

THE INTERNATIONAL



**ISLAMIC FINANCE
FORUM**

New Markets

The Growth Imperative

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Citi Islamic

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Geography

The Market for Sukuk Issuance



Turkey

- Tremendous increase in issuance activity (Islamic Loans) out of the country targeting the Islamic Investor world
- Citi continues to close successful Islamic deals for industries that span the range from food and beverage, textile, information technology and leasing companies



UK:

- British government geared toward the eventual issuance of a debut sovereign Sukuk in the wholesale sterling market after several months of experts consultation



UAE:

- Locomotive for Sukuk issuance
- Large corporate issuance, regional gateway to global investor
- 37% of Total Global Sukuk Issuance
- UAE dirham represented almost 36% of Sukuk issuance in the first half of 2008.

Sub-Saharan Africa

- Resource Intensive Issuers
- Legal environment , tax complications
- Demographics/Islamic population
- Unknown credit market



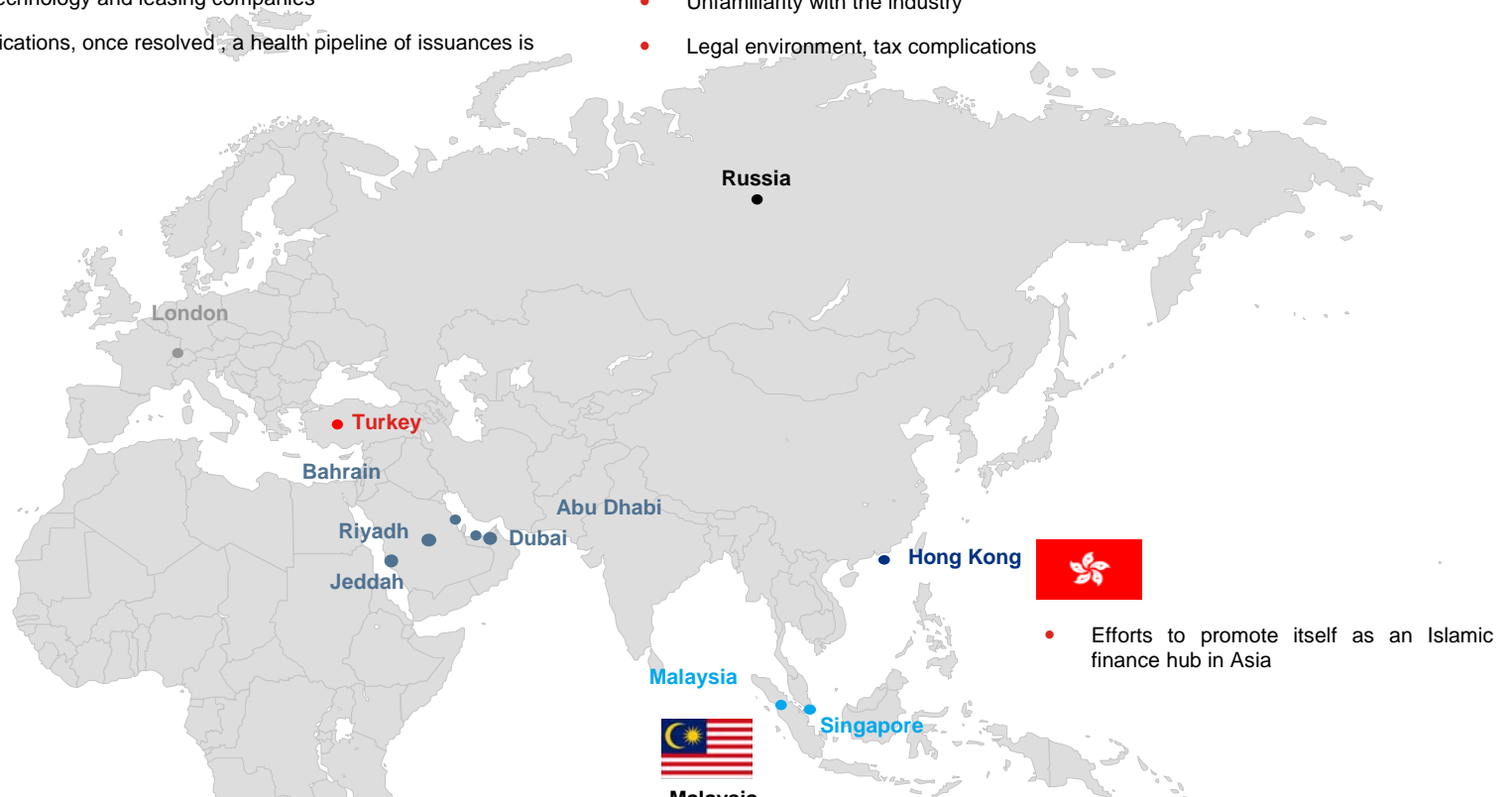
KSA

- Market is rapidly growing, yet remains SAR focused
- 13% of Total Global Sukuk Issuance



Russia/CIS

- Resource Intensive Issuers : Heavy industries, Oil and Gas
- Great landscape for Islamic issuers
- Unfamiliarity with the industry
- Legal environment, tax complications



- Efforts to promote itself as an Islamic finance hub in Asia



Malaysia

- Remains Asia Regional Hub for Islamic Finance
- 38% of Total Global Sukuk Issuance
- Local currency (MYR) dominated
- leaders in innovative Sukuk structuring and one of the world's leading markets for Islamic securitization.

Sukuk Challenges

Sukuk Challenges : The Road Ahead

- Complexity and diversity:
 - The market is increasingly moving away from the typical Ijara “sale and lease back” Sukuk structures towards “structured” Sukuk.
 - Underlying assets eligible for Sukuk schemes have witnessed increasing diversification.
- Securitization, structuring & subordination:
 - Asset-backed Sukuk should continue to gain market share.
- Liquidity:
 - The more liquid the Sukuk market becomes, the deeper, more disintermediated, and efficient Islamic capital markets will be.
 - New classes of institutional investors will have access to this market for asset allocation
- Issuance volumes and widening gaps in terms of issuer creditworthiness:
 - Amidst the global credit conditions, the volume of the Sukuk market should continue to grow rapidly.
 - The number of issuers has also grown, both within the Muslim world and beyond its natural borders.

Sukuk Challenges : The Road Ahead

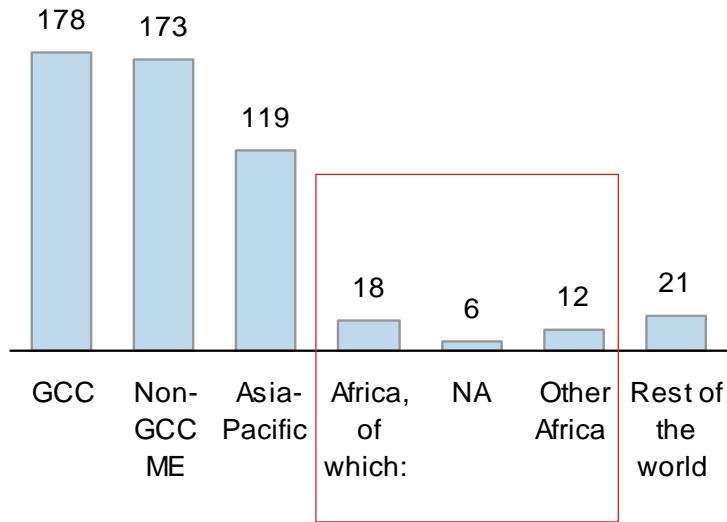
- Is the plain vanilla Sukuk appropriate in a Credit / Equity crunch?
 - Capital is scarce and valuable
 - Challenging Debt Markets
 - Equity Markets are shut
 - Convertible Markets are shut

- Solutions?
 - “Partnership” transactions
 - Tangible valuation methods
 - Reduced reliance on markets
 - Refinancing risk of bullet maturities
 - Equity market take out

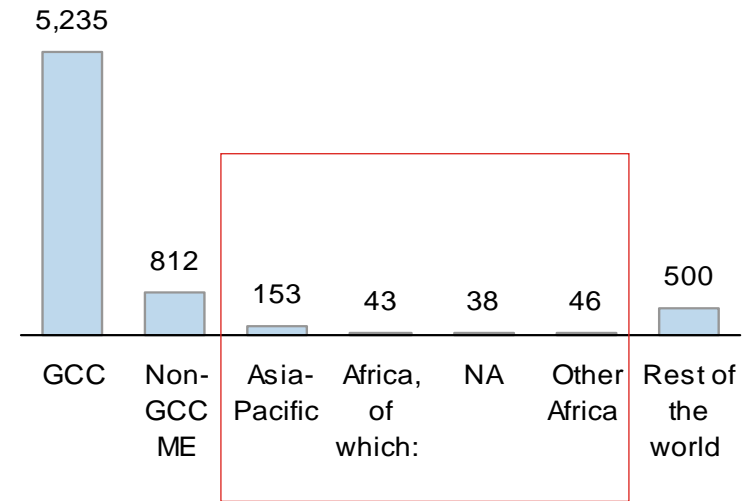
Sukuk : The Opportunity

Key Islamic and financial Statistics Across Regions*

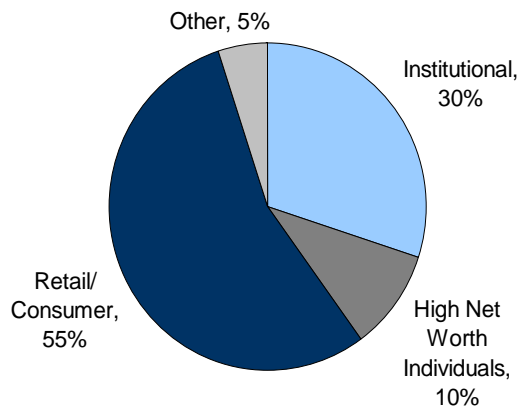
Islamic Financial Assets (USDbln, as of YE2007)



Islamic Assets/Muslim Capita (USD, as of YE2007)



Islamic Assets by Market Segment



Conclusion

- New Sukuk Structures is essential
- New Regions (Issuers) and Capacity (Investors)
 - Resource driven
 - Demographics
- Asset growth opportunity
 - Non GCC ME (e.g.: Turkey)
 - Asia
 - Africa

*Sources: Moody's, World Bank

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