Dubai Islamic Bank Pakistan's Tier 2 Sukuk: Filling the market gap

Dubai Islamic Bank Pakistan (DIBPL) has borrowed PKR4 billion (US$37.62 million) through a Sukuk issuance. The paper, which has a 10-year tenor, is a Tier 2 offering. Speaking to Bulund Akhter Noman, the head of investment banking in DIBPL, DURGAHYENI MOHGANA SELVAM delves deeper into the making of the latest deal from Pakistan.

The debt, which was rated, unsecured, subordinated and privately placed, adopted the Mudarabah structure. "[A] Mudarabah structure for the issue was preferred because this structure is commonly used for [the] issuance of Tier 2 capital instruments in the Islamic banking industry of Pakistan and across the world," Bulund Akhter Noman, the head of investment banking in DIBPL, told IFN.

> *"The pricing is at par with the pricing of Tier 2 instruments issued by the heavyweights of the banking industry such as Habib Bank and Meezan Bank"*

The main challenge in arranging the debt was obtaining regulatory approvals, as the issuance of Tier 2 debt instruments usually takes at least eight weeks, according to Bulund. But the issue was quickly resolved as the regulators were cooperative.

Another hurdle was the timing of the launch. "We launched the paper during the holy month of Ramadan when working hours are short in Pakistan. The response was overwhelming from the investors and we were fortunate to get timely approvals from the State Bank of Pakistan which enabled us to successfully close the issue in a short span of time," explained Bulund.

The paper received good demand, leveraging on the lack of Tier 2 Islamic papers in the market. It was oversubscribed by 1.7 times and closed in 26 working days.

The offering attracted a pricing of six-month KIBOR plus 50bps per annum. "The pricing is at par with the pricing of Tier 2 instruments issued by the heavyweights of the banking industry such as Habib Bank and Meezan Bank," expounded Bulund.

The Sukuk offering is DIBPL's first Tier 2 issuance. It also marks the foray of Dar Al Sharia (DAS), a Shariah advisory and consultancy provider, into the Islamic capital market as DAS was the Sharia advisor for the paper, according to Bulund. DIB, which is based in the UAE, is no stranger to the international Sukuk market, having issued a US$1 billion Sukuk in February 2017.

Dubai Islamic Bank Pakistan's Tier 2 Sukuk

PKR4 billion (US$37.62 million)

بنك دبي الإسلامي
Dubai Islamic Bank

14th July 2017

Issuer	**Dubai Islamic Bank Pakistan (DIBPL)**
Obligor	DIBPL
Size of issue	PKR4 billion
Mode of issue	Rated, unsecured, subordinated and privately placed Tier 2 Sukuk
Purpose	The proceeds of the paper will be channeled toward DIBPL's Tier II capital to comply with the capital adequacy ratio requirement prescribed by the State Bank of Pakistan under the Basel III framework.
Tenor	10 years (with call option exercisable after five years from the issue date)
Issuance price	100%
Profit rate	Six-month KIBOR plus 50bps per annum
Payment	Bullet
Currency	Pakistan rupees
Maturity date	14th July 2027
Lead manager, principal advisor and bookrunner	DIBPL
Governing law	Laws of Islamic Republic of Pakistan
Legal advisor(s)/ counsel(s)	Mohsin Tayebaly & Company
Underlying assets	Pursuant to a Mudarabah agreement between DIBPL (as the Mudarib) and Sukukholders (as the Rab Al Maal), a Mudarabah will be constituted under which the Sukuk proceeds will be contributed by the Rab Al Maal which shall form the capital of the Mudarabah
Rating	'A+' by JCR-VIS Credit Rating Agency
Shariah advisor(s)	Dar Al Sharia Islamic Finance Consultancy; Shariah Supervisory Board of DIBPL
Structure	Mudarabah
Tradability	Through the Central Depository System
Investor breakdown	Funds/Mudarabah: 52.7% Banks/insurance and Takaful providers: 47.3%
Face value/ minimum investment	PKR1 million (US$9,404.68)