

IFN FORUM

SAUDI ARABIA

2017

#IFNSaudi17

POST-FORUM ANALYSIS REPORT



22nd November 2017
Riyadh Marriott Hotel

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Saudi Arabia: Beating the odds

Despite being only a little over a year since Saudi Vision 2030 was announced, the Kingdom's Islamic banking and finance industry has reaped significant benefits from major regulatory reforms and improving economic conditions; oftentimes defying regional and historical trends, VINEETA TAN observes.

Regulatory landscape

Theoretically, all banking transactions in Saudi Arabia are supposedly Shariah compliant; this however is not the case. While the Kingdom practices Shariah law, its banking laws make no reference to Islamic banking — the country adopts a single regulatory framework for all banks.

Shariah compliance supervisory rests largely on individual Shariah boards of respective banks as there is not a specific body at the national level which oversees the Shariah compliance of financial transactions; all banking and insurance matters fall under the purview of the Saudi Arabian Monetary Authority (SAMA) which acts as the central bank whereas the nation's capital markets are regulated by the Capital Market Authority (CMA) which also issues investment banking licenses (dealing with the securities business and prohibited from taking deposits).

Since Vision 2030 was announced in April 2016, various regulatory reforms have been introduced to liberalize the financial markets in line with the Kingdom's ambition of reducing its hydrocarbon reliance and attracting foreign investments. The CMA in 2016 initiated the process of reviewing and revamping all its regulations. Among major reforms rolled out include the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares, New Funds Regulations and rules for REITs. Under the Transition & Activation of Responsibilities Project, the CMA will continue to regulate offers of securities and continuous obligations while Tadawul will regulate the listing of securities and the details regarding timing, format and mechanisms of disclosures.

Banking and finance

The SAMA has licensed 12 local banks in Saudi Arabia and 14 foreign investment banks, with the latest two licenses for Qatar National Bank and Bank of Tokyo-Mitsubishi UFJ issued in 2016 and 2017 respectively although the banks have not begun operations yet. Out of the 12 local banks, four are fully-fledged Islamic: Al Rajhi, Aljazira, Alinma and Albilad. The CMA on the other hand has extended 85 licenses including three in the first half of 2017 including to Citigroup (all three new recipients have yet to begin operations).

These numbers are poised to change as mergers and new entrants are anticipated: Alawwal Bank and Saudi British Bank begun merger negotiations in May while foreign banks such as First Abu Dhabi Bank and Credit Suisse have expressed interest in a Saudi banking license; BTMU UFJ expects to commence business in 2018.

The rush of new players into the banking market is reflective of the improving operating environment over the past year: unlike the rest of its GCC neighbors which have struggled to boost asset growth amid weak oil prices, Saudi banks in 2016 — which focused on the SME and corporate sectors — collectively grew their assets by 9% (up from 3% the previous year). Despite slower loan growth anticipated, Saudi banks are expected to continue performing well: Moody's Investors Service, which downgraded 11 domestic banks in May 2016, upgraded the outlook on the Kingdom's banking system from negative to stable in March.

Capital markets

A combination of enhanced regulations and government funding needs has propped up the Saudi capital markets especially the Sukuk and Islamic fund segments. On the equity front, the CMA at the end of 2016 established a parallel market to the main market of Tadawul to widen the issuer spectrum to include SMEs and it is widely viewed that the likely inclusion of the Kingdom into the MSCI Emerging Markets Index will open the floodgates for international capital to flow into Saudi equities.

Sukuk

The Kingdom anchored its position as one of the world's largest Sukuk issuers with the biggest sovereign dollar paper in 2017 (also its first ever): it raised US\$9 billion in April, receiving over US\$33 billion in orders; in the same month, national petroleum company Saudi Aramco debuted its Sukuk, a SAR11.25 billion (US\$3 billion) facility that is part of a US\$10 billion debt program. Latest 12-month rolling Dealogic data shows that Saudi Arabia issued US\$13 billion-worth of Sukuk as at the end of May 2017, second to Malaysia which issued US\$15.7 billion. The Saudi Sukuk pipeline is looking robust with several large issuances planned including possible papers by Saudi Electricity Company and Saudi British Bank.

Funds

Saudi Arabia is home to the largest number of Islamic funds worldwide: as at the 30th May 2017, there are 202 Shariah mutual funds listed on Tadawul and the investment universe has expanded to include REITs after the passing of new related rules. Since November 2016, a total of four REITs have been launched — all of them being Shariah compliant.

Takaful

Practicing a unique cooperative model, Saudi Arabia is considered the world's largest Takaful market, commanding almost half (48%) of global contributions and 77% of GCC contributions, according to EY. Yet, Saudi Arabia remains a severely underserved and highly concentrated market. At 1.1%, the insurance penetration level of the Kingdom is the lowest compared to regional peers.

The industry, comprising 30 insurers and five reinsurers, is regulated under the Law on the Supervision of Cooperative Insurance Company by the SAMA. The market recorded one of the best financial performances in years in 2016: 28 insurers realized stronger earnings, nine recovered from losses and the market more than doubled its pre-Zakat profits to SAR2.5 billion (US\$666.32 million) from SAR1 billion (US\$266.53 million) in 2015. This is in stark contrast to previous years when almost half of the operators were deep in the red, and when two of the largest companies by gross premium revenue, Tawuniya and BUPA, controlled 123% of total market profits; in 2016, it was 57%.



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09:25 – 10:15

Saudi Arabian Capital Markets: From Domestic to International

Recent Saudi sovereign issuance has been acknowledged as a game-changer in the Saudi capital markets and recent corporate Sukuk issuance has provided an important benchmark. However, what needs to be done to further shape the Kingdom as a recognized international financial center and how will the Sukuk market develop? What will a new generation of products such as Sukuk funds and mortgage-backed securitizations bring, and where can Islamic finance play a role?

Moderator:

John Sandwick — General Manager, Safa Investment Services

Panelists:

Anita Yadav — Head of Fixed Income Research, Senior Director – Wholesale Banking, Emirates NBD

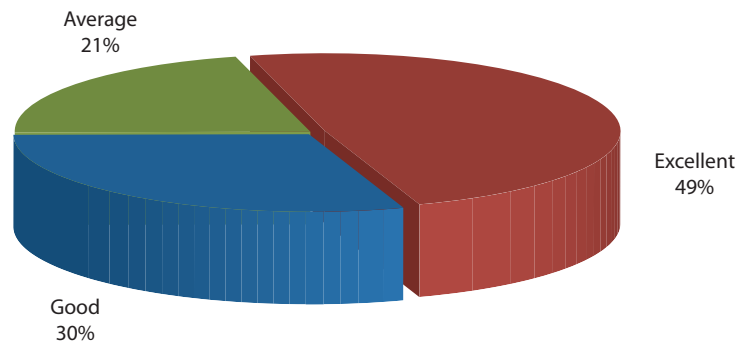
Darko Hajdukovic — Head of Analytics, Funds and Fixed Income, London Stock Exchange Group

Faisal Qadri — Managing Director, Head of Debt Capital Markets, HSBC Saudi Arabia

Mohamed Damak — Global Head of Islamic Finance, S&P Global Ratings

Robert Hahm — CEO, Mashreq Capital

Umera Ali — Partner, Michelman & Robinson



10:15 – 10:45

Investment Banking and Equity Markets in the Kingdom: Opportunities for Islamic and Conventional Finance

The Saudi Aramco listing is a significant and exciting development for Saudi companies and the country's equity capital markets as a whole. We examine opportunities for equity issuance and the development of equity-linked products, and the various options offered by conventional and Islamic programs. We also look at the prospects of mergers and acquisitions across key industries, with the backdrop of the Kingdom's ambitious transformation, diversification and privatization programs and Vision 2030.

Moderator:

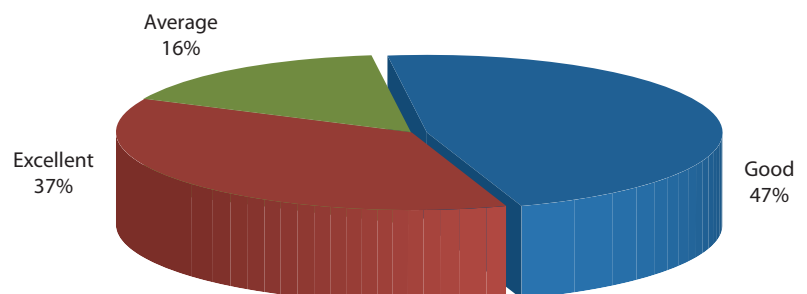
Nabil Issa — Partner, King & Spalding

Panelists:

Fahad Aldeweesh — CEO and Head of Investment Banking, JP Morgan Saudi Arabia Company

Jassim AlSane — Director, Middle East Investment Banking, Citi

Robert Ansari — Executive Director, Head of the Middle East, MSCI



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11:15 – 11:40

Real Estate Investment in Saudi Arabia

We assess latest techniques and trends in real estate investment in Saudi Arabia, including the use and structure REITs

Moderator:

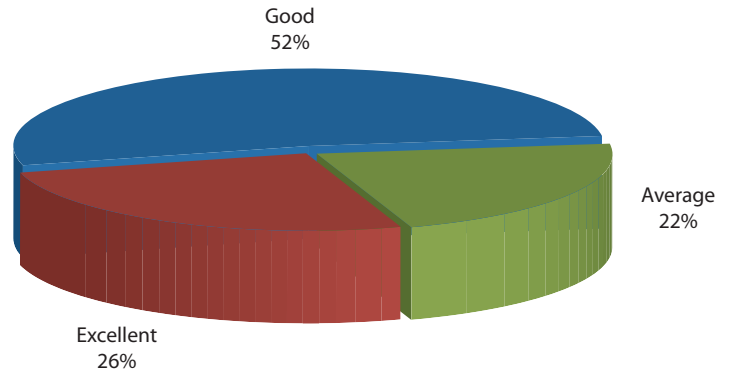
James Stull — Partner, King & Spalding

Panelists:

Allen Merhej — Managing Director — GCC, Inovalis Fund Management

Amro Nahas — Head of Real Estate Investment, MASIC

Ibrahim Al Buloushi — National Director and Country Head, JLL



11:40 – 12:10

Analysis: Sukuk Risk and the Case of the Dana Gas Default

We ask two leading capital markets professionals to outline their views on the situation.

Moderator:

Abdul-Rahman Hammad — Regional Director Middle East, IdealRatings

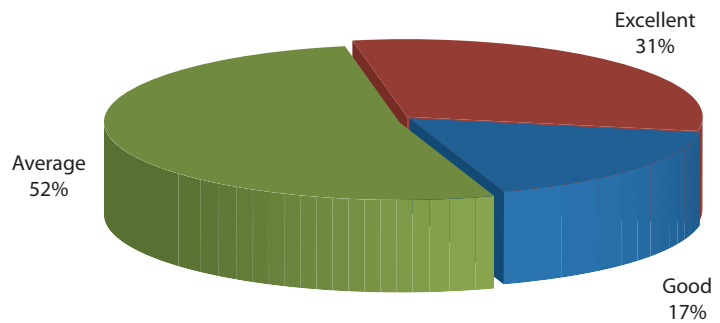
Panelists:

Fakrizzaki Ghazali — Head of Fixed Income, SEDCO Capital

Nitish Bhojnagarwala — Vice-President - Senior Analyst, Financial Institutions Group, Moody's Investors Service

Rizwan Kanji — Partner, King & Spalding

Yasser Dahlawi — CEO, Shariyah Review Bureau



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12:10 – 12:40

Funding Infrastructure and Social Welfare Requirements in Saudi Arabia

We discuss public-private partnerships, financing structures as well as opportunities in active sectors.

Moderator:

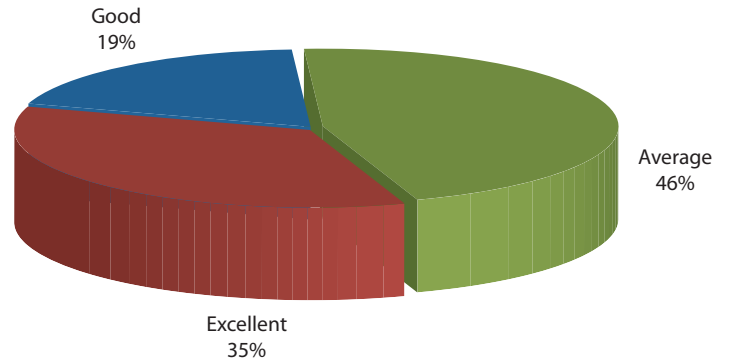
Shibeer Ahmed — Partner, Winston & Strawn

Panelists:

Hidayathullah Baig — Senior Director, Project Finance, Al Rajhi Bank

Richard Paton — Head of PPP and Public Sector Strategy, Saudi Arabia, KPMG

Safdar Raza — Director, Project and Export Finance, HSBC Saudi Arabia



12:40 – 13:20

Preparing for the Future: Financial Technology in Saudi Arabia

What does the advancement of technology mean for financial institutions in Saudi Arabia? We analyze opportunities and challenges as well as likely industry shifts and developments in product and delivery channels.

Moderator:

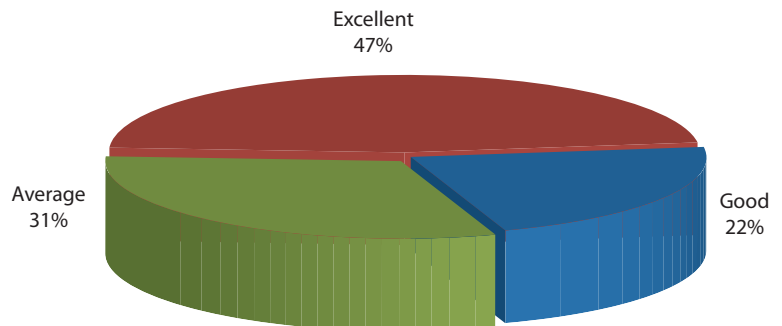
Maisa J Shunnar — Head of Strategy Implementation and Transformation, Bahrain Islamic Bank

Panelists:

Ashar Nazim — Managing Director, Finocracy

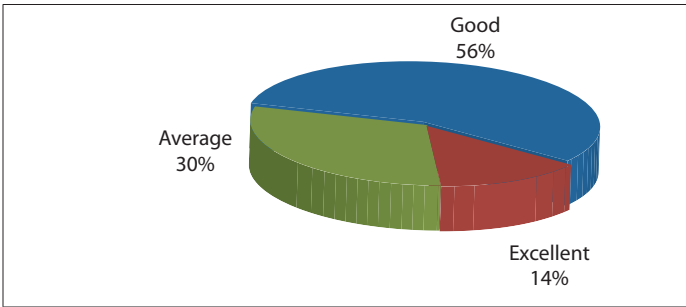
Lawrence Oliver — Director and Deputy CEO, DDCAP

Talal A Ajina — Country Head, PayTabs

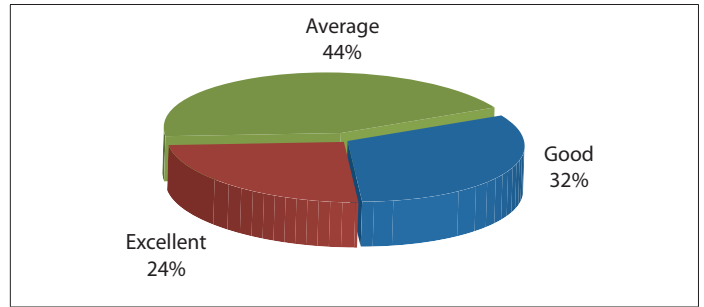


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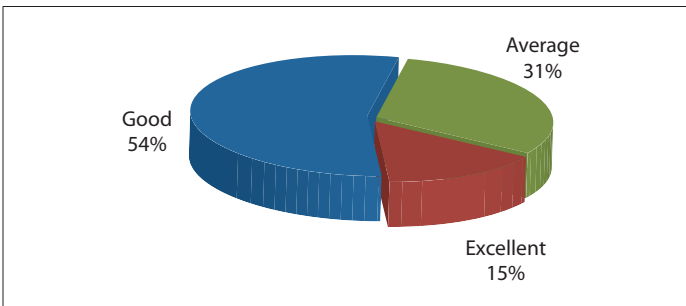
Pre-event Contact



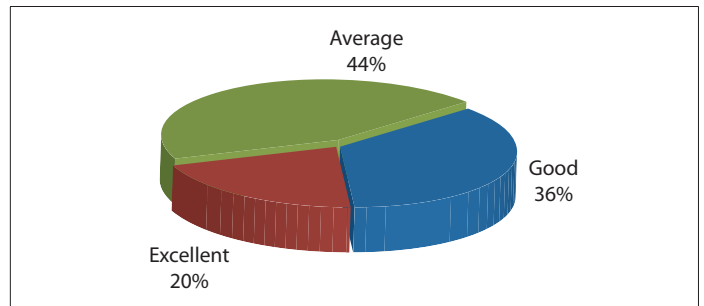
Overall Evaluation of the Event



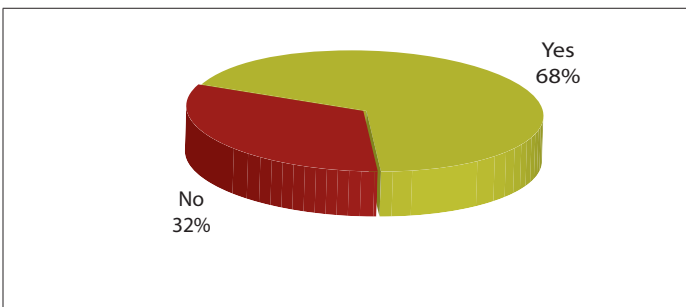
Venue and Facilities



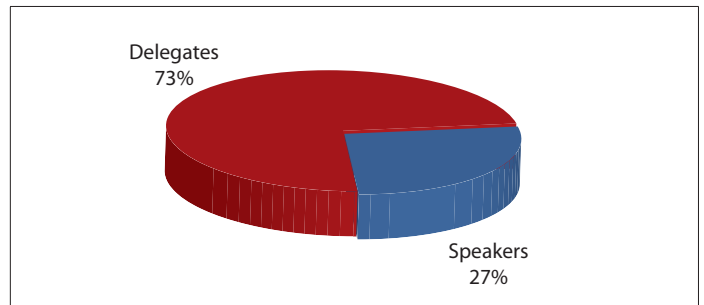
Overall Evaluation of the Speakers



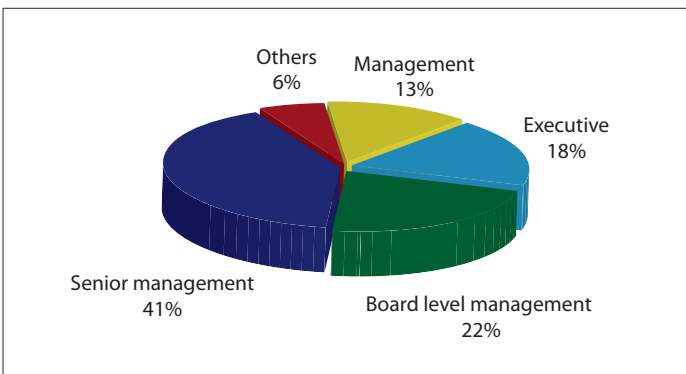
Delegates Who Would Like to attend IFN Saudi Arabia Forum 2018



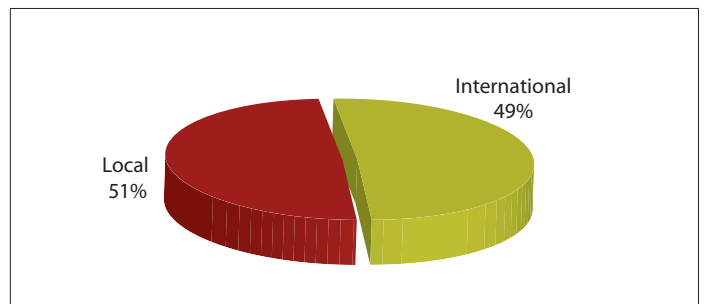
Delegate Breakdown



Delegate Job Title Breakdown



Delegate Breakdown (International and local)



Board Level Management	23
Senior Management	43
Management	13
Executive	19
Others	6
Total	104

POST-FORUM ANALYSIS REPORT



SPEAKERS

COMPANY	NAME	JOB TITLE
Al Rajhi Bank	Hidayathullah Baig	Senior Director, Project Finance
Bahrain Islamic Bank	Maisa J Shunnar	Head of Strategy Implementation and Transformation
Citi	Jassim AlSane	Director, Middle East Investment Banking
DDCAP	Lawrence Oliver	Director and Deputy CEO
Emirates NBD	Anita Yadav	Head of Fixed Income Research, Senior Director – Wholesale Banking
Finocracy	Ashar Nazim	Managing Director
HSBC Saudi Arabia	Faisal Qadri	Managing Director, Head of Debt Capital Markets
HSBC Saudi Arabia	Safdar Raza	Director, Project & Export Finance
IdealRatings	Abdul-Rahman Hammad	Regional Director Middle East
Inovalis Fund Management	Allen Merhej	Managing Director - GCC
JLL	Ibrahim Al Buloushi	National Director and Country Head
JP Morgan Saudi Arabia Company	Fahad Aldeweesh	CEO and Head of Investment Banking
King & Spalding	Nabil Issa	Partner
King & Spalding	James Stull	Partner
King & Spalding	Rizwan Kanji	Partner
KPMG	Richard Paton	Head of PPP and Public Sector Strategy, Saudi Arabia
London Stock Exchange Group	Darko Hajdukovic,	Head of Analytics, Funds and Fixed Income
Mashreq Capital	Robert Hahm	CEO
MASIC	Amro Nahas	Head of Real Estate Investment
Michelman & Robinson	Umera Ali	Partner
Moody's Investors Service	Nitish Bhojnagarwala	Vice-President - Senior Analyst, Financial Institutions Group
MSCI	Robert Ansari	Executive Director, Head of the Middle East
PayTabs	Talal A Ajina	Country Head
S&P Global Ratings	Mohamed Damak	Global Head of Islamic Finance
Safa Investment Services	John Sandwick	General Manager
SEDCO Capital	Fakrizzaki Ghazali	Head of Fixed Income
Shariyah Review Bureau	Yasser Dahlawi	CEO
Winston & Strawn	Shibeer Ahmed	Partner



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COMPANY LISTING

Aae Systems US | Abu Dhabi Global Market | Addat | Africa Islamic Economic Founda | Ahl Investment Company | Al Bawani | Al Madina Investment | Al Rajhi Bank | Al Safi Danone | Al Tammi & Co | Alajaji Advisory Office | Alansi Est | Alawwal Bank | Alawwal Investment Company | Al-Imam University | Alinma Bank | Aljazira Capital | Allen & Overy | Alphabet Capital Advisors | Alraja | Alsayed Sons Company | Al-Yamama Group Of Companies | Alyamamah Press | Alzamel Alliance Holding | Amomi | Andalus Capital | Arendt And Medernach | Ateon | Bae Systems Saudi Development | Bahrain Islamic Bank | Baker Botts | Bank Albilad | Bank Islam Brunei Darussalam | Bank Of America Merrill Lynch | Banque Saudi Fransi | Capital Markets Authority | Citi Bank | Claremont Arabia | Clyde & Co | CMS | Colony Northstar | Crystal Network Co | Dallahhealth | Dar Al Sharia Islamic Finance Consultation | Dar Al-Handasah (Shair And Partners) | DDCAP | DDGI | Dentons | Desert Technologies | Diwans Legals | Dubai Intl Financial Center | Dux Capital | Effat University | Eid Group International Trade | Eiger Trading Advisors | Emirates Islamic Bank | Emirates Nbd | Enmaa | Euroclear Bank | Fatima Group | First Bank of Nigeria | Fox Rodney Search | French Embassy | Ghazzawi Law Firm | Gisba Group | Herbert Smith Freehills | Hospital | Hozoon Holding | Ideal Ratings | Imam University | Inovalis | International Human Rights Obs | Inventis Investment | Islamic Development Bank | Jadwa Investment | Jaiz Bank Plc | Jones Lang Lasalle | K&L Gates | Kfcris | Kinesis Capital & Management | King & Spalding | King Abdul | King Saud University | KPMG | Al Fozan & Partners | Kuwait Finance House | Lafana Holding Company | Latham & Watkins | Law Firm Of Hassan Mahassni | Mashreq Bank | Mashreq Capital | Maybank | Mica Saudi Company | Mino River Miners | Misk Foundation | Mohamed Ben Laden | Moody's Investors Service | MSCI | Nadec | Nahar Aldalbahi Law Office | Nama Holding | National Blood & Cancer Center | Nomura Am Dubai | Onward Professional Traning | Orix Leasing Saudi Arabia | Oxford Business Group | Pakistan Stock Excahnge | Plymouth University | PwC | Public Investment Fund | Rassmal Investments | Riyadh Capital | S & B Lawyers | S&P Global Ratings | Sada Business Center | Safa Investment Service | Safraco | Salfo And Associates | Salihu Shehu & Company | Saudi Arabia | Saudi Bin Laden Group | Saudi Chevron Phillips Company | Saudi Orix Leasing Company | Saudi Post Office | Saudimed Investment Company | SBC | Sedco Capital | Seder Group | Showb Group | Simmons & Simmons | Societe Generale | South Street Asset Management | State Bank Of Pakistan | Sudan International University | Tata Consultancy Services | The Business Year | The Law Firm Of Wael A Alissa | Toban Law Firm | Trowers & Hamlins | US Embassy | United Nations Development Pro | Volaw Group | Warwickstone Capital | Winston & Strawn