

**SMEs Conference
Bahrain 18 Nov 2008**

By
Saleh Hussain



Agenda

- Financial Crisis Impact in GCC
- Impact on GCC Banks
- GCC Banks Challenges
- Opportunities For SMEs
- Access to Finance by SMEs

Crisis Impact

- GCC Stock Market Value losses between 35% 50% YTD2008
- Credit cost increased 250 -400bps
- Liquidity Tightening
- International Investors offloading their GCC positions due to home financial crisis
- Reduced lending activities – large tickets
- GCC central banks direct and indirect support to market / banks

Impact on GCC Banks

- Quantum of Damage is still to be known. Estimate of loss of value in investments in international markets may exceed \$10bn.
- Some banks and SWF put money in USA /UK troubled institutions. Value since decreased.
- Curbing lending of large ticket projects and Real Estate. Reviewing signed / committed deals
- Planned funding requirement now questionable. Financing needs for GCC for top borrowers- \$5bn in 2008 and \$35bn in 2009.(Banks 1.5bn and \$8.5bn)
- Syndication Business Almost halted

GCC Banks Challenges

- Liquidity – Short term
- Lending growth / policies
- Banks with project finance and real estate exposure
- Related Party lending and equity holdings

Opportunities for SMEs

Crisis bring opportunities too. These may include:

- Central Banks assert better regulatory and monetary proactive approach. Liquidity measures and interest rate monitoring
- Acceleration of Credit bureau for better credit monitoring. Data protection issue!!
- Better Consumer, SMEs and corporate credit growth control e.g. ceiling and industry limit
- Dedicate SME finance department at some banks
- Review of banking legal laws

Access to Finance by SMEs

From Banks:

- Paradigm shift by Banks for risk Acceptance from large corporations business to SMEs – (Diversification)
- Working Capital financing control
- Asset mortgage
- Receivables Assignment / Financing

Access to Finance by SMEs....cont

From Exporters / Suppliers

- Exporter credit at better terms
- Leasing versus purchase

From Government

- Specialized & Development Banks
- Government dedicated help entities
- Direct subsidy due current crisis