

IDB's Sukuk: A successful end to 2016

The IDB ended 2016 with a US\$1.25 billion Sukuk issuance by its subsidiary, IDB Trust Services. Speaking to the deal's joint lead manager RHB Investment, DURGAHYENI MOHGANA SELVAM has the exclusive.

The issuance, with a five-year tenor, is a Wakalah Istithmar structure which was selected after considering the IDB's Shariah requirements, the currency of issuance and the preference of target investors since such a structure is globally accepted. The proceeds of this transaction are aimed to assist IDB Trust Services to purchase a portfolio of assets from the IDB which, in turn, intends to use the proceeds for its Shariah compliant general corporate purposes.

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The facility, issued pursuant to the US\$25 billion trust certificate issuance program, was indeed a success to the IDB as it was oversubscribed by 1.35 times. RHB Investment opined that despite the challenging market conditions, the trust certificates garnered high demand, clearly suggesting that the pricing achieved was within the IDB's expectations.

But issuing the trust certificates wasn't an easy feat. "There were a series of unexpected news in the global market during the pricing of the trust certificates, creating a very challenging market condition but the joint lead managers/bookrunners worked very

hard together to achieve a favorable spread for the issuer and subsequently managed to price the trust certificates within a short time frame," RHB Investment said. The bank also added that this issuance shows the increasing interest of investors for Sukuk.

RHB Investment has previously worked with the IDB in many transactions. In 2014, the IDB issued US\$1 billion under its US\$10 billion trust certificate issuance program. The IDB also issued, via Tadamon Services, a one-off ringgit-denominated Sukuk facility worth RM350 million (US\$78.71 million) in 2016. These experiences paired with the bank's understanding on the IDB's requirements contributed toward the excellence of the transaction.

This issuance has been a platform, according to RHB Investment, for the bank to further raise its international profile which will strengthen and enhance its ability to secure more cross-border debt issuance mandates in the future, as well as showcase its capability to work well with foreign banks in order to ensure a successful issuance for the issuer.⁽²⁾

Underlying assets	Portfolio of assets which is separate and independent from all other assets and which comprises: (a) at least 33% of tangible assets comprising lease assets, disbursing Istisnah assets and/or Sukuk; and (b) no more than 67% of intangible assets comprising Istisnah receivables and/or Murabahah receivables.
Rating	S&P: 'AAA' (with stable outlook) Moody's: 'Aaa' (with stable outlook) Fitch: 'AAA' (with stable outlook)
Shariah advisor(s)	The Shariah Committee of the IDB
Structure	Sukuk Wakalah
Tradability	Tradable
Investor breakdown	Various from Europe, Asia and Middle East
Face value/minimum investment	US\$1.25 billion

Trust certificates due 2021 issued pursuant to the US\$25 billion trust certificate issuance program



US\$1.25 billion

Issuer	IDB Trust Services
Obligor/guarantor	IDB
Size of issue	US\$1.25 billion
Mode of issue	Book-building
Purpose	The proceeds of the trust certificate issuance will be utilized by IDB Trust Services to purchase a portfolio of assets from the IDB, and the IDB will in turn, use the proceeds from the investment for its Shariah compliant general corporate purposes.
Tenor	Five years
Issuance price	At par
Profit rate	2.26% per annum
Payment	Semi-annual
Currency	US dollar
Maturity date	7 th December 2021
Joint lead managers and bookrunners	Boubyan Bank, Credit Agricole Corporate and Investment Bank, GIB Capital, JPMorgan Securities, Mizuho International, National Bank of Abu Dhabi, Natixis, RHB Investment Bank and Standard Chartered Bank
Governing law	English law
Legal advisor(s)/counsel	To the IDB: Dentons & Co To the joint lead managers: Clifford Chance
Listing	London, NASDAQ Dubai and Bursa Malaysia (under the exempt regime)