



Identifying Bilateral Investment Opportunities in Russia & GCC

Presentation by:

Tariq Ali
Managing Director
Trident Financial Consulting W.L.L
Bahrain



Agenda

- ▶ Overview of Gulf Cooperation Council (GCC) Countries' Economy
- ▶ Investment opportunities in Gulf Cooperation Council (GCC) Countries
- ▶ Islamic Finance and investment in GCC Countries
- ▶ Gulf Cooperation Council (GCC) Countries as potential investors in Russia

Overview

- Gulf Cooperation Council (GCC) was established in 1981 to promote cooperation among its member states in trade, finance, industry, agriculture, education and culture with the aim of achieving unity.
- Gulf Cooperation Council (GCC) comprises of six countries
 - Saudi Arabia
 - Kuwait
 - Oman
 - United Arab Emirates
 - Qatar
 - Bahrain
- Total GDP of US\$ 900 Billion
- Population 38 million
- 300,000 millionaires according to Merrill Lynch
- Oil production 14 m/b per day – 56% of OPEC's total production of 24.83 m/b
- Annual hydrocarbon revenue 332 Billion

Business Environment - GCC

- ▶ The GCC countries has some of the fastest growing economies in the world, mostly due to higher oil and natural gas revenues coupled with building and investment boom backed by decades of saved petroleum revenues
- ▶ The GCC desires to transform the region as a financial and high tech centre to provide job opportunities to the growing young population by establishing new industries
- ▶ The GCC countries are moving toward full economic and monetary union that allows its citizens and companies freedom of trade, investment, travel and residence similar to European Union through;
 - ▶ Custom Union
 - ▶ GCC common market
 - ▶ Economic and monetary union

Exploring Investment Opportunities in GCC Countries

Business segments that have shown significant growth

- ▶ Banking and Finance
- ▶ Infrastructure and Real Estate
- ▶ Oil, Gas and Petrochemical
- ▶ Electricity and water desalination
- ▶ Telecommunication and IT
- ▶ International Trade

GCC Banking Assets

- ▶ Total Bank Assets US\$ 1.1 Trillion -2009
- ▶ Growth rate 30% during 2003-2008
- ▶ Wide variation in asset growth in 2009
- ▶ Qatar +12%, Bahrain -4.9%, Estimated 10% for 2010
- ▶ Credit to Private sector accounts for 50% of assets
- ▶ Credit portfolio is expected to grow 8% in 2010

Banking & Finance in GCC

- Bank Deposit \$725 billion 27 %*
- Bank Loans \$609 billion 32%*

*Five-year Compound Annual Growth rate (CAGR)

Country wise market share of bank deposits

Saudi Arabia 38 per cent of the total

UAE 30 per cent of the total

Kuwait 17 per cent of the total

Country wise market share of bank Loans

UAE 34 per cent of the total

Saudi Arabia 33 per cent of the total

Kuwait 16 per cent of the total

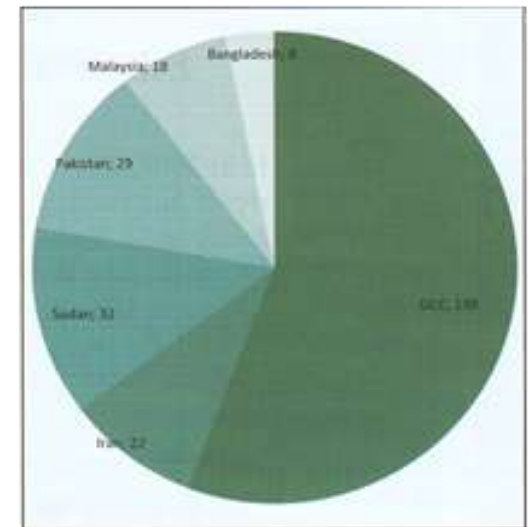
Qatar 7 per cent of the total

2008 Figures -CPI Financial



Islamic Financial Institutions

- Total no of Islamic Financial Institutions (IFI) 436 in 39 countries
- No. of IFIs in GCC countries 138
- Total global Assets base of IFIs reached \$748 Billion in 2008
- Annual growth rate of 28 % 2008-35% in 2007
- GCC based IFI's Assets \$235 Billion – 31.4% of total
- Second only after Iran's 395 Billion – 52.9%

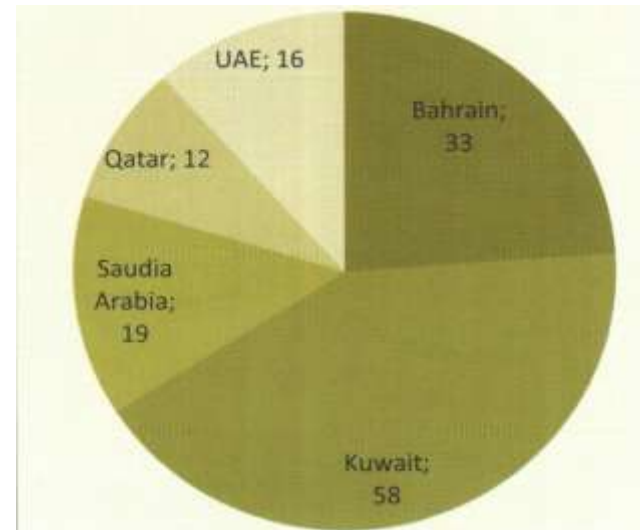


CIBAFI



Major Financial Centers in GCC

- ▶ IFI's in GCC countries
- ▶ Riyadh, Jeddah - Saudi Arabia 19
- ▶ Kuwait 58
- ▶ Abu Dhabi, Dubai - United Arab Emirates 16
- ▶ Qatar 12
- ▶ Bahrain 33



CIBAFI 2009

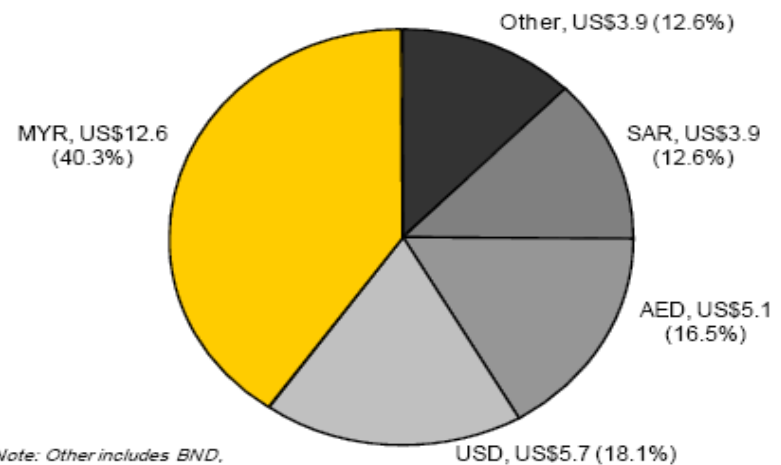
Investments Opportunities in Shari'a Compliant Assets

- Equity
- Sukuk
- Project finance
- Islamic Funds
- IFI are raising capital through issue of shares and sukuk to comply with capital adequacy requirement & expansion

Sukuk issuance

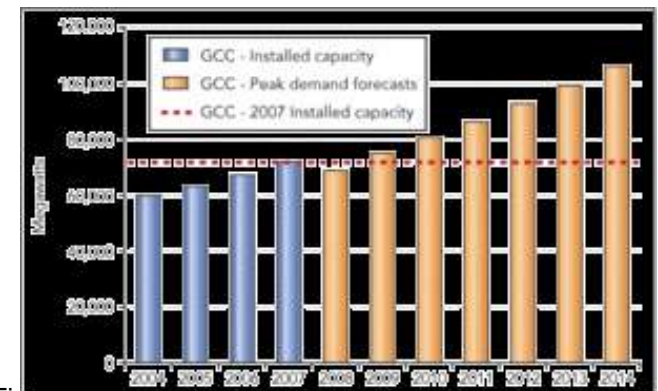
2007	32 Billion
2008	15 Billion
2009	20 Billion

Global Sukuk Issues by Currency in US\$ Billion (2008–2009 YTD)



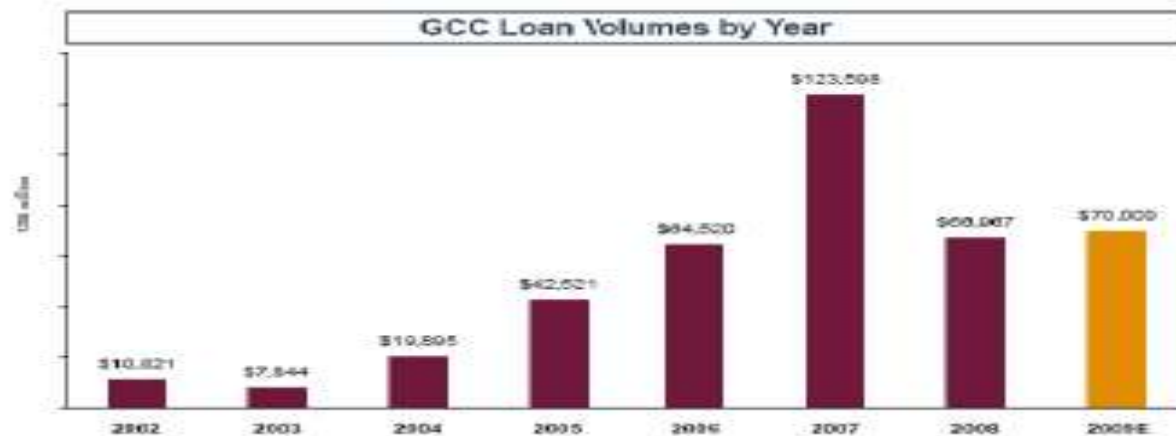
Project Finance

- ▶ Massive infrastructure projects are underway or are on drawing board to meet the growing population and demand for better facilities. These includes airport expansions, power plants, water desalination facilities, housing schemes and oil and gas exploration and refining facilities.
- ▶ Due to the large scale of these projects and huge funding requirements, governments in GCC countries are looking to finance the projects through private public partnership.
- ▶ According to October 2008 Moody's Investment Services report on the Arabian Gulf electricity industry, the GCC will need as much as \$50 billion by 2015 to boost total power generating capacity by 60 gigawatts in order to keep pace with demand growth



Project Finance

- ▶ Due to liquidity crisis, banks have limited funds to lend. This makes project finance an ideal solution for such project funding.
- ▶ Islamic finance has already been used in project finance in many large projects such as
- ▶ Dolphin Energy's 1 Billion Islamic tranche out of total funding of \$3.45 Billion.
- ▶ Kayan-a SABIC affiliated firm's \$1.67 Billion Islamic tranche as part of \$6 Billion funding.



Islamic Capital Market

▶ GCC equity market capitalization 700 Billion

US\$ Billion

Country	Capitalization	YTD change
Saudi Arabia	334.38	+4.56%
Kuwait	112.45	+1.00%
Qatar	106.77	+1.85%
UAE	80.40	+1.15%
Bahrain	21.58	+3.97%
Oman	17.83	+2.22%

Islamic Shari'a Compliant Investment Funds

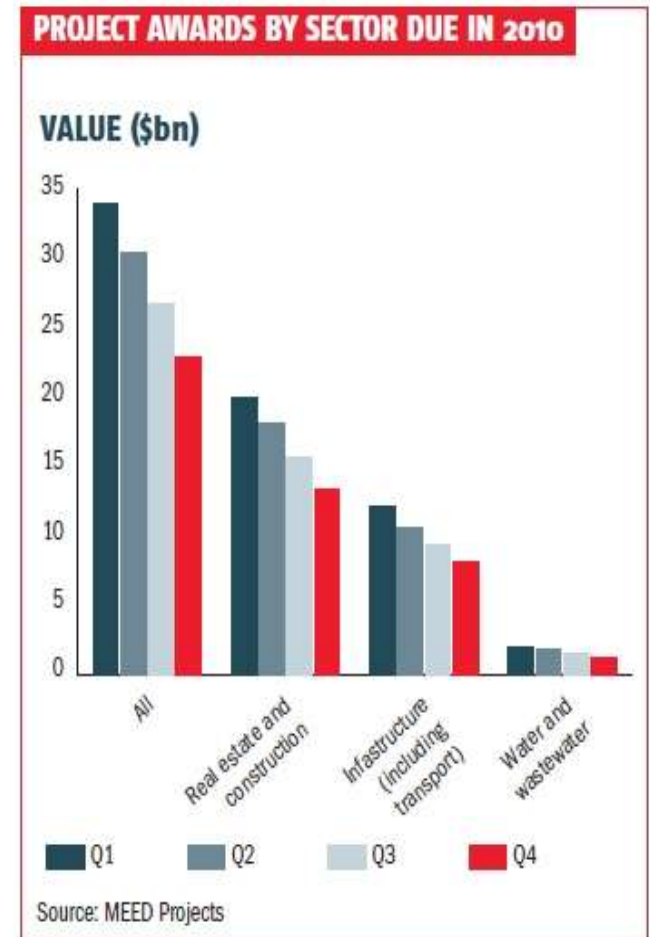
US\$ Billion

GCC Country	No. of Funds	Amount in Billions	% of total
Saudi Arabia	147	18	51.42
Kuwait	36	3	6.00
Bahrain	20	1	2.00
UAE	55	5.5	11.00
Qatar	2		
Global Islamic	638	50	100

Other investment opportunities

Infrastructure & Construction

- \$1,368bn-worth of construction projects are currently either at design stage or under way on sites around the Gulf.
- 52 per cent of these, together worth \$714.8bn, are in the UAE.
- The second most active market in the region is Saudi Arabia, with \$283.8bn-worth of projects in the pipeline, or 21 per cent of the market share,
- Kuwait is third, with \$184.8bn worth or 13 per cent.



Other investment opportunities

Oil, Gas & Petrochemical

Mega projects 2009-2010 worth \$ 120 Billion

Project	Estimated Cost	Production
Ras Tanura Integrated Project (RTIP) S.Arabia	US\$ 27 billion	11 million tpa petrochemical
Pearl GTL (Qatar)	US\$ 24 billion	140,000 bpd fuel
Petro Rabigh Refinery Upgrade S.Arabia	US\$ 10 billion	Refining & petrochemical
Khurais Oilfield S.Arabia	US\$ 10 billion	1.2 mbpd oil
Manifa Offshore Oilfield S.Arabia	US\$ 9 billion	900,000 bpd oil
Saudi Kayan Petrochemical Complex	US\$ 9 billion	Six million tpa
Hassyan Power & Desalination UAE	US\$ 8.6 billion	1500 mw
Ras Girtas Power Project Qatar	US\$ 3.9 Billion	9000 mw
Shaybah Phase 2 Expansion S.Arabia	US\$ 3 billion	250,000 bpd oil

Other investment opportunities

Telecommunication & IT

- 38 % of population is under the age of 14
- IT would provide diversification and jobs opportunities
- GCC countries are pushing for electronic transaction such as
 - ❖ E-government
 - ❖ E-banking
- Requires establishment of IT infrastructure and education
- Undertaken by government & private equity funds
- 3 out of 12 major private equity investments is in technology;
 - Abu Dhabi investment Co working to establish largest semiconductor factory
 - Mubadala Development Co invested \$622 million to acquire 8.1 % stake in US Advanced Micro Devices (AMD)
 - Kuwait Investment Authority invested \$350 million to establish National Technology Enterprise Co
 - Investcorp London invested \$98 million in Redington Gulf, an IT and telecom product distributor

Trade opportunities

International Trade Volumes GCC countries imports

US\$ Billion

Year	Total Imports
2007	240.36
2006	200.08
2005	150.99
2004	134.49

Trade opportunities

GCC Exports (National Commodities) Excluding Petroleum

US\$ Billion

Year	Total Exports
2007	251.59
2006	280.83
2005	190.36
2004	162.63

Trade opportunities

GCC RE Exports (National Commodities) Excluding Petroleum

US\$ Billion

Year	Total Exports
2007	43.92
2006	33.70
2005	31.51
2004	23.68

Trade opportunities

GCC Countries Total Exports

US\$ Billion

Year	Total Exports
2007	295.51
2006	314.52
2005	221.88
2004	186.31

Major Imports	US Dollars
Live Animal & products	4.68 Billion
Live Animal & products	5.78 Billion
Crude materials, & Inedible	0.77 Billion
Food, Beverages , Sprits , Tobacco	5.61 Billion
Minerals	3.34 Billion
Chemicals	10.38 Billion
Manufactured Goods	5.48 Billion
Wood & Cork & Basketware	1.45 Billion
Paper & paper products	2.15 Billion
Textile & Textile items	6.19 Billion
Cement ,Ceramic & Glass	2.61 Billion
Pearls , Stones & Jewelry	15.03 Billion
Base Metals & Its items	16.0 Billion
Machinery & Electro equipment	36.88 Billion
Transport Equipments and Parts	25.51 Billion
Medical Instrument ,Watches & TV	3.49 Billion
Others	5.64 Billion

GCC as Potential Investor in Russia

- GCC investors continuously are looking for Investment opportunities to diversity their portfolios
- IFIs raised \$ 6.4 Billion in 2009
- US\$ 11 Billion is awaiting deployment
- This may be through direct investments or through acquiring equity stakes or providing financing
- Other investments are through capital markets
- **Notable investment interest is in following sectors;**
 - Financial services
 - Telecommunication
 - Real Estate
 - Agriculture
 - Light Industries



Private Equity Funds as Investors

Unicorn Global Private Equity Fund US\$ 150 Million

Geographical Distribution

- 40 per cent of the fund was placed in the GCC
- 35 per cent in the Levant
- 25 per cent of the fund was placed in the US and South East Asia.

Focus of Investment

- Investments in one of four categories:
- Consumer products,
- Health care,
- Business services
- Light manufacturing

Objective:

Acquiring positions in existing businesses and creating value through the use of prudent leverage, consolidation, financial restructuring, operational enhancements and the granting of management incentives



Private Equity Funds as Investors

Millennium Private Equity Fund Dubai

Objective;

To launch and manage family of 7 sector specific sub-funds in

- ▶ Energy
- ▶ Telecoms & Media Communications
- ▶ Financial Institutions
- ▶ General Industries
- ▶ Infrastructure
- ▶ Education
- ▶ Real Estate

Investment are made through

- ▶ IPOs, listed equities, private equity, Sharia compliant bonds, and other financial instruments

Private Equity Funds as Investors

❖ Enmaa (Dubai Growth Fund) \$100 million

Objective;

Invest in public and private equity securities

❖ Khaleej Finance and Investment Bahrain \$200 million

Objective;

Invest 50/50 in private equity and real estate in India

❖ Al Imtiaz Investment Fund

Objective;

Invest in both private equity and real estate

❖ Global DIB Millennium Islamic Buyout Fund \$500 million

Objective;

Invest in private companies through private equity

Focus ; GCC, Turkey, Egypt, Jordan, Lebanon, Tunisia, and Morocco.



Private Equity Funds as Investors

❖ Dhow Gulf Opportunities Fund Qatar US\$ 1 Billion

Objective;

Invest in new and existing companies.

Focus;

- Telecoms,
- Environmental recycling technologies
- Media
- Oil & gas
- Infrastructure

❖ Family Shari'ah Fund

Objective;

Replicate hedge funds return by investing in diversified companies through money market instruments, leasing and fixed income, equities, real estate and private equity



Islamic Banks as Investors

Specialist Islamic investment banks with a specific focus on Islamic private equity

International Investment Bank, Bahrain

Private equity deals include;

- ▶ IIB Paper Company Limited (UAE),
- ▶ IIB Power Company Limited (Asia),
- ▶ IIB Steel Company Limited (Bahrain),
- ▶ IIB Automotive Ltd (Tunisia),
- ▶ IIB Sugar Ltd (Bahrain),
- ▶ Istethmary Mortgage Finance BS (Saudi Arabia).
- ▶ The bank reported a net profit of \$13.5 million for 2008

Islamic Banks as Investors

Gulf Finance House, Bahrain

Projects through islamic private equity includes;

- ▶ Khaleeji Commercial Bank
- ▶ Gulf Energy Holding Company
- ▶ Gulf Holding Company
- ▶ Bayan Holding Company
- ▶ Balexco

First Energy Bank with paid up capital of US\$ 1 Billion

- ▶ MENAdrill a US\$ 3 Billion offshore drilling and services company



Islamic Banks as Investors

Unicorn Investment Bank Bahrain

Projects include;

- ▶ T'azur, a regional Takaful company
- ▶ Bahrain Financing Company
- ▶ Acquisition of 81.8 % of nter Yatirim Menkul Değerler A.Ş. Turkey a brokerage and Asset Management Co.
- ▶ Strategic Acquisition Fund.
A US\$1 billion fund to acquire strategic stakes in commercial banks globally

Attracting Islamic Investments to Russia

Drivers

- ▶ Market development requires a strong sponsorship and leadership of the host country government, especially on legal and regulatory issues such as ownership and enforcement rights.
- ▶ Regulatory framework that permit use of Shari'a principles and accounting treatment
- ▶ Consistent government policies, economic growth and stable exchange rate environment
- ▶ Transparency, Accountability and Good Governance
- ▶ Prioritizing research, education and training for better understanding and awareness for all key stakeholders.

Trident Financial Consulting W.L.L

- Trident is a Financial Services consulting firm based in Bahrain. It has operations and clients throughout GCC.
- Our management team has extensive regional experience and long established relationships with most of the significant players and regulators in Middle East.
- We provide consultancy services to corporate and financial institution clients in following areas;
 - Business Advisory Services
 - Business Assurance Services
 - Financial and Market Research
 - Executive Development

Web: www.tridentfinancial.net Email: tariq@tridentfinancial.net



THANK YOU

