

Session 6
Creating the Next Generation of Islamic
Finance Solutions:
The Product Innovation Imperative

***Which Products can be offered in
these current market conditions?***

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Success Through Partnership

Major economies are heading towards recession...

- OECD Countries
 - Deterioration of Public Finance
 - Global costs of rescue packages = in excess of \$3 trillion
 - Size of US rescue package = in excess of \$700 billion
(GDP of Netherlands; 5 times the GDP of Pakistan;
\$100 billion short of combined GDP of Africa)
 - Onset of Recession: IMF Forecasts for 2009

GDP Growth

Global	3%
US	0.1%
Euro Area	0.2%
Japan	0.5%

World Trade

Imports	
OECD	1.1%
Developing	10.9%
Exports	
OECD	2.5%
Developing	7.4%



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In the context of a world financial turmoil...

Threats to financial sector integrity

- Contagion effect due to exposure to US and European troubled banks
- Risk of depositors' run on certain fragile banks
- Liquidity crunch and deterioration of inter-banks market

Threats to capital markets

- Turmoil in stock markets is shaking investors confidence
 - Slowdown in issuance of new corporate bonds, including sukuk
 - Slowdown in cross-border dealings
-
- ... **is MENA still a viable investment destination?**
 - ... what products can be offered?



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MENA is still forecast to grow by 5.1% and GCC by 6% in 2009...

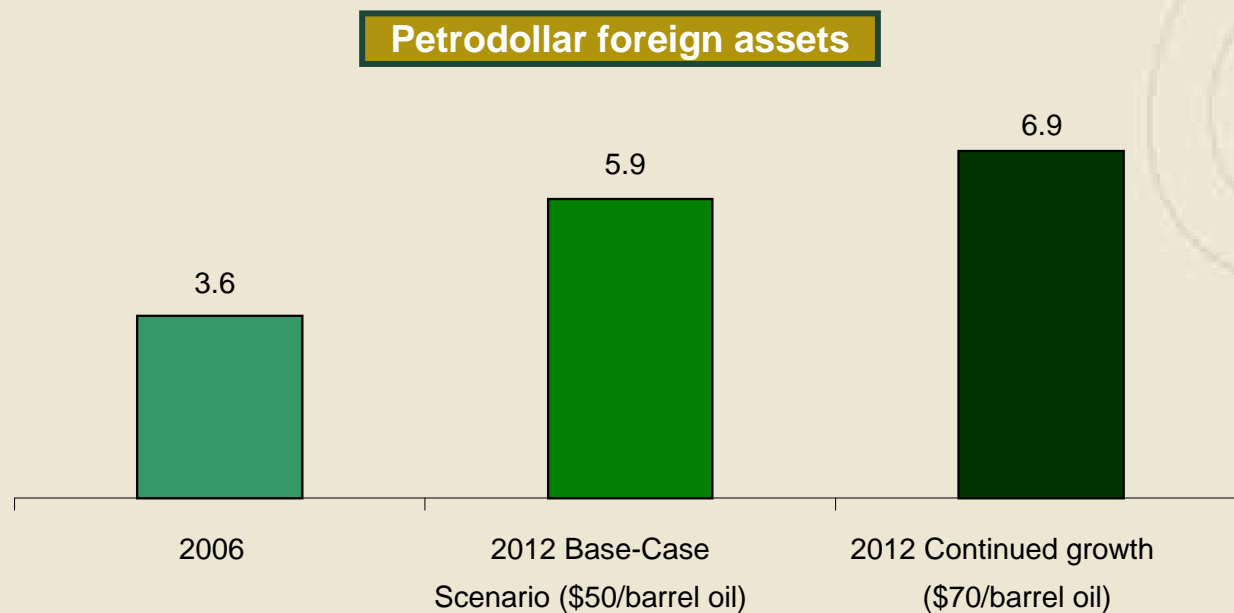
- ...although assets of GCC's Sovereign Wealth Fund in the US and Europe have dropped by 30% during the past year, which translates to an estimated book loss of \$30 billion
- ...despite the sharp decline of oil prices and stock markets
- ...and the panic of the spill over effects of the crisis



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Petrodollars are still going to be a major component of FDI

- Foreign Assets of GCC estimated at USD 1.6 -2.0 trillion in 2006
- In 2012, assets are forecast to grow by 63%
- ...despite assumption that oil price will stabilise at USD 50/barrel

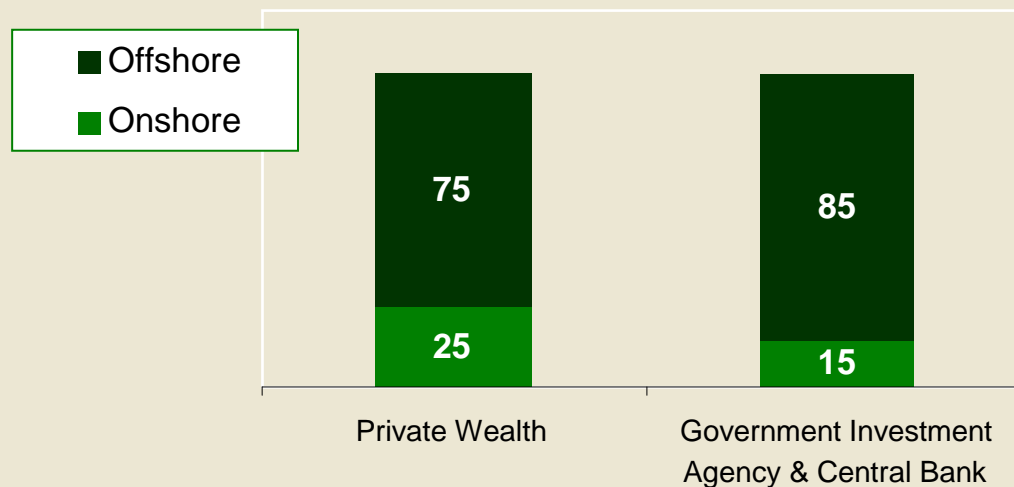


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Private GCC wealth invested home is increasing...

- It increased from 15% to 25% in last four years
- While share of Government wealth invested domestically is still 15%
- ...Sovereign wealth funds may have to increase their share of domestic investments to pump in liquidity in the system and restore confidence

Estimated Assets of GCC countries, 2006 (\$ trillion, %)

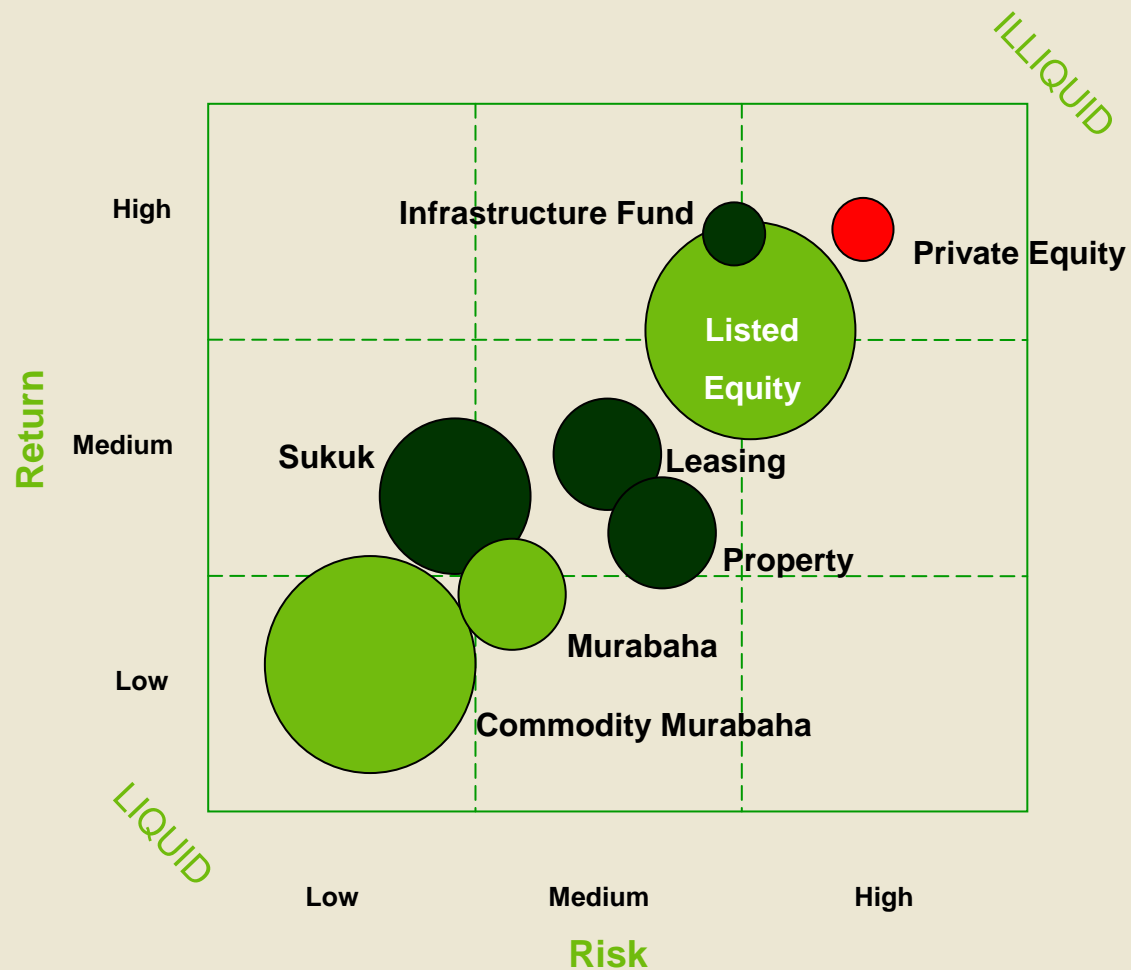


Source: McKinsey



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Murabaha, sukuk and listed equities are the largest asset classes...



Source: Data Source E & Y



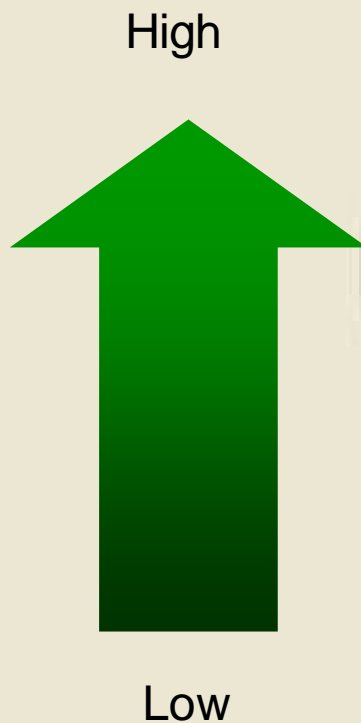
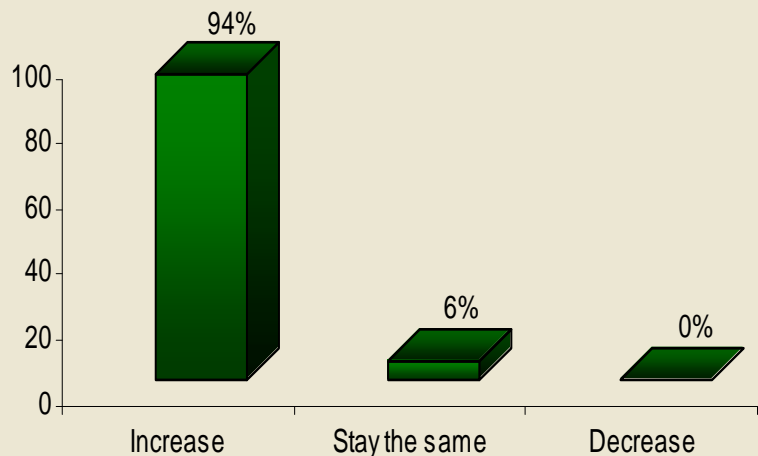
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Private Equity is growing and may be favored if stock markets remain volatile...

Over next 12 months, 94% of respondents expect Private equity activities to increase

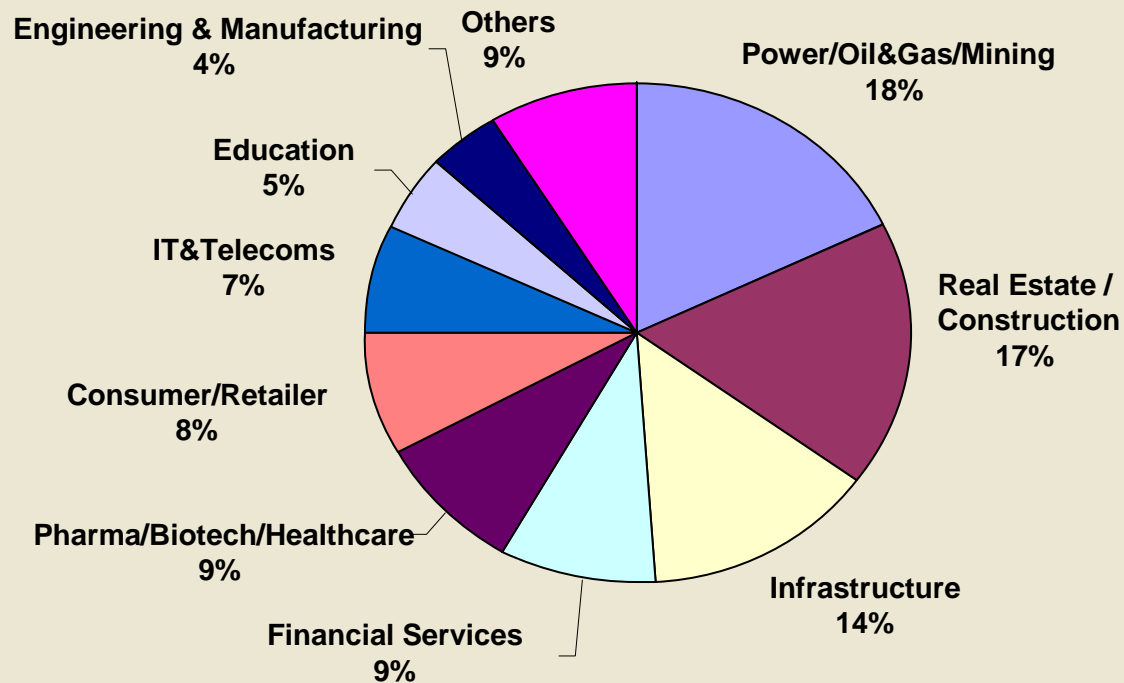
Confidence index in prospects of private equity in MENA is high

Options



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Private equity landscape is diversified ...



- Saudi Arabia combines scale and availability of resources would present an immediate investment destination
- Qatar and Abu Dhabi could also present good opportunities in particular those “Energy Intensive”
- Investors with higher risk appetite could consider emerging countries such as Algeria, Libya and Iraq



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Private Equity is an attractive asset class...

- Attractive entry valuations
- Good exit cycle multiples in 3-5 years
- Focus on recession proof sectors
- Sharing in risk and reward

Major challenge will be access and cost of leverage?

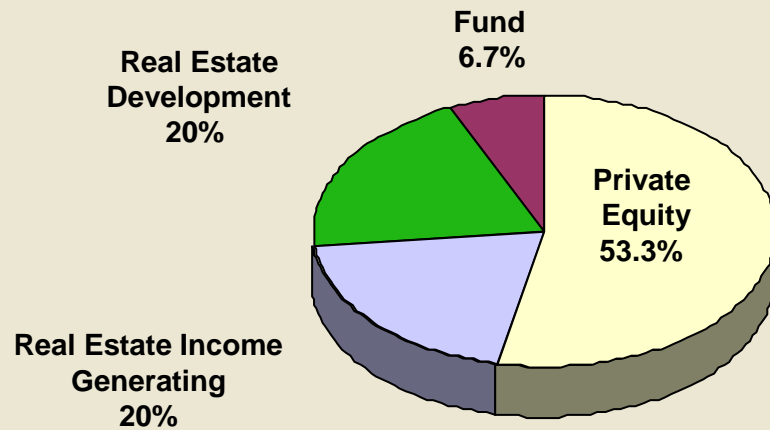
- Mezzanine financing could substitute part of the leverage
- Rescue plan and funding lines could restore inter – bank borrowing and market confidence over time



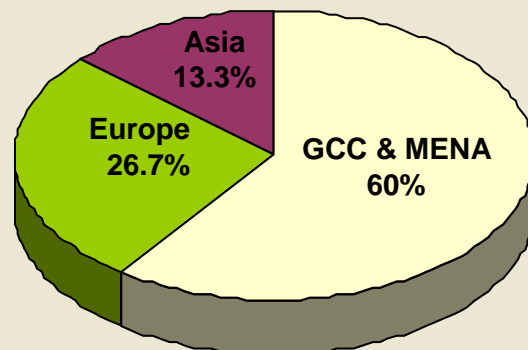
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Existing IIB's Portfolio

PRODUCT PORTFOLIO (BY REGION)



PRODUCT PORTFOLIO (BY INVESTMENT SECTOR)



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بنك الاستثمار الدولي
INTERNATIONAL INVESTMENT BANK

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Thank you



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Vision & Mission

Vision

To become a premier investment bank in the MENA region, providing value added investment opportunities to its clients, while enhancing value for its shareholders.

Mission

To continuously outperform the expectations of our investors and shareholders by offering attractive investment opportunities in the Real Estate and Private Equity, and promoting high ethics.



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Strategic Focus

IIB has two main core business activities :

- Real Estate

- Partners with renowned developers to acquire plots of land and develop commercial and retail projects
- Acts as an investor, arranger and placement bank for these projects
- Partners with credible asset managers to acquire existing rented buildings
- IIB acts as an investor, arranger and placement bank for these portfolios

- Private Equity

- Targets diverse sectors including financial, manufacturing and industry
- Expansion projects
- Considers green field projects on a selective basis if promoted by credible partners



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