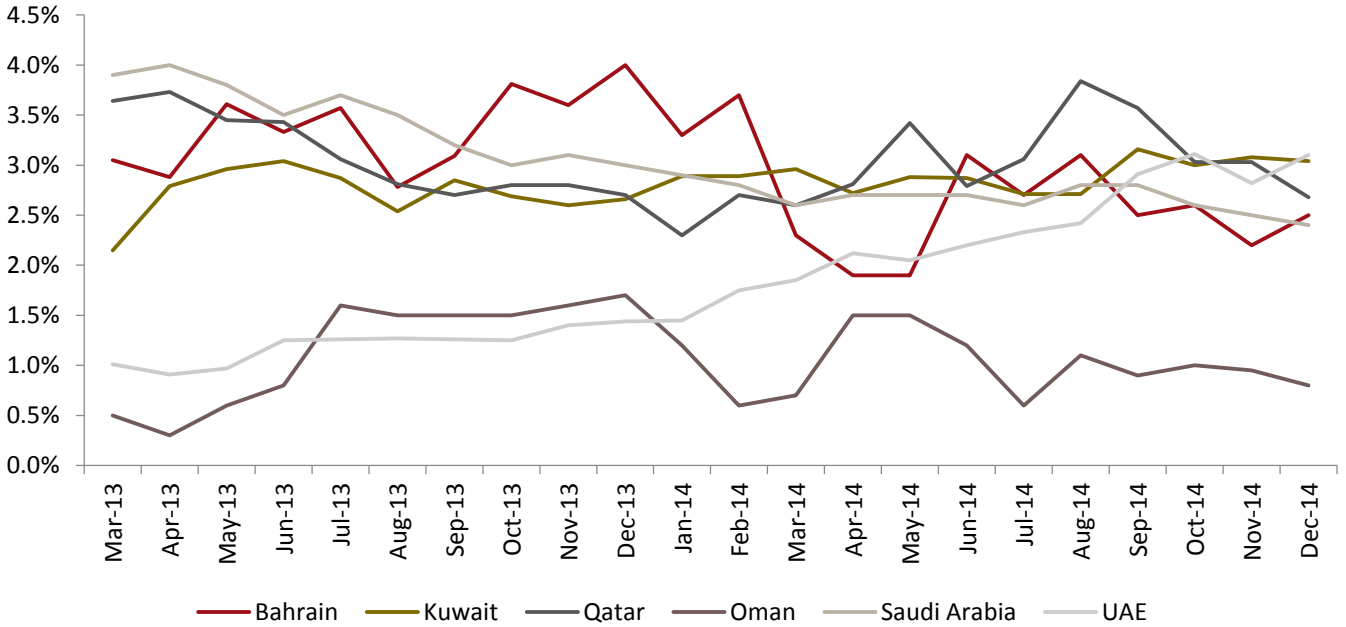


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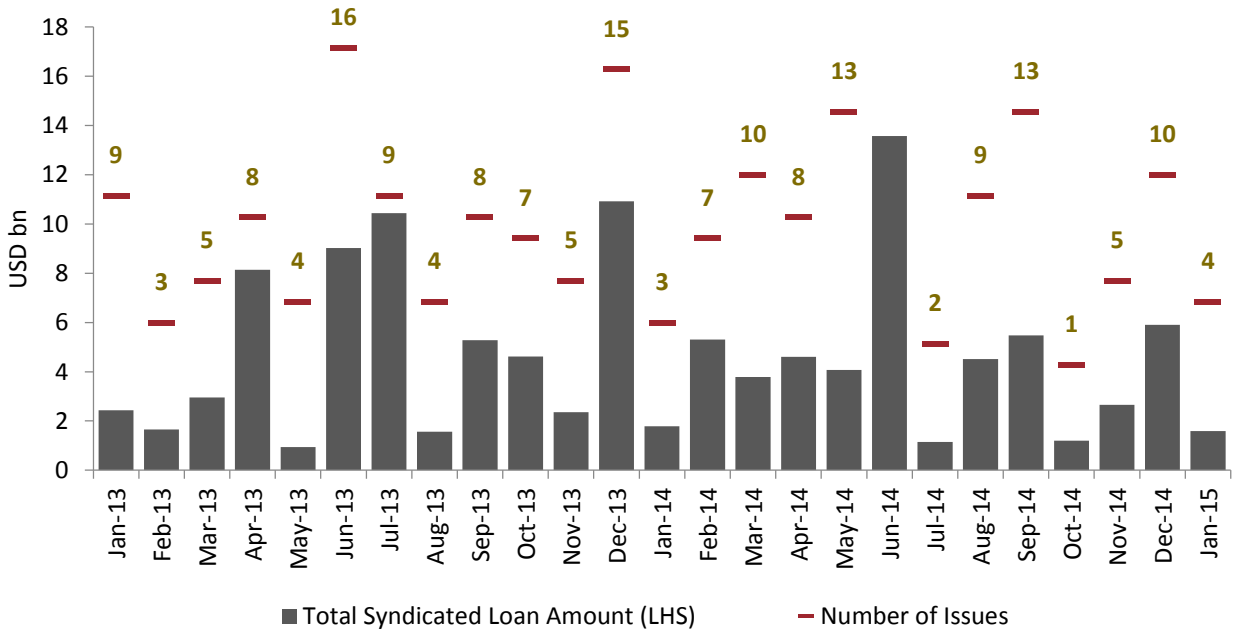


## Inflation Trend

The UAE's inflation rose to its highest level since February 2009 to 3.10% y-o-y in December 2014 from 2.81% y-o-y in November 2014 due to an increase in housing and utility costs (up 5.4% y-o-y) and food and soft drink prices (up 1.3% y-o-y).



## Syndicated Finance Flows

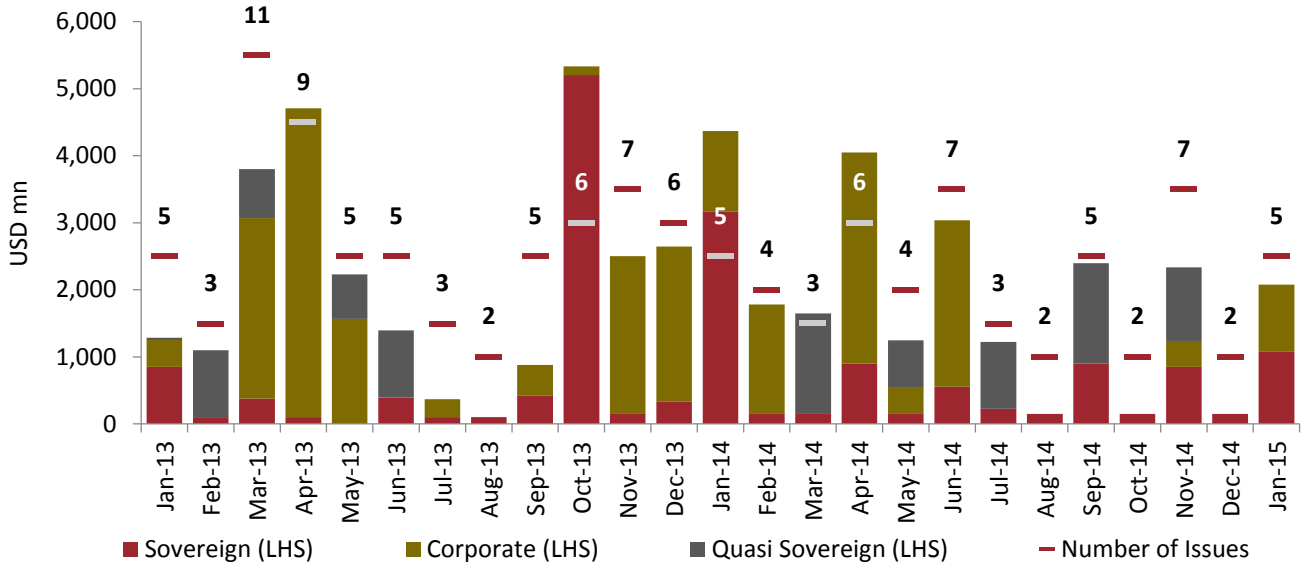


Source: Bloomberg, Thomson banker

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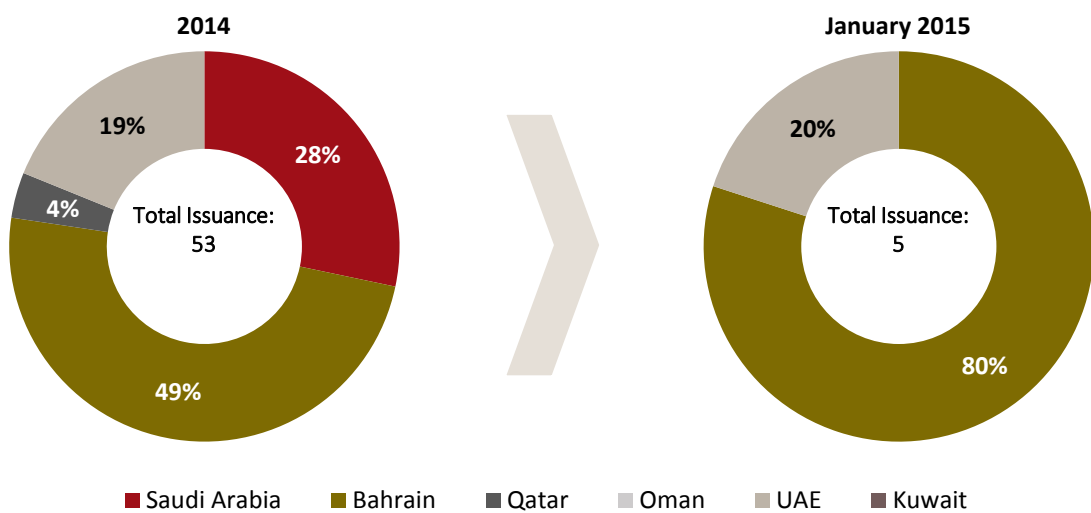


## Sukuk Issuance by Value, Number, and Type



- Sukuk issuances by volume declined 52% y-o-y to USD2.08bn in January 2015; however, the value increased by USD1.93bn from the earlier month. Issuances in terms of volume in January 2015 were more or less equally split between sovereign (52%) and corporate issuances (48%). There were four sovereign issuances from the Central Bank of Bahrain (worth USD1.08bn) and one large corporate issuance from the Dubai Islamic Bank (worth USD1bn).

## Sukuk Issuance by Country – Number of Issuances



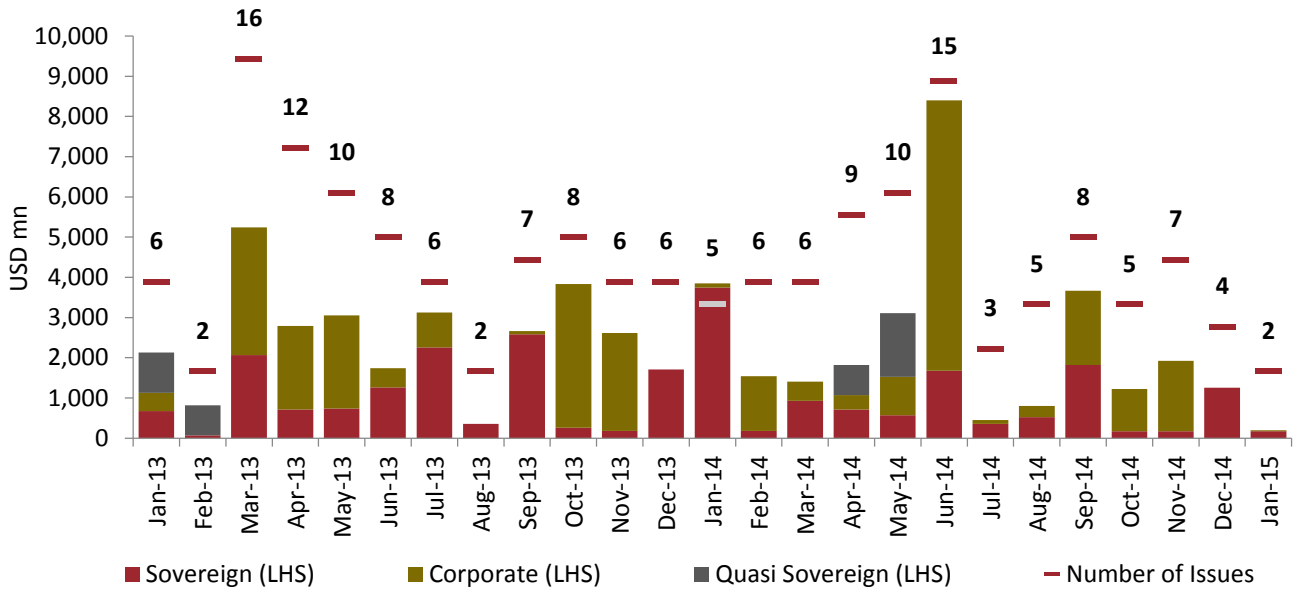
- Bahrain and the UAE were the first ones among GCC countries to issue sukuk in 2015. Bahrain issued four sovereign sukuks, followed by one corporate issuance from the UAE in January 2015.
- Bahrain accounted for the largest share of sukuk issued by value among GCC countries, totaling USD1.08bn for January 2015, followed by the UAE, with 1 corporate issuance worth USD1bn.

Source: Zawya

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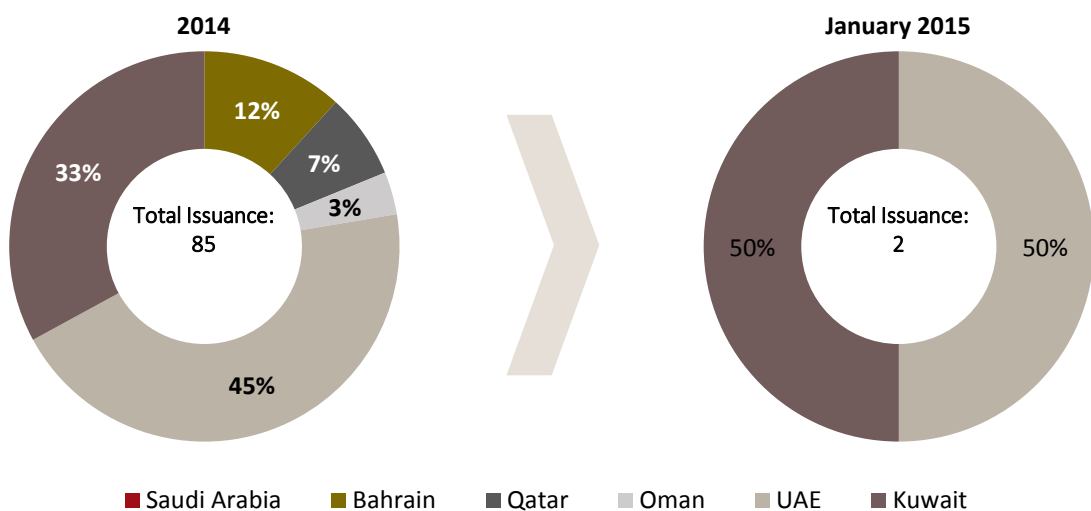


## Bond Issuance by Value, Number, and Type



- Bond issuances continue to follow a declining trend, with just two issuances in January 2015, totaling USD0.2bn. The Central Bank of Kuwait stepped in for a short-term sovereign issuance of USD0.2bn, accompanied with a small issuance under the corporate segment from Emirates NBD.

## Bond Issuance by Country – Number of Issuances



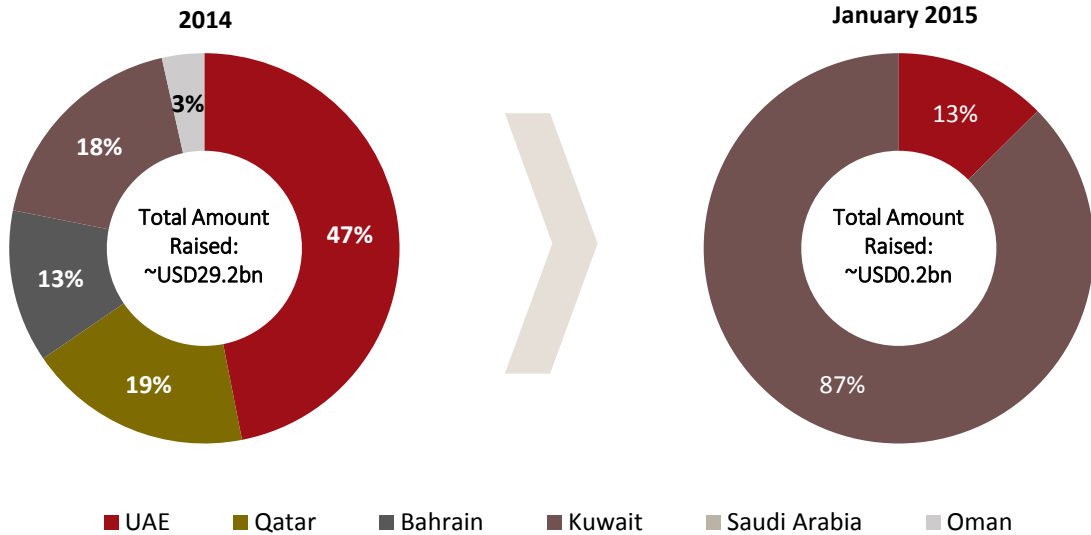
- Kuwait and the UAE were the first ones among GCC countries to issue bonds in 2015. Kuwait issued one sovereign bond in January 2015, amounting to USD0.2bn, followed by one small corporate issuance from the UAE.

Source: Zawya

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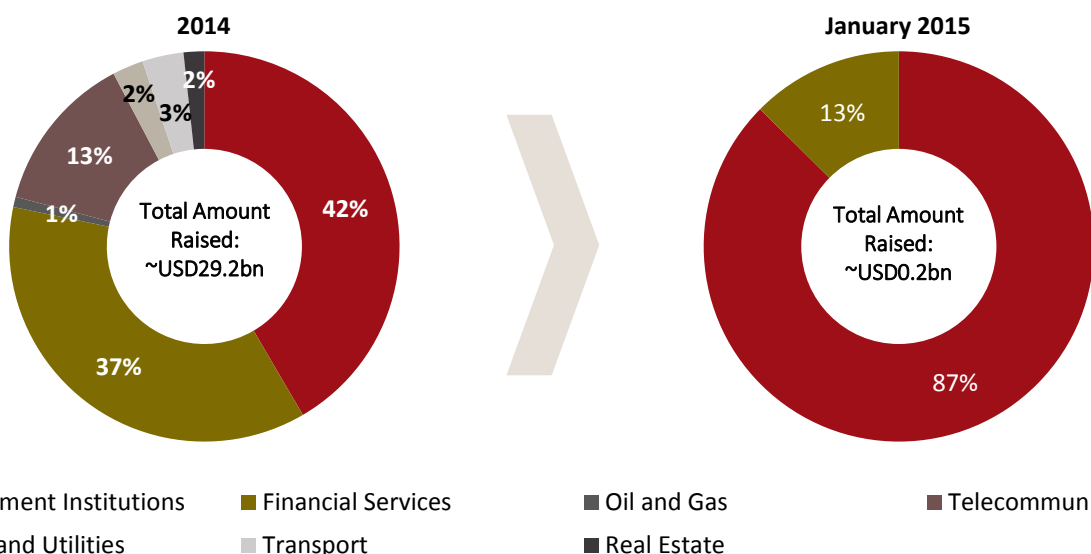


## Outstanding Bonds by Country



- In January 2015, the outstanding value of GCC bonds stood at USD0.2bn, down 95% compared to the outstanding value of USD3.8bn in January 2014.

## Outstanding Bonds by Industry



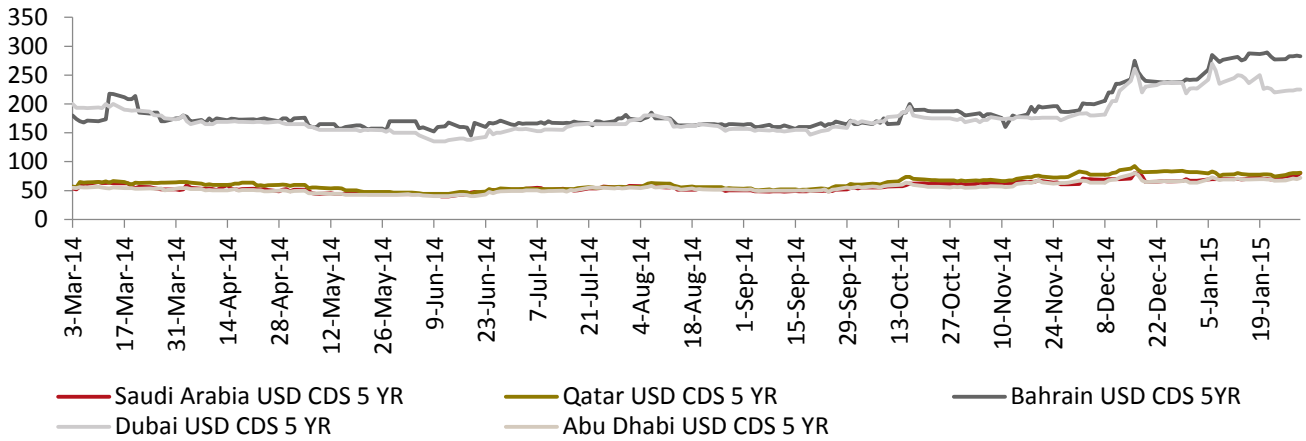
- Government institutions (worth USD0.17bn) and financial services were the only contributing sectors, with total outstanding bonds worth only USD0.2bn in January 2015. Outstanding value of bonds issued by government institutions declined 95% y-o-y to just USD0.2bn in January 2015 from USD3.7bn in January 2014.

Source: Zawya

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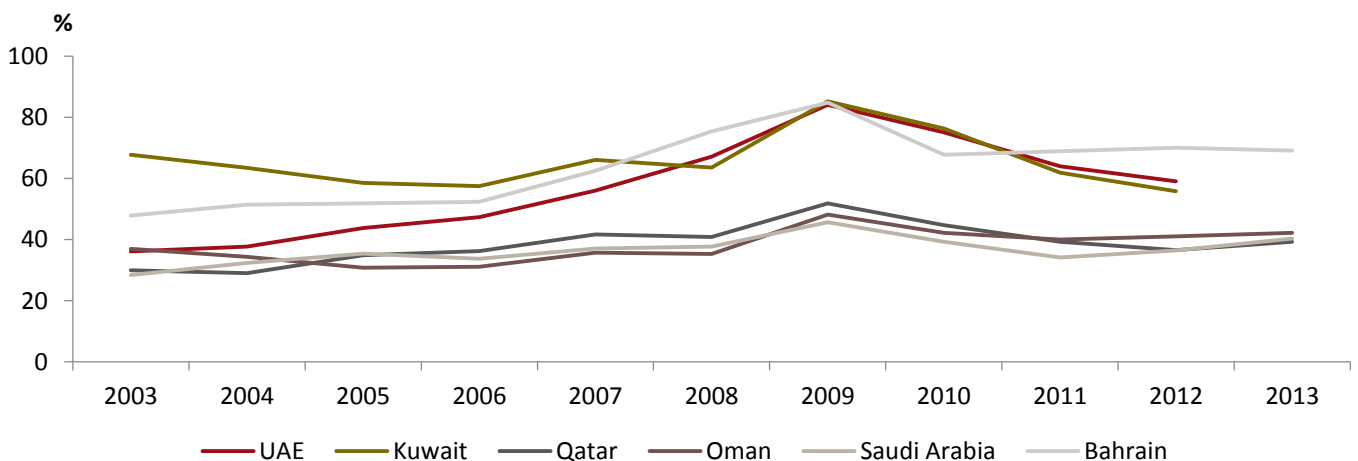
## 5-Year USD CDS Spread



## 5-Year CDS Watch (bps)

Country	January 30, 2015	December 31, 2014	52-Week	
			High	Low
Saudi Arabia	80.01	66.71	80.01	39.79
Abu Dhabi	71.76	63.54	80.14	40.50
Dubai	225.03	226.62	270.03	135.01
Qatar	80.66	82.18	92.5	44.50
Bahrain	282.55	241.74	289.50	145.08

## Credit to GDP Gap

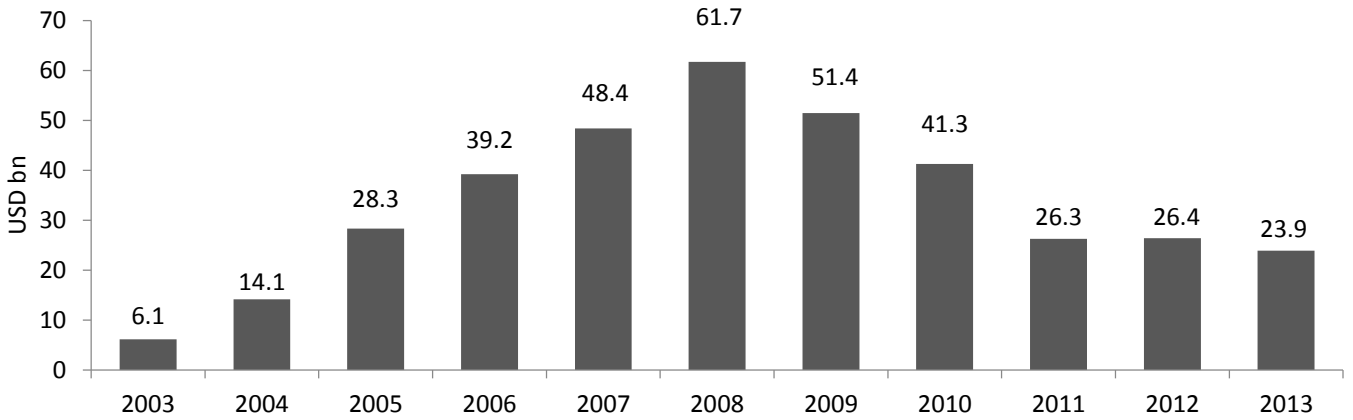


Source: Bloomberg

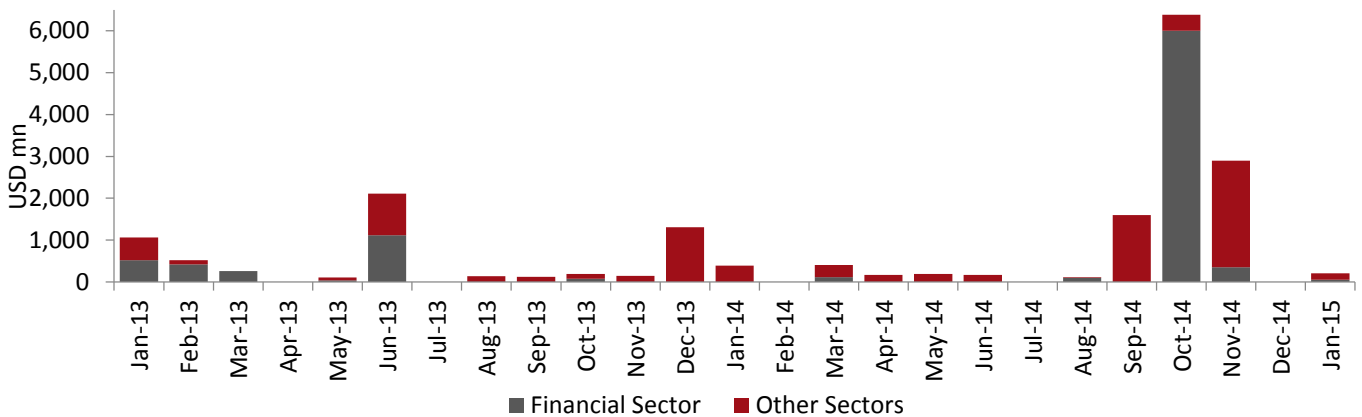
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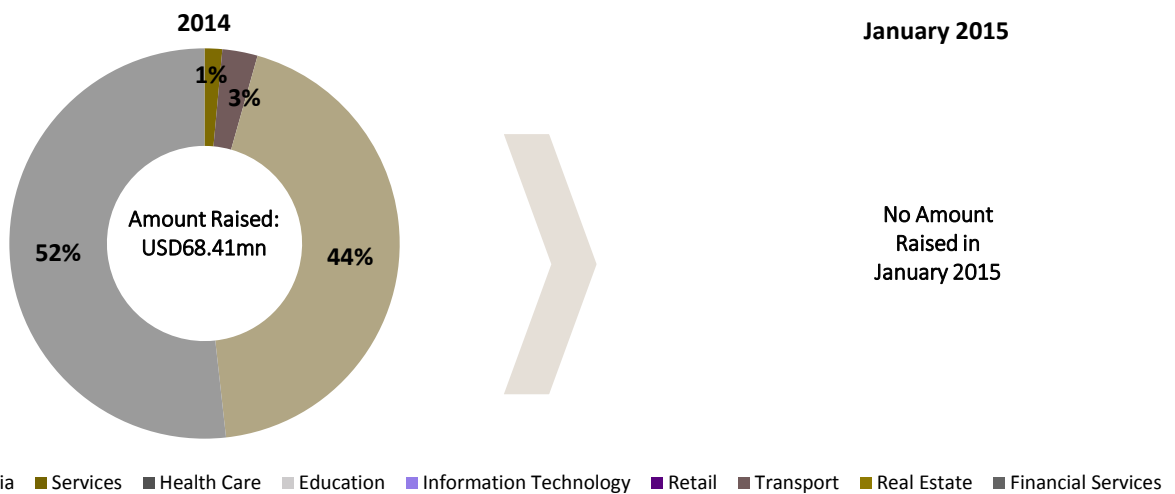
## FDI Inflow into the GCC Region



## IPO and FPO Activity in the GCC Region



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



Source: Thomson One, Zawya

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