

All you need to know about Sukuk

A key pillar of Islamic investing

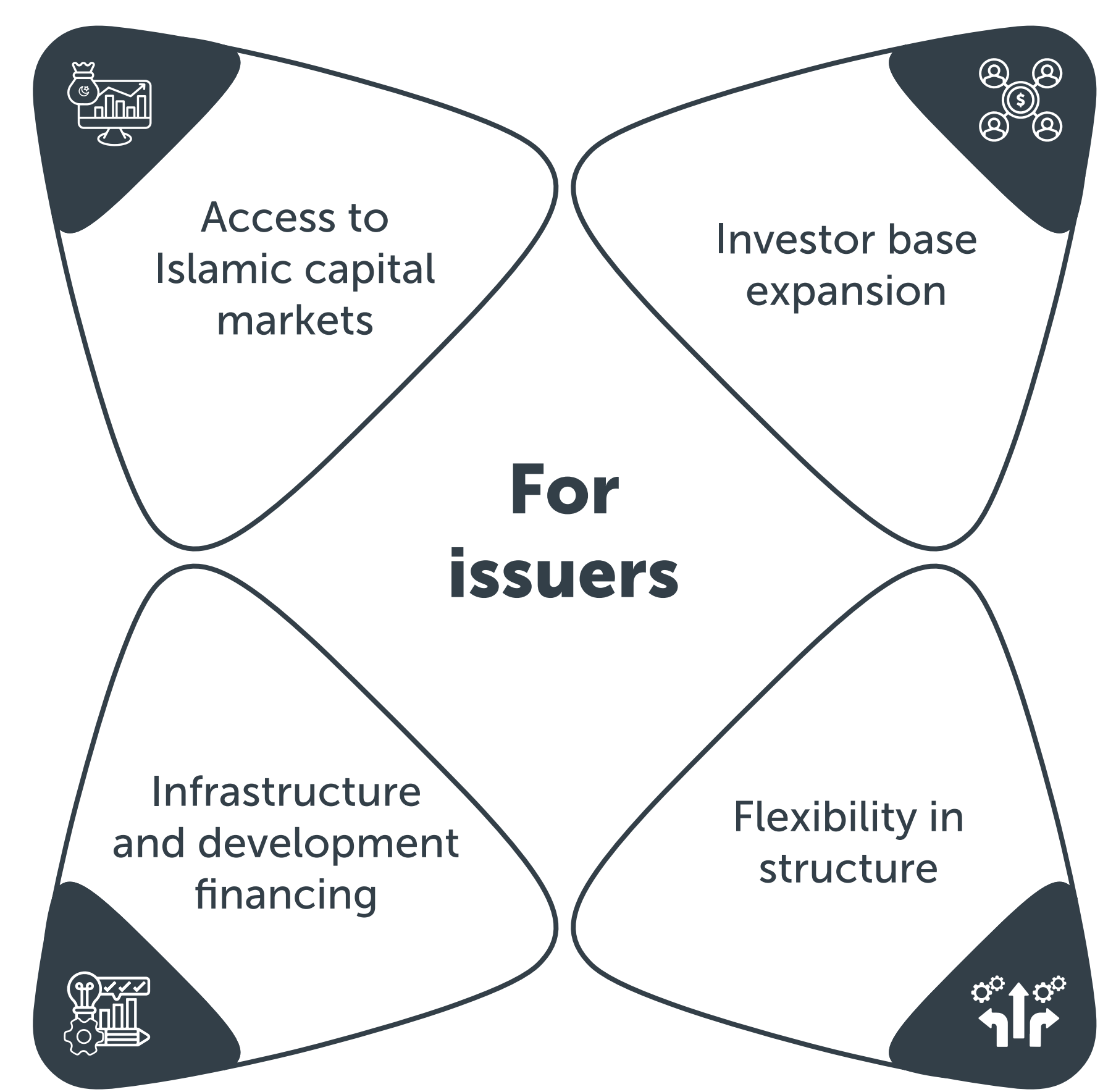
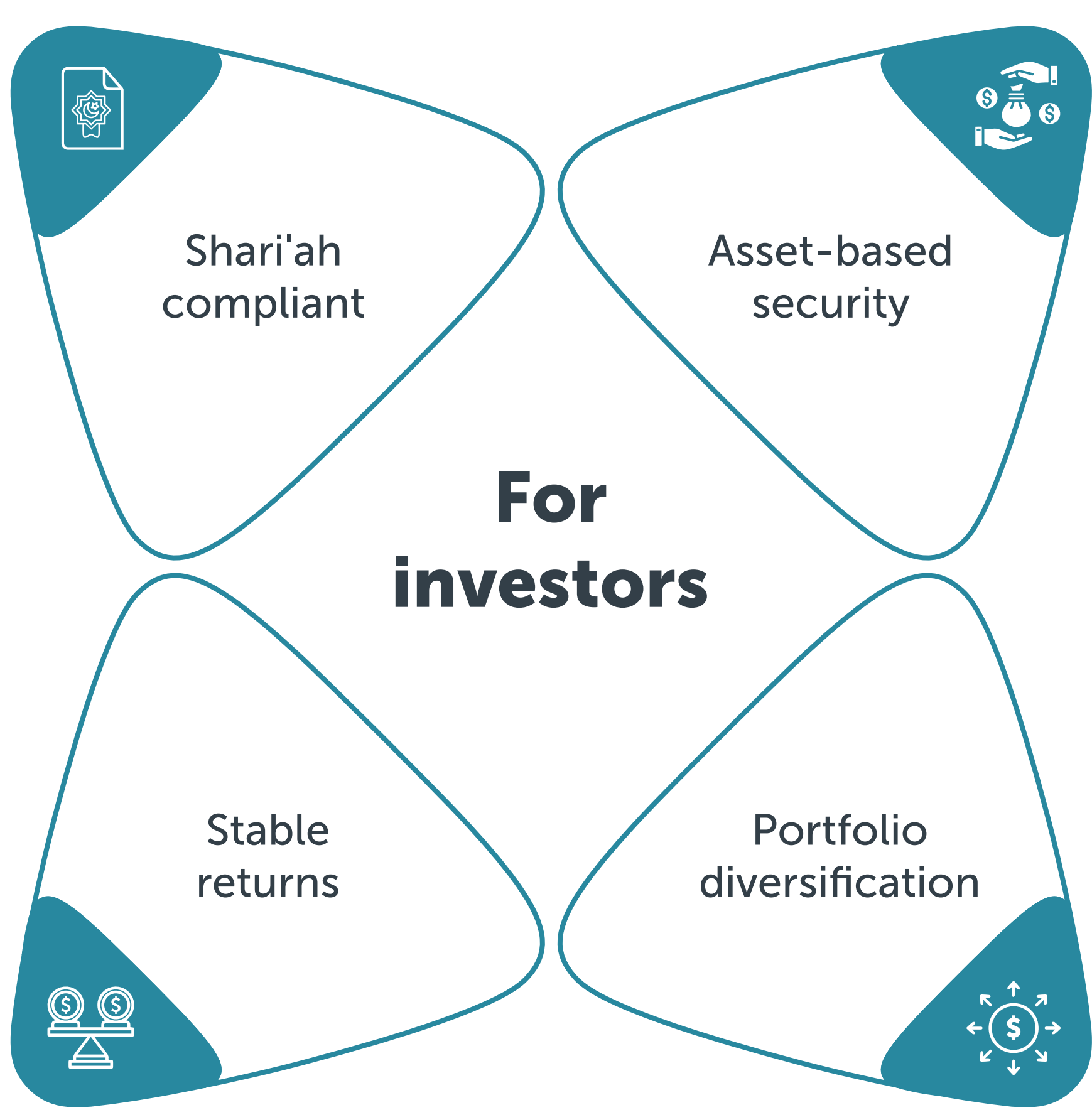


Sukuk are certificates of equal value, representing proportional undivided ownership, with the underlying Shari'ah Compliant assets or investments. Sukuk is an Islamic alternative to conventional bonds and it is compliant with Shari'ah guidelines and requirements.

Differences between Sukuk versus Conventional Bonds

Sukuk	Characteristics	Conventional Bond
Based on asset ownership and profit-sharing	Underlying Principle	Based on debt and interest payments
Shari'ah-compliant (Islamic law)	Compliance	Not subject to Shari'ah law
Profit or rent derived from assets	Returns to Investors	Fixed or floating interest (riba)
Investors hold proportionate ownership in underlying asset/project	Ownership	Investors are creditors, not owners
Must be used for Shari'ah-compliant purposes	Use of Funds	Can be used for any legal purpose
Linked to asset performance	Risk Exposure	Linked to issuer's creditworthiness
Tradable if asset-backed and Shari'ah-compliant	Tradability	Freely tradable in most markets
Complex structures to ensure Shari'ah compliance	Structure	Straightforward debt instruments
Generally asset-based	Asset Based	Usually unsecured or secured by general obligation
Financial institutions' Internal Shari'ah Supervision Committee oversees regulations	Regulatory Oversight	Secular financial authorities

Benefits of Sukuk



Types of Sukuk



Based on leasing; investors receive rental income from assets leased to a third party.



Based on cost-plus profit the issuer sells an asset to investors at a marked-up price, with payments made over time.



A joint venture where both issuer and investors contribute capital and share profits and losses.

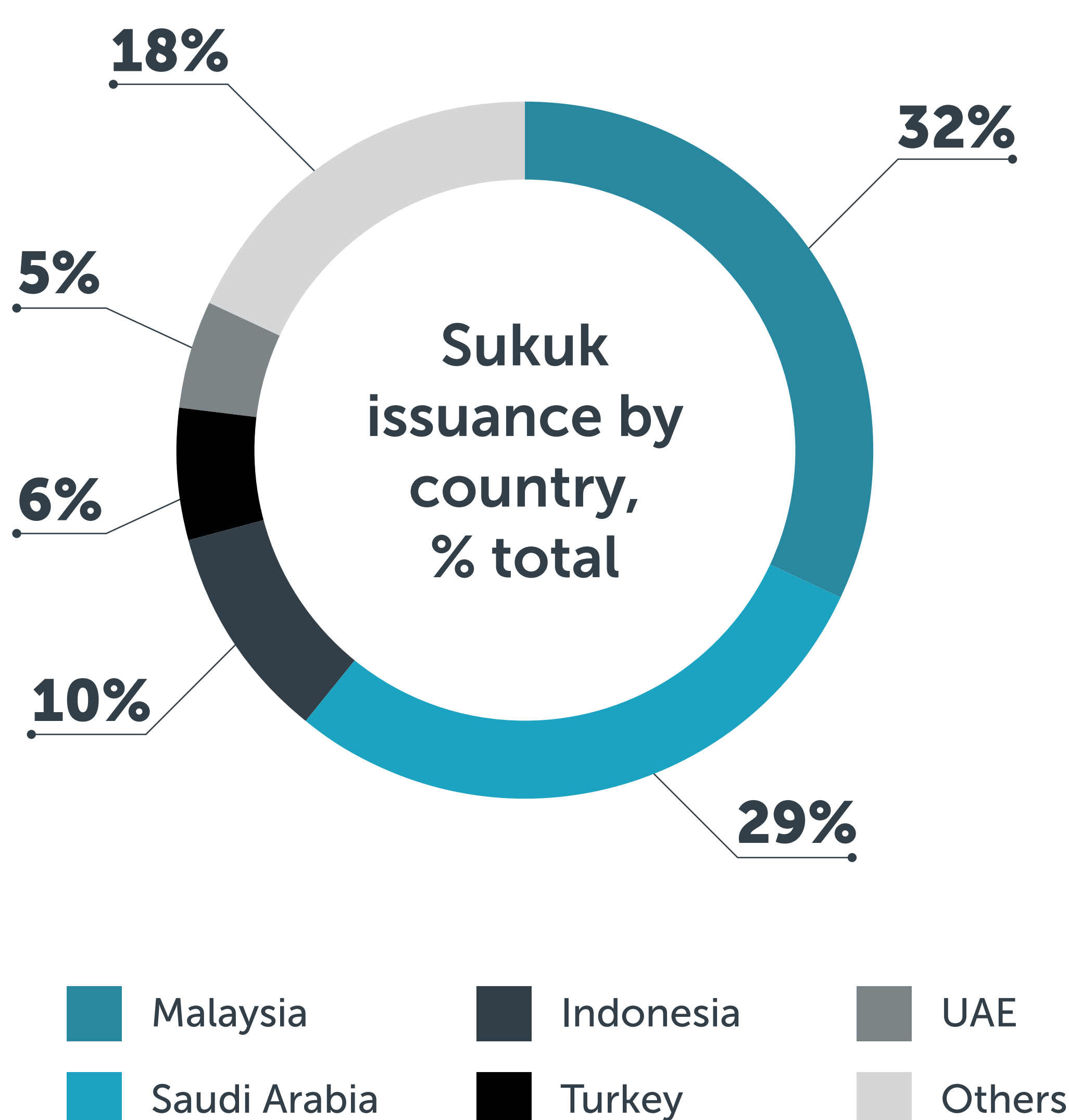


Used for construction or manufacturing projects; investors fund the building of an asset, which is delivered at a future date.



A profit-sharing partnership where investors fund a business venture managed by the issuer, sharing profits per agreement.

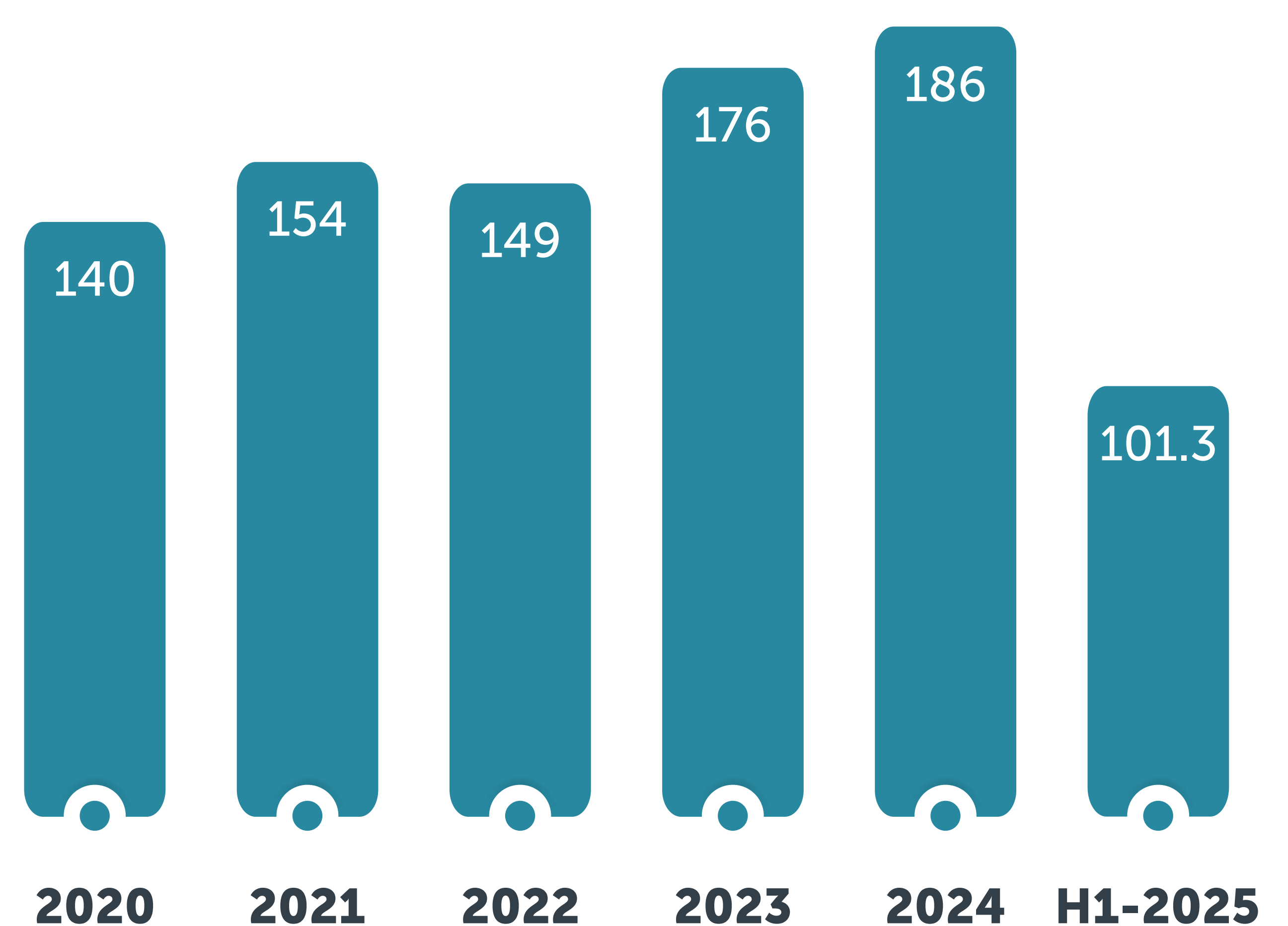
Top issuing countries



Source: Moody's Investors Service

Global Sukuk issuance

Issuances surge (US\$ Bn)



Source: World Bank

For more information, visit our website <https://www.adcb.com/en/islamic/personal/>