

Oversubscription of 4.9 times for the Philippines's maiden Sukuk issuance



THE PHILIPPINES

By Rafael A Morales

The Republic of the Philippines recently raised US\$1 billion from its maiden issuance of Sukuk in the global Islamic financial market. The issuance has a tenor of 5.5 years and utilized real estate assets under the Ijarah (lease), Wakalah (agency) and commodity Murabahah (cost-plus-profit margin sale) structures. The amount raised will be used for various purposes, including budgetary support.

As there was an oversubscription of around 4.9 times of the issuance, the

Philippine government made a successful entry into the market. According to the Bureau of Treasury, the strong demand enabled the Philippine government to price its Sukuk "at T+80 basis points (bps) with a profit rate of 5.045%, representing a 35bps compression from the initial price guidance of T+115bps area". It is anticipated that the maiden Sukuk will be rated 'Baa2' by Moody's Investors Service, 'BBB' by Fitch Ratings and 'BBB+' by S&P Global Ratings.

As announced earlier, Citigroup, Deutsche Bank, Dubai Islamic Bank, HSBC, MUFG and Standard Chartered Bank acted as the bookrunners and joint

lead managers for the issuance. The then-finance secretary Benjamin Diokno remarked that: "The success of our inaugural Sukuk issuance affirms the Republic's significant standing in the international capital markets and underscores investors' conviction in our financial inclusion agenda." He expressed the hope that the issuance will "create positive momentum for Islamic banking and finance in the Philippines". ☺

Rafael A Morales is the managing partner of Morales & Justiniano. He can be contacted at ramorales@primuslex.com.

A hopeful start to 2024



QATAR

By Amjad Hussain

According to a recent report by QNB Financial Services, 2023 was a positive year for the banking sector in Qatar. Qatari banks witnessed an increase in their deposits and loan book in October 2023, and their total assets grew 1% month-on-month to reach QAR1.93 trillion (US\$525.95 billion). QNB Financial Services further noted that the Qatar Central Bank (QCB) intends to offer initiatives to develop the financial technology sector in Qatar, and the report highlighted that new ESG and Islamic finance products are being developed, according to the QCB.

KPMG stated in its 'Qatar Banking Perspective – 2023' report that: "Qatar's banks have showcased remarkable agility despite challenges such as surging interest rates, margin pressures, geopolitical uncertainties ... banks have not just endured but thrived, preserving robust profitability levels."

QIIB released its Sustainable Finance Framework which is aimed at financing projects with positive environmental and social impact. Under this framework, QIIB can issue green, social or sustainability-labeled Sukuk and other products aligned with international green and sustainable finance principles.



The green project categories that are eligible under the framework include, among other things, renewable energy, energy efficiency, green buildings and pollution control as well as social initiatives such as employment generation and affordable infrastructure.

Sustainable Fitch issued a second-party opinion which concluded that the framework is in line with sustainable finance market principles. The framework is also in line with the bank's ESG strategy that is tied to Qatar National Vision 2030.

QIIB CFO Hossam Khattab commented on this achievement stating that: "This framework underscores our dedication to aligning our operations with global sustainability goals while contributing to Qatar's economic development, which is considered a significant stride towards fostering a sustainable future in line with Qatar Vision 2030." ☺

Amjad Hussain is a partner at K&L Gates. He can be contacted at Amjad.Hussain@klgates.com.