SUKUK
A Fixed Income Opportunity
Sukuk, a shariah compliant fixed income instrument, represents an undivided share in the ownership of tangible assets relating to particular projects or special investment activities, although this does not represent a debt owed to the issuer of the Sukuk.

Sukuk is an alternative asset class widely accessible by all types of retail investors via Bahrain Bourse to gain regular cash flow income.

Issuing Sukuk instruments enables issuers, primarily sovereigns and corporations, to access a wide pool of investors through Bahrain Bourse, many of whom are seeking to diversify their holdings beyond traditional asset classes.

Sukuk provides visibility on your investment at any time since they are tradable on Bahrain Bourse and are ideal for Murabaha transactions, or for any investor who requires an additional layer of stability or a steady income stream in their portfolio to secure their future.
Sukuk instruments are structured to be a Shariah-compliant alternative to conventional bonds, the key difference being the terms used and liability of each party. However, when compared to equity securities, Sukuk as well as bonds both rank higher in terms of principal repayment and are considered to have lower risk profiles than equity securities.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Sukuk</th>
<th>Bonds</th>
<th>Equity Securities</th>
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</thead>
<tbody>
<tr>
<td>Participants</td>
<td>Sukuk Holder</td>
<td>Bond Holders</td>
<td>Shareholders</td>
</tr>
<tr>
<td>Type of Return</td>
<td>Fixed Coupon Payments</td>
<td>Fixed Coupon Payments</td>
<td>Dividend payments based on performance of the company</td>
</tr>
<tr>
<td>Maturity Date</td>
<td>Fixed Maturity Date</td>
<td>Fixed Maturity Date</td>
<td>Open-ended</td>
</tr>
<tr>
<td>Principal Repayment</td>
<td>First priority</td>
<td>First priority</td>
<td>Least priority</td>
</tr>
<tr>
<td>Risk</td>
<td>Generally less volatile depending on the Issuer</td>
<td>Generally less volatile depending on the Issuer</td>
<td>High risk, subject to market volatility</td>
</tr>
<tr>
<td>Voting Rights</td>
<td>Not Entitled</td>
<td>Not Entitled</td>
<td>Entitled</td>
</tr>
</tbody>
</table>
An Attractive Shariah Compliant Investment

Features of Sukuk al-Murabaha transactions at Bahrain Bourse

Sukuk al-Murabaha is Shariah Compliant.
Sukuk al-Murabaha is specifically known and identified.
Sukuk al-Murabaha is in existence at the time of sale.
Sukuk al-Murabaha is owned by the seller at the time of sale.
Sukuk al-Murabaha is of value and classified as property.
Sukuk al-Murabaha sale is instant and not attributed to a future date.

Sukuk al-Murabaha terms of delivery are specified and certain.
Sukuk al-Murabaha sale is unconditional and is not contingent on a future event or fulfillment of a condition that is external to the transaction.
Sukuk al-Murabaha is a valid sale at spot price.
Sukuk al-Murabaha has a very tight spread between the bid and ask.
Sukuk al-Murabaha has a very competitive BHB transaction fee of 0.02% or 0.0002 per transaction value.
Sukuk al-Murabaha has a very competitive client resale transaction fee of 0.08% or 0.0008 per transaction value.
WHY SUBSCRIBE TO SUKUK THROUGH BAHRAIN BOURSE

A Preeminent Sukuk Marketplace
The Government of the Kingdom of Bahrain is one of the pioneers in Sukuk issuance since 2001

Solid Regulatory Infrastructure
High regulatory and investor protection standards

Liquid Instrument, Tradable in Secondary Market
The only trading platform in the GCC where Sukuk are traded in the secondary market

Retail Investor Access
Retail investors access to an alternative asset class commonly exclusive to financial institutions and high net worth individuals with ticket sizes as low as BD 500

Direct Legal Ownership
Investing in Sukuk instruments through Bahrain Bourse provides investors with Direct Legal Ownership rights

A Collateralized Asset
Sukuk instruments subscribed through Bahrain Bourse enables investors to pledge their Sukuk as a collateralized asset with creditors in the Kingdom of Bahrain to obtain credit facilities

Murabaha through Sukuk
Shariah-compliant financial institutions can now conduct their Murabaha retail transactions on behalf of their clients through Sukuk as certified by Bahrain Bourse’s Shariah advisor

A Tradable Shariah-compliant Fixed Income Securities
Sukuk: Translating Uncertainty into Security

The client requests financing from the bank through Murabaha.

The bank purchases the agreed sukuk from the market.

The client sells sukuk in the market through a broker.

The bank sells sukuk to the client (Murabaha process).

Murabaha *: The process of transferring the ownership of the sukuk from the bank account to the customer’s account and it has been introduced to reduce the cost.
1. Issuer SPV issues sukuk.

2. The Investors subscribe for sukuk and pay the proceeds to Issuer SPV who declares a trust over the proceeds and thereby acts as Trustee on behalf of the Investors.

3. Originator enters into a sale and purchase arrangement with Trustee, pursuant to which Originator agrees to sell, and Trustee agrees to purchase, certain assets from Originator.

4. Trustee pays the purchase price to Originator as consideration for its purchase of the assets in an amount equal to the principal amount.

5. Trustee leases the assets back to Originator under a lease arrangement.

6. Originator (as Lessee) makes rental payments at regular intervals to Trustee (as Lessor). The amount of each rental is equal to the periodic distribution amount payable under the sukuk at that time.

7. Issuer SPV pays each periodic distribution amount to the investors using the rental it has received from Originator.

8. Trustee will sell, and Originator will buy-back, the Assets at the applicable exercise price, which will be equal to the principal amount plus any accrued but unpaid periodic distribution amounts owing to the Investors.

9. Payment of exercise price by Originator (as Obligor).

10. Issuer SPV pays the dissolution amount to the Investors using the exercise price it has received from Originator.

11. Trustee and Originator will enter into a service agency agreement whereby Trustee will appoint Originator as its Servicing Agent to carry out some of its obligations under the lease arrangement. The Originator, as Servicing Agent, claims any costs and expenses for performing these obligations, known as the Servicing Costs. The rental for the subsequent lease period under the lease arrangement will be increased by an equivalent amount known as the Supplemental Rental, which is due from Originator as a Lessee, and will be set off against the obligation of Trustee to pay the Servicing Costs.
Investors interested in investing in Sukuk instruments should contact a licensed broker who will open a trading account. A full list of licensed brokers is available on www.bahrainbourse.com.

- Contact a licensed broker to monitor opportunistic ‘sell’ opportunities, which is similar to selling shares.
- Upon maturity, investors will get back the nominal value of the Sukuk and the coupon payable as outlined in the Information Prospectus.

Primary Market: Through an initial subscription similar to applying for an IPO. Contact a licensed broker to monitor any upcoming Sukuk issuances in the market.

Secondary Market: Contact a licensed broker to monitor opportunistic ‘buy’ opportunities, which is similar to buying shares.

- Receipt of regular coupon payment
- Capital gains

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We’d like to hear from you. Please contact us on the below noted information to discuss your requirements.

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