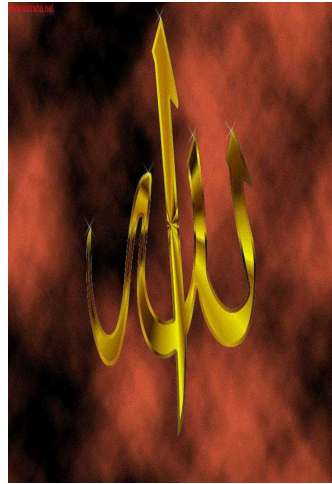


Faith and Finance

Mutlaq H. Al-Morished

CFO and Vice-President, Corporate Finance
SABIC

Sukuk Summit 2008
25-26 June, London



Contents

SABIC

Sukuk and Structures

SABIC:

- Thrust for Islamic financing
- SABIC Sukuk structure

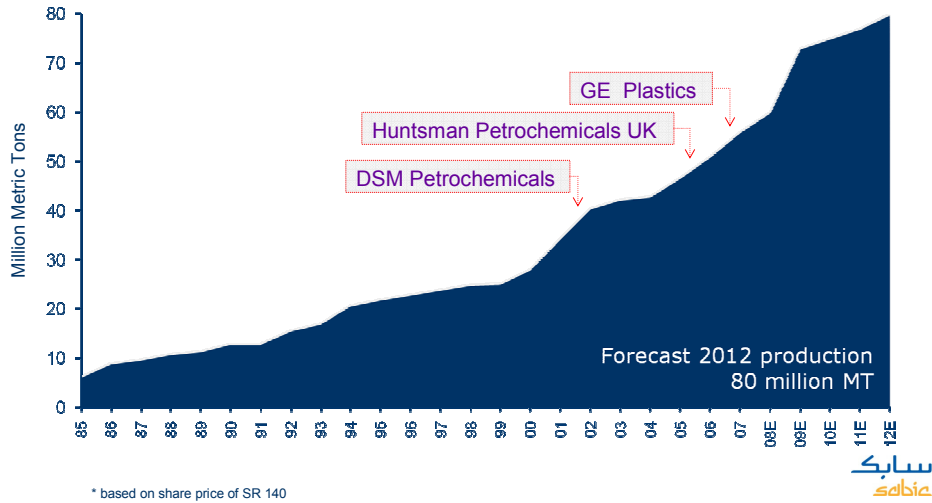
Global Sukuk Market

Recap



SABIC ... a global petrochemical player

SABIC: Middle East's largest corporate by market capitalisation (\$112 bln*)



SABIC ... business structure



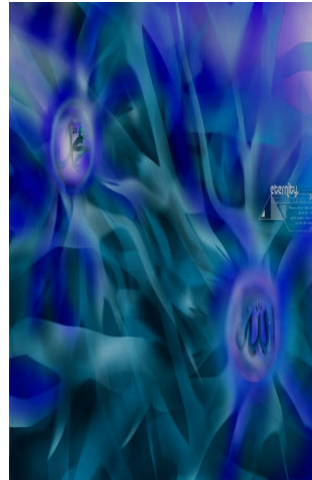
SABIC's thrust for Shari'ah compliant financing...

▶ SABIC has used variety of Islamic financing instruments:

- Murabaha facilities
- Tranches in project financing – Yansab, Saudi Kayan
- Sukuk

▶ First ever corporate Sukuk in the Kingdom - \$800 mln in 2006

▶ First ever rated Sukuk – Sukuk III for \$1.3 bln: rated A+ by S&P in 2008



... Shari'ah compliant debt content will increase

▶ Debt at end of 2007 was \$ 21 bln

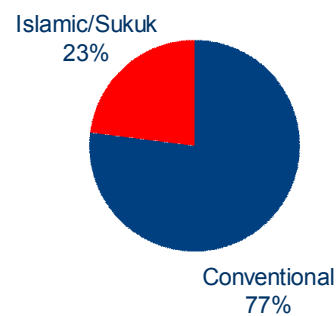
▶ Shari'ah compliant debt was 23%

▶ SABIC has issued 75% of the Sukuk issuances in the Kingdom, aggregating \$4.3 bln in size

▶ All Islamic financings are SR and \$ denominated

▶ Capital structure benchmark calls for higher Shari'ah compliant content in the debt portfolio

Long-term debt, at end of 2007



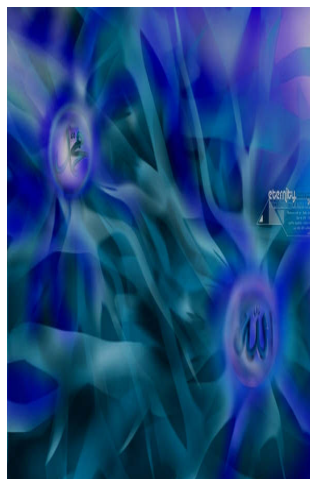
Sukuk market in KSA is lead by SABIC...

Tapping a very significant investor appetite:

- alternative non-equity fixed-income instrument
- new asset class
- trading or long-term hold

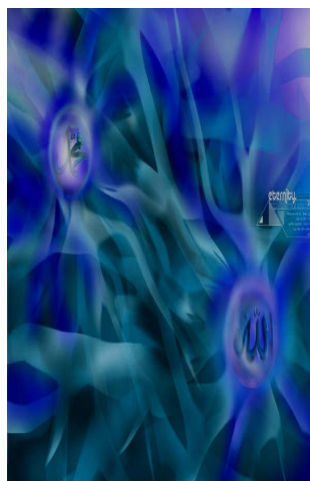
SABIC remains committed to:

- develop Kingdom's financial and capital markets
- actively promote Islamic finance



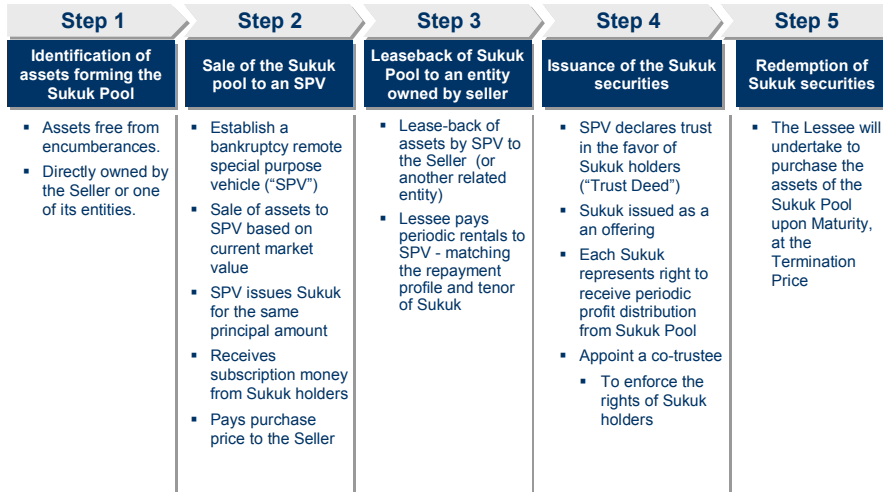
...with distinct milestones

- ▶ **First** Sukuk approved by Saudi Shari'ah scholars for distribution in KSA
- ▶ **First** Sukuk under CMA
- ▶ **First** to be cleared/settled through Tadawul
- ▶ Globally, the **First** issuance under this innovative structure, and sets the stage for more
- ▶ **First** rated Sukuk in the KSA



Typical Sukuk structure

Borrower and investors share the risk of any investment on agreed terms and divide any profits between them



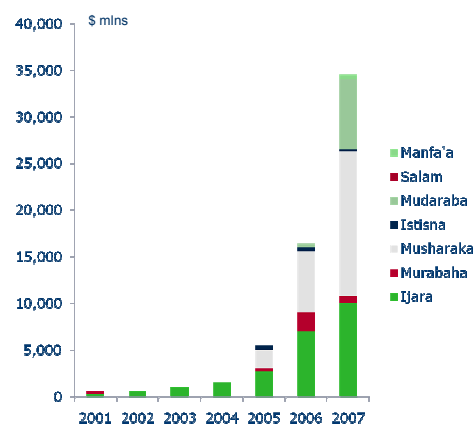
Ijara and Musharaka structures lead by far

► Sukuk issuers generally use seven structures:

- Ijara
- Musharaka
- Mudaraba
- Murabaha
- Istisna
- Salam, and
- Manfa'a

► In 2007, 75% of Sukuk issued globally were "Ijara" and "Musharaka" structures

Sukuk Issuance, by type



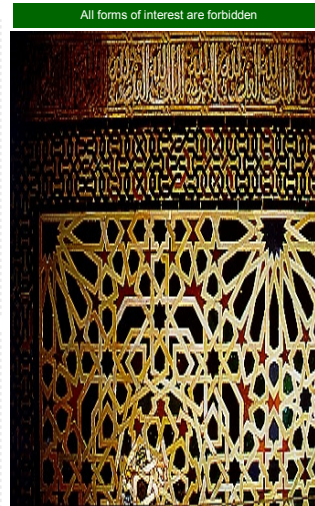
SABIC Sukuk structure

Incorporates Shari'ah Principles

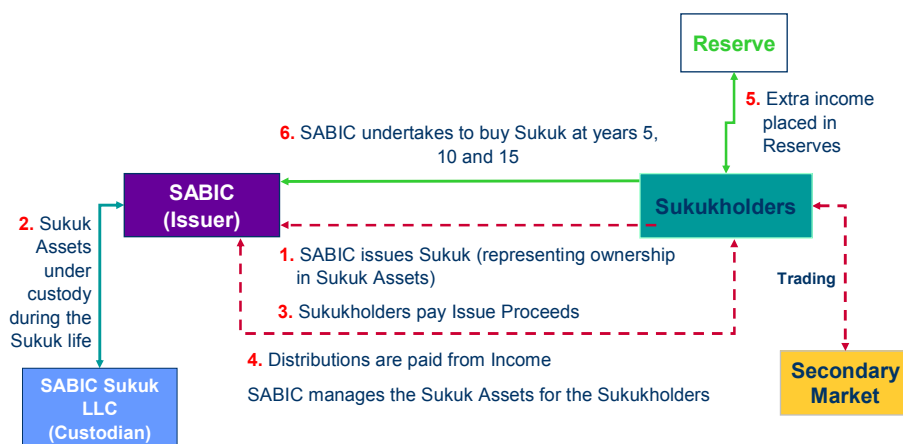
- **Sukuk Assets:** investment in SABIC's marketing business for 20 years
- **Quarterly Distributions:** income generated under the marketing agreements
- **Risks:** Investors principally assume SABIC corporate risks

Meets Global Capital Markets standards

- market determined pricing
- highest standards of disclosure
- standard covenant package
- tradable in the secondary market

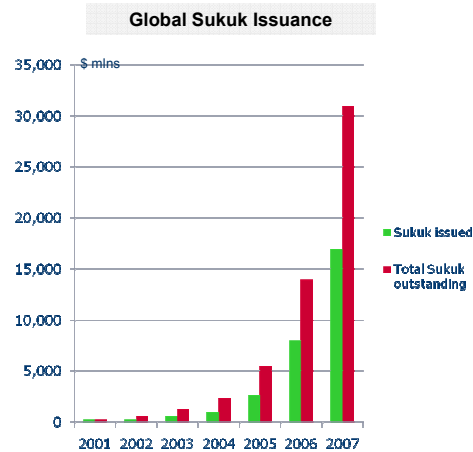


SABIC Sukuk structure



Global Sukuk market...rise of Islamic finance in the West

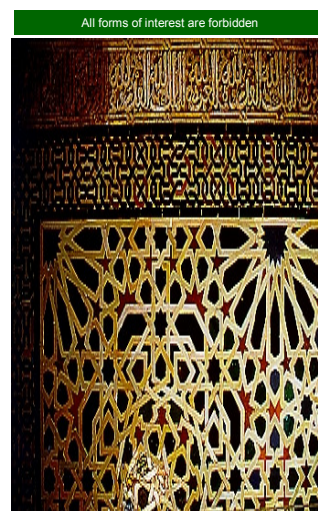
- ▶ Size of global finance assets is close to \$1 trillion.....with 15% to 20% annual growth rates
- ▶ In 2007, value of global sukuk issuance exceeded \$60 bln.....
set to exceed \$100 bln by 2010
- ▶ UK government mulling a sovereign Islamic bond issuance program



Source: Accountancy, Standard & Poor's, Zawya

Global Sukuk market...investor demand generating favorable environment

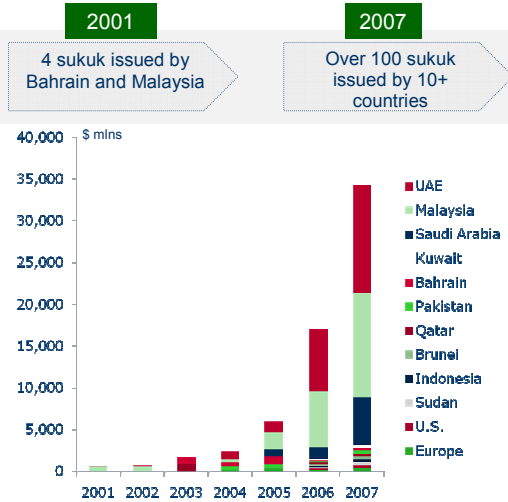
- ▶ Regulators and governments in Islamic countries support the development of Islamic finance
- ▶ Massive infrastructure projects in the GCC, estimated in excess of \$1.6 trillion
- ▶ Issuers looking to Sukuk and Shari'ah compliant instruments to tap 'cash-rich' Islamic financing oriented investors



Source: Standard & Poor's, Zawya

Sukuk issuance is now a global phenomenon...

- ▶ The United Arab Emirates (UAE) and Malaysia continue to be the two main engines of Sukuk issuance
- ▶ Sukuk market has a bright futureboth within the Islamic world and beyond



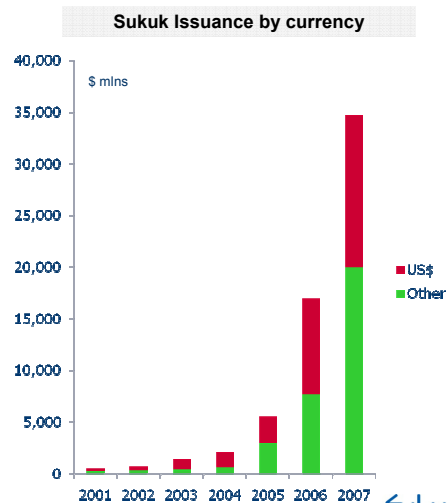
Source: Standard & Poor's, Zawya

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US\$ is currency of choice in the Sukuk market

- ▶ US\$ currency of choice for sukuk issuers
- ▶ US\$ denominated sukuk around 40% in 2007
- ▶ Other currencies of issuance in 2007 were:
 - Malaysian ringgit
 - UAE dirham
 - Saudi Riyal



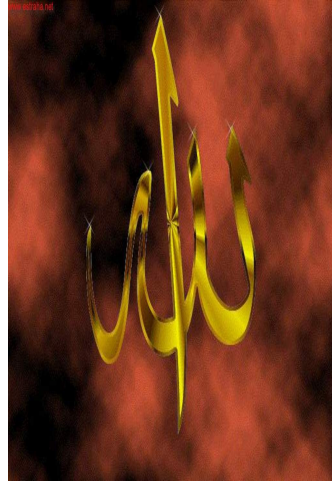
Source: Standard & Poor's, Zawya

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Recap

- ▶ Globally, the Sukuk market is set for a rapid growth ... **set to exceed \$100 bln by the end of this decade**
- ▶ The Islamic countries, corporates and financial institutions in the 'Islamic Bloc' continue to encourage the Sukuk market
- ▶ The Sukuk market will expand in Europe to tap huge investor appetite
- ▶ SABIC will continue to promote Islamic financing instruments in its debt portfolio



Thank you