



Debt Capital Markets update – Saudi Arabia

28 May 2013

Passion to Perform



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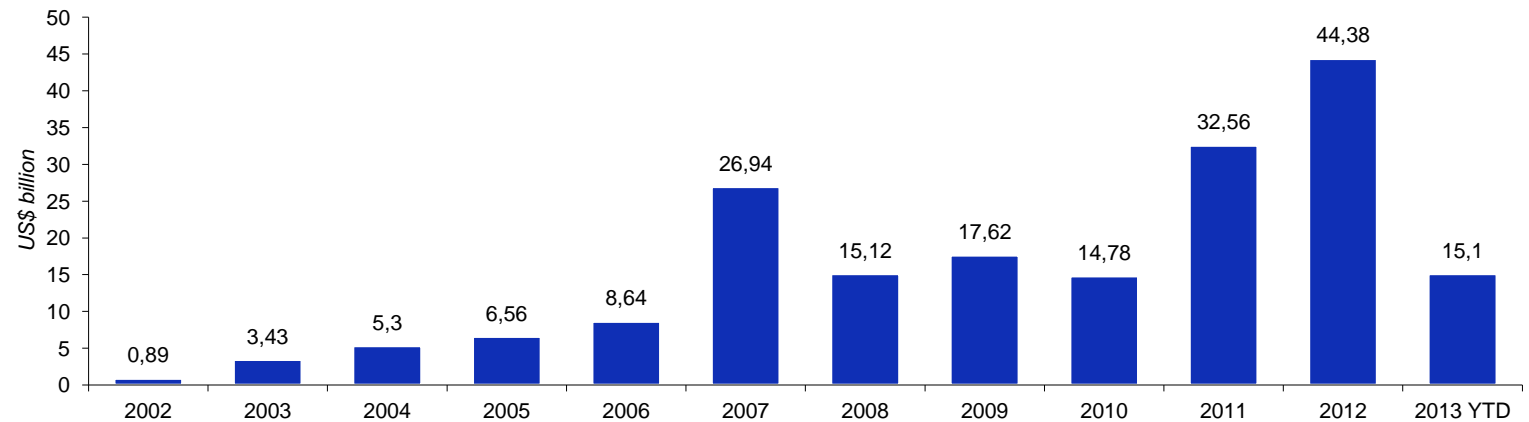
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Global Sukuk Issuance 2002 – 2013 YTD

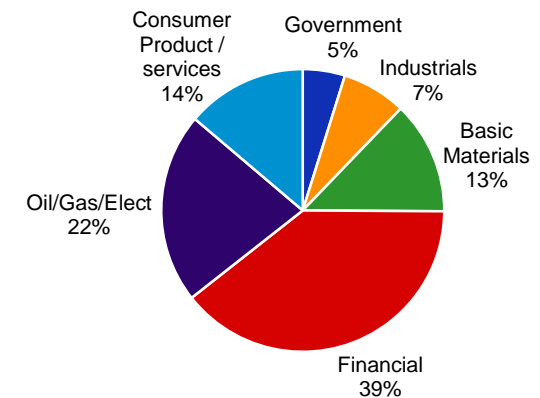


Sukuk Issuance Volume



- The Sukuk market has grown significantly in recent years
- The market and investor base continues to develop for Sukuk recently demonstrated by Saudi Electricity's issuance of the first ever 30 year senior unsecured US\$ Sukuk globally in March 2013

Industry Breakdown



Evolution of Sukuk Market in Saudi Arabia



The increasing requirement of long term financing and robust local investor appetite continues to provide an excellent opportunity to develop the Islamic debt capital market (DCM) in Saudi Arabia...

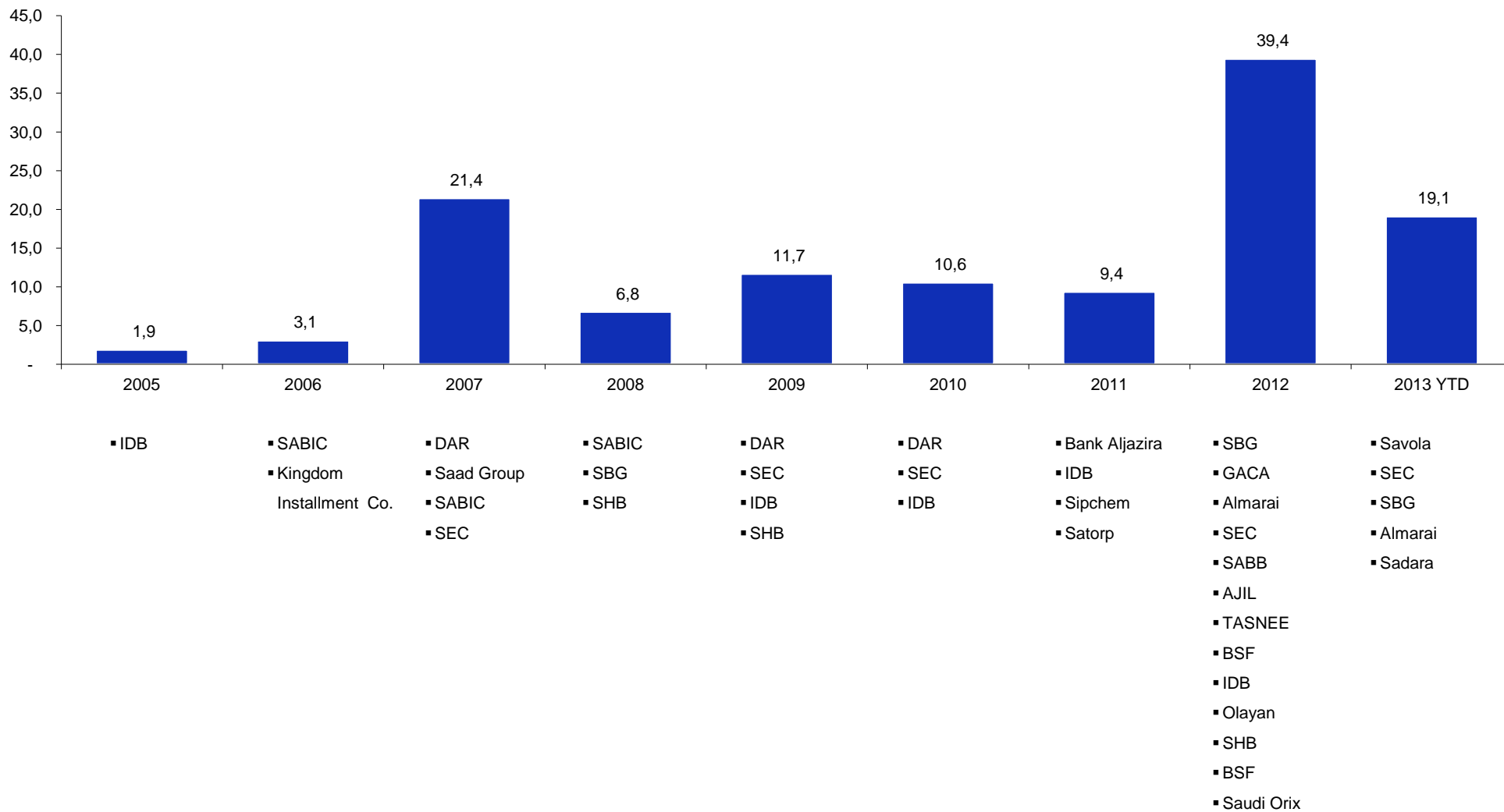
...Beyond its growth in size, the Saudi sukuk market is becoming more sophisticated, moving beyond plain vanilla transactions to more innovative deals.

- Traditionally, Saudi corporates have relied on bank loans and retained earnings to fund their growth
- The Saudi SAR Sukuk market was first accessed through two quasi sovereign entities
 - SAR3 billion public Sukuk offering by Saudi Basic Industries Corporation (SABIC) in 2006, and subsequently a SAR5bn issuance by The Saudi Electricity (SEC) in 2007
- Then a number of innovations were seen in the SAR Sukuk market such as the SATORP SAR3.75bn issuance – the first public project Sukuk in KSA and in the region, and the Saudi International Petrochemical Company (Sipchem) SAR1.8bn Sukuk offering constitutes the first public non-rated issuance by a non-government corporate entity in Saudi Arabia
- Local bank treasuries remain dominant suppliers of capital, while shorter term paper i.e. SAR1bn Sukuk issuance by Saudi Binladen Group (SBG) with a one year tenor attracted a number of asset managers
- The development of strong domestic capital market has enabled local issuers to obtain tighter spreads overseas

Evolution of Sukuk Market in Saudi Arabia (continued)



Sukuk Issuance Volume (SAR bn)

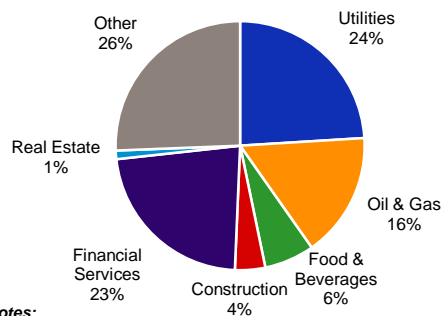


Source: Zawya, Deal logic

Key Statistics

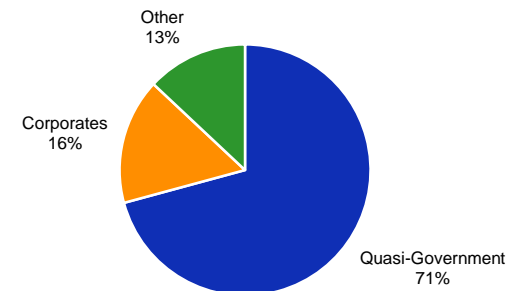


Issuance by Sector 2012 – 2013YTD



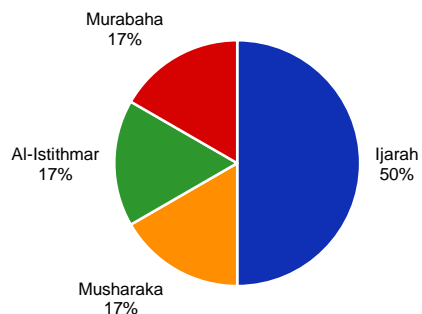
Notes;
 Utilities :SEC
 Oil and Gas: Sadara, Tasnee
 Food & Beverages: Almarai, Saviola
 Construction: SBG
 Financial Services: SABB, Ajil, BSF, IDB, SHB, Orix
 Real Estate: Olayan Real Estate Company
 Other: GACA

Issuance by Type 2012 – 2013YTD



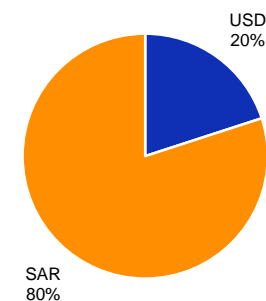
Notes;
 Quasi-Governemnt: GACA,, SEC, IDB, Sadara,
 Corporates: SBG, Almarai, Ajil, Tasnee, Olauyan, Orix, Savola,
 Other: SABB, BSF, SHB

Issuance by structure 2013YTD



Notes;
 Musharaka: Sadara
 Mudaraba: Almarai
 Ijarah: SBG, SEC
 Al-Istithmar: Savola

Number of SAR vs. US\$ deals 2013YTD






Notes;
 US\$: SEC
 SAR: Sadara, Savola, SBG, Almarai

Source: Dealogic, Zawya

Summary of commonly used Shariah structures



Structure		Description
Al-Wakalah		<ul style="list-style-type: none"> - Al-Wakalah structure is a recent innovation in Sukuk structures which stems from an agency arrangement concept - The structure is ideal if the underlying Sukuk assets are a portfolio of assets and investments rather than tangible assets
Ijara		<ul style="list-style-type: none"> - Al Ijara structure is the most common structure in Sukuk transactions and stems from the “lease” concept where lease payments can mirror payments under classic financing arrangements
Mudaraba		<ul style="list-style-type: none"> - Al-Mudaraba structure implies a partnership arrangement where one party provides capital and the other provides management pursuant to a pre-determined division of profit especially in cases where assets and investments can not be identified immediately

List of selected Saudi issuers



The Saudi debt capital Market has witnessed remarkable issuances in the first quarter of 2013.

Saudi Sukuk issuances

Issuance date	Issuer	Size (SARm)	Format	Pricing	Rating	Tenor	Oversubscription	DB Lead
2-Apr-13	Sadara	7,500	Floating	Margin:95bps	na	10 years (avg life)	2.6x	<input checked="" type="checkbox"/>
30-Mar-13	Almarai	785	Floating	Margin: 100bps	na	7 years	na	
30-Mar-13	Almarai	513	Floating	Margin: 90bps	na	5 years	na	
27-Mar-13	SBG	1,300	Floating	Margin: 170bps	na	2.5 years	na	
25-Mar-13	SEC	3,750	Fixed	Yield: 5.06%	AA-	30 years	5.5x	<input checked="" type="checkbox"/>
25-Mar-13	SEC	3,750	Fixed	Yield: 3.473%	AA-	10 years	8.5x	<input checked="" type="checkbox"/>
21-Jan-13	Savola	1,500	Floating	Margin: 110bps	na	7 years	2x	
26-Dec-12	Orix	240	Floating	Margin: 165bps	na	3 years	na	
18-Dec-12	Saudi Fransi	1,900	Floating	Margin: 110bps	A	7 years	5x	
20-Nov-12	Saudi Hollandi	1,400	Floating	Margin: 115bps	na	7 years	na	
31-Jul-12	SBG	1,000	Zero Coupon	Yield: 2.5%	na	1 year	na	
27-Jun-12	Saudi Olayan	650	Floating	Margin: 150bps	na	5 years	2x	
31-May-12	Tasnee	2,000	Floating	Margin: 105bps	na	7 years	2.6x	
15-May-12	Saudi Fransi	2,812	Fixed	Yield: 2.95%	A	5 years	5.3x	<input checked="" type="checkbox"/>
14-Apr-12	Ajil Cayman	500	Floating	Margin: 80bps	na	3 years	na	
28-Mar-12	SABB	1,500	Floating	Margin: 120bps	A	5 years	na	
28-Mar-12	SEC	4,688	Fixed	Yield: 4.211%	AA-	10 years	10x	<input checked="" type="checkbox"/>
28-Mar-12	SEC	1,875	Fixed	Yield: 2.665%	AA-	5 years	18x	<input checked="" type="checkbox"/>
7-Mar-12	AlMarai	1,000	Floating	Margin: 100bps	na	7 years	4.7x	
17-Jan-12	GACA	15,000	Fixed	Yield: 2.5%	Aa3	10 years	3x	
5-Oct-11	SATORP	3,749	Floating	Margin: 95bps	na	10 years (avg life)	3.5x	<input checked="" type="checkbox"/>
Jul-11	SBG	1,000	Zero Coupon	Yield: 2.5%	na	1 year	na	
6-Jul-11	Sipchem	1,800	Floating	Margin: 175bps	na	5 years	3x	<input checked="" type="checkbox"/>

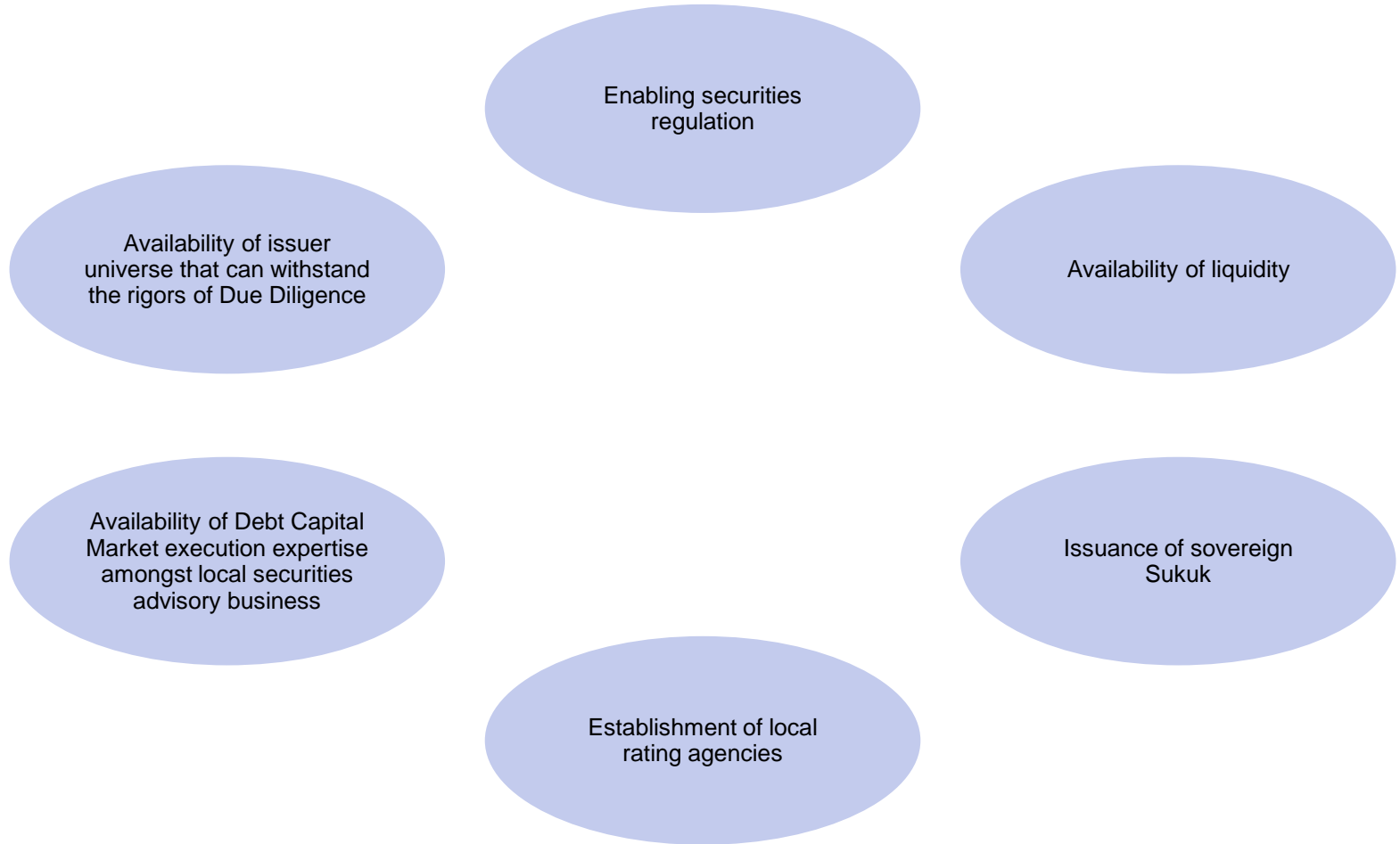
Source: Dealogic, Zawya (excluding IDB issuances for 2012)

Key components of domestic market development



Saudi Arabia has the potential to become a major local currency issuer in the GCC due to its local market size as well as funding and investment needs

Legislative steps, such as the establishment of the Tadawul Sukuk market in Saudi Arabia, are improving the prospects of Sukuk becoming an attractive issuance structure, especially for local and cross-border investors.



Sadara Chemical Company “Sadara”

SAR 7.5 billion Project Sukuk due December 2028



SADARA Sukuk represents the largest public issuance in the Saudi market

The issuance was 2.6x oversubscribed which is an indication of the liquidity in the Saudi market

SADARA has up-sized the issuance, setting the final size from SAR 5.25 bn to SAR 7.5 bn, due to strong investor demand

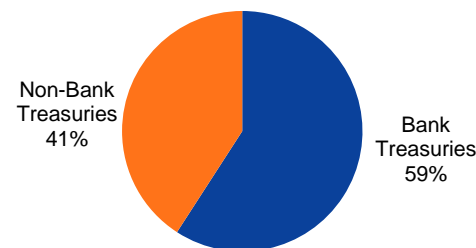
Issuer overview

- Sadara chemical company, established by the founding Shareholders, Saudi Aramco and Dow Chemical, with equity interests of 65% and 35%, respectively to implement the project (the “Project”).
- The Project entails the development of an integrated performance chemicals and plastics complex, located in Jubail Industrial City II on the east coast of the Kingdom, with an estimated cost of US\$19.3bn (including financing costs).
- Sadara is one of the largest chemical projects globally. The Sadara Complex will be an integrated facility initially consisting of 26 manufacturing units.
- Sadara will source its key raw materials of ethane and naphtha (and other heavy liquids) from Saudi Aramco.
- The Sadara Complex has been designed to utilize commercially proven, advanced technologies licensed from Dow, as well as Dow's extensive marketing network.
- When fully operational, the Project will produce approximately three million metric tons of chemicals per annum.

Transaction highlights

Issuer	Sadara Basic Services Company (SPV established by Sadara for the purpose of issuing the Sukuk)
Size	SAR 7.5 billion
Rating	Unrated
Pricing	SAIBOR + 95 bps
Currency	SAR
Tenor & Maturity	15.75 years (final maturity date: 15 December 2028), amortising 10.5 years average life
Completion Guarantees	Completion guarantees to be provided by Saudi Aramco and Dow, in the proportion of 65% and 35%, respectively, during the construction period
Listing	Saudi Stock Exchange (Tadawul)

Investor type allocation



Saudi International Petrochemical Company (Sipchem)

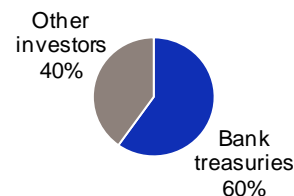
SAR1.8 billion Sukuk Al-Mudaraba due July 2016



Transaction highlights

- Saudi International Petrochemical Company (Sipchem), publically listed in Tadawul, is one of the region's largest integrated petrochemical companies controlled by the private sector, with a market capitalization of more than SAR8bn
- Sipchem manufactures basic chemicals including Methanol and chemical intermediates including Carbon Monoxide, Acetic Acid and Vinyl acetate with a production in 2010 of 2.2MMT
- Primary objective of the Sukuk offering was to source funding for further expansion and to diversify the pockets of liquidity available to Sipchem
- Sipchem's credit was well-received with heavy oversubscription of more than 3 times of the offering's target size of SAR1.5bn, enabling Sipchem to upsize the Offering size to SAR1.8bn and price its Sukuk at the lower end of the price guidance of 175bps – 185bps
- Sipchem's Sukuk attracted a broad and diverse investor base including pension funds, development funds, asset managers, insurance companies, HNWI and bank treasuries including those who had previously not been lenders to Sipchem
- In addition to funding diversity, Sukuk issuance also delivered '5 year bullet' financing which is less readily available in conventional and/or Islamic loan format

Investor type distribution



Summary of terms

Issuer	Saudi International Petrochemical Company (SIPCHEM)
Offering	SAR dominated, floating rate Sukuk Al-Mudaraba
Ranking	Senior unsecured
Rating	Unrated
Pricing	3 months SIBOR + 175bps
Offer price	At par
Issue size	SAR1.8bn
Tenor	5 years
Amortisation	Bullet
Use of proceeds	To fund expansion projects
Listing	Tadawul
Joint Lead Manager	Deutsche Securities and Riyadh Capital

Sipchem's Sukuk offering constitutes the first public debt capital issuance by a non-government corporate entity

Sipchem's Sukuk has generated robust demand from a diverse investor base, enabling Sipchem to price its inaugural Sukuk issuance at the lower end of the price guidance

Zawya "... A large number of investors expressed interest in the Sipchem Sukuk with total orders received in the range of SAR4.5bn. The pricing was finalised at the low end of range of price guidance, again demonstrating the success of the transaction and the confidence of the investors in the company's success."

Saudi Aramco Total Refining and Petrochemical Company (SATORP)

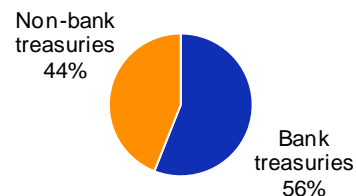
SAR3.749 billion Project Sukuk due December 2025



Issuer overview

- Established in 2008 in the Jubail Industrial City as a limited liability company, Saudi Aramco Total Refining and Petrochemical Company (SATORP) is a joint venture between Saudi Aramco and Total (Sponsors)
- SATORP is developing a 400,000 barrels per day (bpd) refining and petrochemical complex in Jubail Industrial Area
- Saudi Aramco and Total have equity interests in SATORP of 62.5% and 37.5% respectively
- The Sponsors have agreed to provide SATORP with personnel and services, including EPC-related services and other technical services related to the Project's operation and maintenance
- Saudi Aramco has agreed to provide the Project with its crude oil feedstock requirements (up to 440,000 bpd) for 30 years
- SATORP has entered into offtake agreements with the Sponsors and their affiliates for the purchase of the majority of the products produced by the Project

Investor type allocation



Transaction highlights

Issuer	Arabian Aramco Total Services Company (SPV established by SATORP for the purpose of issuing the Sukuk)
Size	SAR 3.749bn
Ranking	Senior secured
Rating	Unrated
Pricing	SAIBOR (6-months) + 95bps
Currency	SAR
Tenor and maturity	Approximately 14 years, with an average life of 10 years
Debt service undertaking	SAUDI ARAMCO debt servicing undertaking during the project construction period
Amortisation	Semi-annual amortisation on the periodic distribution date after each 20 June and 20 December of every calendar year starting after project completion
Listing	Tadawul
Joint Lead Managers	Deutsche Securities Saudi Arabia LLC, Samba Capital and Investment Management Company and Saudi Fransi Capital Limited

SATORP Sukuk is the first public project Sukuk in KSA and in the region

Having a price range between 95bps – 105bps, SATORP'S Sukuk has seen high investor appetite, enabling it to price the issuance at the lower end of the price guidance

SATORP'S Sukuk issuance was 3.5x oversubscribed which is an indication of the liquidity in the Saudi market

Saudi Electricity Company (A1 / AA- / AA-)

US\$2 billion 10 and 30 year transaction



Transaction terms

- First ever 30 year senior unsecured US\$ Sukuk globally
- Largest and longest international Saudi issue
- Establishes a full and liquid US\$ yield curve for SEC
- Unique 30 year reference point for the Kingdom
- 10 year priced through secondary

Obligor:		Saudi Electricity Company	
Issuer:	Saudi Electricity Global Sukuk Company 2		
Ratings:	A1 / AA- / AA-		
Pricing date:	26 March 2013		26 March 2013
Maturity date:	8 April 2023		8 April 2043
Amount:	US\$1 billion		US\$1 billion
Yield & coupon:	3.473%		5.060%
Re-offer price:	100.00		100.00
Spread to mid-swaps:	140.8 bps		202.3 bps
Reference UST	T 2% 02/15/2023		T 2.75% 11/15/2042
Spread to US treasuries	155.0 bps		190.0 bps
Denominations:	\$200,000 / \$1,000		\$200,000 / \$1,000
Listing:	Irish Stock Exchange		
Deutsche Bank role:	Joint Bookrunner		

Deal Highlights

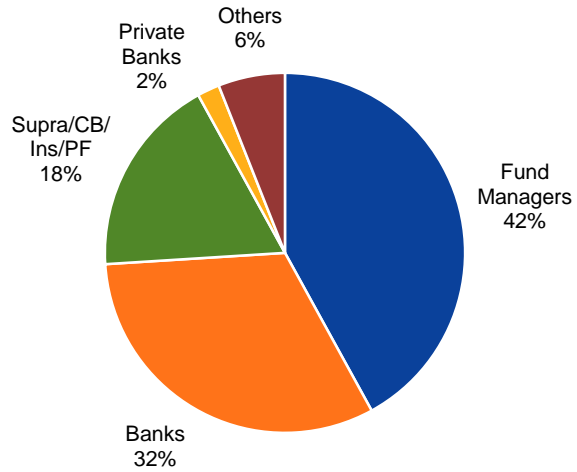
- Saudi Electricity Company (“**SEC**”) is the primary supplier of electricity in the Kingdom, and is the only integrated generation, transmission and distribution company with a monopoly position in transmission and distribution.
- Following its highly successful debut in the Reg S market last year, SEC entered the 144A / Reg S market with a US\$2 billion dual-tranche Sukuk offering, which is the largest international Sukuk offering from the Kingdom.
- US\$1 billion 10 year tranche was priced 5bps through SEC’s outstanding 2022s. The US\$1 billion 30 year tranche is the longest senior unsecured US\$ transaction ever in Sukuk format.
- As a proxy to the sovereign SEC has established a full and liquid US\$ curve for issuer from Saudi Arabia. This transaction marks the longest and largest ever international issue from Saudi Arabia. It also establishes a unique 30 year reference point for the Kingdom.
- Initial price thoughts were on March 25th as UST+175bps and UST+210bps area for 10 and 30 years, respectively. Considering the demand in excess of US\$9.0 billion and rapid response during the course of the day, the SEC revised the price guidance to UST+160bps (+/- 5 bp) for 10 years and UST+195bps area (+/- 5 bps) for 30 years.
- Books went subject evening of March 25th in the US and during the course of March 26th early morning for the rest of the investors, reaching US\$13.3 billion and 520 orders across two tranches. The transaction was priced approximately at 3pm London on March 26th with the 10 year at UST+155bps and 30 year at UST+190bps.
- The tightly priced 10 year created pricing tension for the 30 year tranche limiting SEC’s 10s to 30s credit curve to 35bp.

Saudi Electricity Company (A1 / AA- / AA-)

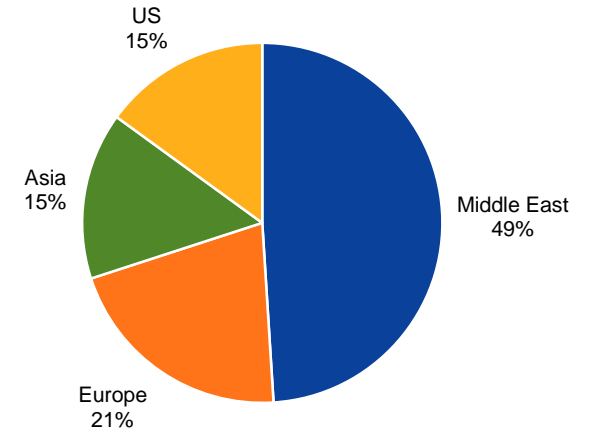
Distribution statistics



Investors by type

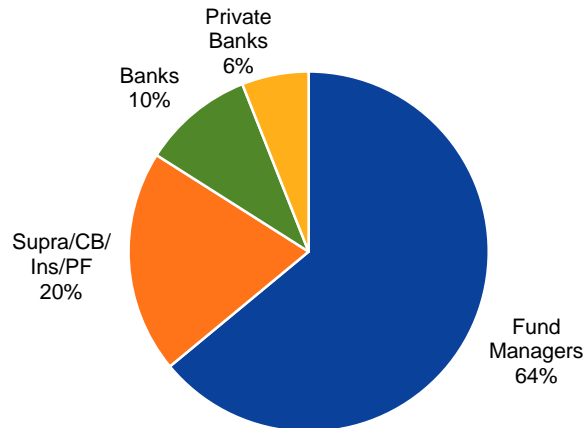


Investors by geography

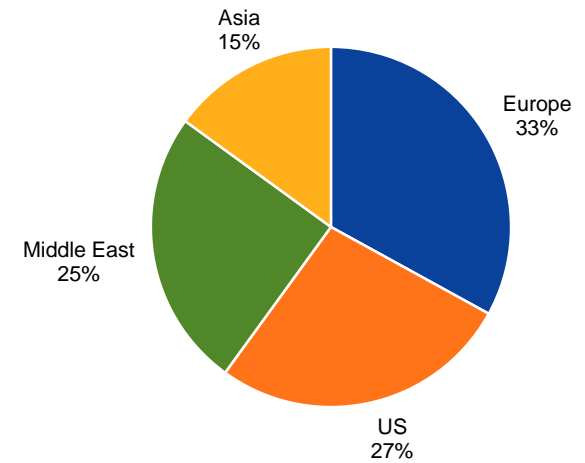


10 year offering

Investors by type



Investors by geography

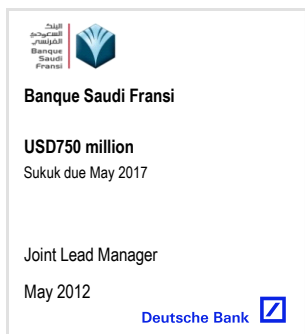


30 year offering

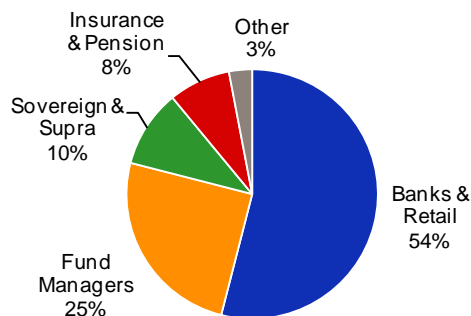
Source: Deutsche Bank Global Markets

Banque Saudi Fransi (Aa3/A/A)

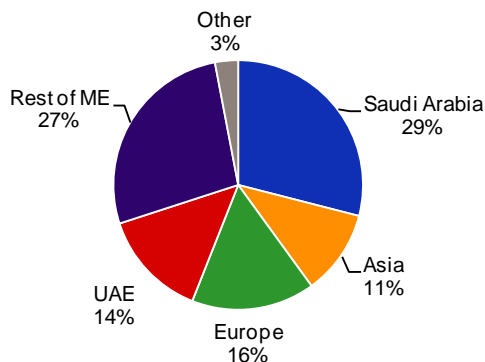
US\$750 million 2.947% certificates due May 2017



Investor type distribution



Geographic distribution



Source: Deutsche Bank Syndicate

Issue details

Issuer	BSF Sukuk Limited
Borrower	Banque Saudi Fransi
Issue Rating	A (S&P)/A (Fitch)
Format	Reg S Sukuk
Pricing date	15 May 2012
Settlement/Maturity date	22 May 2012/22 May 2017
Re-offer spread	5 year mid-swaps (1.097%)+ 185 bps
Yield/Coupon	2.947%/2.947%
Re-offer price	Par (100.00)
Deutsche Bank role	Joint Lead Manager

Deal highlights

- Established in 1949, Banque Saudi Fransi ('BSF') is the fourth largest listed bank by asset size and the largest corporate bank in the Kingdom
- This transaction follows BSF's highly successful debut issue in 2010 and also represents the first ever US\$ denominated benchmark Sukuk from a commercial bank based in Saudi Arabia
- BSF announced investor meetings on the second of May, which followed a well attended roadshow covering Abu Dhabi, Dubai, Singapore, Kuala Lumpur and London
- Initial pricing thoughts were released at 5 year mid-swaps + 200 bps at London open, and was followed by an accelerated book building process with sizeable orders from investors across the region
- The strong momentum and rapid book build up allowed price guidance of MS+ 185 – 190 bps to be released with further orders accumulating in the order book and books going subject soon after
- BSF successfully priced its US\$750m Reg S Sukuk, yielding 2.947%, and at the tight end of the guidance of 5 year mid swap +185 bps with a book around US\$3.7bn (circa 5x over subscribed) with 175 investors participating
- BSF's ability to price a highly successful debut international Sukuk in the midst of a considerably weak market backdrop is a reflection of BSF's strong credit profile, and investors' appreciation of positively diverging fundamentals of the Saudi banking environment compared to the rest of the region

BSF sets another benchmark for Saudi Arabia as the first commercial bank from the Kingdom to issue an international benchmark Sukuk

Extremely strong investor demand coupled with scarcity of Saudi issues attracted substantial interest from both conventional and dedicated Islamic investors from across the regions enabling BSF to price through its existing curve

Saudi Electricity Company (A1/AA-/AA-)

US\$1.75 billion 5 and 10 year transaction




Saudi Electricity Company

USD1.75 billion
Sukuk Al-Ijara

Joint Lead Manager
March 2012

Deutsche Bank 

Transaction terms

Obligor	Saudi Electricity Company	
Issuer	Saudi Electricity Global Sukuk Company	
Ratings	A1/AA-/AA-	
Pricing date	27 March 2012	27 March 2012
Maturity date	3 April 2017	3 April 2022
Amount	US\$500 million	US\$1.25 billion
Yield and coupon	2.665%	4.211%
Re-offer price	100.00	100.00
Spread to mid-swaps	140.0 bps	195.0 bps
Spread to US treasuries	163.5 bps	200.8 bps
Denominations	US\$200,000/US\$1,000	US\$200,000/US\$1,000
Listing	London Stock Exchange	
Deutsche Bank role	Joint Bookrunner	

Deal highlights

- Saudi Electricity Company (“SEC”) is the primary supplier of electricity in the Kingdom, and is the only integrated generation, transmission and distribution company with a monopoly position in transmission and distribution
- SEC made its debut in the US\$ market with a highly successful dual-tranche Sukuk transaction. SEC’s solid credit profile as a proxy to the sovereign and due to scarcity value attracted interest globally with a combined orderbook of US\$17.7bn (over 10x oversubscribed), largest ever for a Reg S format Sukuk
- This transaction marks the longest and largest ever international issue for Saudi Arabia. It also establishes a unique 10 year reference point for the Kingdom
- Initial price thoughts were released at 6am London on 27 March as MS+160bps and MS+210bps area for 5 and 10 years, respectively
- Considering the demand in excess of US\$3.5bn and rapid response, SEC decided to accelerate the process and price intra-day. As books reached over US\$6.5bn around 10am, the official guidance was released MS+145bps +/-5bps and MS+200bps +/-5bps for 5 and 10 years, respectively at 11:45am with books going subject in the following 30 minutes
- The transaction was launched shortly after 1pm with the 5 year at MS+140bps and 10 year at MS+195bps. The final orderbooks were US\$9.0bn (18x oversubscribed) and US\$8.7bn (7x oversubscribed) in 5 and 10 years, respectively. 345 accounts placed orders in 5 year, while the 10 year attracted orders from 370 accounts
- The tightly priced 5 year created pricing tension for the 10 year tranche limiting SEC’s 5s to 10s credit curve to 45bp, one of the lowest amongst EM quasi-sovereign credits
- This transaction represents Deutsche Bank’s first investment grade corporate US\$ offering from Saudi Arabia, one of the largest sukuk offerings lead by Deutsche Bank. The 10 year tranche is the longest dated international offering from Saudi Arabia and one the largest 10 year offerings from EM in the Reg S format

Source: Deutsche Bank Global Markets

Establishes a unique
10 year reference point for
Saudi Arabia

Largest and longest
international Saudi issue

First ever 10 year
international issue from
Saudi Arabia