

Global Sukuk activity slows through the first half of 2022



OFFSHORE CENTERS

By Manuela Belmontes

Fitch Ratings reported a growth of 11.6% in total Sukuk issuances in the first quarter (Q1) of 2022 as a result of sovereigns and multilateral institutions returning to the market. Particularly notable were the large number of issuances out of Saudi Arabia during this time. The Sukuk market was predicted to stabilize for the remainder of 2022 but, in July, Fitch reported that total Sukuk issuances (all markets and currencies) fell in the second quarter by 27.5% due in part to the reduced financing needs for most core oil-exporting sovereigns on the backdrop of increasing oil prices.

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Global Sukuk issuances out of Saudi Arabia in the first half of 2022 included the following, each involving an offshore center:

- US\$750 million five-year sustainable Sukuk issuance in January by Saudi



National Bank (SNB) through its Cayman Islands SPV, SNB Sukuk

- US\$750 million perpetual Sukuk issuance in February by Riyadh Bank, which was reported as being the first global additional Tier 1 capital sustainable Sukuk. The Sukuk certificates were issued by a Cayman Islands issuer, Riyadh Tier 1 Sukuk, and were the first such certificates to be listed on the Sustainable Bond Market of the London Stock Exchange (LSE), and
- US\$1.6 billion five-year Sukuk issue in April by the IsDB under its US\$25 billion Sukuk issuance program using its Luxembourg co-issuing vehicle, IsDB Trust Services No 2 SARL. This was reported as the IsDB's first public Sukuk issue based on the new global Secured Overnight Financing Rate Mid-Swap benchmark.

UAE-based issuers were also active during Q1, with two UAE banks returning to the global Sukuk market with benchmark issuances. Dubai Islamic Bank (DIB) floated US\$750 million-worth of five-year Sukuk on NASDAQ Dubai in February. The Sukuk were issued under its US\$7.5 billion Sukuk program through a Cayman Islands SPV, DIB Sukuk. First Abu Dhabi Bank (FAB) followed soon after selling US\$500 million-worth of five-year Sukuk with (it reported) the tightest spread ever achieved by a MENA bank on a public Sukuk issuance. The Sukuk were drawn down under FAB's US\$5 billion issuance program which uses a Cayman Islands SPV, FAB Sukuk Company.

Also from the UAE, and specifically Sharjah, two further global Sukuk issuances followed in April and June. At the beginning of April, the government

of Sharjah acting through its Finance Department sold US\$750 million-worth of Sukuk due 2030 through a wholly-owned Cayman Islands subsidiary, Sharjah Sukuk Programme. At the beginning of June 2022, Arada Developments, a Sharjah-based real estate developer, made a debut Sukuk offering through a Cayman Islands SPV, Arada Sukuk, raising US\$350 million.

Elsewhere across the GCC, Kuwait's Boubyan Bank floated US\$500 million-worth of five year Sukuk on Euronext Dublin in April using a Cayman Islands issuer, Boubyan Sukuk.

Also, Bahrain-based Infracorp, the infrastructure and real estate assets development arm of GFH Financial Group, listed US\$900 million in exchangeable hybrid (perpetual) Sukuk on the LSE in March through a Cayman Islands issuer, Infracorp Sukuk. The Sukuk are exchangeable on certain redemption events for shares of Infracorp (or a member of its group). The issuance is reported as being the first green Sukuk issuance by a Bahraini entity and the company's offering circular states that proceeds from the sale will be used to develop projects and assets promoting the transition toward low-carbon, climate change-resilient and environmentally sustainable economies as set out in its green Sukuk framework. (2)

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Manuela Belmontes is a partner in the corporate and finance teams at Maples and Calder, the Maples Group's law firm in Dubai. She can be contacted at manuela.belmontes@maples.com.