



بنك دبي الإسلامي  
Dubai Islamic Bank

**Presentation on:  
Nakheel Pre IPO Sukuk Issue – A Case Study**

**Presented by: Kashif Raza**  
**Millennium Capital Limited**  
*A subsidiary of Dubai Islamic Bank*

April 25, 2007



# Introduction and Deal Highlights

---

- In Dec-2006, Dubai Islamic Bank arranged the debut Pre QPO Equity Linked Sukuk issue for Nakheel
- Largest Sukuk offering ever executed in the world- US\$ 3.52 billion
- Ranked amongst the top 10 convertible capital markets issues globally
- First of its kind structure in both Islamic and conventional capital markets
- Originally planned at US\$ 2.5 billion, the issue was oversubscribed by more than 2.5 times and closed at US \$ 3.52 billion
- Total order book was approx. US\$ 6 billion reflecting broad distribution and worldwide acceptance of this innovative transaction structure
- The deal has won several awards for its innovative structure and highly successful execution



# Client Objectives

---

- Ensure access to a deep pool of global capital
- Establish platform for successful continued access to the international markets
- Enhance / develop profile with existing and new lenders and investors
- Achieve cost effective / optimal funding
- Tap investor demand for Nakheel risk
- Achieve optimal distribution / diversification of investor base
- Develop solid investor following post transaction closure
- Ensuring rapid execution to take advantage of market opportunities
- Successful aftermarket performance to ensure success of subsequent transactions

# The Solution – Pre IPO Convertible Sukuk

---

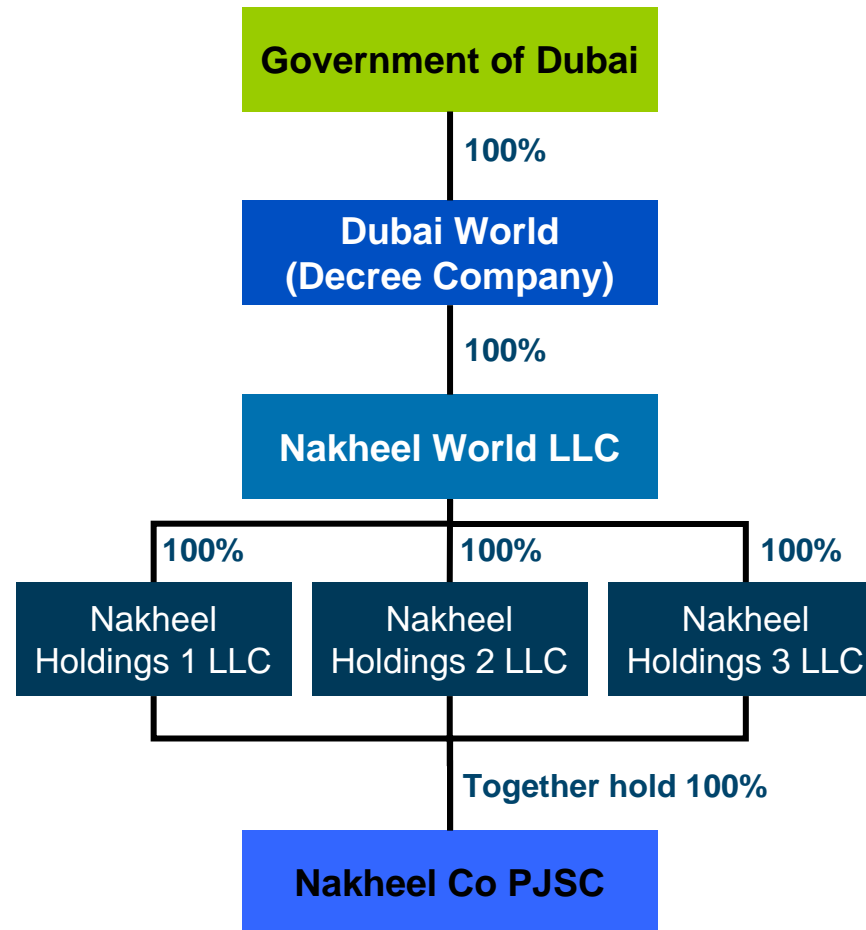
- An Islamic capital markets issue represented the most feasible way of tapping the market
- Convertible securities give investors subscription rights which replicate options
- Convertible Sukuk securities appeal to investors due to the following factors:
  - ✓ *Risk characteristics of a bond i.e. 'Fixed ' income return*
  - ✓ *Potential of equity upside*
- ... while Issuers enjoy the following benefits:
  - ✓ *Lower cost of borrowing compared to plain-vanilla financing Sukuk securities*
  - ✓ *Quasi-equity financing at near-debt cost*
  - ✓ *Partially Pre-sold IPO*
  - ✓ *Zero cost associated with granting Subscription Rights / Warrants*
- Previous issues have witnessed strong demand from a wide range of global investors including:
  - ✓ *Asset managers*
  - ✓ *CB, credit & hedge funds*
  - ✓ *Private bank customers & corporates*
  - ✓ *Banks (Islamic and conventional)*

## Nakheel Pre-IPO Convertible Sukuk – Key Terms

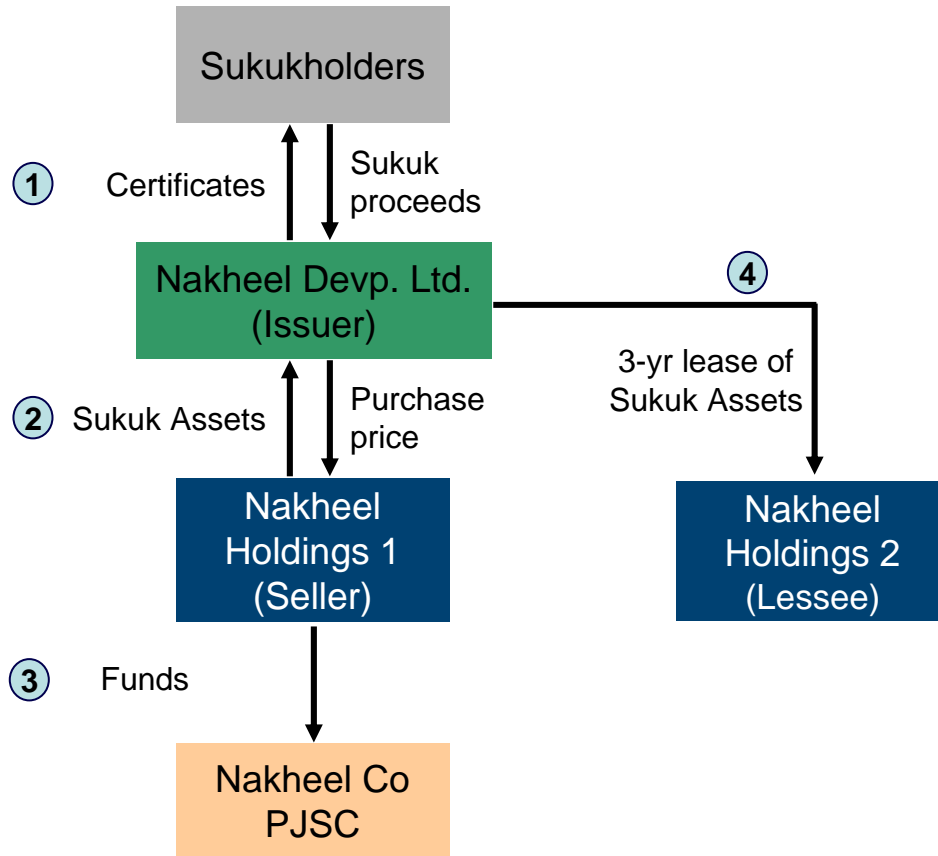
<b>Issuer</b>	Nakheel Development Limited, a special purpose vehicle
<b>Structure</b>	Trust Certificates ( <i>Sukuk al-Ijara</i> ) (“Sukuk”) in registered global form
<b>Format</b>	RegS
<b>Shari’a compliance</b>	Compliant with the principles of Islamic Shari’a and underlying Ijara structure with Nakheel Holdings being the obligor under the Purchase Undertaking relating to the Ijara
<b>Amount</b>	USD 3,520,000,000
<b>Redemption</b>	<ul style="list-style-type: none"> <li>• 36 months final maturity (14<sup>th</sup> December 2009)</li> <li>• Full redemption upon maturity</li> </ul>
<b>QPO Yield</b>	USD Swaps + 1.20%
<b>Subscription Rights</b>	Right to subscribe for up to 30% of QPO shares at 5% discount, subject to aggregate Subscription Rights being capped at 25% of the Sukuk Issue Size; Additional 12 month lookback option
<b>Maturity Yield (if no IPO)</b>	QPO Yield + 1.25% to 2.0%, depending on certain events
<b>Joint bookrunner</b>	Dubai Islamic Bank PJSC

# Client Ownership Structure

---

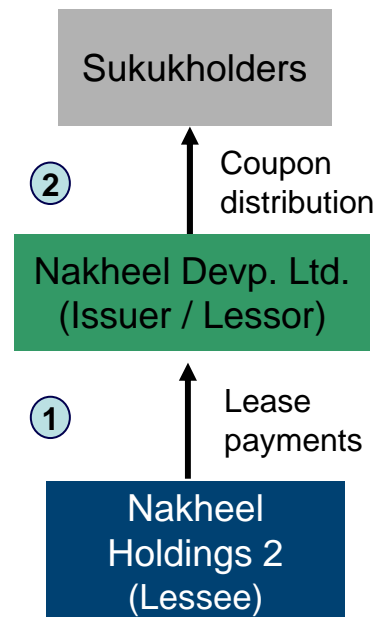


# Transaction Structure - Issuance



- ① On the Closing Date, Nakheel Development Limited raised USD 3.52 billion by issuing Trust Certificates (Sukuk al-Ijara)
- ② Nakheel Development Limited used the proceeds of the Sukuk to purchase a long leasehold on property at Dubai Waterfront (“Sukuk Assets”) from Nakheel Holdings 1
- ③ Nakheel Holdings 1 will in turn applied the cash to inject capital into / purchase assets from Nakheel Co PJSC
- ④ Nakheel Development Limited will lease the Sukuk Assets to Nakheel Holdings 2 under a 3 year lease agreement.  
  
Pursuant to the terms of a Servicing Agent Agreement, NH2 will be responsible for managing the Sukuk Assets on behalf of Nakheel Devp. Ltd.

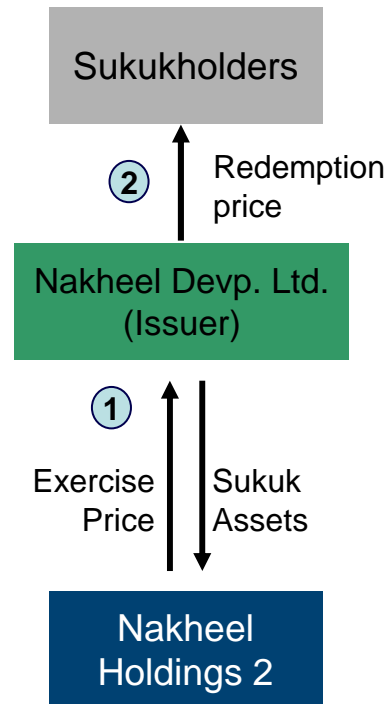
# Transaction Structure – Lease and Coupon



- ① Nakheel Holdings 2 will make semi-annual lease payments to Nakheel Development Limited over the 3-year lease period
- ② Lease payments will be applied by the Nakheel Development Limited to distribute profits (coupons) to Sukukholders

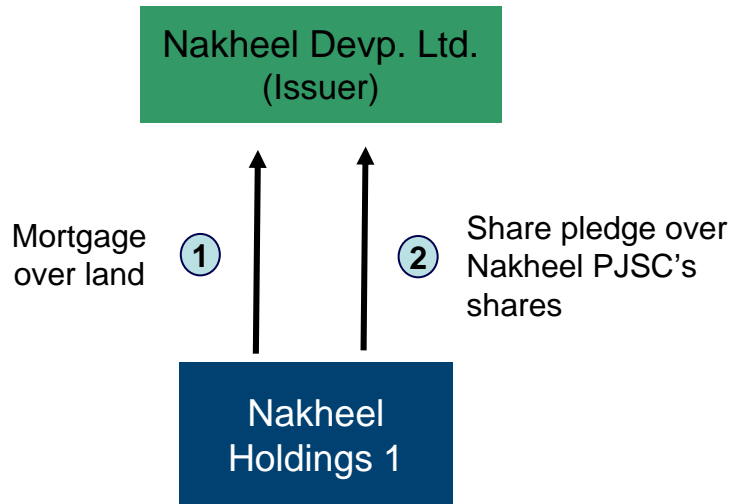


# Transaction's Cash Flows - Redemption



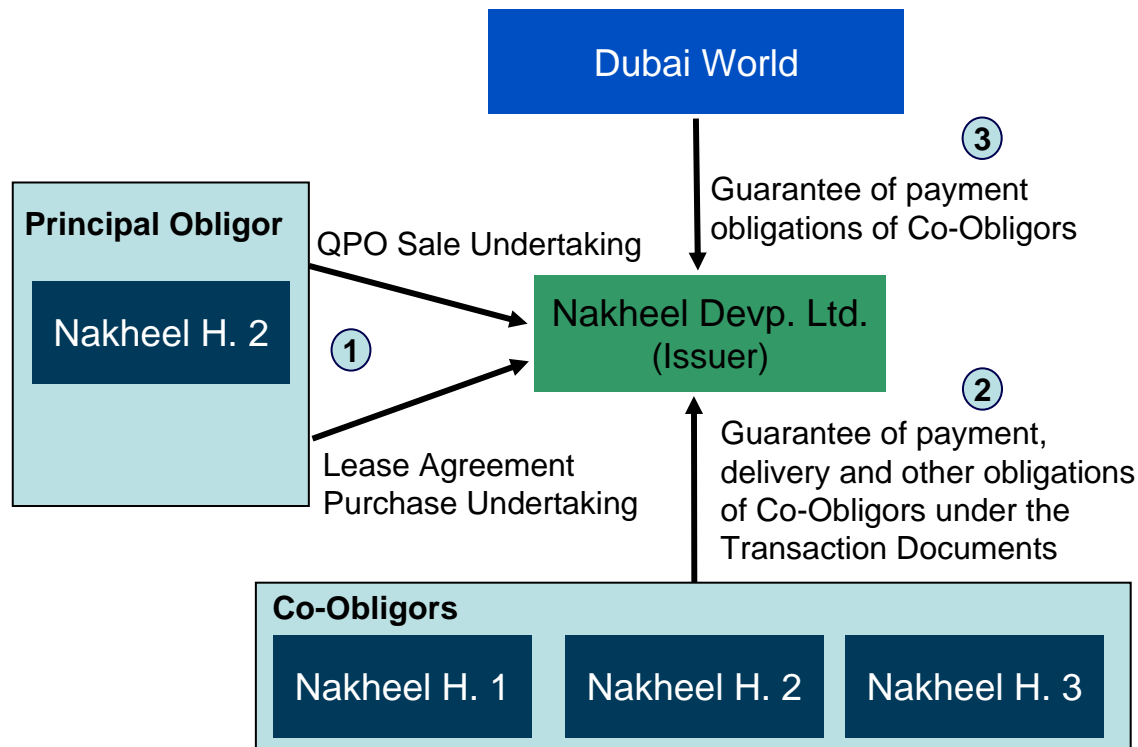
- ① At the end of the lease agreement, Nakheel Development Limited will exercise its rights under the Purchase Undertaking under which Nakheel Holdings 2 will purchase the Sukuk Assets for the Relevant Exercise Price
- ② The Exercise Price will be used by Nakheel Development Limited to redeem the Sukuk

# Security Package



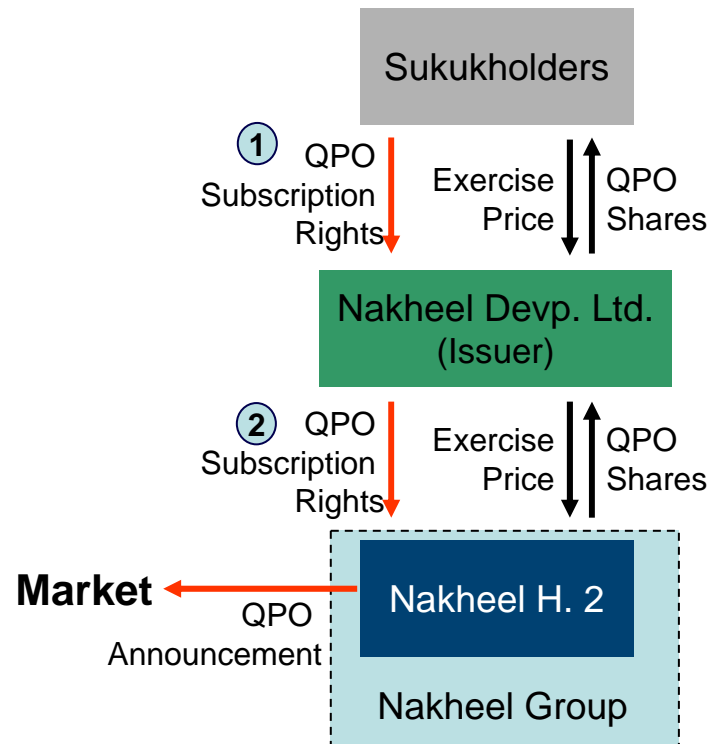
- ① Registered mortgage over land situated at Dubai Waterfront. Nakheel Holding 1 shall have the right to substitute the Security Assets in whole or in part, provided any asset substituted is replaced with an asset of at least equal or higher value.
- ② Nakheel Holdings 1 will undertake to grant to the Issuer a pledge over Nakheel PJSC ordinary shares

# Security Package – Guarantee Structure



- ① Nakheel Holdings 2 will be the Principal Obligor (under the QPO Sale Undertaking and Lease Agreement / Purchase Undertaking)
- ② Nakheel Holdings 1, 2 and 3 will each be a Co-Obligor and each of them will guarantee to the Issuer the payment, delivery and other obligations entered into by the Co-Obligors
- ③ Dubai World will provide a guarantee to the Issuer in respect to the payment obligations of the Co-Obligors

# Attribution of Subscription Rights

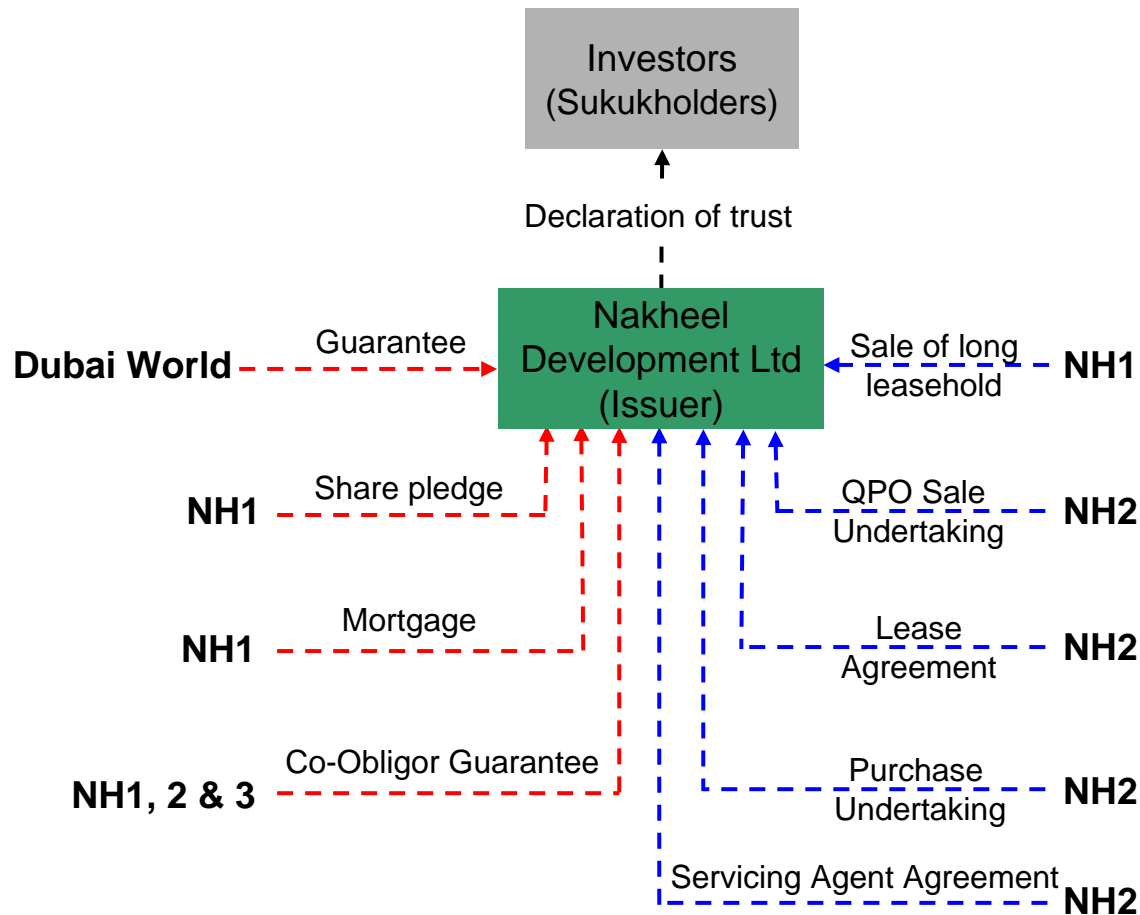


- ① Upon a QPO announced by Nakheel CoPJSC or any other company of the Nakheel group, Sukukholders shall be entitled to subscribe up to 30% of QPO shares issued on any QPO at a discount of 5% to the QPO price (“Subscription Rights”)
- ② Should a Sukukholder decide to exercise his rights, shares will be sold and delivered by Nakheel Holdings 2 to the Issuer, pursuant to the QPO Sale Undertaking, and then to the Sukukholders

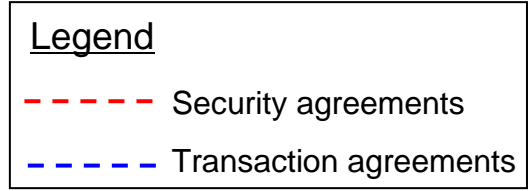
*Notes:*

- *Subscription Rights are delivered each time a QPO occurs, depending on the size of the QPO*
- *The aggregate value of Subscription Rights attributed over the life of the Sukuk is capped to 25% of the Sukuk Principal Amount*
- *If a QPO occurs within 12 months post Maturity, those holders of Sukuk who held outstanding Sukuk on Maturity will receive subscriptions rights as if they had held the Sukuk at the time of the QPO (exercise price will be adjusted to take into account any excess yield received at Maturity) (“Lookback right”)*

# Main Transaction Agreements



- The Issuer is Nakheel Development Limited, a newly incorporated free zone company, held by Maples Finance Ltd on trust for charitable purposes
- On the Issue Date, Nakheel Development Limited entered into a series of transactions agreements with various companies of the Nakheel Group as per the diagram on the left



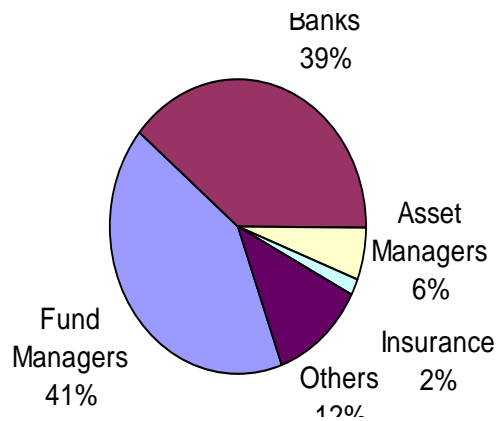
## Transaction Success Story

---

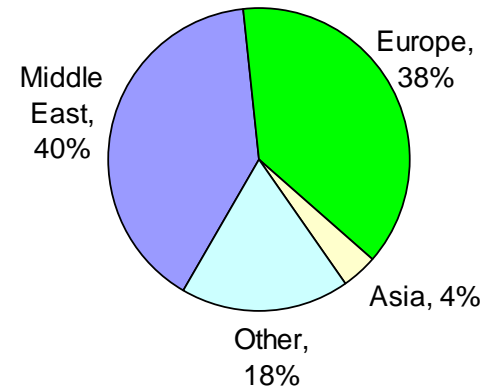
- The main success story of the transaction was:
  - ✓ The lead managers placement ability as a result of which they achieved a high quality order book that was oversubscribed by 2.5 times
  - ✓ Upsizing of the deal from USD 2.5bn to USD 3.52bn (an increase of over 40%)
  - ✓ Tightening of the QPO spread range from the initial price guidance of 95/145bps to 120bps.

# Stellar Market Performance

- Nakheel conducted an extensive roadshow throughout the three main regions of demand – GCC, Europe and Asia
- Nakheel and Dubai World’s senior management presented the company’s credit story in thirty 1 on 1 investor meetings and seven group presentations with over 200 investors
- Well diversified global investor base with demand exceptionally strong from European investors as well as investors in the Middle East, Asia and the rest of the world



Allocation size vs. Investor Type



Allocation size vs. Region

This presentation has been prepared by Dubai Islamic Bank PJSC (“DIB”) and Millennium Capital (“MC”) for informational purposes only. Although the information contained in this presentation has been obtained from sources which DIB and MC believe to be reliable, it has not been independently verified and no representation or warranty, express or implied, is made and no responsibility is or will be accepted by DIB or MC as to or in relation to the accuracy, reliability or completeness of any such information.

This document is to be used as a basis for continued discussions, and does not constitute a commitment of DIB, MC or any of their subsidiaries and affiliates to lend, arrange or syndicate a financing or an agreement of DIB, MC or any of their subsidiaries and affiliates to prepare, negotiate, execute or deliver such a commitment. The delivery of a commitment would be subject, among other things, to (i) DIB’s and MC’s satisfaction with the results of its due diligence, (ii) credit approval by DIB and MC for arranging, underwriting and participation in the transaction and (iii) DIB’s and MC’s satisfaction that other investors would participate in the transaction on the basis outlined.

The information and opinions contained in this presentation are not intended to be the sole basis upon which the implementation of the operation contemplated herein (the “Operation”) can be decided. It is therefore advisable for the recipient(s) to make its/their own judgement and assessment of the information and the Operation contained in this presentation.

Opinions expressed herein reflect the judgement of DIB and MC as of the date of this presentation and may be subject to change without notice if DIB or MC become aware of any information, whether specific to the Operation or general, which may have a material impact on any such opinions.

DIB and MC will not be responsible for any consequences resulting from the use of this presentation as well as the reliance upon any opinion or statement contained herein or for any omission.

This presentation is confidential and may not be reproduced (in whole or in part) nor summarised or distributed without the prior written permission of DIB and MC. The recipient(s) of this report agree(s) to keep its content strictly confidential and undertake(s) not to disclose the information contained herein to any person other than those of its/their employees who strictly need access to it for the purpose of the Operation.