

## **S.ARABIA NEWS REPORT**



### **Assets of top 100 Islamic banks up 66%**

Despite the financial turmoil in late 2008 that crippled so many Western conventional financial institutions, Islamic banks have continued to grow in prominence and size with the world's 100 largest full-fledged Islamic banks ranked by assets holding more than \$580 billion in 2008, a 66 percent increase from the \$350 billion of the previous year, according to a study published at the end of August 2009 by Asian Banker Research.

The top 10 banks remained largely the same as the ones that dominated our previous ranking in 2008, with Bank Melli Iran still topping the list and Saudi Arabia's Al-Rajhi Bank in second place. Iranian banks are still the predominant Islamic banking players, holding seven out of the top 10 ranks, and 12 of the 100. The Iranian banks also take up around 40 percent of the world's 100 largest Islamic banks' assets. The four next-largest markets — the UAE, Malaysia, Saudi Arabia and Kuwait — each have similar asset sizes compared with one another, and together carve out nearly another 40 percent of the ranking's assets combined, with smaller banks in 10 other markets rounding out the list," stressed the study.

The rankings, however, should be treated with caution. As with the Islamic bank rankings of The Banker in London, Iranian banks should be excluded until the authorization status of such banks are clarified. Bank Melli for instance is not incorporated as an Islamic bank and privately does not call itself an Islamic bank and is engaged in riba banking. Iranian regulators in the past have

similarly conceded that the underlying basis of the Iranian banking system is not Islamic, despite the confusion regarding the so-called Islamic revolution in Iran.

Similarly, Iran continues to raise funding from the international financial markets on a riba basis and has yet to issue a sovereign Sukuk. Despite the size of the Iranian banks, says the study, Saudi Arabian banks are much more profitable as the three Saudi Arabian banks in the top 100 Islamic banks contributed 19 percent of the ranking's total income. Al-Rajhi Bank had the highest net income figure of \$1.74 billion, the only bank to break the billion, and almost three times more than the second-most profitable Islamic bank, Kuwait Finance House. The bank also earned over five times the most profitable Iranian bank, Bank Tejarat. Looking ahead, stressed the study, it can already be seen that Bank Melli may not be the largest bank in the listing for much longer, as it had a mere 0 percent growth rate in 2008.

This may be due to the European Union freezing the bank's assets, which has shrunk the bank's lead over Al-Rajhi Bank to just 4 percent from 40 percent the previous year. Considering Al-Rajhi Bank's 32 percent change in total assets in the year, it is likely to overtake Bank Melli in asset size in 2009.

*Source.: ARAB NEWS 31/08/2009*

### **Hilton Hotels voted 'Most Recognized Brand'**

JEDDAH - Hilton Hotels Middle East and Africa has been voted the most recognized hotel brand in both the United Arab Emirates (UAE) and Kingdom of Saudi Arabia (KSA), according to the 2009 Maktoob Research Travel Monitor.

The annual syndicated study on travel trends and preferences tracks performance of the major players in the UAE and KSA hospitality and airline industries by canvassing and assessing opinions of frequent travelers from the two countries. Hilton emerged as a frontrunner in brand

awareness in the UAE and KSA at 73 percent improving on last year's performance by 11 percent and 7 percent respectively. The Hilton brand also performed well on the usage index with 18 percent of respondents in the UAE, and 15 percent in the KSA preferring a Hilton stay over those of most other brands. The study also showed the brand is likely to maintain its substantial market share, with 23 percent of respondents from both markets intending to stay at a Hilton hotel next year.

"In world-class and fiercely competitive markets like the UAE and the KSA, meeting customer expectations involves investment in the human component and image, as much as facilities. The fact that the Hilton brand not only topped our study in consumer brand awareness, but showed substantial gains over last year's study, truly demonstrates that it is heading in the right direction when it comes to customer satisfaction," said Tamara Deprez, general manager, Maktoob Research. The study also assessed hotel websites; online guest services and facility information; customer service contact, tax and fare displays; online reservation facilities; ease of navigation and payment options among other criteria. Hilton's scores improved significantly over last year's and the brand scored an average of 8.2 out of 10 across all areas.

Customer perception of Hilton was particularly high in the KSA where Hilton topped the list in overall customer satisfaction for the third consecutive year.

The brand also recorded high scores in efficiency, ambience, quality of service, hotel staff, quality of guest rooms and facilities, food and beverage outlets and language skills of staff. – SG

**Source.: SAUDI GAZETTE  
01/09/2009**

### **Prince Alwaleed tops Saudi Rich List 2009**

JEDDAH - Prince Alwaleed Bin Talal is ranked the world's richest Arab and the Middle East's most high-profile businessman by The Arabian Business Saudi Rich List 2009.

Alwaleed's assets are valued at \$16.3 billion, compared with \$17.1 billion last year, according to the Dubai-based magazine.

Arabian Business said it was 'granted unprecedented access to the private financial accounts of Alwaleed.

Kingdom Holding's assets are valued at \$7.26 billion, while the Prince owns \$3.18 billion of real estate and \$1.56 billion of media assets such as LBC and Rotana Holding, Arabian Business said, citing his financial accounts. Alwaleed's other major assets, including an Airbus A380, are valued at \$1.7 billion.

The rest is made up by his jewelry collection, his investment in a French port and his stakes in Lebanese and Palestinian companies, Arabian Business said.

The Prince built his fortune by investing in brand-name companies he considered undervalued, including Citigroup, Apple, News Corp and Time Warner.

Alwaleed was lauded by Time magazine as the Middle East's answer to Warren Buffett, the Sage of Omaha, after his 1991 investment in Citicorp, Citigroup's predecessor, helped make the Saudi billionaire one of the world's five richest people. – Agencies

**Source.: SAUDI GAZETTE  
01/09/2009**

### **Inflation down to 4.2 percent**

JEDDAH: The Saudi Arabian Monetary Agency (SAMA) announced Monday that the country's inflation rate was 4.2 percent in July, down from 11.1 percent for the same month last year.

"We expect the decline in the inflationary rate to continue through 2009, creating a better opportunity for financial development and stability," SAMA Gov. Muhammad Al-Jasser said.

The central bank chief made this comment while presenting SAMA's 45th annual report to Custodian of the Two Holy Mosques King Abdullah during a ceremony at Al-Salam Palace.

“The national economy continued its strong growth in 2008 for the sixth consecutive year as the gross domestic product (GDP) grew by 4.5 percent while the private sector grew by 4.7 percent,” he said. Speaking about the Kingdom’s economic performance in 2008, Al-Jasser said the budget surplus reached 33 percent of GDP while the balance of payment surplus stood at 28.6 percent.

The Kingdom’s banking sector continued its constructive role of financing economic activities as monetary supply rose by 17.7 percent in 2008 while credit facility granted to the private sector increased by 27.1 percent. Al-Jasser also referred to the qualitative development achieved by the Kingdom following the formation of the Supreme Economic Council (SEC), a mini-Cabinet chaired by King Abdullah. The SEC took 70 major decisions on economic and structural reforms and 165 decisions on organizational and administrative development over the past years.

“As a result of these decisions the Kingdom achieved remarkable economic performance in recent years with the private sector GDP maintaining an average annual growth rate of 5.5 percent in the past five years,” he said. During the same period, the Kingdom’s nonoil exports rose by 23.2 percent annually.

Saudi Arabia’s investment environment has improved considerably over the past years and the Kingdom is now ranked 16th out of 181 countries in terms of competitive environment, business performance and investment, according to the Best Business Practice Report issued by International Finance Corporation (IFC), an affiliate of the World Bank, in 2009.

He emphasized the need to diversify income sources and reduce dependence on oil as a source of income through giving the private sector a greater role in the national economy. He praised the king for allocating the Kingdom’s budget surplus for educational and training projects and

for carrying out infrastructure projects such as roads and water networks.

Referring to the global economic crisis, the SAMA chief said it had limited effect on the Saudi economy. “Saudi banks were not affected noticeably thanks to the policies adopted by SAMA in monitoring financial institutions,” he explained. Al-Jasser commended King Abdullah’s directive in adopting a strong and effective financial, monetary and banking policy, adding that it had helped Saudi Arabia in overcoming the financial crisis.

“Many countries have admired the Kingdom on this success story,” he added.

Al-Jasser said SAMA had taken a series of measures to ensure adequate liquidity in order to meet local requirements and reduce the cost of lending. “This policy enabled Saudi banks to continue their role in financing development projects,” he said, adding that King Abdullah had instructed SAMA to focus on long- and medium-term policies to achieve financial stability rather than opting for short-term economic decisions.

*Source.: ARAB NEWS 01/09/2009*

### **SEC/DOW**

Saudi Electricity Company (SEC) and Dow Wire & Cable, a business unit of the Dow Chemical Company, hosted a joint technical workshop in Jeddah recently to discuss SEC’s needs and state-of-the-art product solutions available for the utility company to optimize power delivery systems throughout the Kingdom. Presenters from Dow were Ramachandran, global end-use marketing director for Dow Wire & Cable, Ashish Arora, sales manager for India, Middle East and Africa (IMEA), and Milind S. Chavan, end-use marketing manager for IMEA. The technical workshop provided an opportunity for key value chain partners to engage with one another and discuss

Dow's innovative wire and cable solutions as well as the benefits of using proven cable material systems to improve reliability and reduce life-cycle costs. "Dow is determined to actively seek opportunities with cable manufacturers and utilities to continuously improve cable performance and deliver customer-centric cable solutions," Ramachandran said.

*Source.: ARAB NEWS 01/09/2009*

### **Saad, Algozaibi debts no threat to Saudi banks**

RIYADH: Muhammad Al-Jasser, governor of Saudi Arabian Monetary Agency (SAMA), said Tuesday that the debts of business conglomerates Saad Group and Ahmad Hamad Algozaibi & Bros did not pose any major threat to Saudi banks.

"There is no systemic risk on the Saudi banking system from the debts of these two firms. Profitability, however, could be affected," Al-Jasser told reporters.

Saad and Algozaibi are embroiled in a legal battle in the United States after defaulting on debts, with some bankers warning the total cost of write-downs may hit \$22 billion and affect around 120 banks.

The comments are Al-Jasser's first on the issue since the two groups' problems came to light in late May when SAMA froze the accounts of Saad's Chairman Maan Al-Sanea, a decision that he has never confirmed or commented upon.

"The government has taken a decision since these two firms may affect the business sector in the Kingdom, and its reputation and position," Al-Jasser said. "The government has set up a special committee to look into the two firms, follow the situation of these two firms and take appropriate action."

The committee is submitting its reports to "the higher authorities in the government," he added.

He did not provide any additional information.

"These two firms are family-owned, they are not banks licensed by the central bank or the Capital Market Authority. So it is not up to us to deal with the issue of these two firms," Al-Jasser added. Algozaibi is suing Al-Sanea for fraud in a case involving allegations of \$10 billion in loan irregularities.

"Within the Kingdom, we have not noticed any financial irregularities. We are not responsible for what happens outside the Kingdom," Al-Jasser said.

The SAMA governor said he expected "a minor decrease" in profits of Saudi banks in the third quarter of this year.

*Source.: ARAB NEWS 02/09/2009*

### **Assets of top 100 Islamic banks up 66%**

Despite the financial turmoil in late 2008 that crippled so many Western conventional financial institutions, Islamic banks have continued to grow in prominence and size with the world's 100 largest full-fledged Islamic banks ranked by assets holding more than \$580 billion in 2008, a 66 percent increase from the \$350 billion of the previous year, according to a study published at the end of August 2009 by Asian Banker Research.

The top 10 banks remained largely the same as the ones that dominated our previous ranking in 2008, with Bank Melli Iran still topping the list and Saudi Arabia's Al-Rajhi Bank in second place. Iranian banks are still the predominant Islamic banking players, holding seven out of the top 10 ranks, and 12 of the 100. The Iranian banks

also take up around 40 percent of the world's 100 largest Islamic banks' assets. The four next-largest markets — the UAE, Malaysia, Saudi Arabia and Kuwait — each have similar asset sizes compared with one another, and together carve out nearly another 40 percent of the ranking's assets combined, with smaller banks in 10 other markets rounding out the list," stressed the study.

The rankings, however, should be treated with caution. As with the Islamic bank rankings of The Banker in London, Iranian banks should be excluded until the authorization status of such banks are clarified. Bank Melli for instance is not incorporated as an Islamic bank and privately does not call itself an Islamic bank and is engaged in riba banking. Iranian regulators in the past have similarly conceded that the underlying basis of the Iranian banking system is not Islamic, despite the confusion regarding the so-called Islamic revolution in Iran.

Similarly, Iran continues to raise funding from the international financial markets on a riba basis and has yet to issue a sovereign Sukuk. Despite the size of the Iranian banks, says the study, Saudi Arabian banks are much more profitable as the three Saudi Arabian banks in the top 100 Islamic banks contributed 19 percent of the ranking's total income. Al-Rajhi Bank had the highest net income figure of \$1.74 billion, the only bank to break the billion, and almost three times more than the second-most profitable Islamic bank, Kuwait Finance House. The bank also earned over five times the most profitable Iranian bank, Bank Tejarat. Looking ahead, stressed the study, it can already be seen that Bank Melli may not be the largest bank in

the listing for much longer, as it had a mere 0 percent growth rate in 2008.

This may be due to the European Union freezing the bank's assets, which has shrunk the bank's lead over Al-Rajhi Bank to just 4 percent from 40 percent the previous year. Considering Al-Rajhi Bank's 32 percent change in total assets in the year, it is likely to overtake Bank Melli in asset size in 2009.

*Source.: ARAB NEWS 02/09/2009*

**Aramco, Dow eye \$4b savings on joint venture**

AL-KHOBAR - Saudi Aramco and Dow Chemical expect to save around \$4 billion on their joint petrochemical complex as slowing economic activity cuts project costs, the al-Hayat newspaper reported on Wednesday.

The estimated cost of the plant was at least \$20 billion before reduction, Al-Hayat said.

The fall was due the global economic situation, the newspaper reported sources as saying. An Aramco spokesman could not be contacted for comment.

Dow and Aramco are expected to make an investment decision on it next year in the third quarter of 2010, a Saudi state oil company official said in June.

If it goes ahead, Dow's investment would be the largest ever single foreign investment in the Saudi energy sector.

Aramco's joint-venture refinery project with Total delayed their investment decision until contractors trimmed total costs to \$9.6 billion from a previous top estimate of \$12 billion. Contractors are still feeling the pressure from oil companies to lower costs. – Agencies.

*Source.: SAUDI GAZETTE 03/09/2009*

## **Global trade pact needs to be fair: EU**

BRUSSELS: A new global trade pact needs to be “fair and reasonable,” Europe’s trade commissioner said Wednesday, on the eve of a key WTO meeting in New Delhi aimed at helping drive the talks to a successful end.

The two days of ministerial level talks, which start Thursday, are seen as critical to laying the groundwork for progress at a meeting of leaders of the Group of 20 developed and emerging nations in Pittsburgh in late September.

EU Trade Commissioner Catherine Ashton and EU Agriculture Commissioner Mariann Fischer Boel will also hold bilateral talks with their Indian counterparts Anand Sharma and Sharad Pawar. “A fair and satisfactory outcome to the Doha trade negotiations is important if we are to overcome the economic crisis,” said Ashton.

“I welcome the Indian government’s initiative to host this meeting, which presents the first opportunity for a large group of ministers to meet since the summer of 2008, and look forward to working together with India and other key WTO members to move ahead with the talks.” Fischer Boel added: “I am very pleased that efforts are being made to get the Doha Round talks moving again. The EU will continue its proactive role in looking for a fair and balanced outcome.” The WTO negotiations began in 2001 with the aim of boosting global commerce to help developing countries, but deadlock between the major trading blocs has dashed repeated attempts to forge a new pact. The most recent push last year in Geneva ended in failure, but with new governments installed in Washington and host nation India, there is renewed hope for success.

Meanwhile, Australia’s trade minister said Wednesday a new global trade pact is “doable.”

“We are very close to conclusion” of the Doha Round of WTO talks, Australia’s Trade Minister Simon Crean told a business forum in New Delhi. “Last July (when the talks collapsed) we got 80 percent there, 20 percent remains elusive,” Crean said. “This (agreement) is doable,” he said. “We need the political will.” The WTO negotiations began in 2001 with the aim of boosting global commerce to help developing countries, but deadlock between the major trading blocs has dashed repeated attempts to forge a new pact.

Around 30 representatives of the major trading blocs, including five of the key WTO players — the European Union, the United States, India, China and Brazil — are attending the talks. Crean said a key goal of the meeting was to obtain “clarity” on tariff and subsidy issues holding up an agreement.

***Source.: ARAB NEWS 03/09/2009***