

IFN Indonesia Forum

**Saudi Electricity Company
USD 1.75 Billion Sukuk Issuance
April 2012**

USD 1.75 billion Dual-Tranche Reg S Sukuk Issuance

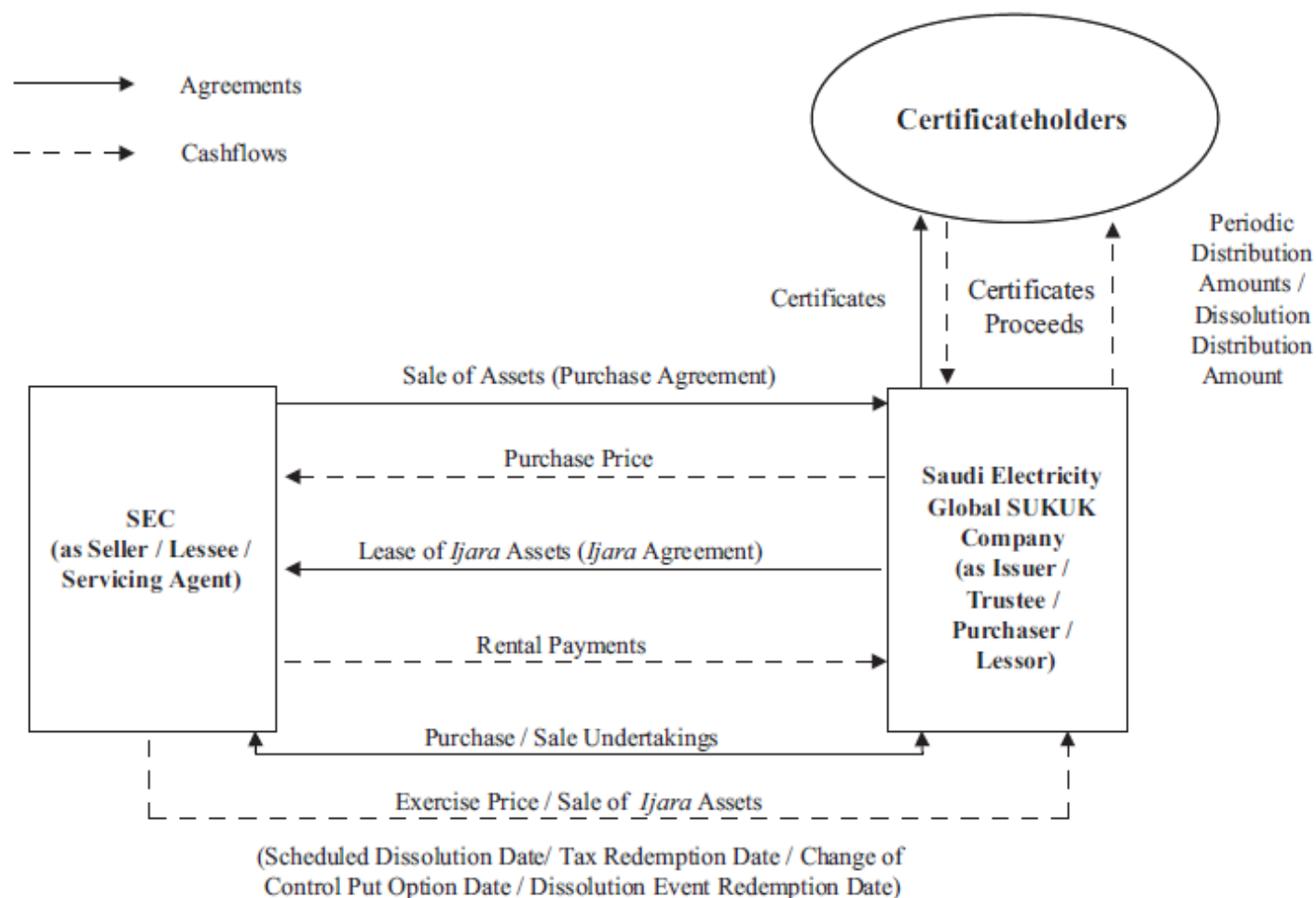
- Saudi Electricity Company (“SEC”), Saudi Arabia’s national electricity provider issued a dual-tranche USD 1.75billion Ijara Sukuk on 3 April 2012. This was SEC’s first international Sukuk offering.
- HSBC and Deutsche Bank jointly led the debut USD Sukuk issue for SEC. In addition, HSBC was sole financial and ratings advisor to SEC
- This transaction marks the largest international debt capital markets issuance from Saudi Arabia, and the largest order book for any Islamic or USD Reg S transaction to date, representing an oversubscription of 10.0x the final issuance size with an order book of US\$17.5 billion - the most oversubscribed Sukuk in the USD market
- By driving market demand and continuing to position SEC's credit as very closely aligned with the sovereign, the issuance took advantage of a positive market environment and managed to price the tightest 5 year and tightest 10 year fixed coupon by any GCC issuer to date in the USD market

USD 1.75 billion Dual-Tranche Reg S Sukuk Issuance contd...

Transaction Overview

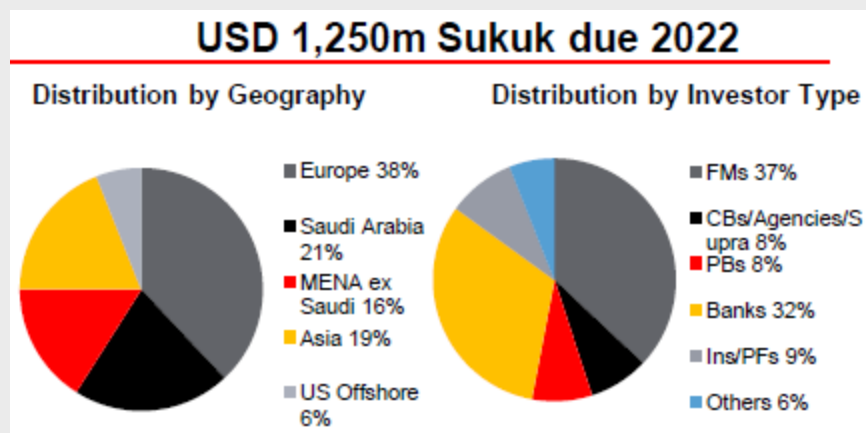
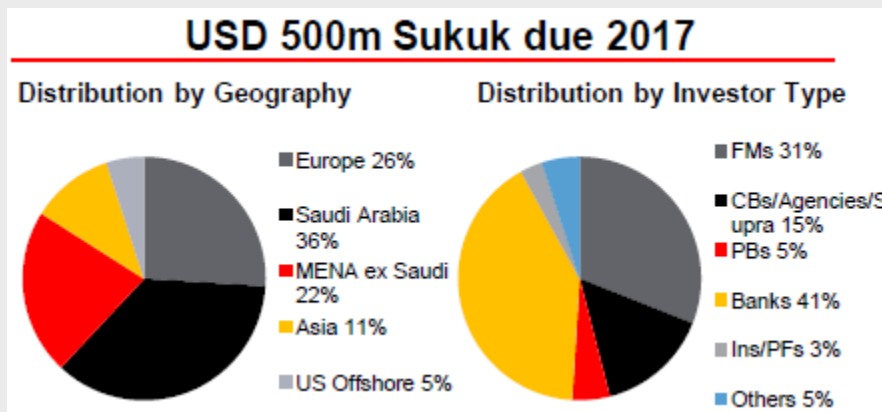
Transaction	5yr tranche	10yr tranche
Issuer	Saudi Electricity Company (SECII)	
Issuer Rating	A1/AA-/AA- (all Stable)	
Type	Reg S Registered	
Maturity	3 April 2017	3 April 2022
Issue Amount	USD 500m	USD 1.25bn
Total Order Amount	USD 9.0bn	USD 8.7bn
Number of Orders	346	370
Profit Rate	2.665%	4.211%
Spread vs MS	140bps	195bps
Pricing / Settlement Date	27 March 2012 / 3 April 2012	
Governing Law /Listing	English and Saudi Law / London Stock Exchange Plc.	
Joint Lead Managers	HSBC and Deutsche Bank, Co-Manager Mitsubishi UFJ International	

Structure Diagram and Cashflows



USD 1.75 billion Dual-Tranche Reg S Sukuk Issuance contd...

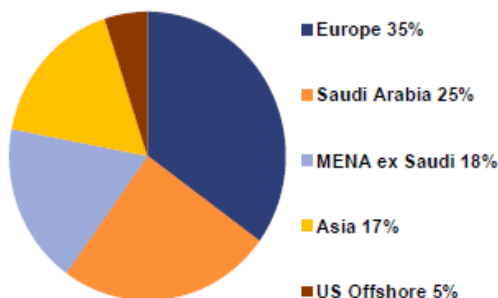
Distribution by geography and Investor type for both tranches:



SEC USD 1.75bn Sukuk Distribution Statistics

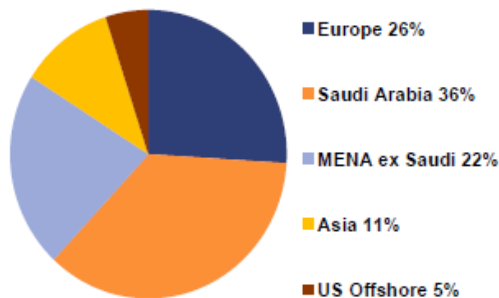
Combined Orderbook

Breakdown by Geography



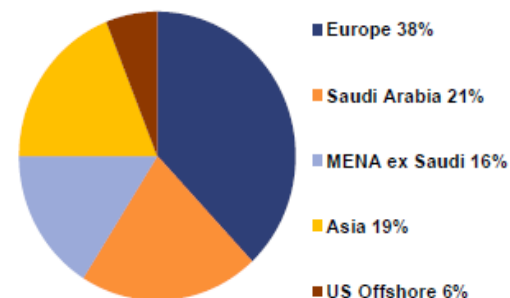
USD 500mn 5 Year Tranche

Breakdown by Geography

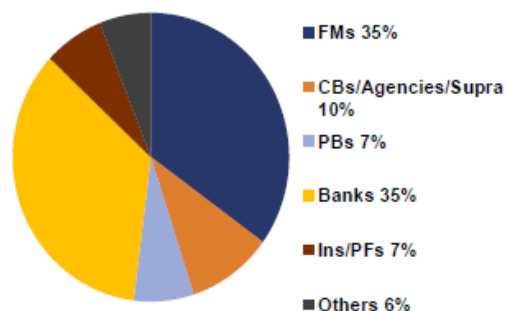


USD 1,250mn 10 Year Tranche

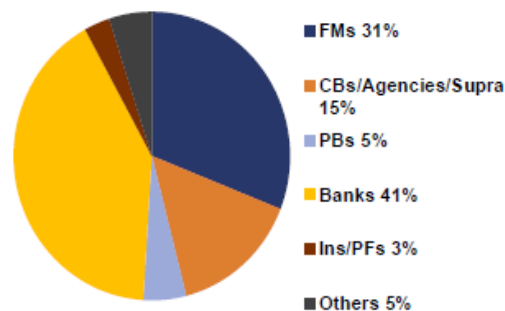
Breakdown by Geography



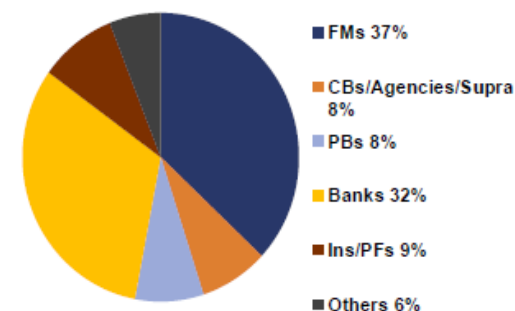
Breakdown by Investor Type



Breakdown by Investor Type



Breakdown by Investor Type



SEC Press Coverage

- SEC's deal is the first dollar trade to price out of Saudi Arabia since SABIC's USD1billion due 2015, in October 2010 giving investors the chance to hold rare international Saudi paper, whilst also creating a large liquid benchmark for regional debt.
- Levels of demand saw SEC tighten spread guidance to MS+145bp (+/-5bp) and MS+200bp (+/-5bp), before setting sizes at USD500m on the 5-year and USD1.25bn on the 10-year. The deal priced just before the close of business in London, with the USD500m 5-year at MS+140bp and the USD1.25bn 10-year at MS+195bp, both at the tight-end of their revised ranges.
- By the time books had closed, accounts keen to hold Saudi paper had pumped demand to an incredible USD18bn (roughly USD9bn across each tranche), one of the largest book sizes ever for a Sukuk offering.
- Opting for a dual-tranche structure allowed SEC to take advantage of the huge local demand at the shorter end of the curve as well as interest from international accounts for longer-dated paper.

SEC Press Coverage contd...

- “There is no Saudi sovereign debt out there and I think the supply will remain scarce for a while given the local market is extremely liquid,” said Souhail Mahjour, emerging market syndicate manager at HSBC, which lead managed the deal with Deutsche Bank. “This is the closest thing you can get to the sovereign - it’s about 81% owned by the state”
- The issuance is the most oversubscribed sukuk ever and achieved the lowest coupon on any bond from the Middle East
- The deal is the first fully international dollar sukuk syndication since Majid Al Futtaim's \$400m deal on January 31, according to IFIS data. Since then the majority of activity has been in Malaysian ringgit, including a cross-border sukuk worth around \$215m from Abu Dhabi National Energy (Taqa) on February 26. Rated A1/AA-/AA-, SEC is the national electricity provider, which is investing heavily to increase electricity supply to meet the needs of the kingdom’s fast-growing population
- SEC has previously borrowed using Saudi riyal loans and sukuk, but with maturities of only three to five years. For longer term debt SEC turned to the international sukuk market, with a five and 10 year deal. SEC's deal will be one of only four sukuk that are rated AA- or higher. This fact, combined with the addition of a 10-year tranche to the deal, provides investors with a highly rated longer term income stream. The 10-year tenor also suits SEC, since it has large long-term funding requirements
- Dollar investors seeking a Saudi sovereign proxy have so far used the debt of Sabic, the oil company, which has a seven year bond maturing in 2015 that was trading at about 140bp over mid-swaps before the announcement of SEC’s deal