

Global Islamic Finance Outlook 2023

March 08, 2023

Agenda

1. Global Islamic banking
2. Sukuk issuances
3. Sovereign sukuk
4. Islamic finance and sukuk from Malaysia's perspective
5. Takaful & Islamic fund assets

Islamic finance to remain resilient against global headwinds

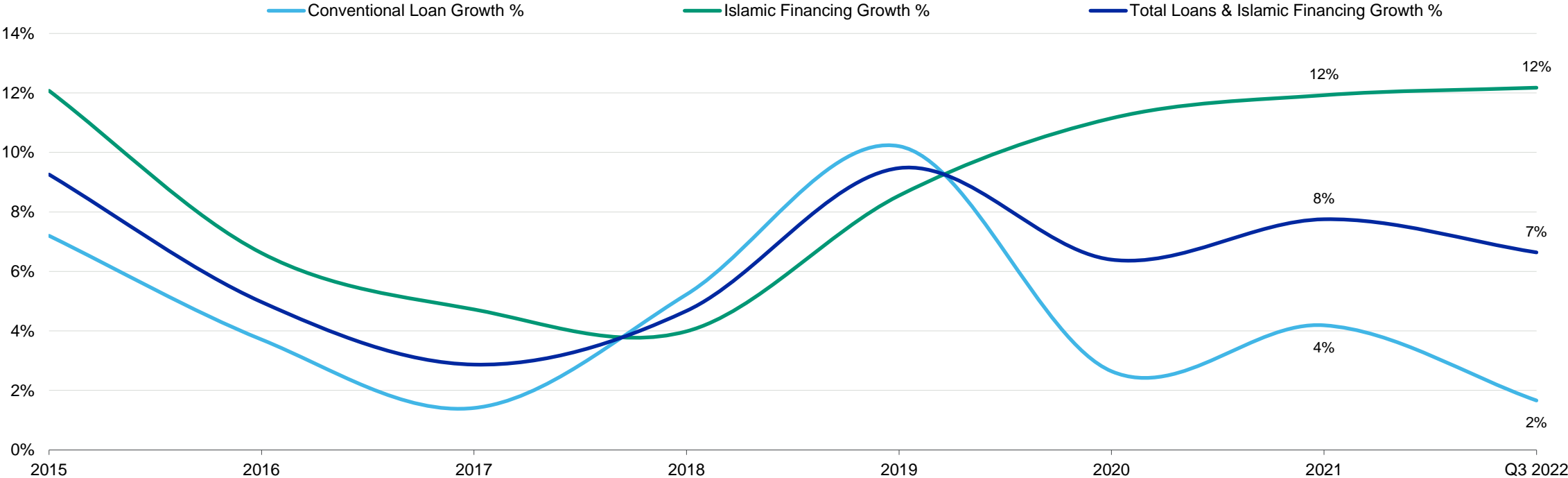


1

Islamic finance will continue
to outperform in key markets

Islamic financing asset growth will continue to outpace conventional counterparts

Islamic finance growth outperformed conventional peer since the pandemic yoy growth in financing between 2015 and Q3 2022

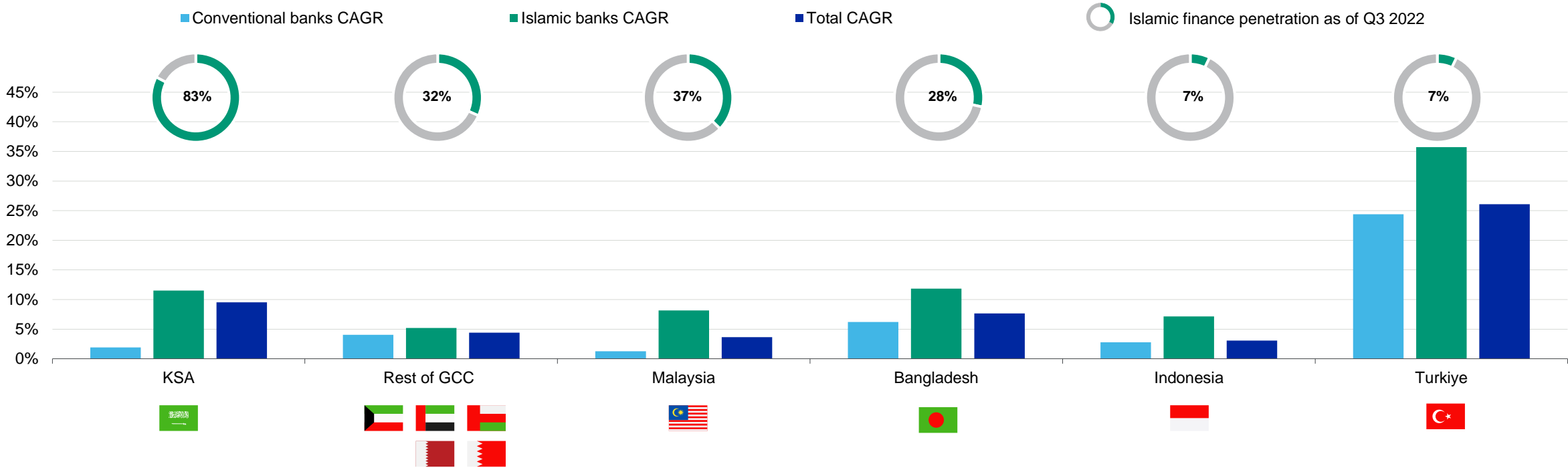


Source: Moody's Investors Service, Central Banks data, Banks' annual reports

Islamic financing asset growth will continue to outpace conventional counterparts

Turkey is the fastest-growing Islamic financing market

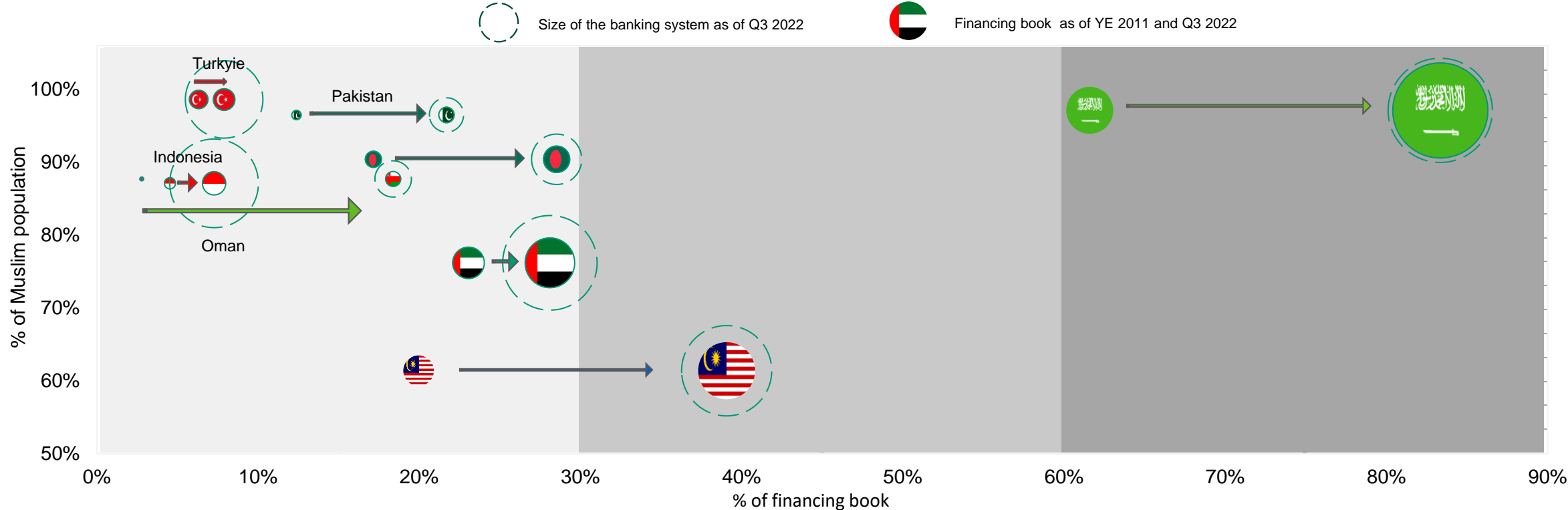
% growth in financing between 2016 and Q3 2022



Source: Moody's Investors Service, Central Bank data for Qatar, Bahrain, Oman, Malaysia, Turkey and Indonesia, Banks' annual reports

Turkey & Indonesia hold long term growth potential

Key Islamic banking markets: 2011- Q3 2022



Source: Moody's Investors Service, Central Banks data, Banks' annual reports

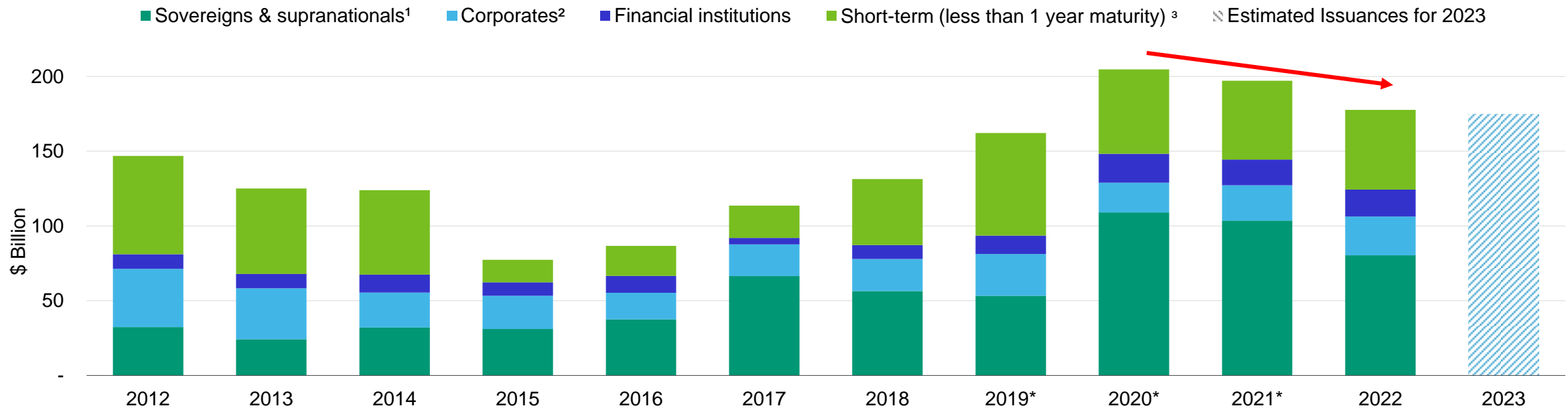
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Sukuk issuance will steady
in 2023

Sukuk issuance will stabilize in 2023

Global sukuk issuance to steady after declining for two years

(Sukuk issuance in \$ billion)

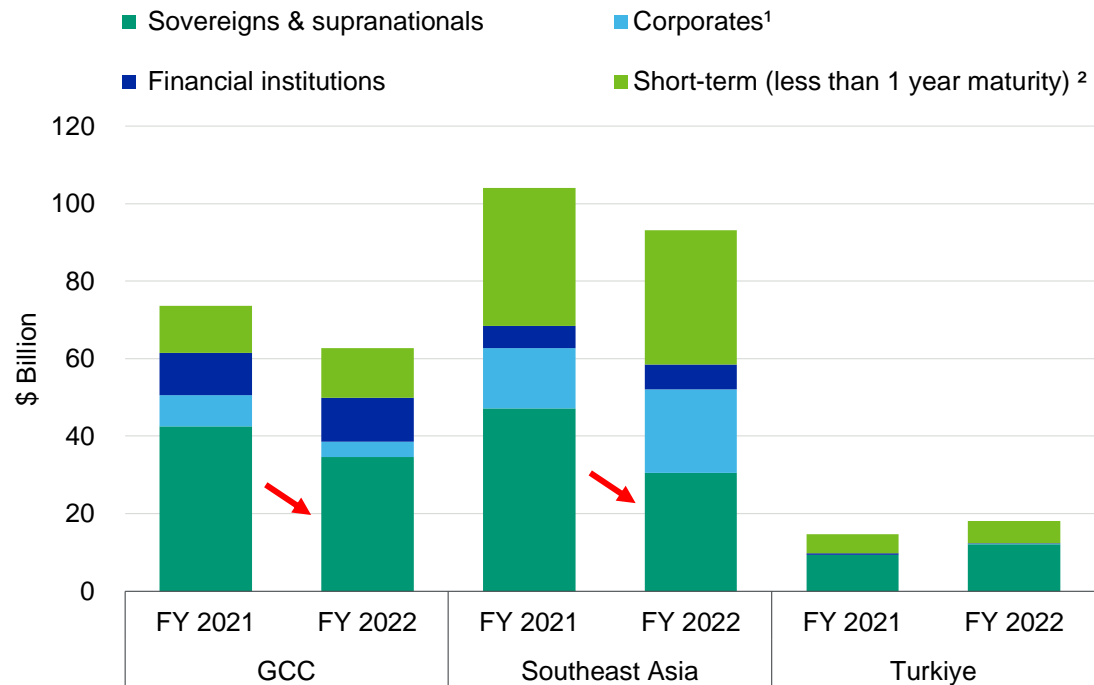


Notes: (1) Including supranational issuances; (2) Corporates are non-financial companies; (3) Short term issuances have less than one year maturity at the time of origination. This also includes issuances from Central Banks for liquidity management purposes.

Source: Thomson Reuters Eikon, Bloomberg, IFIS and Moody's Investors Service

Sukuk issuance will stabilize in 2023

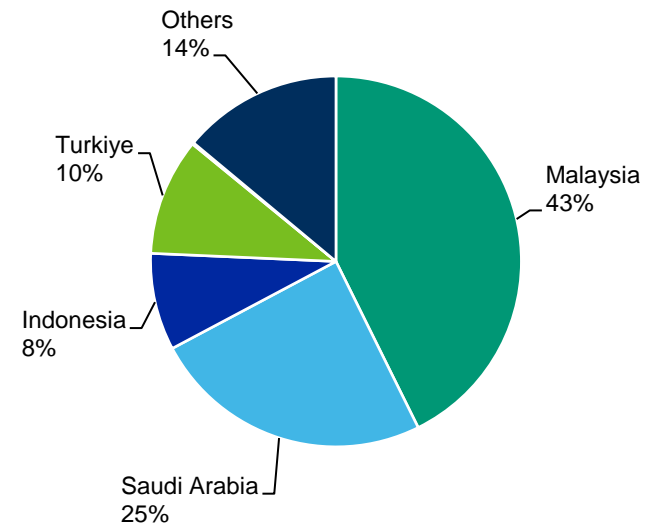
Lower LT activity from GCC & Indonesia sovereigns impacted volumes in 2022



Notes: (1) Corporates are non-financial companies; (2) Short term issuances have less than one year maturity at the time of origination. This also includes issuances from Central Banks for liquidity management purposes.

Source: Thomson Reuters Eikon, Bloomberg, IFIS and Moody's Investors Service

Malaysia dominates the sukuk market (Sukuk issuance by country, % in 2022)



3

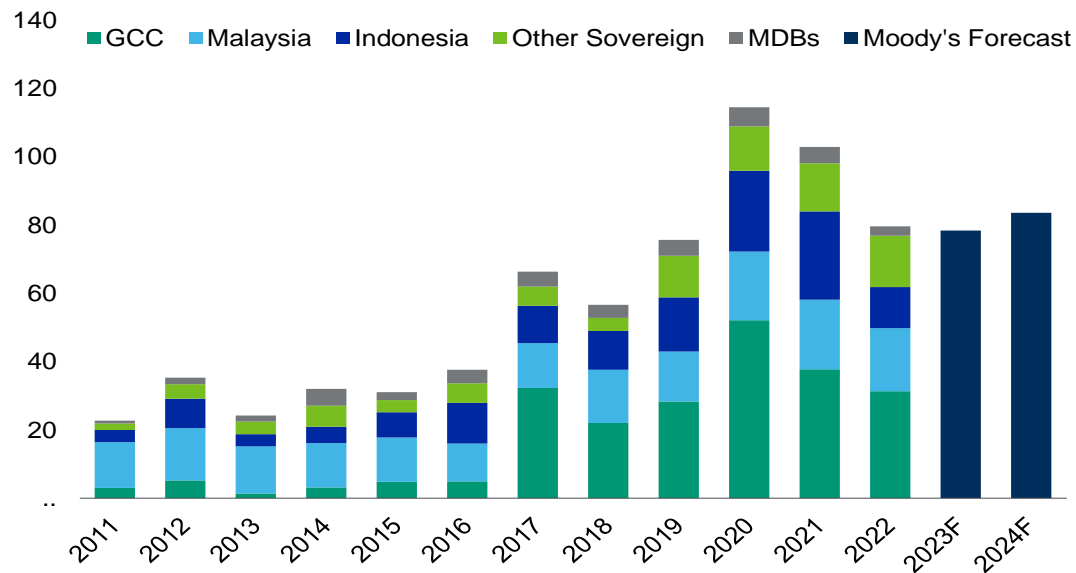
Long-term sovereign sukuk issuance

Elevated oil prices and tightening global liquidity conditions reduced sovereign sukuk issuance volumes in 2022

Long-term sovereign sukuk issuance declined by 22% last year...

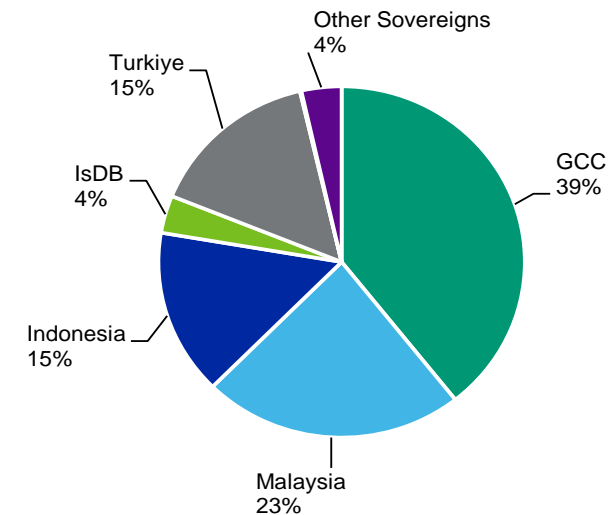
...with the GCC still forming the largest share of the volumes

Gross LT sovereign sukuk issuance, \$ billions



Source: Moody's Investors Service

Gross LT sovereign sukuk issuance, \$ billions (2022)

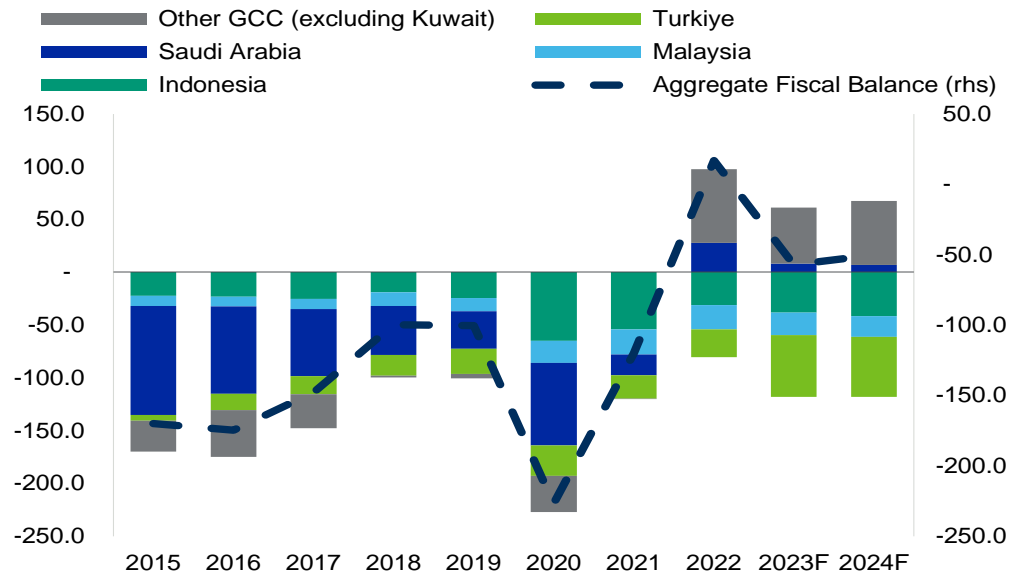


Source: Moody's Investors Service

Deteriorating fiscal positions of core issuers and higher sukuk repayments will support issuance volumes in 2023-24

Fiscal positions of key sukuk issuers to deteriorate in 2023-24

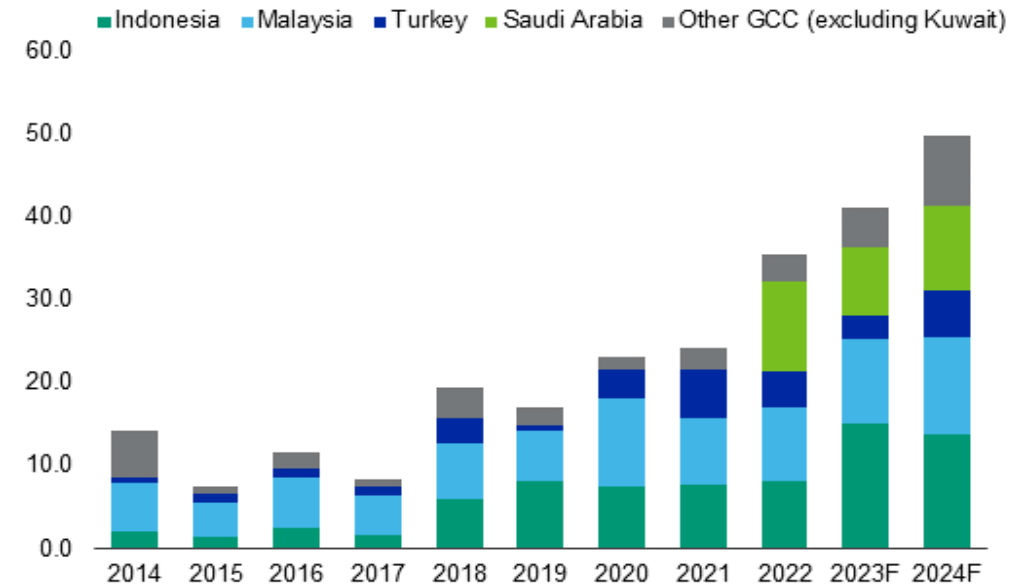
Aggregate fiscal balance, \$ billion



Source: Moody's Investors Service

Scheduled sovereign sukuk repayments are set to increase

Scheduled sovereign sukuk repayments, \$ billions



Source: Moody's Investors Service

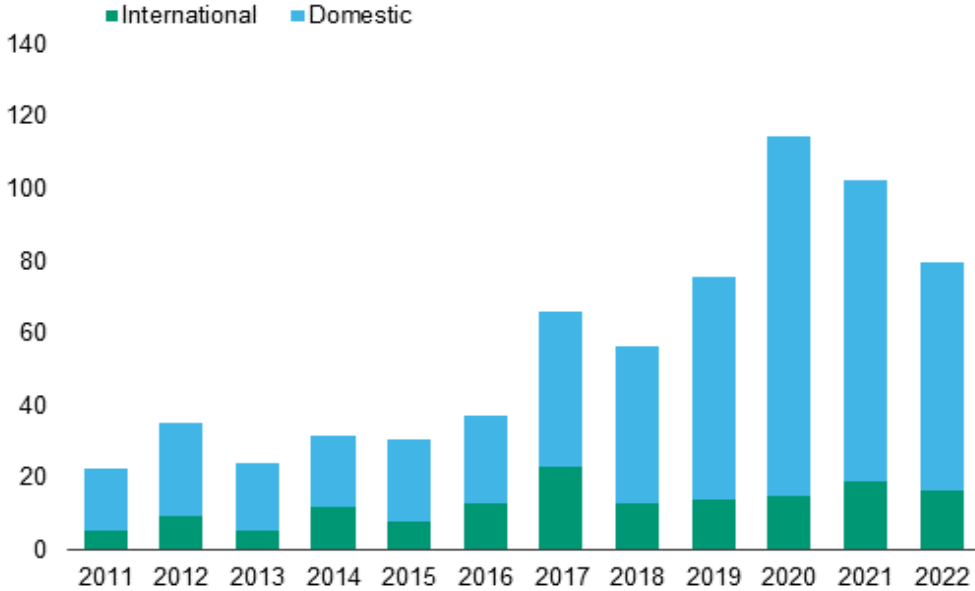
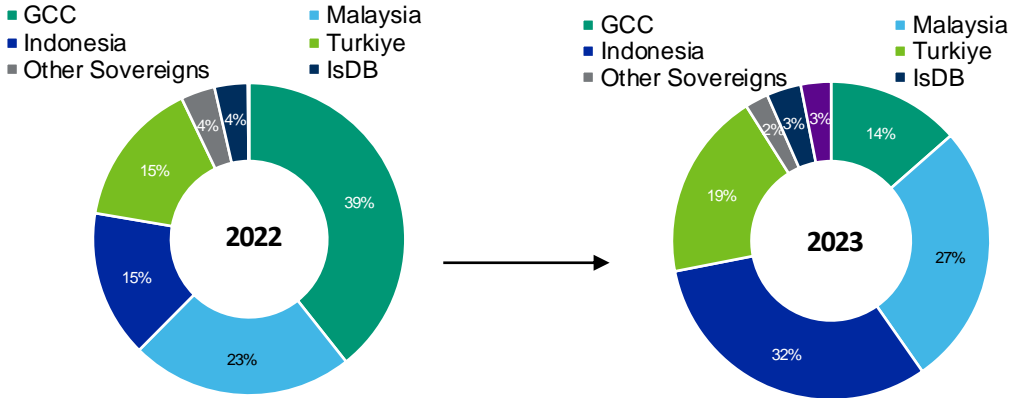
Issuance concentration will shift toward South East Asia and Turkiye, away from GCC

Largest share of sovereign sukuk issuance in 2023 will come from Malaysia and Indonesia...

...and will remain dominated by domestic, local currency-denominated sukuk

Gross LT sovereign sukuk issuance (in \$ billions)

Gross LT sovereign sukuk issuance, \$ billions



Source: Moody's Investors Service

Source: Moody's Investors Service

Upside risks to 2023-24 issuance projections

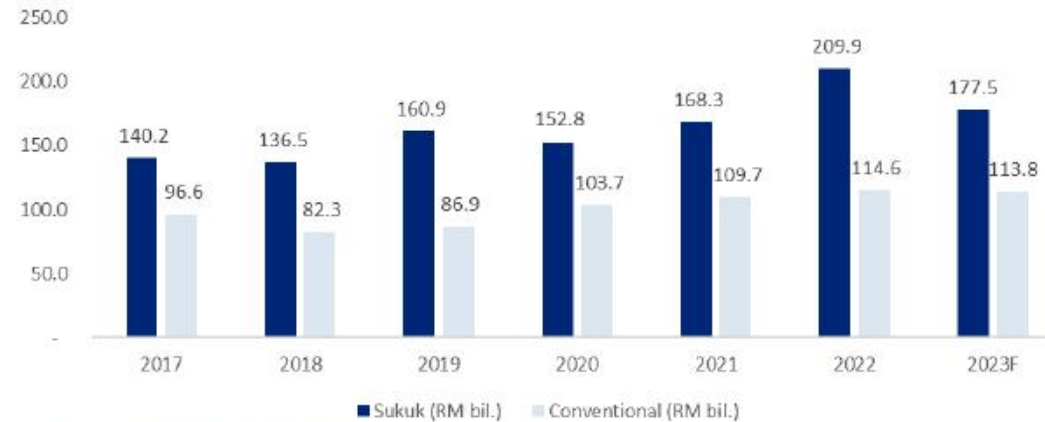
- » New government sukuk initiatives present a small upside risk to our issuance projections:
 - **Egypt** announced its \$5 billion international sukuk issuance program and issued its first-ever government sukuk in February 2023
 - **Saudi Arabia's** National Debt Management Center announced plans for the launch of a sukuk savings program aimed at retail investors
 - **South Africa** indicated a possible return to the sukuk market this year, as part of its government budget funding strategy, with plans to issue rand-denominated domestic sukuk

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Islamic finance and sukuk from Malaysia's perspective

Continued strong interest in corporate sukuk

Total domestic sukuk and bonds issuance



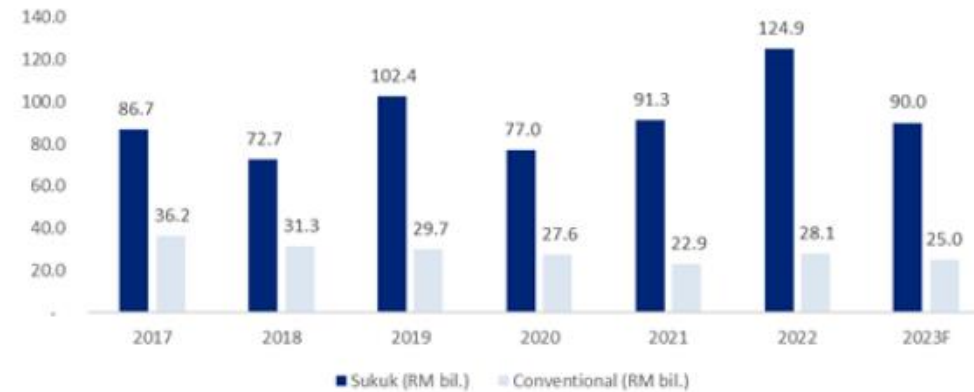
Sources: BPAM, MARC Ratings

Government bonds issuance



Sources: BPAM, MARC Ratings

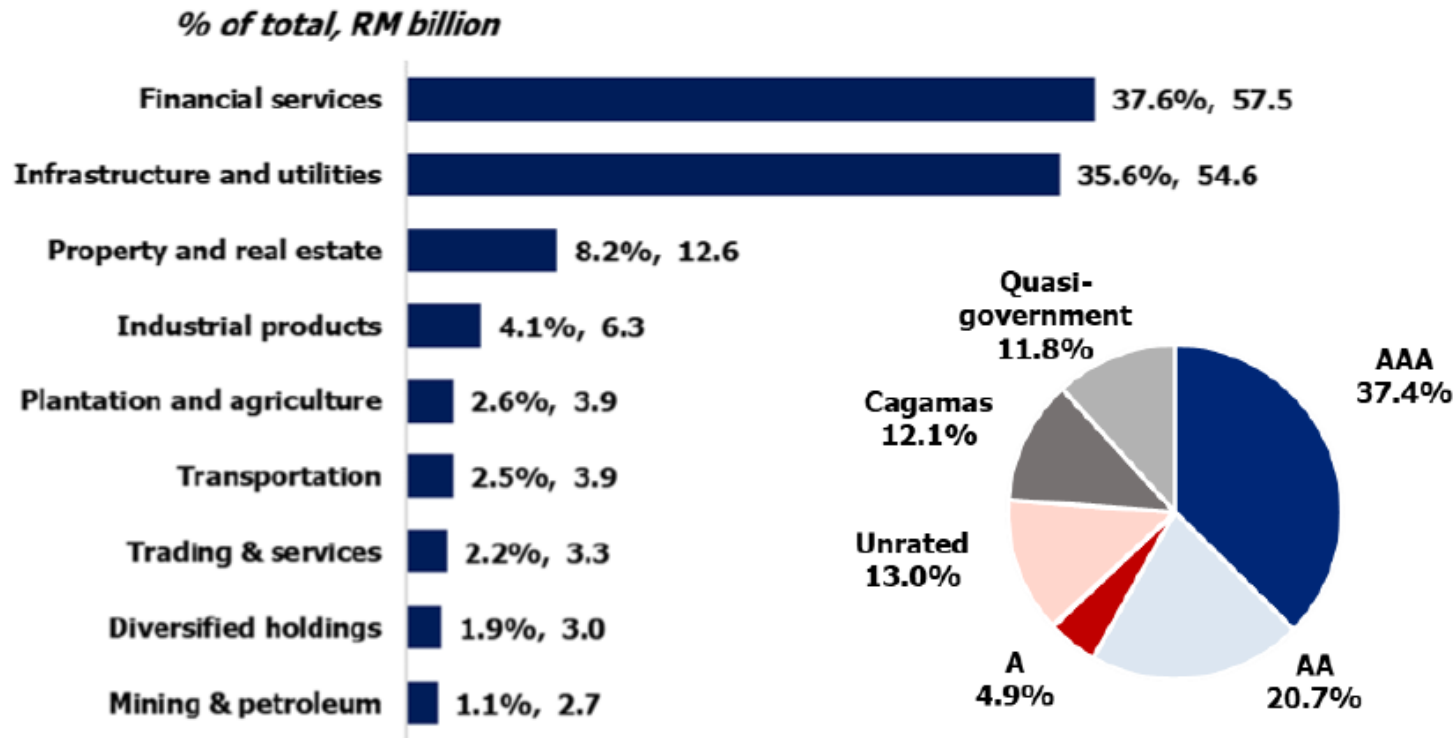
Corporate bonds issuance



Sources: BPAM, MARC Ratings

Financial services and infrastructure & utilities sectors led the growth; dominated by highly rated issuers

Corporate sukuk and bonds issuance in 2022 by sector and rating distribution



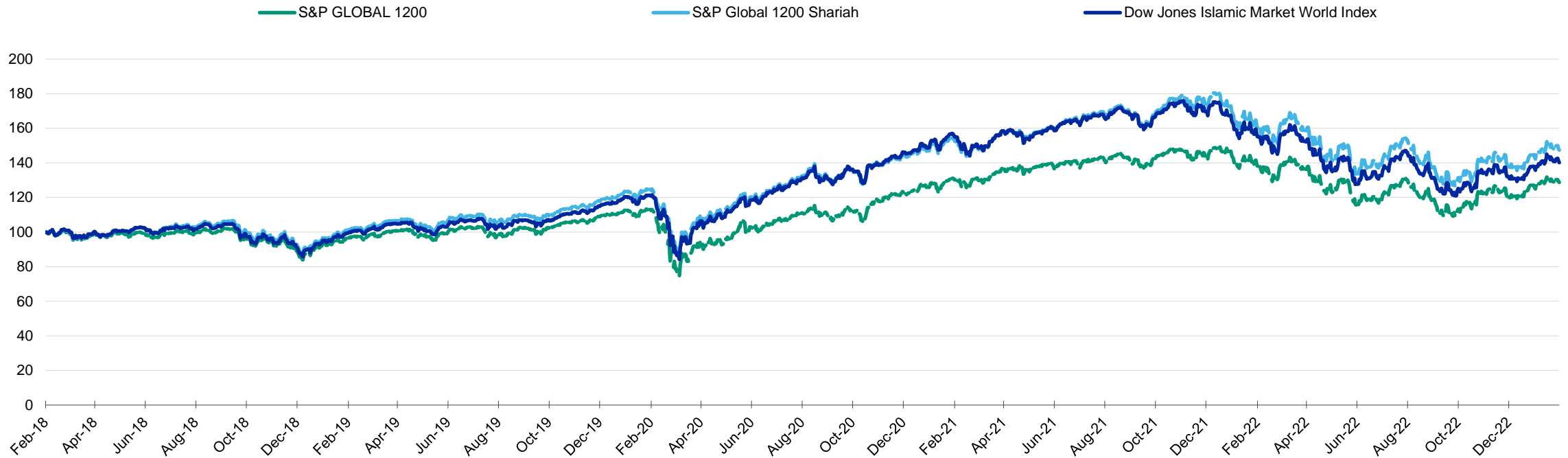
Sources: BNM, MARC Ratings

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Demand for Islamic fund assets and Takaful remains strong

Prospects for Islamic fund assets remains strong

Islamic finance indices continue to outperform conventional counterparts (Sukuk issuance in \$ billion)



Source: S&P Global

2023 GCC takaful heatmap: Credit conditions volatile

The continued post-pandemic economic recovery is supportive for GCC takaful insurers, but competition is intense as they seek revenue growth to offset rising costs. Geopolitical uncertainty adds downside risk.

● P&C pricing trends

● Market volatility

● Regulatory & legislative

● Inflation

● ESG

● Rising interest rates

● Revenue growth potential

● Economic growth

● 1. Economic growth supports premium revenue alongside pricing corrections in response to claims and reinsurance price increase

● 2. Rising demand for health and life in a still low insurance penetration region underpin growth potential

● 3. ESG - Carbon transition driven economic diversification brings short term opportunities, albeit with long term risk

● 4. Regulatory changes brings some challenges

● 5. Investment assets heighten market volatility risk and exposure to geopolitics

● 6. Profitability to remain under claims increase and competitive pricing pressures

Credit condition key



Questions and Answers

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Thank you

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