

GCC Market Update



Market Commentary

Mumtalakat's debut dollar sukuk oversubscribed 4.3x

BBB rated Bahrain's sovereign fund Mumtalakat successfully issued a 7-year USD 600mn dollar denominated Islamic bond at a profit rate of 4%. It got issued under the company's 'Regulation S Multicurrency Trust Certificate Issuance Programme' of USD1bn listed on the Irish Stock Exchange. The money raised through the issuance will be used to refinance the country's maturing debt. It attracted orders worth USD2.6bn, leading to an oversubscription of 4.3x. Also, 81% of the total sukuk was sold to the Middle-East investors, while the rest to Asia and Europe. (Source: Gulf News)

Flydubai issued its first sukuk

The 'Dubai Aviation Group' known as 'Flydubai' issued a 5-year dollar denominated debut sukuk worth USD500mn at a profit rate of 3.77%. The proceeds from the issue will be majorly used to refinance company's debt. It attracted orders worth USD3bn, where 64% of the total orders came from the middle-east investors, and 25% from the European investors. 65% of the sukuk got allocated to banks, 20% to fund managers and rest to private banks and others. (Source: Gulf News)

DIFC successfully issued a 10 year sukuk worth USD700mn

Dubai's International Financial Centre (DIFC) issued a 10-year USD700mn Islamic bond at the profit rate of 4.32%. It attracted orders worth USD3bn, representing an oversubscription of 4.3x. The proceeds from the issue would be used to refinance existing bank borrowings and for infrastructural investments. (Source: Gulf News)

UAE's Mubadala GE Capital Ltd issues a USD500mn bond

Mubadala GE Capital Ltd, a joint venture between Abu Dhabi's state-owned fund Mubadala and General Electric issued a 5-year bond of USD500mn at a coupon rate of 3%. The transaction attracted orders worth USD1.3bn with an oversubscription of 2.6x. The proceeds from the issue were mainly sold to investors from North America (41%), Europe (32%), Middle East (25%) and Asia (2%). (Source: Gulf News)

The total assets of commercial banks in Oman grew 9.5% annually

In September 2014, total assets for commercial banks in Oman stood at OMR24.6bn, recording a growth of 9.5% compared to the previous year. Asset growth in banks was backed by the country's favourable business environment and stable monetary policies. Loan Disbursements contributed 67% to the total assets which grew by 8.8% y-o-y to OMR16.5bn in September, 2014. (Source: Times of Oman)

Repo and Interbank Rates

Country	Repo Rate	3M Inter Bank Rates	
		31/12/13	27/11/14
Saudi Arabia	2.00%	0.96%	0.88%
UAE	1.00%	0.81%	0.68%
Qatar	4.50%	1.32%	1.04%
Kuwait	0.75%	0.88%	1.25%
Oman	1.00%	NA	NA
Bahrain	2.25%	0.65%	0.60%

Bank Deposits

Country	Total Deposits (USD bn)	Reporting Date
Saudi Arabia	413.20	October-14
UAE	385.03	September-14
Qatar	162.50	October-14
Kuwait	127.37	September-14
Oman	44.31	September-14
Bahrain	41.23	September-14

Recent Bond and Sukuk Issuances

Issuer	Coupon/Profit rate	Volume (mn)	Currency	Subscription date	Tenor (Years)	Over Subscription
FlyDubai (sukuk)	3.77%	500	USD	Nov-14	5	6.0x
Pakistan Government (sukuk)	6.75%	1000	USD	Nov-14	5	4.6x
Hong Kong Government (sukuk)	2.00%	1000	USD	Nov-14	5	4.7x
Turkey Government (bond)	8.2%	559	TRY	Nov-14	2	NA
China Government (bond)	2.7%	653	CNY	Nov-14	3	NA
Turkey Government (sukuk)	4.48%	1000	USD	Nov-14	10	3.0x

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Profit for banks in UAE rose 25% in the first nine months of 2014

According to the UBF's (UAE Banks Federation) latest review, the profit of banks in UAE grew 25% for the nine month ended on 30th September 2014 backed by country's continuous economic growth, reduced bad debts and lower provisions. Dubai's largest bank Emirates NBD reported a profit of DH1.56bn in Q3 2014, which almost doubled in comparison to the previous year. Mashreq and National Bank of Abu-Dhabi also reported a rise of 26% and 32% in their net profits of Q32014. (Source: Gulf Business)

Dubai's Aviation sector to rise at a faster rate than its economy

Latest reports from Oxford Economics states that the Aviation and the Tourism Sector will be able to contribute 37.5% to Dubai's GDP by 2020. In 2013, it contributed USD26.6bn to Dubai's Economy i.e. 27% to Dubai's GDP and it is expected to increase to USD53.1bn by 2020. (Source: Gulf Base)

Liquidity issues to get reduced within Islamic Banks

Bahrain based IIFM launched the master version of collateralized Murabah agreement for Islamic Banks, a substitute to the repurchase agreement used by conventional banks as a tool to manage their liquidity requirements. The new template/format of collateralized Murabah agreement would help Islamic banks manage liquidity issues. (Source: ICN)

The UAE banks registered 8% loan growth in the first nine months of 2014

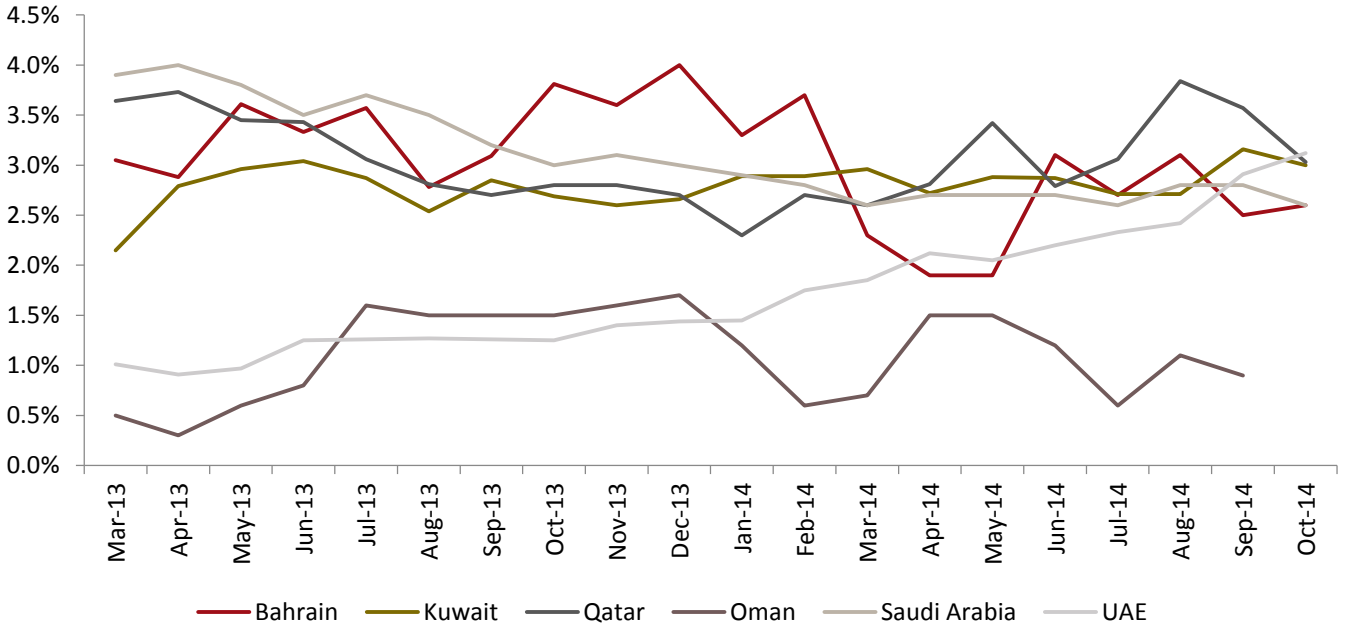
According to the latest data from UAE's Central Bank, gross lending and deposits for UAE banks rose by 8% and 11% for the nine month ended 30th September 2014 to DH1.38tn and DH1.41tn, respectively. It rose higher than the average growth of 5% and 7% registered during the period of 2010-2013. Also its asset base registered a growth of 10% for the nine month ended 30th September 2014 to DH2.31tn, higher than the average growth rate of 6% in 2010-2013. Rise in loans and advances mark a healthy sign for the banking sector, also the lending ratios remain well below the limits prescribed by the central bank. (Source: Gulf Base)

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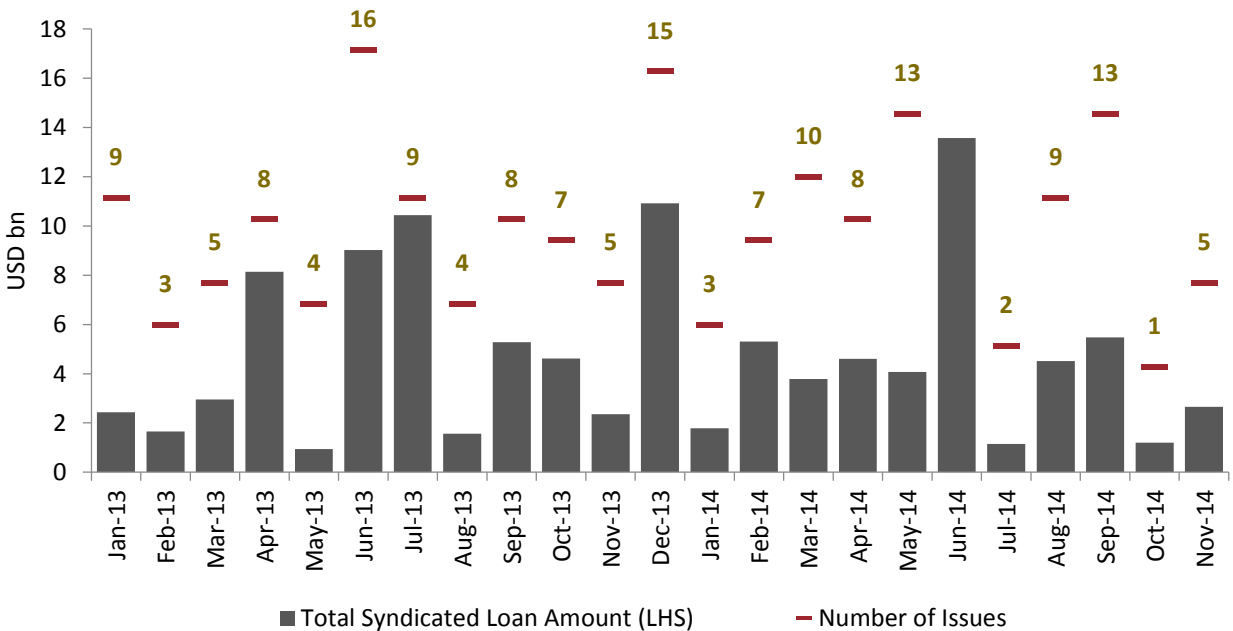


Inflation Trend

UAE's inflation rose 3.12% y-o-y in October 2014, mainly due to an increase in the prices of food and beverages and a slight increase in housing prices



Syndicated Finance Flows

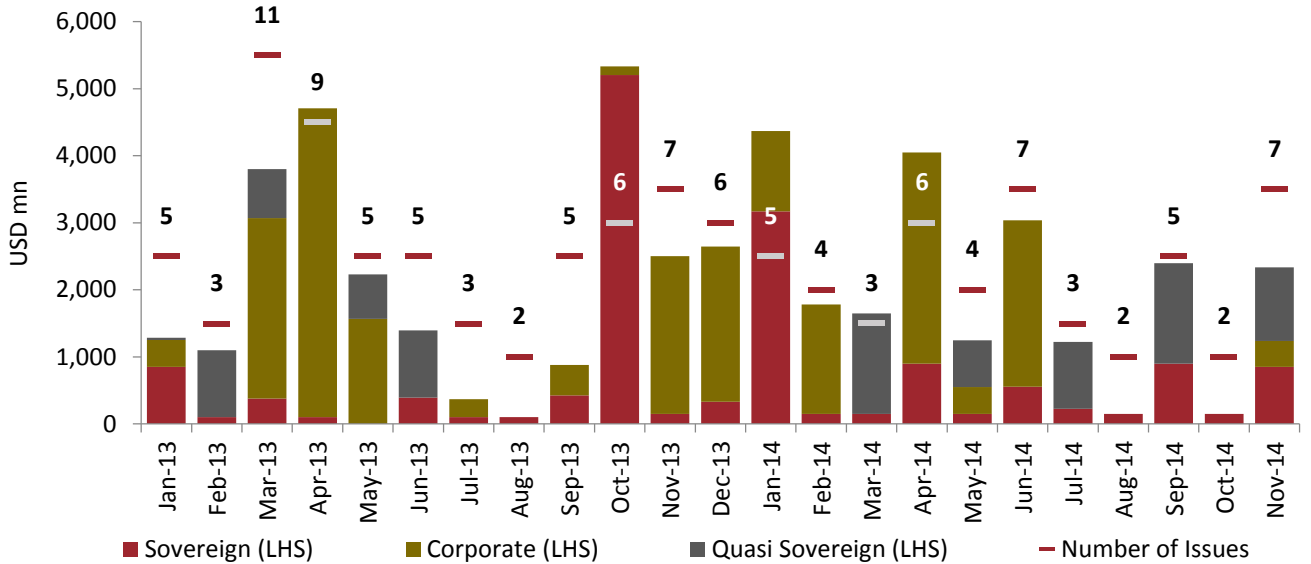


Source: Bloomberg, Thomson banker

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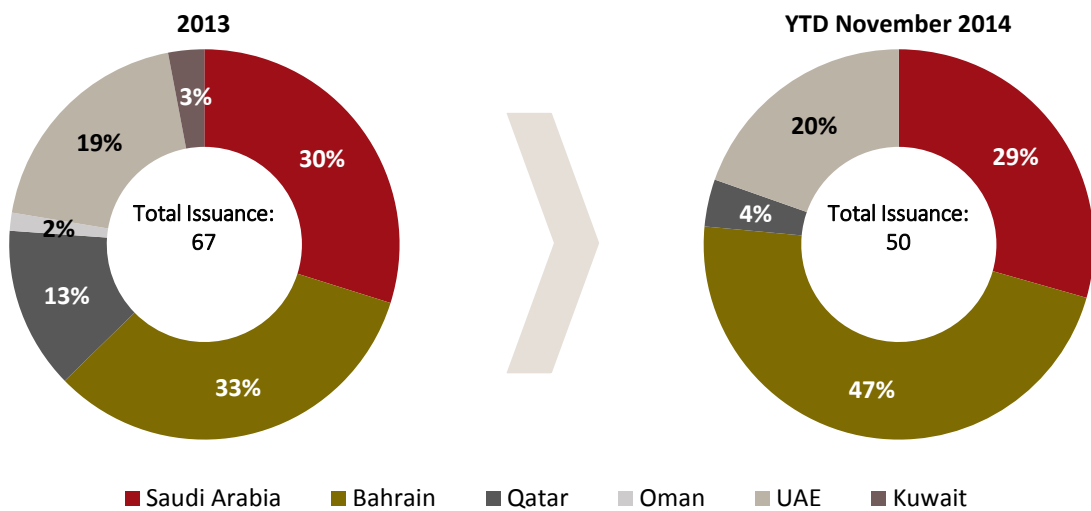


Sukuk Issuance by Value, Number, and Type



- Sukuk issuances increased by 14.7x m-o-m to USD2.3bn in November 2014. However sukuk issuance by value fell 6% y-o-y to USD22bn for YTD November 2014, mainly due to a sharp fall in corporate and sovereign issuances, partially offset by a rise in quasi-sovereign issuances. Corporates comprised 41% of the total issuance volume for YTD November 2014, followed by sovereign at 33% and quasi-sovereign issuances at 26%.

Sukuk Issuance by Country – Number of Issuances



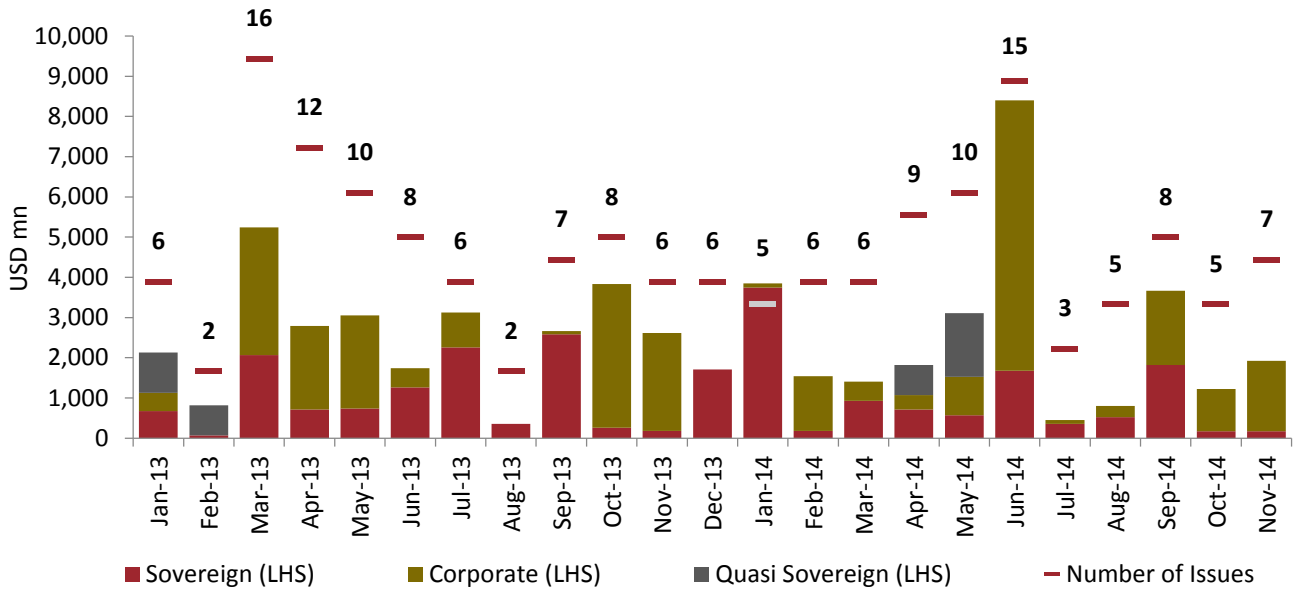
- Bahrain was the largest issuer of sukuk by number of issuances (24) in GCC for YTD November 2014, followed by Saudi Arabia (15).
- Saudi Arabia accounted for the largest share of sukuk issued by value among GCC countries, with 15 issuances totaling USD12.1bn for YTD November 2014, followed by the UAE (ten issuances worth USD5.7bn).

Source: Zawya

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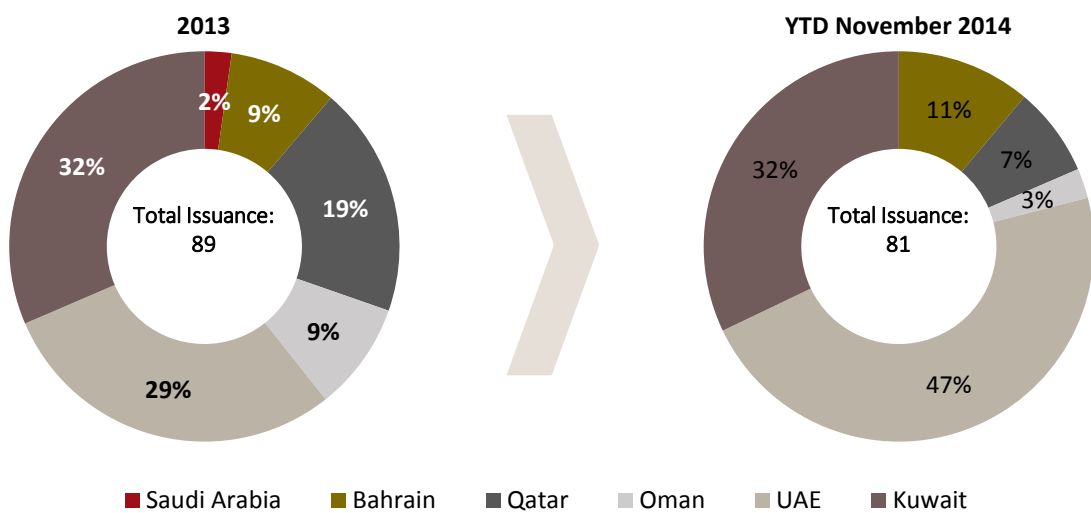


Bond Issuance by Value, Number, and Type



- Bond issuances by value increased by 57% m-o-m but fell 26% y-o-y for November 2014, with seven issuances totaling USD1.9bn. Total bond issuance by value fell 1% y-o-y to USD28.1bn for YTD November 2014, the rise in quasi-sovereign issuances (33% y-o-y) was offset by decline in corporate (3% y-o-y) and sovereign (3% y-o-y) issuances. Corporate issuances comprised 53% of the total issuance volume for YTD November 2014, followed by sovereign at 39% and quasi-sovereign at 8%.

Bond Issuance by Country – Number of Issuances



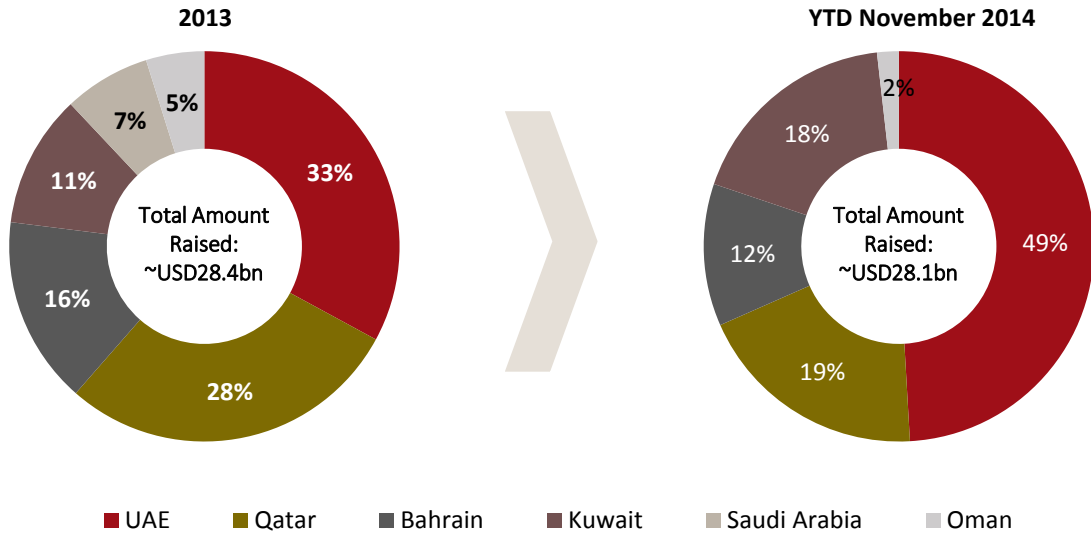
- The UAE accounted for the largest share of bond issuances by number (38) and value (USD13.7bn) for YTD November 2014.
- With 26 issuances, Kuwait was the second largest issuer by number, while Qatar ranked second in terms of value; its bond issuances totaled USD5.4bn for YTD November 2014.

Source: Zawya

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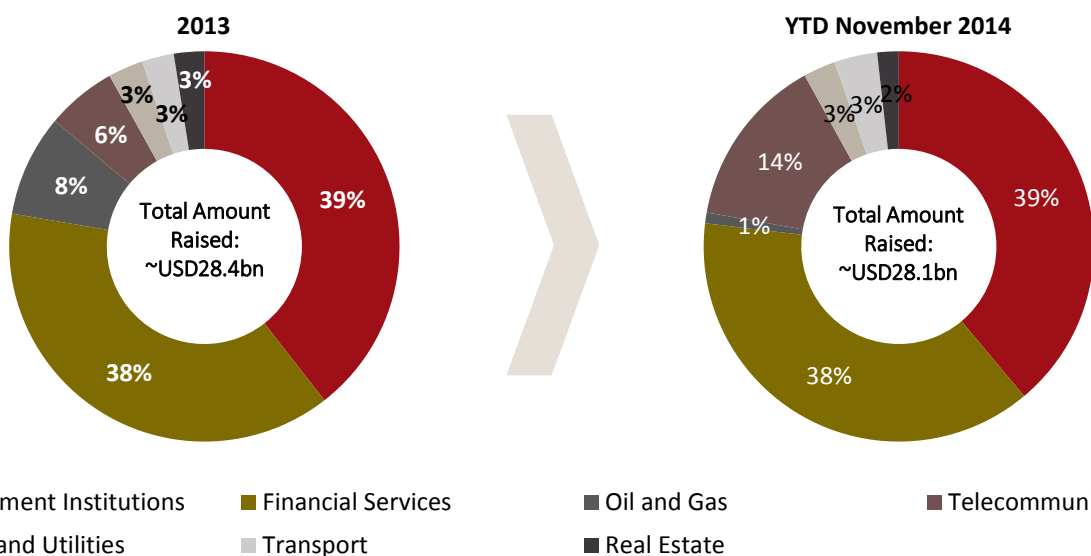


Outstanding Bonds by Country



- The outstanding value of GCC bonds stood at USD28.1bn for YTD November 2014; the UAE led the GCC region in terms of the number and volume of issuances. Outstanding value of bonds issued for YTD November 2014 in the UAE surged 51% y-o-y to USD13.7bn from USD9.1bn for YTD November 2013.

Outstanding Bonds by Industry



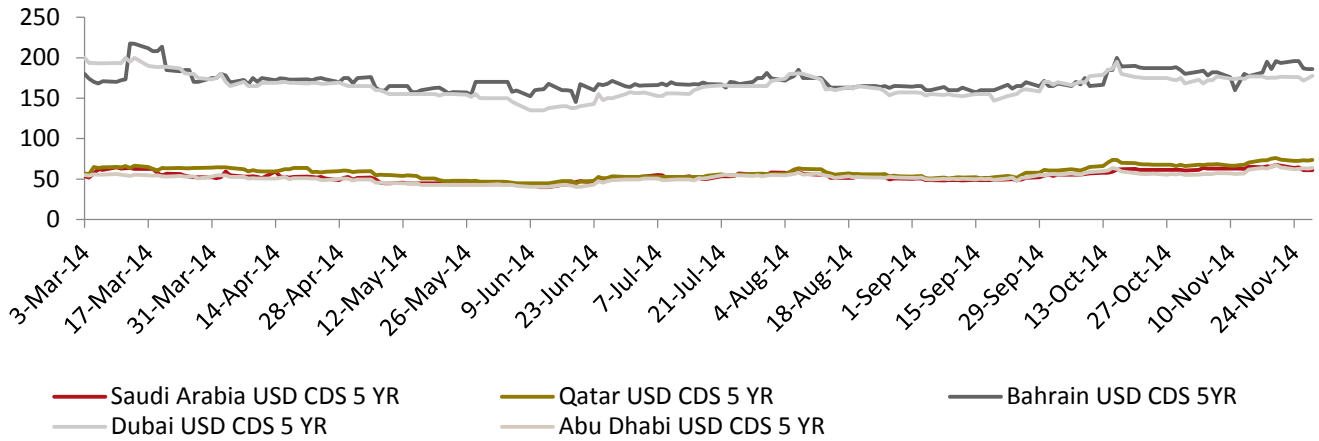
- Government institutions (39%, USD10.9bn) and financial services (38%, USD10.6bn) were the major sectors, with total bond outstanding of USD28.1bn for YTD November 2014. Outstanding value of bonds issued by government institutions soared 60% y-o-y to USD10.9bn for YTD November 2014.

Source: Zawya

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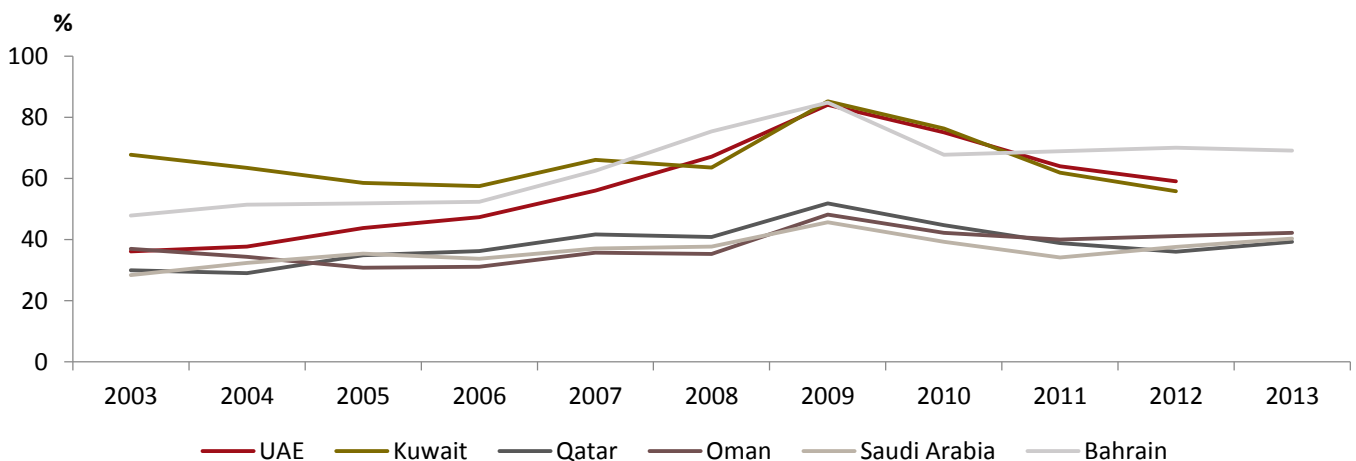
5-Year USD CDS Spread



5-Year CDS Watch (bps)

Country	November 28, 2014	December 31, 2013	52-Week	
			High	Low
Saudi Arabia	61.05	55.00	67.50	39.79
Abu Dhabi	63.77	55.00	67.32	40.50
Dubai	177.53	220.00	231.59	135.01
Qatar	73.44	59.00	76.11	44.50
Bahrain	186.05	240.00	243.14	145.08

Credit to GDP Gap

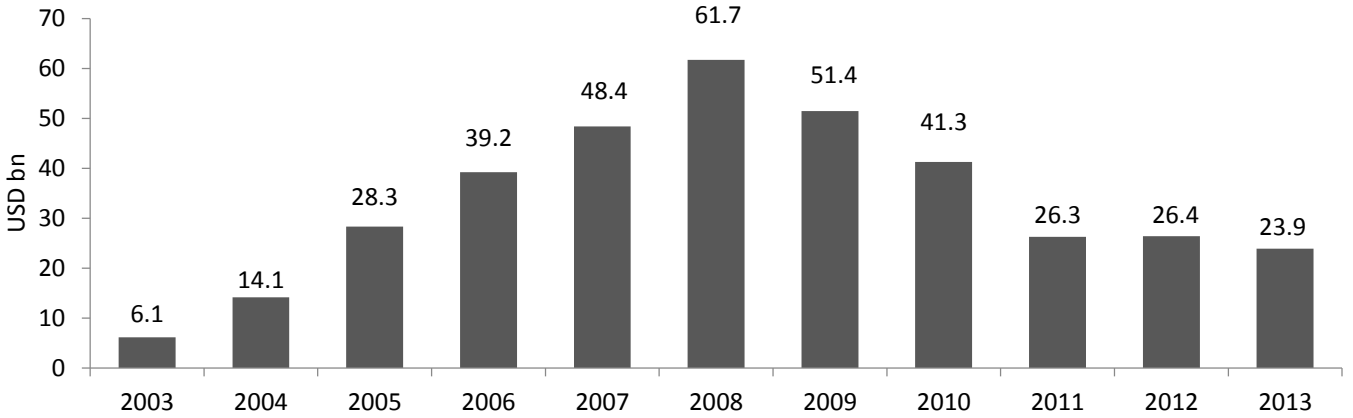


Source: Bloomberg

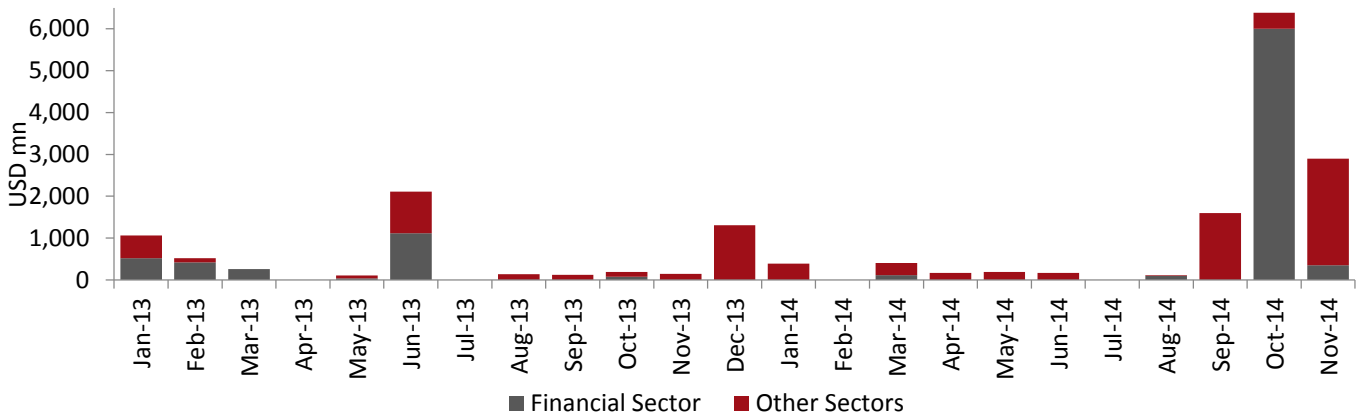
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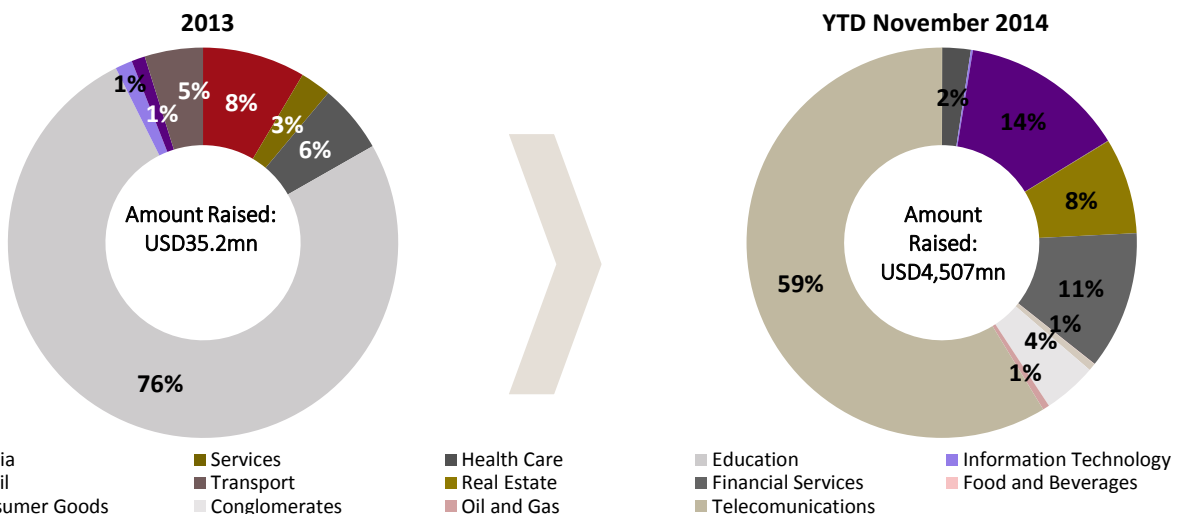
FDI Inflow into the GCC Region



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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