

# Emirates Islamic's Sukuk: Raising funds for sustainable projects

As the green Sukuk market gains traction in the GCC region, Emirates Islamic (EI), the full-fledged Islamic banking arm of Emirates NBD Group, made a significant stride with its first-ever sustainability Sukuk issuance. NESSREEN TAMANO writes about the bank joining the ranks of institutions committed to addressing climate change through Islamic finance solutions.

The US\$750 million senior unsecured Sukuk, priced on the 21<sup>st</sup> May 2024 and settled on the 28<sup>th</sup> May 2024 as a milestone issuance for the Islamic finance industry in the UAE and the region, garnered substantial interest from global investors, closing with an oversubscribed orderbook of US\$2.1 billion – 2.8 times the initial offering. The Sukuk facility was priced at an expected profit rate of 5.431% per annum, tightened to a spread of 100 basis points over five-year US Treasuries.

Investor participation reflected the diverse appeal of EI's sustainable finance initiative. Approximately 66% of investors hailed from the MENA region, 15% from Europe and the UK, 11% from Asia and 8% from US offshore markets. Institutional investors including banks, private banks and fund managers, showed strong interest, with 54% of the orderbook comprising banks and private banking entities, 27% from fund managers and the remaining 19% from insurance companies, pension funds, sovereign wealth funds, supranationals and corporates.

## Allocation to green and social projects

Islamic finance is parallel with the principles of sustainability, with Sukuk being a main instrument that plays a vital role in facilitating the growth of a sustainable market for the Shariah finance industry. This is also in line with the strategy of EI, whereby funds raised from the Sukuk will be allocated to green, sustainable and social projects, as set out by the International Capital Market Association (ICMA) and the UN SDGs.

"Projects will be sourced from our existing clients as well as pipeline,

utilizing the Sustainable Finance Asset Register," Ebrahim Qayed, the Head of EI Treasury & Markets, told IFN.

## Challenges and success in issuance

Despite the challenges of entering a competitive and evolving market, EI's issuance was a resounding success. "The five-year issue witnessed robust demand from investors across different regions," noted Ebrahim.

The Sukuk issuance holds a unique distinction as the first sustainability Sukuk to be issued out of the UAE following the launch of green, social and sustainability Sukuk guidance by ICMA, the IsDB and the London Stock Exchange Group in April 2024. Emirates NBD Group was part of the working group that helped develop the guidelines, further underscoring its commitment to sustainable finance.

## Championing sustainability

As one of the UAE's leading Shariah compliant banks, EI views sustainability as a core pillar of its strategy. "We remain committed to addressing climate change by offering sustainable Islamic solutions that prioritize the environment and support a low-carbon economy," said Mohammad Kamran Wajid, the deputy CEO of EI. Certainly, it is evidence of the EI leadership's role in shaping the direction of the Islamic finance industry, and in particular, the sustainability market.

Despite the challenging market conditions, the EI Treasury & Markets team was successfully able to achieve very competitive pricing for the Sukuk, and commit to sustainability market practices and principles. "This reaffirms EI's commitment to sustainable financing and sourcing sustainable funding," said Ebrahim.

This issuance also aligns with Emirates NBD Group's broader sustainability goals including its pledge as a signatory of the UAE Banking Federation to mobilize AED1 trillion (US\$272.2 billion) in sustainable finance by 2030.

### Emirates Islamic's Sustainable Sukuk

US\$750 million



22<sup>nd</sup> May 2024

Issuer and trustee	EI Sukuk Company
Obligor	Emirates Islamic (EI)
Structure	Wakalah/Murabahah
Type	Senior unsecured
Tenor	Five years
Maturity date	28 <sup>th</sup> May 2029
Expected profit rate	5.431%, payable semi-annually in arrear
Governing law	English Law, the Laws of Dubai and the Federal Laws of the UAE (as applicable)
Listing	Euronext Dublin; NASDAQ Dubai
Global coordinators	Emirates NBD Capital; Standard Chartered Bank
Joint lead managers	Abu Dhabi Islamic Bank; Dubai Islamic Bank; Emirates NBD Capital; First Abu Dhabi Bank; Standard Chartered Bank; The Islamic Corporation for the Development of the Private Sector
Sole sustainability structuring agent	Emirates NBD Capital

Looking ahead, EI indicated that further sustainability-focused Sukuk may be issued as required. The bank plans to continue its commitment to financing green and social assets, exploring new areas that align with its sustainability framework and the evolving demands of the market.

EI's issuance is a strong addition to other notable sustainable Sukuk issuances in the UAE such as Dubai Islamic Bank's US dollar-denominated sustainable Sukuk in 2024 and Abu Dhabi Islamic Bank's US dollar-denominated green Sukuk in 2023. "The EI sustainability Sukuk further positions the UAE as a leader in the global green Sukuk market," added Mohammad Kamran. ☺