

IFN Deals of the Year 2018

IFN Awards DEALS OF THE YEAR 2018

The results are in, and IFN is delighted to announce the final winners of our Deals of the Year (DOTY) 2018, as judged by our independent panel of industry experts. We wish all winners the sincerest congratulations.

DOTY 2018 enjoyed three main themes: market expansion, social impact/sustainability, and perpetuity. Oddly, one factor was missing: fintech. Notably, crowdfunding and financial technology-driven transactions were not present among the nominations.

As has become a common thread, the International Islamic Trade Finance Corporation (ITFC) is the most active player expanding the African market and nurturing the Central Asian markets. Following the Kingdom of Morocco's maiden benchmark Sukuk, one is hopeful that Morocco will be a significant contributor to future DOTY competitions. Elsewhere, OCBC Al-Amin took Islamic finance to Cambodia. We have always had this discussion, but never came to a satisfactory conclusion: Is Islamic finance different from a positive moral construct? The heated contest for Social Impact DOTY seems to indicate that the Islamic finance market is increasingly committed to sustainable development.

Innovation in the US and government engagement in Asia and Africa complemented the array of new green and sustainable transactions. Efforts are afoot in Malaysia starting with the first social impact Sukuk. Now, Malaysia is promoting value-based intermediation, and global market players are heeding the call.

Although Malaysia has traditionally led in submissions, in 2018 the UAE pipped Malaysia. Saudi Arabia, Pakistan and Oman were closely followed by Turkey as the top markets. Nonetheless, many submissions were variations of an older theme, even second or third issuances under a program that won an award in the past!

Among the big developments in 2018 was the diversity of submissions from all other markets. In previous years, the well-established markets accounted for 94-96% of submissions. In 2018,

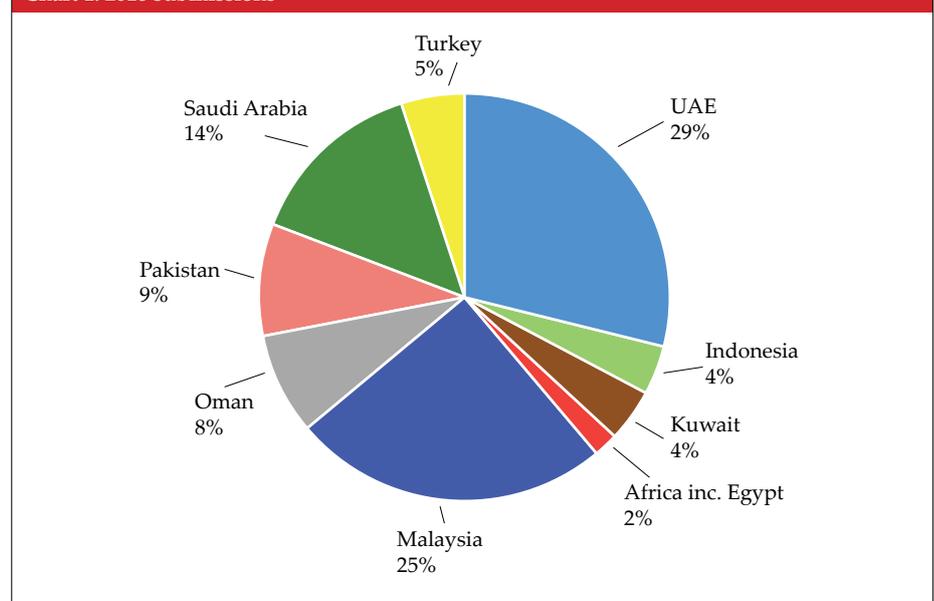
their submissions shrank to 73%. One is hopeful that this is a trend showing a deeper and wider global Islamic finance market. We captured Morocco, Cambodia, Uzbekistan, Tajikistan, Gambia and Togo among the highly regarded newcomers.

Energy remains a theme. In 2018, hydrocarbons and green energy continue to do well. If HSBC Amanah Malaysia, Indonesia, and UiTM Solar were prominent on the sustainable side, then Yinson, Indonesian mining companies, Engro, Dana Gas and Tufail all raised the hydrocarbon flag.

Tawarruq's importance remains untouched. Even many of the so-called Wakalah deals include a Tawarruq tranche as do many of the Mudarabah deals. Deals considered purely commodity Murabahah or Tawarruq

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Chart 1: 2018 submissions



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made up 25% of the submissions. In a number of cases, Tawarruq became the tool of choice to attract multilaterals like the World Bank Group or open new markets like Cambodia. The Wakalah universe, which includes ATKM, TEU, cooling units and Tawarruq, jumped to 27% of the offerings.

Ijarah, both asset-heavy and asset-lite, is still a top choice for structuring.

The 2018 submissions showed a new Malaysian flavor in corporate finance. Three Malaysian corporates were nominated for issuing distinct forms of perpetual Sukuk.

DOTY submissions are disproportionately Sukuk. The 2018 array of Sukuk showed two trends. The first is more equity Sukuk, ie Mudarabah or Musharakah. These are typically alternative capital instruments. The second is the use of Sukuk to roll-up, repackage or restructure obligations. One job which Sukuk seemed to have lost is that of opening new markets or attracting new players. Syndicated Tawarruq seized this mantle.

In 2018, real estate roared. Social housing, REITs in Saudi Arabia and corporate real estate deals in the UAE, Malaysia and beyond were highlighted. There was even the first securitization of UK Islamic home purchase plans.

As has been customary, the importance of the US dollar remained high with 49% of submissions relating to US dollar-denominated deals. Malaysia remains a critical player, but ringgit deals dropped from 30% to 19%. We have long argued that the Sukuk and Islamic finance markets are not achieving their potential until local markets grow.

In 2018, 15% of the deals nominated were in 'other currencies' reflecting increased domestic activity in new markets. For instance, the Kingdom of Morocco launched its benchmark Moroccan dirham Sukuk. The role of local currencies points first to local market growth, and should represent the strengthening of local financial

Chart 2: Deal types

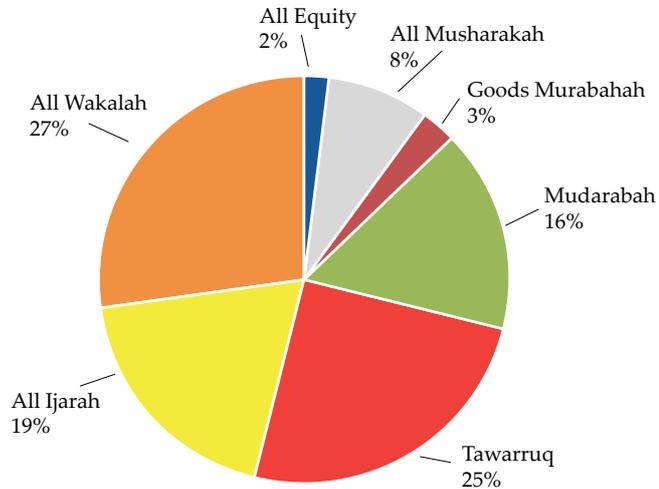
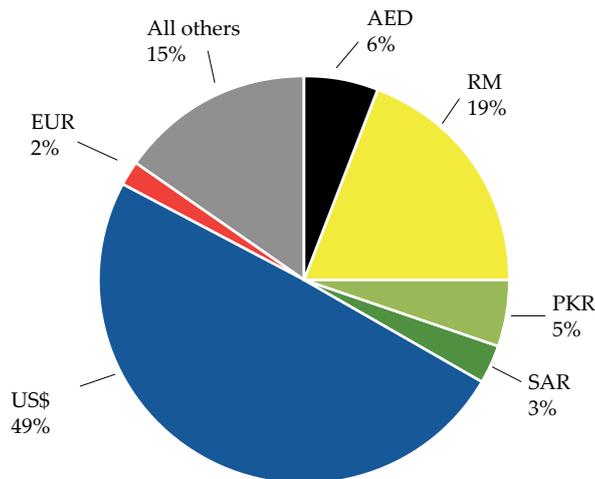


Chart 3: Currency distribution by deals



institutions.

The IDB's first euro-based transactions highlighted new market activity in the eurozone and in countries using euro-linked currencies like the CFA in West and Central Africa. The euro nonetheless has not yet emerged as an active currency for the Islamic financial markets.

Although the number of nominations was nearly the same as in the past, the number of categories slipped as several countries were less well represented than in the past. Winners came from

11 countries of the 31 countries with nominations. 2018 was a solid year as the market grew but the year ended on a number of rocky indicators: retreating oil prices, China-US trade and political feuds, a possibly botched Brexit and a slowing global economy. In 1990, legendary real estate investor Sam Zell laid out the goal "'95 and alive". Perhaps we are in a similar situation, we have to wait for "'20 to enjoy plenty".

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