

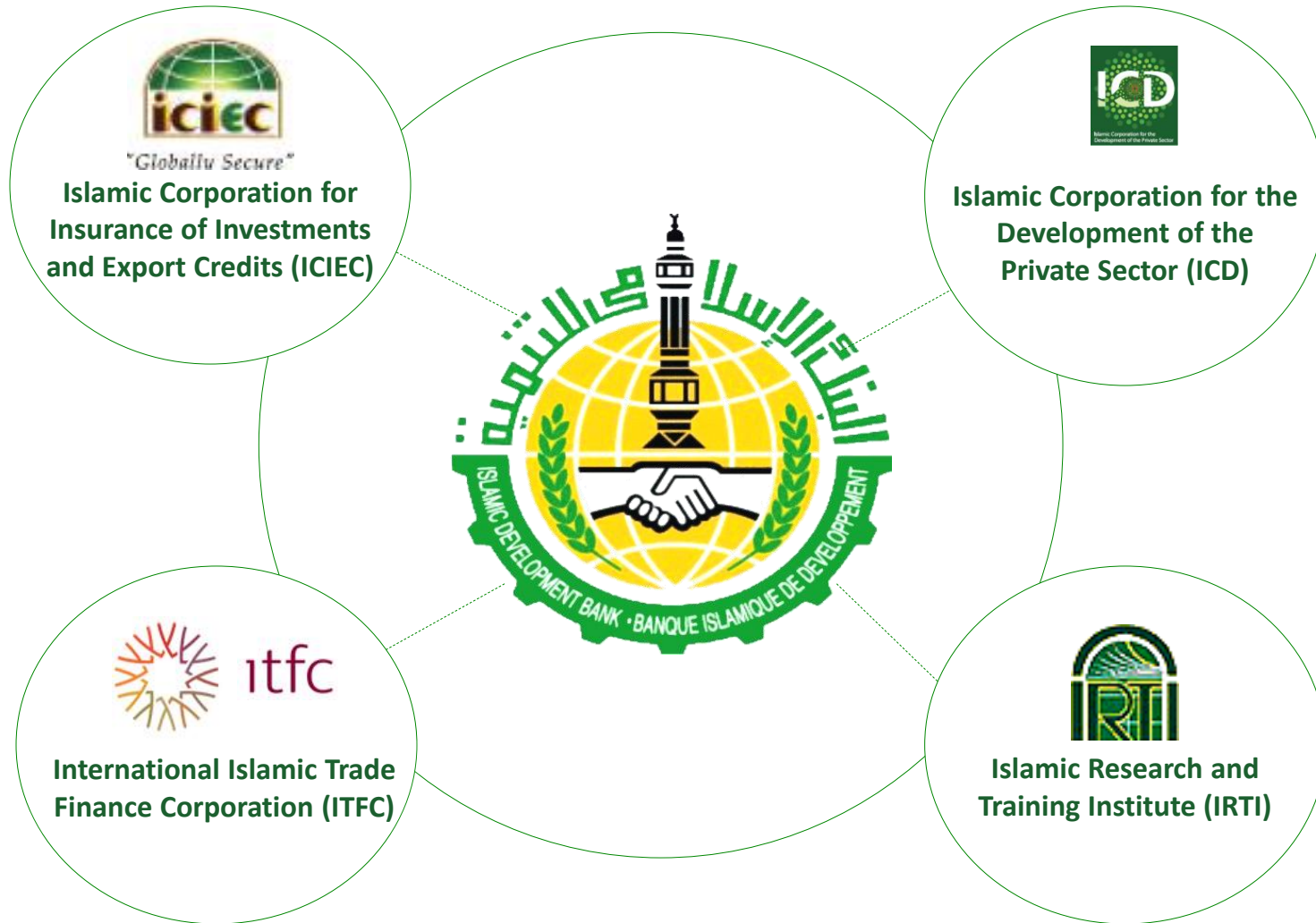
Promoting the Islamic Finance Industry in Saudi Arabia The Success Story

Talal Karim Althefery
Riyadh, KSA Nov 12,2012

Islamic Corporation for the Development of the Private Sector
Member of Islamic Development Bank (IDB) Group

Enabling Enterprise, Building Prosperity

Islamic Development Bank Group



Islamic Development Bank

- IDB, headquartered in Jeddah, Saudi Arabia, is a USD 50bn+ bank with 56 member countries mainly located in Asia, Middle East and Africa
- IDB Group Strategic Objectives:
 - Promotion of Islamic financial industry and institutions
 - Poverty alleviation
 - Promotion of cooperation among member countries
- IDB Group Priorities:
 - Human Development
 - Agriculture Development and Food Security
 - Infrastructure Development
 - Intra-trade Between Member Countries
 - Private Sector Development
 - Research and Development in Islamic Economics, Banking and Finance

IDB Group Vision:

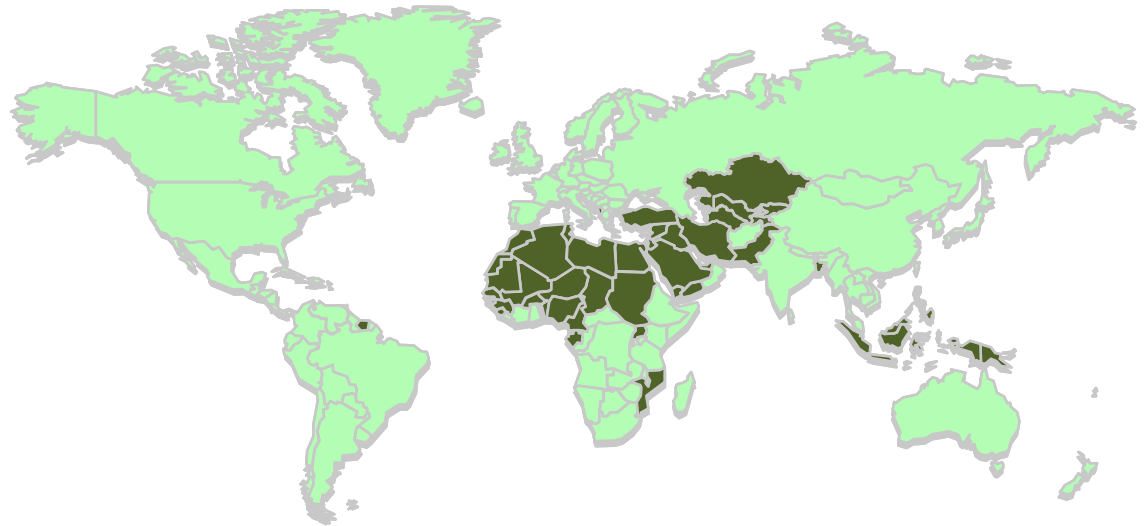
To be the leader in fostering socio-economic development in member countries and Muslim communities in non member countries in conformity with Shari'ah Law



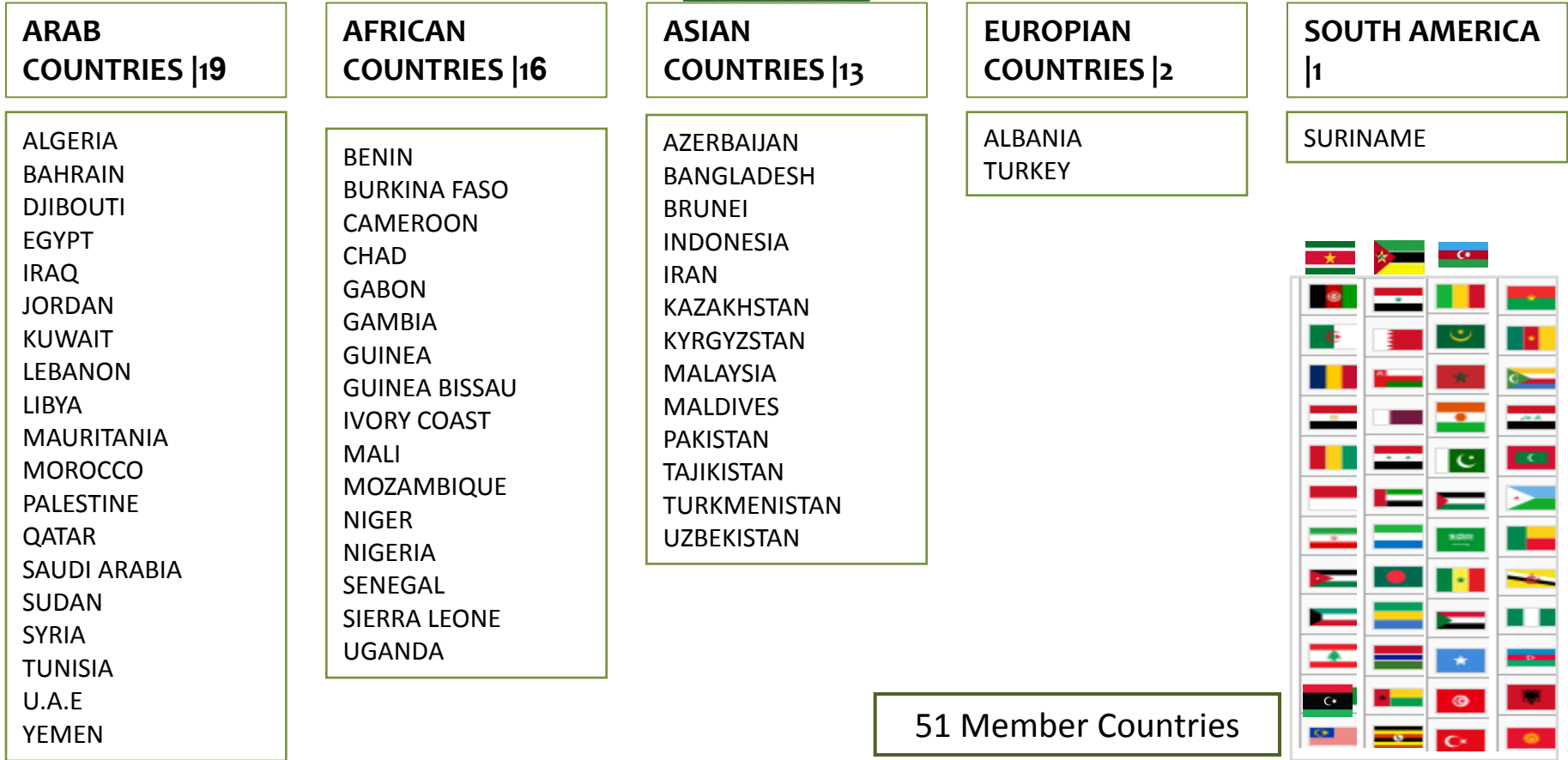
ICD Mission & Vision

- ICD is the private sector arm of IDB, a multilateral development finance institution
- ICD was established in 1999 with an authorized capital of USD 2bn.
- ICD is 50% owned by IDB, 20% by public financial institutions & 30% by member countries

- *The Vision of ICD is to be a major player in the development & promotion of the private sector as a vehicle for economic & social growth & prosperity in Islamic countries*
- *The Mission of ICD is to complement the role played by IDB through*
 - *Providing Islamic financial services & products*
 - *Promoting competition & entrepreneurship in member countries*
 - *Advising governments & businesses*
 - *Encouraging cross border investments*



ICD Member Countries



51 Member Countries

OVERVIEW: ICD Goals & Strategic Objectives

ICD strategic objective is to promote private sector by: helping create jobs; providing Islamic financing capabilities in all member countries; and providing access to financing.

1440 Vision

- 1 million jobs created
- 1 million low income families with access to finance
- 50 Islamic finance channels created / developed
- Enabling environment in 10 member countries
- 70% of resources from the market

ICD Goals

- 1 – 2 channels (financial institution investments) per country by 1440
- 3,000 enterprises per channels (SME through to corporations in key sector)
- 1 direct investment per country by 1440 (in sectors outside financial services)

Case Study - Islamic Banking & Finance Growth Drivers in KSA

Economic growth and liquidity

- Strengthened oil prices
- Solid economic growth in the country and region as a whole
- Increased wealth being retained in the country as investment opportunities improve
- Increased government spending & investment in infrastructure/ development projects

Investor appetite for Shari'ah compliant instruments

- Shari'ah-compliant instruments becoming increasingly popular with investors
- Testified to by rapid emergence of sukuk (Islamic bonds)
- Increase in desire of family enterprises to tap liquidity in order to go public

Privatization and foreign direct investment (FDI)

- Increased privatization initiatives accelerating project finance & structured finance
- Strong & improving FDI potential because of rising sovereign ratings & development

Regulatory changes

- Improving regulatory infrastructure
- Liberalization of country markets & increased investor friendliness
- Increased foreign participation

Diversification

- Movement of investments into nonoil sectors
- Investor funds diversifying regionally throughout the GCC & MENA

Globalization

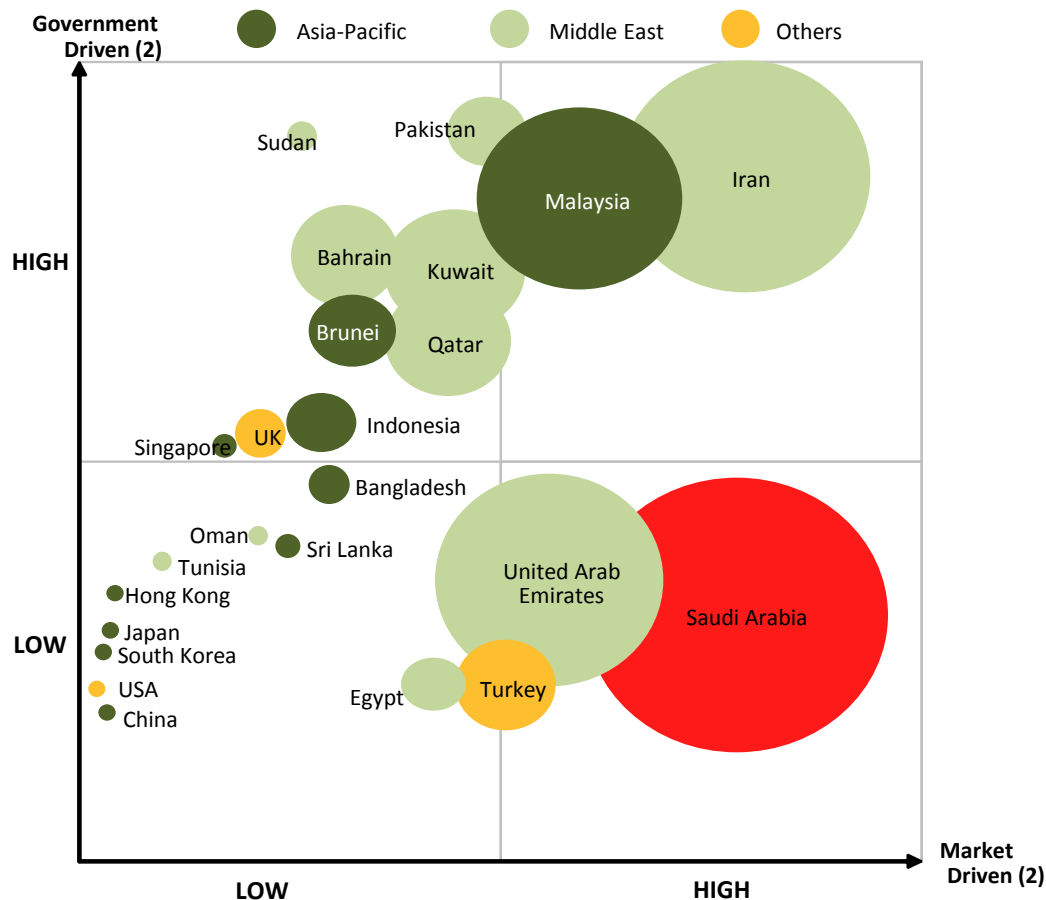
- Islamic financial instruments increasingly accepted globally because of globalization
- Foreign regulators (e.g., in USA, UK, European Union, Canada, & Singapore) accepting IF
- Entry of global players in IF

Islamic Finance Industry in KSA

Total of the KSA IF Assets, valued at US\$ 94 billion, represent 26% out of total GCC and 8.2% of total Global IF assets.

Momentum from retail to regulator involvement

The Sukuk market in Saudi Arabia the third largest in the world



Note: 1- Circle sizes denote estimated size of the Islamic financial market in terms of assets in these respective countries. 2- Government driven means this latter is taking actions to develop the sector. Market driven means that the demand in those countries is pushing the main financial players to opt for this industry

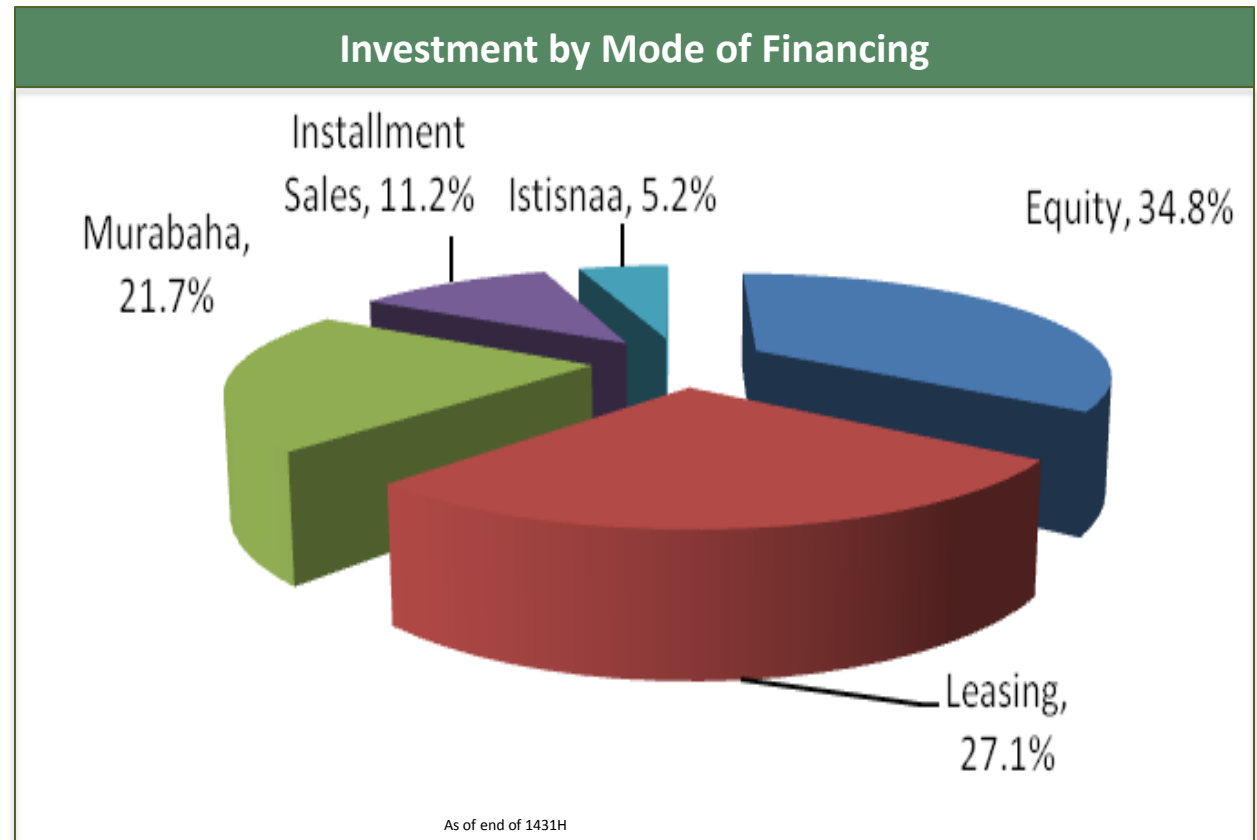
Source: HSBC , Deloittee

ICD Financials: Financing Status

ICD has already leveraged its position in the market to provide USD 1.4bn in financing projects.

Investment Status

- ICD is currently funding 162 projects on its own balance sheet and 43 projects through managed funds
- Approved projects amount for USD 1,467mn on its balance sheet and USD 540mn through managed funds
- ICD has funded projects in 29 countries and is looking forward to expand its investments to other member countries

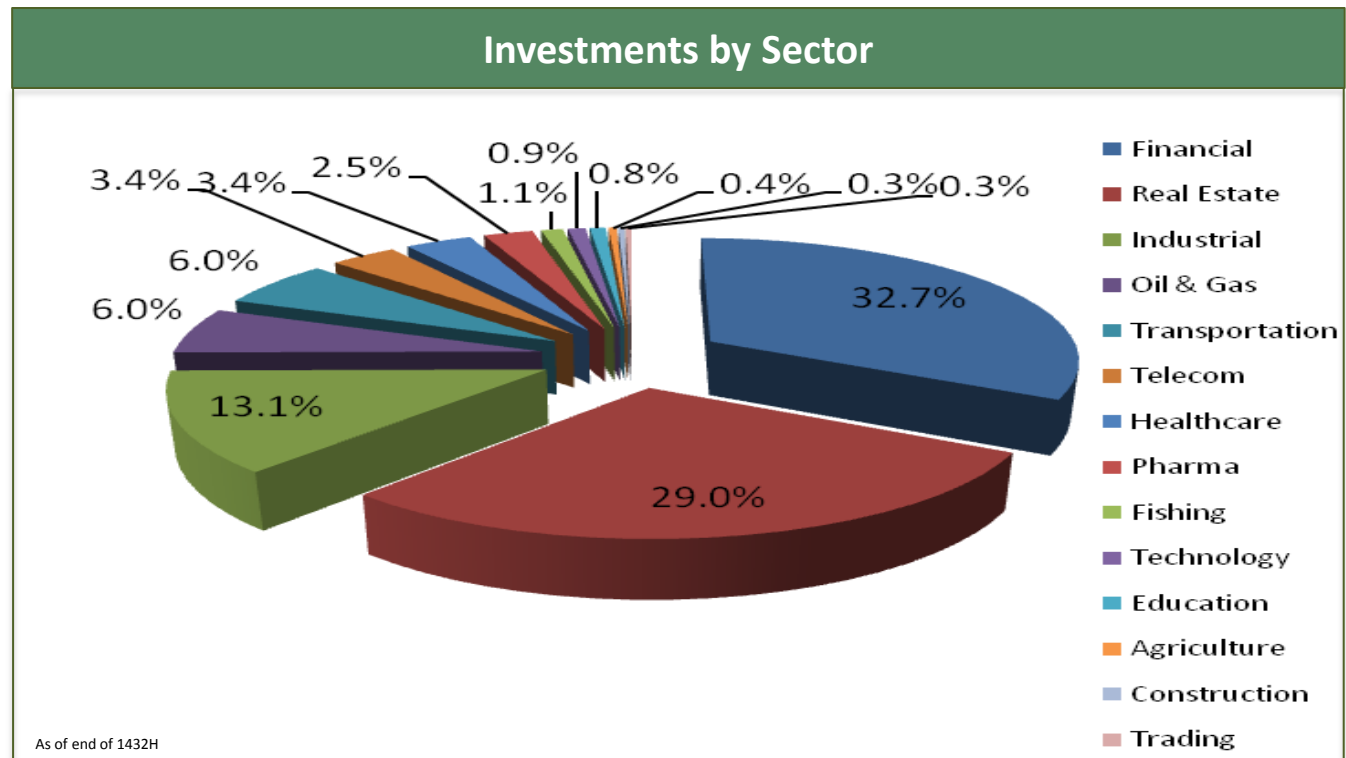


ICD Financials: Sector Investment

ICD diversifies its investments in a wide range of sectors in order to maximize its developmental impact on its member countries at local as well as regional level.

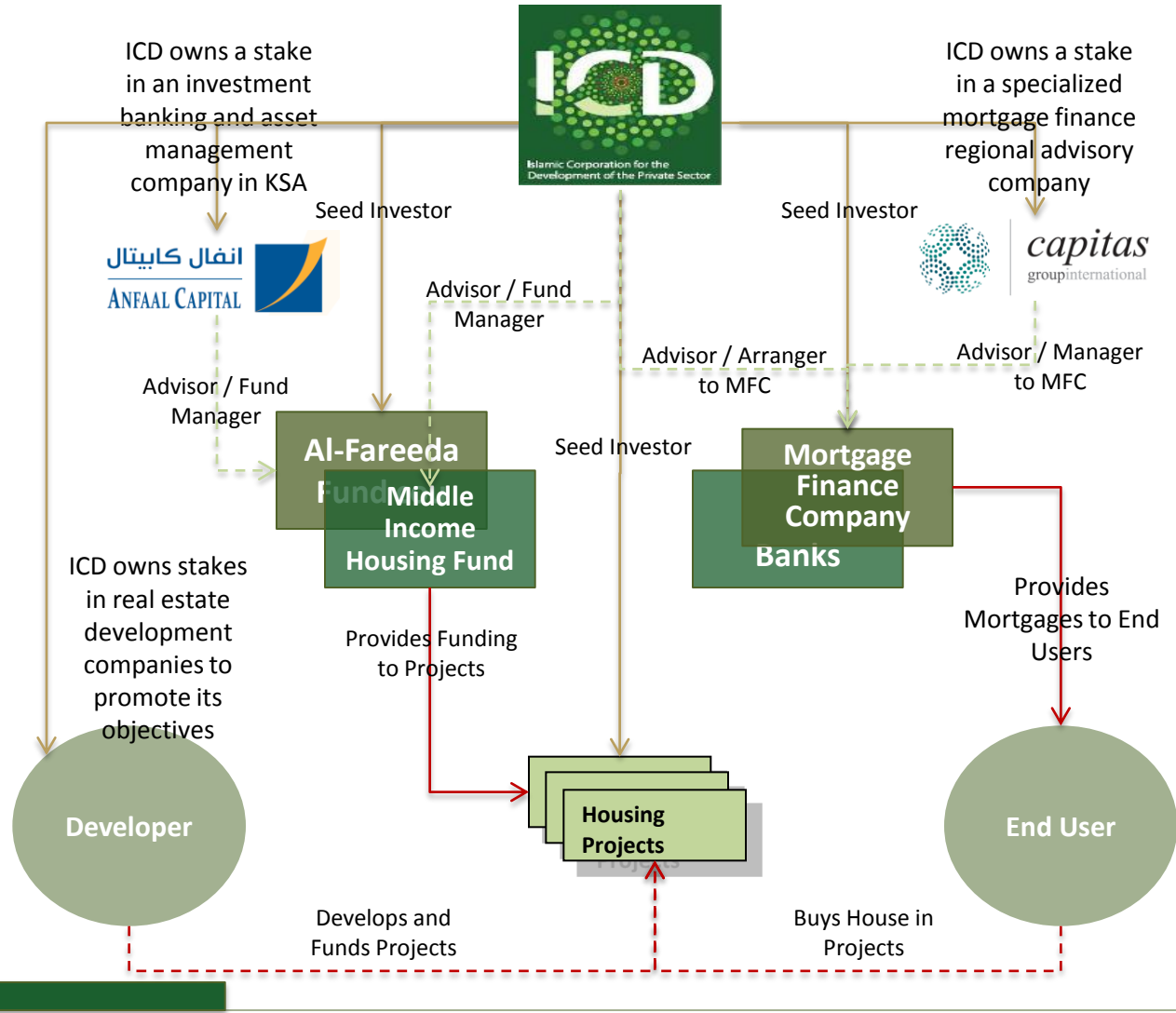
Objectives

- Social Development
- Integration into Global Economy
- Building Knowledge Based Economies
- Funding for Infrastructure Development



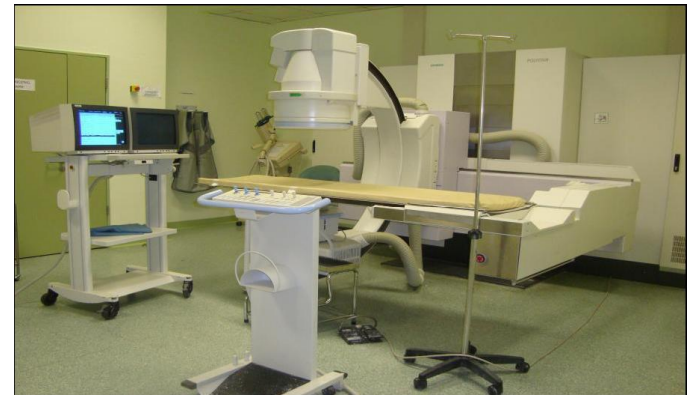
Case Study :Providing Middle Income Housing (Multi-Prong Strategy)

- ICD has embarked on a mission to facilitate the development of middle income housing in KSA through a multi-pronged strategy
- ICD has played the role of advisor, venture investor, real estate investor, fund manager and facilitator in order to achieve the desired objectives of providing housing to the middle income segment by not only developing the housing but by providing a reliable financing structure for developers and end users



Case Study :Providing Healthcare Development through Ijarah

- The project aimed at construction and equipping of a state-of-the-art tertiary hospital in Medinah
- Appraised in January 2001, cost was estimated at SR 300.52 million (US\$ 81.14 million)
- Total amount of US\$ 10 million for Ijarah of hospital medical equipment.



IFI Program Outline

Mission

Development and Promotion of Islamic Financial Institutions

Conversion/Establishment

- Convert conventional financial institutions into Islamic ones or create an Islamic independent subsidiary/window:

Enhancement/Restructuring

- Help the existing Islamic institutions to enhance their operational processes, boost their financial resources and diversify their products

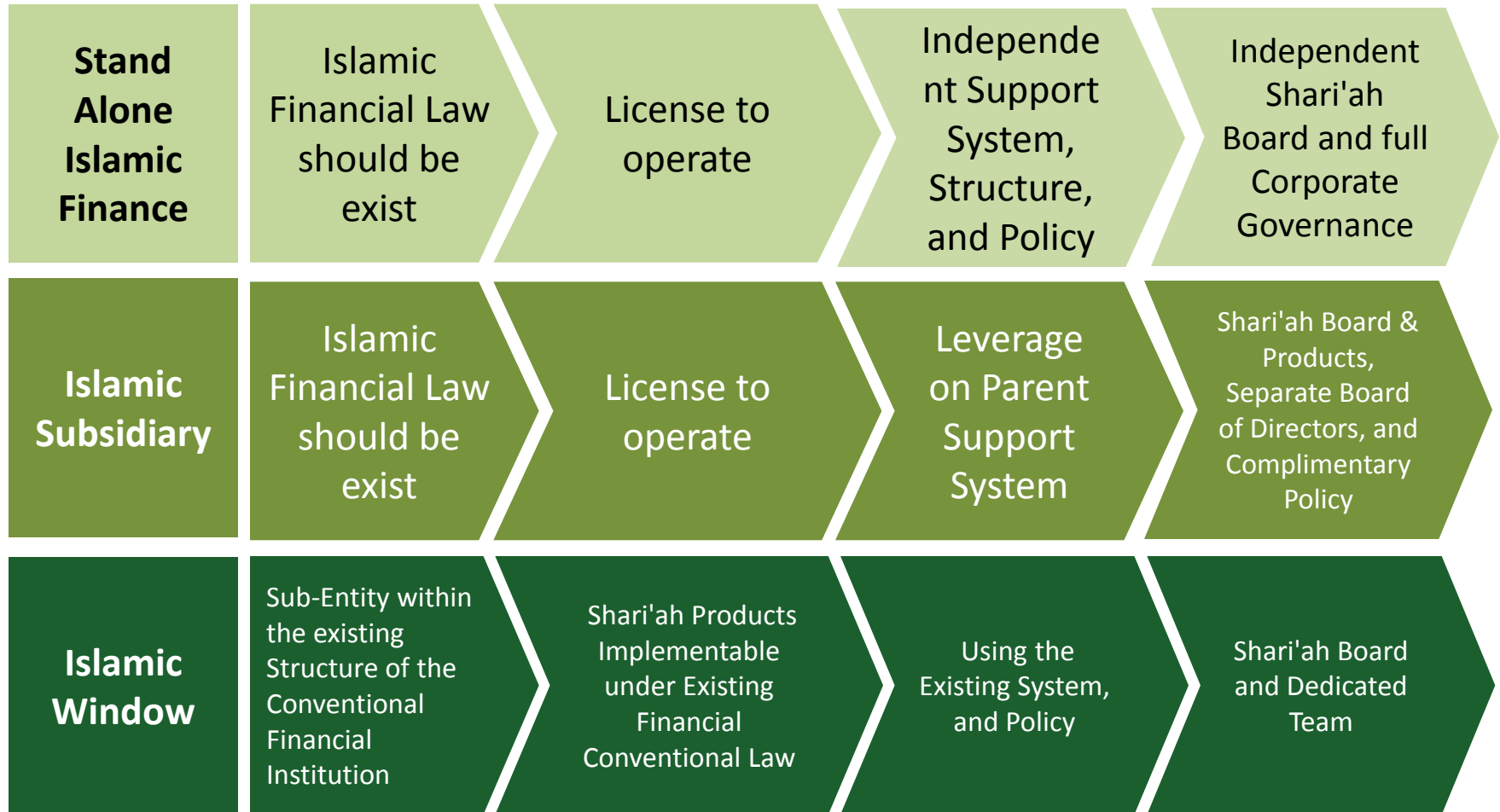
Regulation

- Assist Govt to enhance & develop their new or existing Islamic financial system

Capacity Building

- Identify knowledge gaps
- Training & developments (with practical training in our financial institutions subsidiaries around the globe)

Various Models: from Islamic Window Setup to Full Fledge Institution



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Relevant Experience

Relevant Experience: Setting up, Investing and Financing

ICD extends its own reach by setting up, investing and financing to other Islamic Banks in its Member Countries.

Focus of Islamic Banks

- To develop Islamic Financing Channels by promoting and developing financial institutions. These institutions act as financial channels for ICD and provide a multiplier effect on the investment dollars

Islamic Bank of Guinea
 USD 2.98mn
Equity
Financial Sector
 Guinea
 2010


Islamic Bank of Mali
 USD 21.28mn
Equity
Financial Sector
 Mali
 2011



BYBLOS BANK AFRICA
 USD 3.55mn
Equity
Financial Sector
 Sudan
 2003, 2005, 2008

Islamic Bank of Niger
 USD 11.53mn
Equity
Financial Sector
 Niger
 2010

Islamic Bank of Mauritania
 USD 20.0mn
Equity
Financial Sector
 Mauritania
 2008



Dawood Islamic BANK LTD
 USD 18.47mn
Equity
Financial Sector
 Pakistan
 2005, 2006, 2007, 2011

Islamic Bank of Senegal
 USD 3.33mn
Equity
Financial Sector
 Senegal
 2010



Maldives Islamic Bank
 USD 11.7mn
Equity
Financial Sector
 Maldives
 2010



SABA ISLAMIC BANK
 USD 12.06mn
Equity
Financial Sector
 Yemen
 2006, 2008, 2010

Relevant Experience: Setting up, Investing and Financing (Cont'd)



Focus on Islamic Financial Institutions

- ICD also invests in other Islamic Financial Institutions in order to promote the development of Islamic Finance as a viable alternative to conventional finance.
- As with banks, investing in these financial institutions will have a multiplier effect and increase the total assets of in Islamic products in any country
- Currently there is a lack of such Institutions in the Islamic countries and Shari'ah - compliant FIs are needed to finance private sector
- The objective is to go beyond basic banking and include developing non-banking FIs (e.g. Ijarah, takaful) and continue to product the market with access to innovative Islamic products

 <p>انفال كابيتال ANFAAL CAPITAL</p> <p>USD 1.97mn</p> <p>Equity Raising</p> <p>Sole Placement Agent in KSA 2010</p>	 <p>SYRIAN INVESTMENT</p> <p>USD 1.0mn</p> <p>Equity</p> <p>Financial Sector Syria 2008</p>	<p>Arab Leasing & Investment Company</p> <p>USD 6.0mn</p> <p>Equity</p> <p>Financial Sector Sudan 2008</p>
 <p>فرص للاستثمار Foras Investment</p> <p>USD 3.0mn</p> <p>Equity</p> <p>Financial Sector Saudi Arabia 2008</p>	<p>Sukuk Exchange Center</p> <p>USD 10.0mn</p> <p>Equity</p> <p>Financial Sector Bahrain 2006</p>	 <p>المعبد ALMUTTAHED</p> <p>USD 38.4mn</p> <p>Equity</p> <p>Financial Sector Saudi Arabia 2006</p>
 <p>INJAZAT CAPITAL</p> <p>USD 1.10mn</p> <p>Equity</p> <p>Financial Sector UAE 2005</p>	<p>Mellat Investment Corporation</p> <p>USD 15.9mn</p> <p>Equity</p> <p>Financial Sector Iran 2004</p>	 <p>الوكالة الإسلامية الدولية للتصنيف Islamic International Rating Agency</p> <p>USD 2.58mn</p> <p>Capital Increase</p> <p>Financial Sector Regional (Bahrain) 2005</p>

Overview: Financial Channel Network

- ICD also provides Lines of Finance (medium term) to selected financial institutions for onward financing of projects in the small and medium enterprises (SME) sector

Lines of Finance			
<p>Global Line of Financing Bangladesh</p> <p>USD 50.0 M</p> <p><i>Financial Sector</i></p> <p><i>Bangladesh</i></p> <p>2011</p>	<p>Global Line of Financing Iran</p> <p>USD 50 M</p> <p><i>Financial Sector</i></p> <p><i>Iran</i></p> <p>2011</p>	<p>Global Line of Financing Uzbekistan</p> <p>USD 30 M</p> <p><i>Financial Sector</i></p> <p><i>Uzbekistan</i></p> <p>2011</p>	<p>Global Line of Financing Tajikistan</p> <p>USD 10.0 M</p> <p><i>Financial Sector</i></p> <p><i>Tajikistan</i></p> <p>2010</p>
<p>Global Line of Financing Azerbaijan</p> <p>USD 40.0 M</p> <p><i>Financial Sector</i></p> <p><i>Azerbaijan</i></p> <p>2010</p>	<p>Global Line of Financing Uzbekistan</p> <p>USD 50.0 M</p> <p><i>Financial Sector</i></p> <p><i>Uzbekistan</i></p> <p>2009</p>	<p>Global Line of Financing East-Asia</p> <p>USD 50 M</p> <p><i>Financial Sector</i></p> <p><i>East Asia</i></p> <p>2008</p>	<p>Global Line of Financing Kyrgyz</p> <p>USD 4.0 M</p> <p><i>Financial Sector</i></p> <p><i>Kyrgyz</i></p> <p>2006</p>
 <p>Asaka Bank</p> <p>USD 20 M</p> <p><i>Financial Sector</i></p> <p><i>Uzbekistan</i></p> <p>2011</p>	<p>PT Mandala Multi Finance</p> <p>USD 8.0 M</p> <p><i>Financial Sector</i></p> <p><i>Indonesia</i></p> <p>2008</p>	 <p>بنك التجارة والصناعة BANQUE POUR LE COMMERCE ET L'INDUSTRIE</p> <p>USD 3.0 M</p> <p><i>Financial Sector</i></p> <p><i>Mauritania</i></p> <p>2003</p>	

Relevant Experience: Some assignments under process...

ICD Business Consulting Services team is currently working with a large array of projects related to renowned international financial institutions, providing top of the edge advisory services: Islamic banking conversion, Islamic capital placement, Islamic window set up, general Islamic finance advisory



USD 68.8mn

Islamic Banking Conversion Advisory

Kazakhstan
2012



USD 20.6mn

Placement Agent

Kazakhstan
2012



USD 25.0mn

Islamic window set up Advisory

Cameroon
2012



الخليج المتحد للخدمات المالية شمال افريقيا
United Gulf Financial Services North Africa

USD 30.0mn

Islamic Finance Advisory

Tunisia
2012



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Enabling Enterprise, Building Prosperity

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