

Finance 2009

www.bcgcm.com

A Quarterly Newsletter

issue 8, March 2009



Ithmaar delays share swap plan with Shamil Bank

Bahrain
Bahrain-based Ithmaar Bank has announced it is delaying plans for a share swap between

Shamil Bank and BBK. The announcement was made after the Ithmaar board of directors reviewed the bank's priorities and decided it would be in the bank's strategic interests to postpone the share swap proposal.

UAE central bank sets up task force

The UAE's central bank and representatives of local banks plan to form a task force to suggest measures to address the fallout of the global financial crisis. The group will review 'matters of mutual concern and suggest

remedial action,' the Abu-Dhabi based central bank said in an e-mailed statement.



Saudi shares fall further

Riyadh's Tasi-Index remained bearish on Sunday. The Tasi lost 2.76%, closing at 4,210.68 points on low volumes (some 164 shares changed hands). All sectors ended in the red, insurances (off 7.10%) and building and construction (down

5.30%) in particular. Only seven out of 126 traded securities advanced, among them was Saudi British Bank (SABB), gaining 1.76%.



RSA Asia and Middle East posts 43% premium growth in 2008

Commenting on the full year results, Scott Pickering, CEO Asia and Middle East said, 'These are a tremendous set of results and demonstrate the

positive impact of our continued focus on delivery and sustainable profitable performance.'

The results have been led by the Middle East operations which delivered another year of profitable growth driven by the UAE business that grew its premiums by 59%. Overall, the Middle East which includes UAE, Saudi Arabia, Oman and Bahrain, grew its premiums by 50%. RSA was also awarded 'General Insurer of the Year' for the second year running during 2008.

In Greater China, the business grew by 8%. This includes a commendable contribution from RSA's Mainland China business which produced a 24% premium growth compared to previous year. The Group also received regulatory approval to expand in China with the establishment of a branch in Beijing in 2009.

RSA's Singapore operations contributed to the regional results with strong premium growth of 10% during 2008. Royal Sundaram, the associate company of RSA in India continued to build momentum with a premium growth of 28% compared to prior year.

Scott Pickering added, 'Across the Group, our objective is to continue delivering sustainable profitable performance. We remain confident of the

attractiveness and long term potential of the Asia & Middle East markets. It is going to be a demanding year, but I believe there will be market opportunities for us to take advantage of in 2009.'



Scott Pickering, CEO Asia and Middle East, RSA Insurance.

Abu Dhabi to create 'Industry Bank'

The Abu Dhabi government is to create an 'industry bank' that will finance projects across the emirate, and specifically in Abu Dhabi Industrial City. The bank will look at best practices from the Emirates Industrial

Bank, a federal banking house.



National Bank of Bahrain posts \$92.8m net profit

The National Bank of Bahrain (NBB) has declared a net profit of BD35m (\$92.8m) for the year, a 15% return

on average equity. The bank's chairman Abdulla Kanoo highlighted that the bank's capital adequacy ratio remained healthy at 19.3%, well above the minimum level of 12% set by the Central Bank of Bahrain. Credit facilities to Bahrain-based customers increased by BD56m during the second half of 2008.



Samba predicts bank consolidation

Saudi American Bank (Samba) has predicted that the UAE banking sector will consolidate over the coming year. It has said that with 52 banks in the UAE it believes the market is oversupplied, particularly as demand for

services is slowing. Although financial results were strong during 2008, Q4 saw a marked slowdown, which has set the scene for 2009. As balance sheets are squeezed banks will increasingly look to merge to boost capitalisation and survive the downturn. Mac Capital has recommended that

investors diversify exposure to UAE banks. It suggests ensuring investments are spread across the risk spectrum of conservative (Union National Bank, National Bank of RAK), medium (National Bank of Abu Dhabi) and speculative (First Gulf Bank, Commercial Bank Abu Dhabi, Commercial Bank Dubai).

GCC Risk Rating

Most of the GCC states have relatively benign risk profiles, with only Saudi Arabia having ratings above 5.'

In fact the country economic risk assessments for most of the Gulf Cooperation Council (GCC) is actually the same or lower (at around 2-3) than many EU countries. This would appear to indicate clearly the comparatively strong current and ongoing financial position of the majority GCC states.

However, in the United Arab Emirates (UAE), a growing body of evidence suggests that Dubai is the latest victim of the credit crunch and that worse is still to come, leading the Emirate to battle an over extended equity market and an increased level of economic risk for foreign business.

With the real estate and equity markets falling, Dubai can no longer rely on the financial support of cash rich Arabian states without commercially binding strings attached. And with Dubai's debt load already estimated at four times the average of other Gulf states, there is mounting speculation

that the Emirate will be forced to exchange cash for equity stakes in key industries. The developments in Dubai represent a serious blow to western economies, as the UAE was considered bullet proof

to the global financial slowdown. However, with the energy and construction bubble fit to burst, combined with a rapidly expanding expatriate population and a largely unspoken regional recruitment freeze, the future for the economy is challenging.

In Saudi Arabia, the huge investment that is taking place in oil infrastructure (for example, Aramco is

investing \$9 billion to increase crude oil production capacity from 11.2 million bpd to 12.3 million barrels per day by 2010) makes the country comparatively wealthy – but coincidentally vulnerable to terrorism.

The need for related insurance protection is especially acute in respect of Western managed banks or joint-venture partners, and hotels. Oil and petrochemical facilities in Saudi Arabia are firmly on the terrorists' radar, demanding fairly high terrorism insurance rates.

Hotels owned by Western investors, for example, that take a hands-on approach to security attract lower terrorism premium rates than properties with local owners who may not have as objective a view of the risk due to the perception that their properties are not targets. Illustrating the differentials in terrorism rates within the GCC from east to west. Hotels considered to have adequate security in Saudi Arabia attract terrorism rates in the region of 30 per cent higher than Oman where there are lower threat perceptions.

The risk of expropriation in Saudi Arabia is considered to be low and the main economic risk to foreign investors is the potential renegotiation of government contracts through the use of taxation or other legal reforms. There are indications that investors will benefit from further improvements in the business environment. Saudi Arabia is now on the list of top ten countries implementing economic reform, following accession to the World Trade Organisation in late 2005.

With regard to corruption, government-to-government deals are often favoured because they eliminate agents' fees and other forms of commission to individuals. At the same time, however, commissions have been standard practice in Arab countries for centuries – including arms deals – and there are vested interests highly resistant to reform.



JARDINE LLOYD THOMPSON Limited

By Jardine Lloyd Thompson.

	Investment Environment		
	Expropriation	Contractual Agreement Renegotiation	Legal & Regulatory Risk
Alghanistan	9	7	8
Algeria	6	6	6
Bahrain	3	4	5
Egypt	5	5	6
Iran	8	7	7
Iraq	9	7	9
Israel	4	3	3
Jordan	4	4	5
Lebanon	7	6	6
Libya	3	6	8
Morecco	5	5	6
Oman	2	3	5
Pakistan	6	6	7
Palestine	9	10	10
Qatar	2	4	5
Saudi Arabia	2	5	6
Syria	7	6	7
Turkey	5	5	5
UAE	2	5	5
Yemen	7	7	7

Rating guide: 1 = Low, 10 = High

BCGCM Newsletter 2009
for you feedback please contact us

PO Box: 10730

Al Suhail Tower 3rd floor Office 43.

Diplomatic Area, Manama.

T: +973 17532932

F: +973 17532715

Email : info@bcgcm.com

RAKIA & BCGCM JOIN EFFORTS

RAKIA Engages BCGCM To Promote Ras Al Khaimah Projects.

RAK Investment Authority has been able to attract close

to US\$ 1.2 billions of investment from all over the world, in various industry segments since inception less than 2 years ago. These industries are diverse and strategic and are in the areas of Glass & Table ware, Float Glass sheet, Cement, DVD media factory,

Renewable Energy, Pharmaceuticals, Consumable Hygienic Products, Vehicle Assembly, Hotels & hospitality business, health & education, tourism industry and many more.

Recently RAKIA has formed RAKOFFSHORE which is a true

offshore facility and regularity body offering complete offshore non-resident business registration and financial services.

In building sustainable communities Real Estate development plays a major role. It sustains the economy by creating jobs and investment

opportunities, The vision led to formation of two real estate development companies, RAK Properties and Rakeen Development.

RAK Properties is a public share property developer that is engaged in the development of a number of local

projects such as Port Arabia or (Mina Al Arab) with 9 hotel complexes, multiple residential dwelling and touristic attractions in Ras Al Khaimah as-well-as the developer of Julfar Towers, A residential complex downtown the city.

See Below the full Story



Story Continued

Rakeen Development: Is a private joint stock company with a wider mandate that encompasses, local, regional and international developments. They utilise the latest environmentally friendly techniques in modern building technology. Rakeen's core values are Sustainability, Responsibility & Prosperity. Rakeen is currently engaged in developing a number of projects some of which are:

Al Marjan Island 280 hectare of reclaimed land (A Man made Island) which will be a "Paradise on Sea". This Island will have multiple projects in housing, time-share apartments, hotels, resorts and commercial buildings. Al Marjan will have the latest infrastructure technologies that are friendly to the environment and improves marine life at the same time. The reclamation will be completed by the end of 2007.

Jebel Jais Mountain Resort with a moderate climate even in hot summer starting from an altitude of 800 m ending with peak of a planed ski slope at an altitude of 1900 meters. The key features include Hill Station, Skiing, Rope Way, Trekking, Jogging Tracks, Natural Park & Retreats making it most sought-out living style in the region.

The Gateway City: this project is taking urban planning to a whole new altitude; It is a prototype city of how "ideal living should be". The gateway city will house 150,000 Population in its first phase where we view it as the future city of Ras Al Khaimah.

Banyan Tree Desert Resort: Capturing the tranquility of our desert ambience coupled with our exotic Arabian nights a true experience with star-gazing and luxurious lifestyle

Complimentary to all of our development are the education, services and health segments. Education has always been the corner stone of Ras Al Khaimah, therefore, schools are being planed, Universities are under construction, New Research and Development centre is in operation. And our flagship pharmaceutical factory "Julfar" the largest pharmaceutical production in the region, contributes to the well being and health of the entire region.

With this new development programs, logistic and transportation becomes a vital element, therefore port Saqr, which is the largest bulk handling port in the Gulf, is being expanded and modernised and RAK Airport also being upgraded. The fourth national carrier RAK Airways is in operation with expansion mode. Roads, Tele-communication and energy projects of international standards already exist to promote economic growth.

Tourism is a growing industry in Ras Al Khaimah. Over 25 luxury hotels with capacity of 12000 Beds are being planed in the next five years.

In addition to there exists state-of-the-art services and infrastructure, safety security and lifestyle and above all, headed by a responsive Government with a progressive, pro-business attitude with a strong commitment to the private sector development.



H.H. Sheikh Saud bin Saqr Al Qasimi the Crown Prince & Deputy Ruler of Ras Al Khaimah,



Dr Khater Massaad CEO RAK Investment Authority



BCGCM Newsletter 2009
for you feedback please contact us
 PO Box: 10730
 Al Suhail Tower 3rd floor Office 43.
 Diplomatic Area, Manama.
 T: +973 17532932
 F: +973 17532715
 Email : info@bcgcm.com



BCGCM IS PUTTING EFFORTS TO ASSIST TAMKEEN IN DEVELOPING SME'S IN BAHRAIN

BCGCM IS PLANNING TO JOIN FORCES WITH TAMKEEN

The Kingdom of Bahrain has taken vital steps towards a labour market reform which is an essential stride to ensure that the human capital of the country is developed and that employment is made more attractive for localization as well as to improve

performances of businesses. The strive towards labour reform will impact the Kingdom's economy and raise standards of living as well as pose a challenging commitment to the improvement of services in Bahrain. The government has forwarded a strong

mandate to implement reforms on education and training, labour market and economic systems which are the backbone to success and prosperity of any nation.

See Below the full Story



Dr. Nezar Sadiq Al Baharna



programmes of Bahrainis) and tackle employment barriers on both employer and new market entrants sides through a combination of financial incentives and capability building, and

- in supporting the private sector's adjustment to new cost structures by providing access to capital to alleviate short-term cash constraints or improve productivity, and in know-how initiatives that support improvements in productivity and decreased reliance on expatriate labour through spreading management and technical knowledge and financial services.

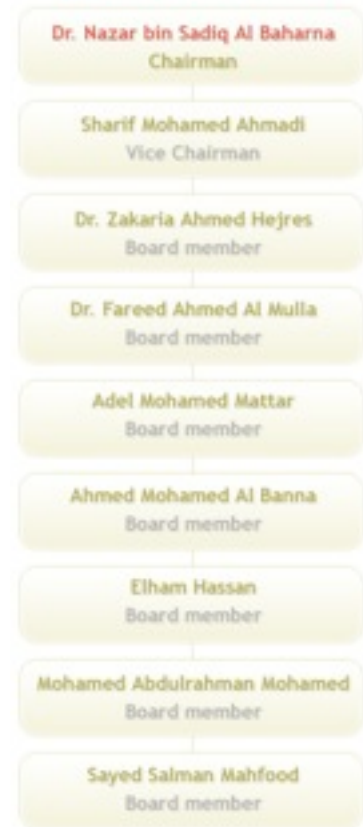
The labour reform is the first of these reforms to be initiated and is now the responsibility of two entities. The Labour Market Regulatory Authority (LMRA) and Tamkeen (Labour Fund) will be working hand in hand with other institutions and organisations in order to realize the vision that has been set forth to create the long-term prosperity the Kingdom plans to achieve.

Tamkeen (Labour Fund) is a semi-autonomous yet independent authority which formulates strategic and operational plans to use the fees collected by the LMRA in order to enhance the overall prosperity of Bahrain by investing in Bahraini employability, job creation, and social support.

Hence, Tamkeen (Labour Fund) main objectives are:

- to support Bahrainis to become the employees of choice, and
- to support high quality private sector job creation and helping the private sector cope with the impact of labour market reform. To achieve these objectives, Tamkeen (Labour Fund) will invest:
- in the cost and quality competitiveness of Bahrainis (e.g., reduction of cost of employing Bahrainis relative to expatriates, investment in skill and attitude improvement

Board of Directors



BCGCM Est. Bahrain
Banking Advisors

www.bcgcm.com

P.O. Box 10730, 3rd Floor
Al Suhail Tower, Manama, Diplomatic Area
T: +973 17532932 - F: +973 17532715
info@bcgcm.com

BCGCM identifies, structures and executes diverse and innovative public and private market transactions for corporations, financial institutions and governments. Transactions include mergers, acquisitions, divestitures, the issuance of equity or debt capital, or a combination of these. We specialize in small- and middle- market private transactions across most sectors, concentrating in challenging or emerging markets worldwide.

Any views or information presented or expressed are based on sources believed to be reliable. However, neither BCGCM nor its directors, officers or employees warrant accuracy, completeness or otherwise, or accept responsibility for any error, omission or other inaccuracy, or for any consequences arising from any reliance upon such information.