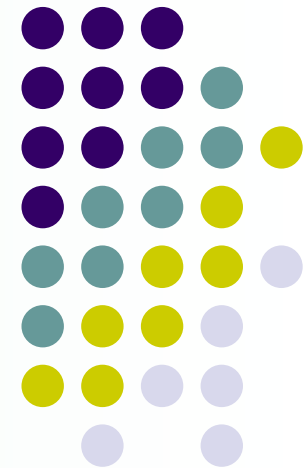


# Insight into GCC Debt Capital Market & ADIB's USD 5 Billion EMTN Program

**SUKUK Conference, 25 April, 2007**





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# EXECUTIVE SUMMARY

# Executive Summary

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- ☛ The banking industry is emerging as one of the most competitive financing markets in the Gulf Co-operation Council countries. Local banks, in an effort to match the breadth and depth of their international peers' product offerings, have started a substantial drive for growth and product innovation in the last couple of years.
- ☛ On the back of these developments in the industry, one of the recent trends we are observing is the local financial institutions' frequent issuances of bonds under various structures. These debt capital market instruments provide access to **low cost and stable source of capital, and the banks utilises these funds to offer competitive and long term products to their customers.**
- ☛ The Islamic banks in an effort to provide the same type of tenors to their client base, have started offering long term financing options to their clients. However, not being able to procure or access long term funding, Islamic banks started running mismatches in their balance sheets. In order to address this problem, Islamic banks have been looking into Sukuk structures to raise long term funding.



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# GCC Debt Capital Market

# Highlights

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- More than USD 25Bn bond and SUKUK offerings priced in GCC Debt Capital Markets within the year 2006 (this compares to USD 10Bn in 2005).
- Increasing appetite of international investors for the Middle East investors.
- The improving credit fundamentals of the region and the approach of BASEL II has been positive factors supporting the market fundamentals.
- SUKUK is an asset class of its own and total SUKUK issuance in 2006 constituted 40% of total offerings out of GCC Region.
- The credit quality of the region continues to improve; which resulted in series of upgrades in the credit ratings of GCC Sovereigns by the S&P, Moody's and Fitch.

# Highlights

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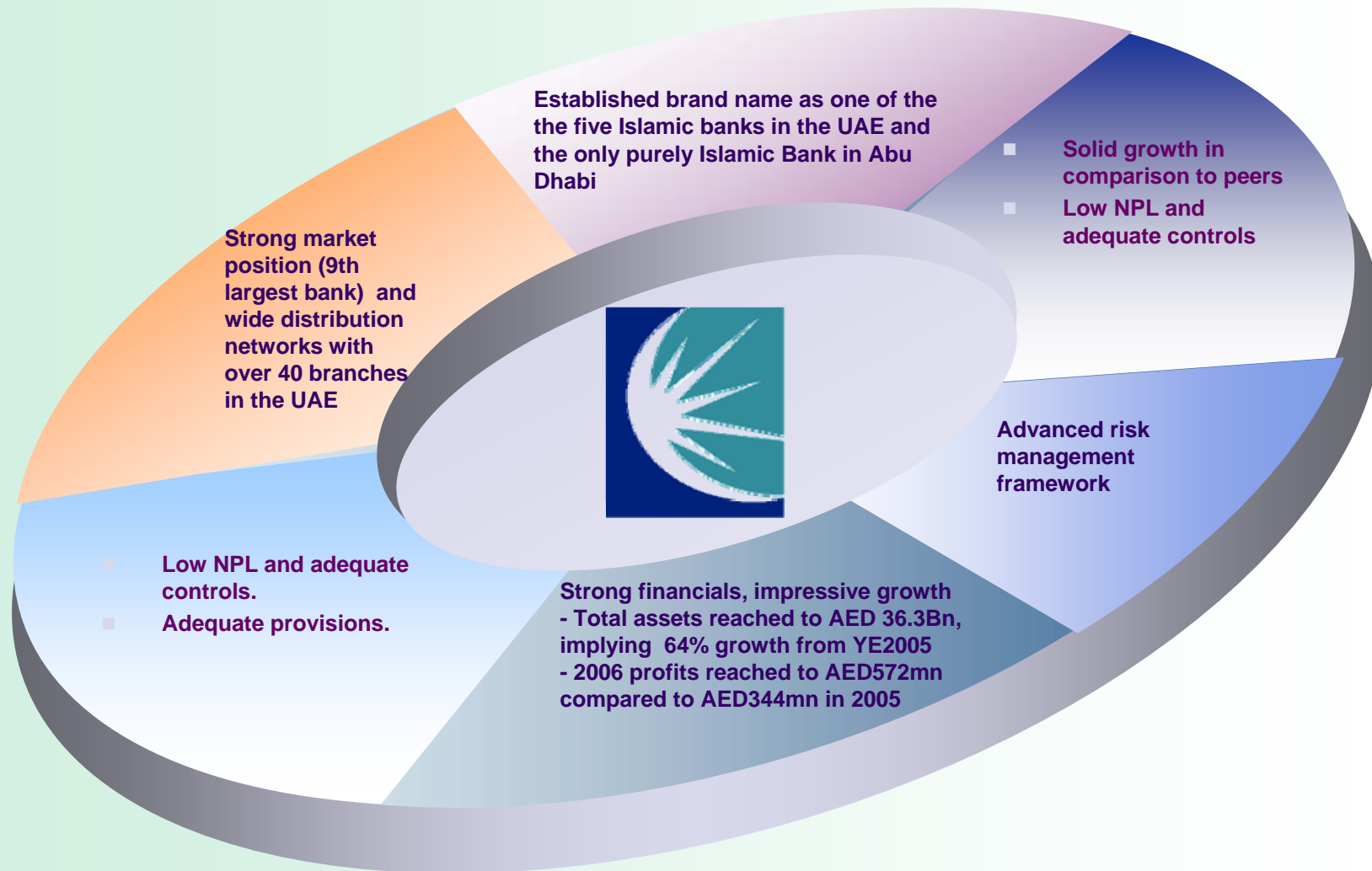
- Many GCC entities are taking advantage of the vibrant Debt Capital Markets and are utilizing it to finance their growth and expansion plans at competitive pricing levels.
- SUKUK transactions are providing GCC issuers with:
  - Investor diversification away from bank relationships by targeting international investors in Europe & Asia.
  - The ability to achieve financing at longer maturities through bigger issuance.
  - International high profile reflecting the level of sophistication and growth prospects of issuer.



# PROFILE

## ABU DHABI ISLAMIC BANK

# Abu Dhabi Islamic Bank - Milestones





# History & Profile of ADIB

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- Established on May 20, 1997
- Commenced operations on November 11, 1998
- Operates in accordance with Shari' a Principles
- Paid up capital of AED 1.5 billion divided into 150 million shares @ AED 10 each as of December 31, 2006 (Authorized Capital AED 3Billion)
- First Islamic Bank established in Abu Dhabi and second in the UAE
- Two subsidiaries
  - Abu Dhabi Islamic Financial Services (Ownership – 100%)
  - Burooj Properties (Ownership – 100%)
- Shares are listed in Abu Dhabi Securities Market
- Two affiliates
  - Abu Dhabi National Takaful Company (Ownership – 23%)
  - Bosna Bank International (Ownership – 27%)
- Number of branches as of March 2007: 40
- Number of ATMs as of March 2007: 86

# Ratings



**A2 (Moody's)**  
**Stable**

**October 2006**

“Moody’s main highlights of ADIB’s credit strengths include:

- The foreign currency issuer rating benefits from a high degree of external support
- Growing market share with a niche in Islamic banking
- Good asset quality
- Satisfactory Islamic-based funding
- Credit quality is good with a very low level of problematic exposures

**A (Fitch)**  
**Stable**

**Support = `1**

**October 2006**

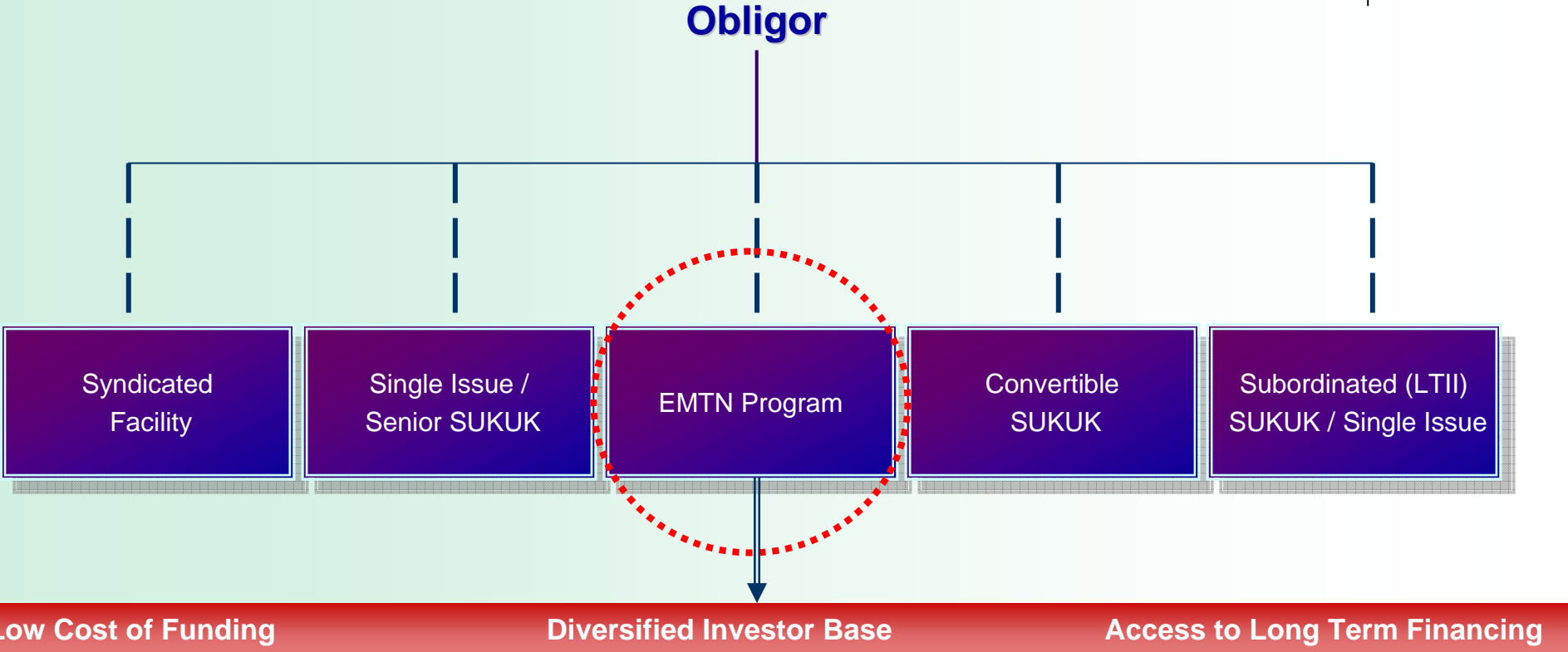
“ADIB’s credit strength is clearly identified by Fitch:

- Extremely high probability of support from ADIB's shareholders
- UAE authorities considering the bank's position as the flagship Islamic bank in Abu Dhabi and its close links to the government and the ruling family of Abu Dhabi
- Improving profitability, sound asset quality and satisfactory liquidity
- Future earnings should be protected by a continuing strong demand for retail finance and a growing contribution from corporate and retail investment bank



# FUNDING OPTIONS

# FUNDING OPTIONS



# EMTN SUKUK Program



## Advantages

1. A debt capital market platform that will provide medium to long term flexibility of choice.
2. A beneficial and improving pricing environment.
3. The ability to make return visits to market.
4. Tap the private placement market.
5. Multi Currency
6. Different Terms
7. Senior / Subordinated
8. Fix or Floating pricing

## Disadvantages

1. Time Consuming
2. Cost Concerns
3. Ratings
4. Availability of underlying assets
5. Cash flow mismatch

# Convertible SUKUK



## Advantages

1. Raise medium to long term funding at a cost below that of straight debt or bank facilities.
2. Diversification of the investor base and shareholdings.
3. Flexibility of instrument.
4. Simple launch process.
5. Capital Base support under Tier I

## Disadvantages

1. Resistance from Shareholders
2. Dilution
3. Pricing complexities
4. Laws and regulations
5. Capital treatment



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# ADIB SUKUK Company Ltd

Abu Dhabi Islamic Bank USD 5Bn EMTN Program

# Program Summary

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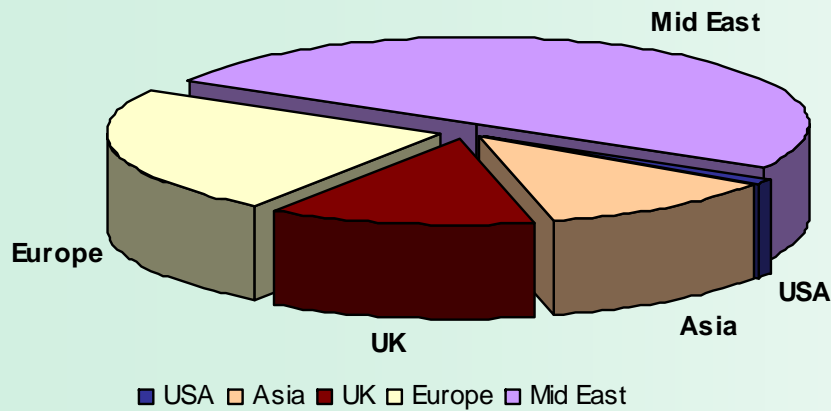
- ☐ A cap of USD 5 billion subject to annual review
- ☐ Open-ended & Multi-currency
- ☐ Multiple issues packed by Ijara Transactions
- ☐ Multi-maturity & different types of issues
- ☐ Single documentation for the entire program
- ☐ Listed in UK Listing authority
- ☐ Rated respectively A & A2 by Fitch & Moodys for Senior Issues and A- & A3 for Subordinated Issues



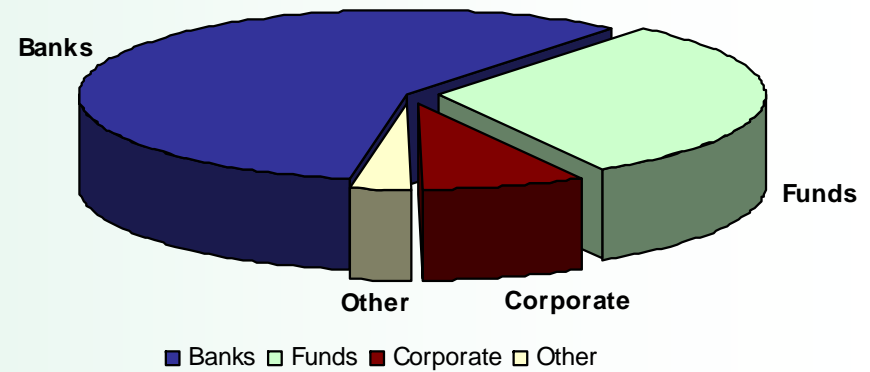


# Geographic & Type Distribution

## Geography



## Investor Type



	<b>Middle East</b>	<b>50%</b>
	<b>Europe</b>	<b>37%</b>
	<b>Asia</b>	<b>12%</b>
	<b>USA</b>	<b>1%</b>
	<b>Total</b>	<b>100%</b>

	<b>Banks &amp; FI</b>	<b>58%</b>
	<b>Inv Funds</b>	<b>31%</b>
	<b>Corporates</b>	<b>8%</b>
	<b>Others</b>	<b>3%</b>
	<b>Total</b>	<b>100%</b>



# Program Achievements

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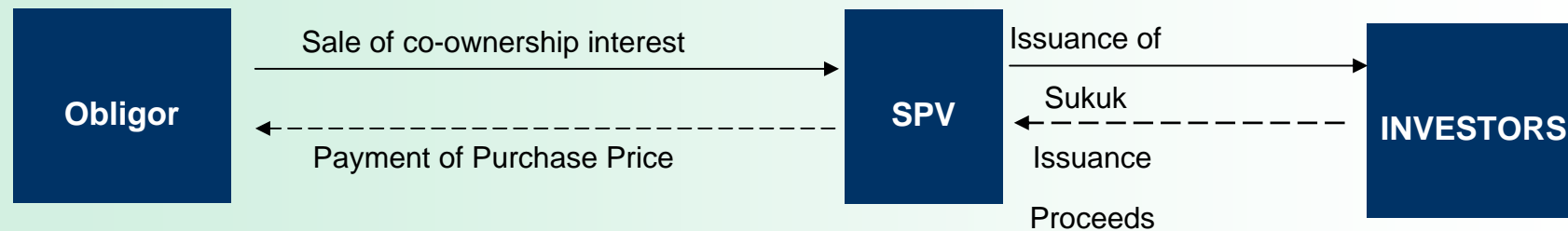
- ☛ Winner Best Islamic Equity Award by Islamic Finance
- ☛ Significant increase in assets & B.S. growth
- ☛ Diversification in liabilities
- ☛ Enhances liquidity by raising stable funding
- ☛ Bridging the maturity mismatch
- ☛ Enhances profitability by securing low-cost funding
- ☛ Balances the overall cost of funding
- ☛ Establishment of international brand-name
- ☛ Establishment of name in Sukuk & Euro-bond markets
- ☛ Creates a stand-by resort for cash in different currencies apart from money market borrowing



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# SUKUK STRUCTURE

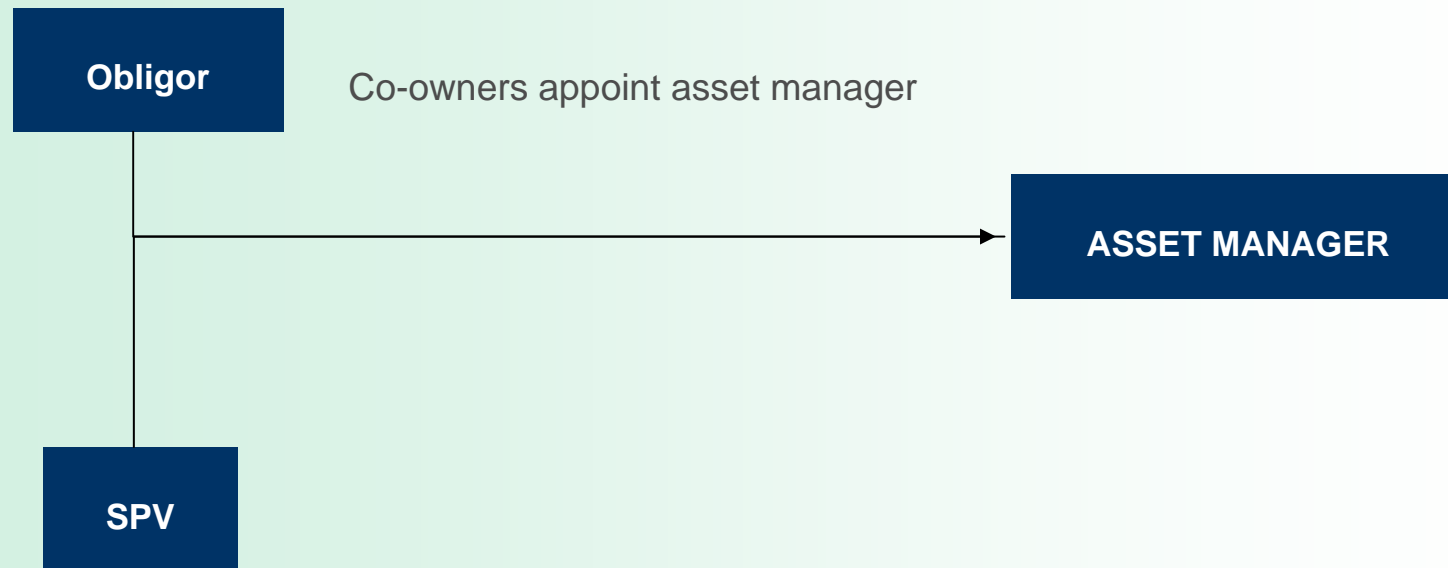
# INITIAL TRANSACTION



1. Obligor, as the current owner of the assets leased out to third parties, will sell an undivided proportionate share in the pool of assets to the SPV. The pool of assets will comprise only tangible assets and the proportionate share in the pool shall have a value at least equal to the Sukuk issue size. Once the sale is concluded, Obligor and the SPV will become joint owners of the pool of assets in the agreed proportions.
2. A special purpose vehicle issues Sukuk to Investors (Sukukholders) and declares itself a trustee for said Sukukholders. The issuance proceeds are paid into SPV's account or such other account as may be agreed. The Sukuk issued by the SPV will represent the Investors' (Sukukholders) undivided proportionate share in the SPV's stake in the pool of assets.
3. The SPV will have a profit sharing ratio equal to its capital share in the pool of assets. This will be necessary to preserve the credit quality of the Sukuk transaction.



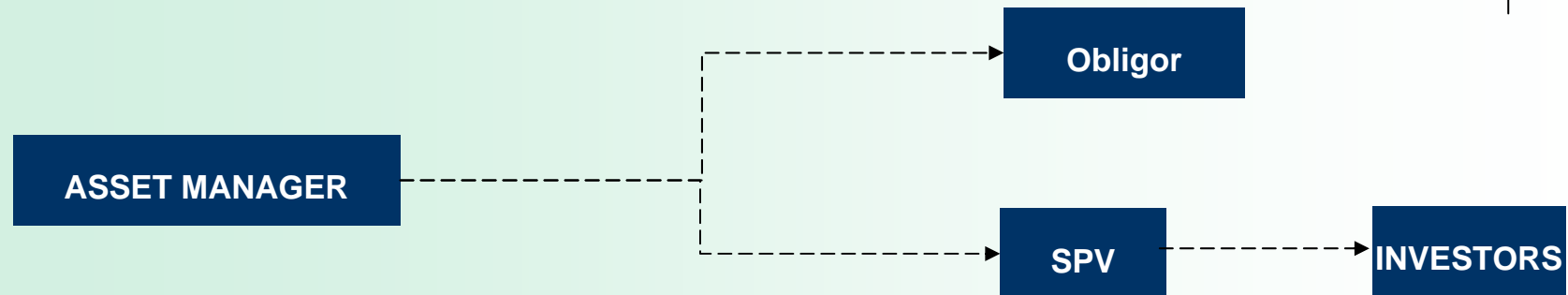
# APPOINTMENT OF ASSET MANAGER



1. Obligor and the SPV, as joint owners of the pool of assets, will appoint an asset manager to manage the pool of assets. In this case, the joint owners will appoint Obligor as the asset manager.
2. The asset manager's duties shall include attending to all matters under the relevant lease agreements. The lessees will continue to deal with Obligor as though there has been no change in the ownership of the pool of assets.

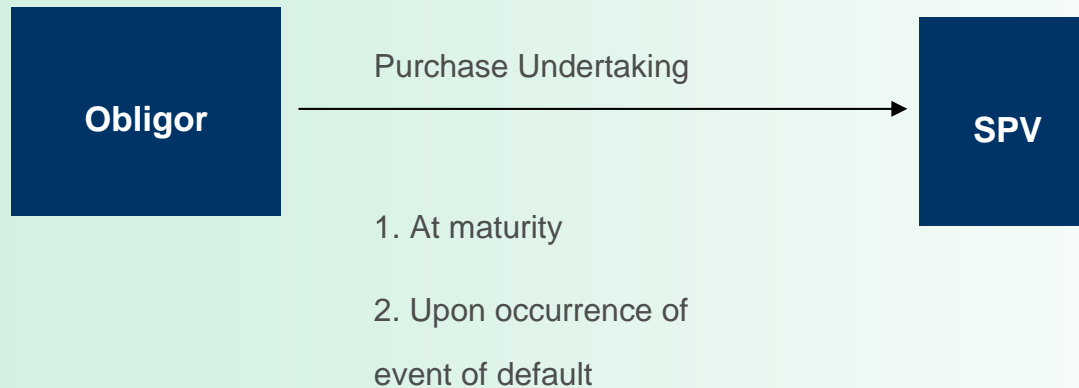


## PAYMENT OF PERIODIC DISTRIBUTION



1. The asset manager will collect all rentals paid under the lease agreements in the pool of assets and hold them for the benefit of the joint owners of the asset.
2. The SPV will distribute an amount equal to the periodic distribution amount (Margin + 3 months US\$LIBOR) to the Investors on each distribution date. Any excess will be paid over to Obligor, as incentive fee, in its capacity as asset manager.

# DEFAULT AND MATURITY



1. Obligor will issue a purchase undertaking in favor of the SPV wherein it undertakes to purchase the SPV's stake in the pool of assets at a prescribed price either upon maturity or prior to maturity at any point in time.
2. The SPV will invoke the Purchase Undertaking prior to maturity if, among other things, it does not earn enough from its stake in the pool of assets to pay the distribution amount to the Sukukholders.



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# QUESTIONS

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