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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

”وَقُلْ أَعْمَلُوا فَيَسِّرِ اللَّهُ لَكُمُ  
وَمَسْئُولُهُ وَالْمُؤْمِنُونَ“

عز وجل العظیم

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## VENTURE CAPITAL BANK

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# Adding a new dimension to Islamic investment banking

The Venture Capital Investment Bank Concept Pioneered By Venture Capital Bank (VCBank) in the GCC and MENA region is the first initiative of its kind that is presented and formulated in an investment banking context.

By incorporating venture capital investment activities in a Shari'ah compliant investment banking format, VCBank is adding a new dimension to the regional and global Islamic investment banking industry.

## VISION, MISSION AND VALUES

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### VISION

Our vision is to be the leading regional Islamic venture capital based investment bank, helping to drive business growth, and supporting the social and economic development of the GCC and MENA region.

### MISSION

Our mission is to create a pioneering business model and take a leadership role in institutionalising investment in the regional venture capital market. By forging enduring strategic partnerships, we aim to provide support and encouragement for the growth and development of the under-served small-to-medium enterprises (SMEs) sector in the GCC and MENA region that lack the necessary resources for growth and expansion.

### VALUES

Our values of performance, innovation, client focus, team work and compliance with the rules and principles of Islamic Shari'ah guide us in our personal and professional behaviour. Our adoption of international standards and global best practice govern the way that we manage the operations of the Bank across all areas of activity.

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## PROFILE OF VCBANK

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Venture Capital Bank (VCBank) is the first Islamic investment bank in the GCC and Middle East and North Africa (MENA) to specialise in venture capital investment opportunities.

Established in the Kingdom of Bahrain in October 2005, VCBank operates under an Islamic investment banking licence from the Central Bank of Bahrain. With an authorised capital of USD 500 million and paid up capital of USD 165 million, the Bank benefits from the financial backing and support of a selected group of regional shareholders, an experienced team of industry professionals, and a close-knit network of strategic partners, business associates and allies.

VCBank offers clients a broad range of superior services and unique investment opportunities across a number of promising asset classes in the GCC and MENA markets. The Bank is active in four principal areas: venture capital and business development, private equity, real estate and financial advisory.

VCBank is uniquely positioned to lead the development of the nascent venture capital industry in the region by providing unmatched levels of support for fundamentally strong, undervalued, small-to-medium enterprises (SMEs) that lack the necessary resources for growth and expansion.

## 2008 AT A GLANCE

USD 120 million Lemissoler Maritime Company, formed with the objective of owning and operating a fleet of specialised commercial vessels.

USD 15 million Venture Capital Fund – Bahrain in partnership with Bahrain Development Bank & Tamkeen (Labour Fund), and strategic investors.

USD 64 million Labour and Staff Accommodation project in Jebel Ali Industrial Area, UAE, offering quality accommodation and supporting amenities.

USD 17 million German Orthopedic Hospital established in Bahrain with leading German medical partners for specialist treatment and rehabilitation.

Difaaf, a luxury waterfront master-planned residential development on Reef Island, Bahrain, with extensive community facilities.

The Lounge Serviced Offices Company, introducing a new concept in serviced offices.

USD 73 million Great Harbour marina project at Hidd, Bahrain, an up-market mixed use development with residential towers and retail elements.

Operations & Support Group strengthened; new Treasury and Operations departments established, and continued investment in enhancing Information Technology infrastructure.

Corporate Governance and Risk Management framework strengthened and number of staff increased by 60%, with all key positions filled.



# FINANCIAL HIGHLIGHTS

## Total Income

2008	82
2007	54
2006	25

**USD 82**  
Million

## Net Profit

2008	47
2007	32
2006	13

**USD 47**  
Million

## Total Assets

2008	244
2007	222
2006	91

**USD 244**  
Million

## Total Shareholders' Equity

2008	225
2007	202
2006	80

**USD 225**  
Million

## Return on Equity

2008	27%
2007	33%
2006	20%

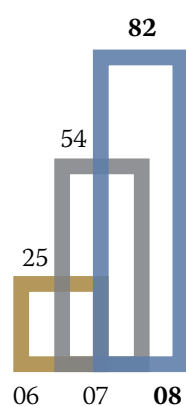
**27%**

## Dividend Distribution

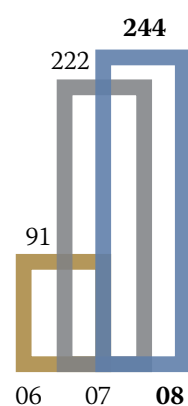
2008	15%
2007	15%
2006	12.5%

**15%**

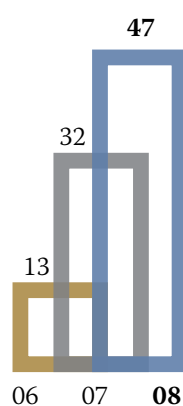
## Total Income



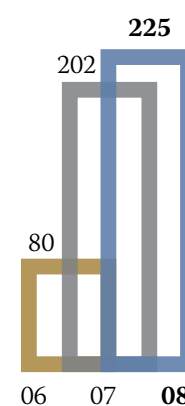
## Total Assets



## Net Profit



## Total Shareholders' Equity



## CHAIRMAN'S STATEMENT

# 27%

Return on Equity



**Dr. Ghassan Ahmed Al Sulaiman**  
Chairman

**In the Name of Allah, the Most Beneficent, the Most Merciful. Prayer and Peace be upon the Last Apostle and Messenger, Our Prophet Mohammed, His Comrades and Relatives.**

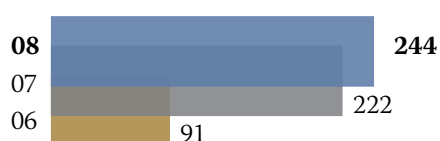
On behalf of the Board of Directors, it gives me great pleasure to present the third annual report of Venture Capital Bank (VCBank) for the period ended 31 December 2008. I am delighted to report that this proved to be yet another blessed and highly successful year of operations for the Bank, highlighted by record financial results, new projects and investments, and a continued strengthening of our institutional capability.

VCBank posted a net profit of USD 47 million and achieved a return on equity of 27% for 2008, representing a third year of record-breaking performance. This constitutes an extraordinary performance for a newly established bank, which exceeds all expectations for such a young financial institution. These results further strengthen VCBank's status as the first Islamic investment bank specialising in venture capital investments in small and medium businesses (SMEs) in the MENA region.

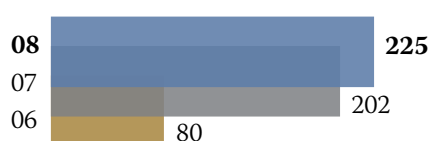
During this period, VCBank launched new innovative projects and investment offerings that serve to illustrate the Bank's differentiated business model, which has helped to shield us from the worst of the current global financial crisis. Focused on the MENA region, our strategy involves targetting attractive private equity opportunities; supporting fundamentally-sound and well-managed small-to medium enterprises (SMEs); and initiating selected real estate projects to provide investors with sustainable value and long-term returns.

However, given the current global financial crisis, and the potential impact on the GCC and MENA markets, we recognise that we cannot afford to be complacent. Accordingly, we have taken positive steps to ensure the continued growth and profitability of our Bank.

Total Assets USD Million



Total Shareholders' Equity USD Million



VCBank posted a net profit of USD 47 million and achieved a return on equity of 27% for 2008, representing a third year of record-breaking performance.

During 2008, the Board of Directors and the Executive Management participated in a strategic workshop and brainstorming session, which addressed critical issues such as global best practices, corporate governance, risk monitoring and mitigation, competitive awareness, and most significantly, solutions for addressing the challenges posed by the ongoing global financial crisis and regional market turmoil.

To support our growing business activities, we continued to build the institutional capability of the Bank in 2008. Key activities include strengthening our framework of corporate governance, risk management and internal controls; enhancing our IT infrastructure; and expanding our team of professionals with several new management appointments.

The Board of Directors is recommending the following appropriations out of the 2008 net profit for the approval of our shareholders:

- USD 4.7 million representing 10% of the net profit to be transferred to the Statutory Reserve in accordance with the Bahrain Commercial Companies Law.
- USD 16.5 million representing 10% of the issued capital as a cash dividend, and USD 8.25 million representing 5% of the issued capital as a bonus share dividend to the shareholders.
- USD 1.5 million representing approximately 3.26% of the net profit as Directors' remuneration.

In addition, to further strengthen the Bank's balance sheet and provide funding for new business opportunities in 2009, the Board will be recommending an increase of USD 85 million in VCBank's paid-up capital, inclusive of the Employee's Share Ownership scheme, thus increasing our total issued capital to USD 250 million. The Board is also working with the Management on the mechanisms for a liquidity programme for shareholders, which will comprise a regular valuation of shares, with easier and faster liquidation.

I extend my sincere appreciation to His Majesty King of Bahrain, His Highness the Prime Minister, and His Highness the Crown Prince, for their wise leadership and reform programme, and their encouragement for the Islamic banking industry. My thanks are also due to the Central Bank of Bahrain and other Government institutions for their professional advice and assistance during the year.

I would also like to express my gratitude to our shareholders, clients and business partners for their loyalty and encouragement; to our Shari'ah Supervisory Board for their guidance and supervision; and to the Bank's management and staff for their highly valued dedication and professionalism. Together, our stakeholders have contributed to the third and most successful year of operations for Venture Capital Bank.

May Allah guide us on the proper path, and lead us to the realisation of our goals for the future success of VCBank.



**Dr. Ghassan Ahmed Al-Sulaiman**  
Chairman

## BOARD OF DIRECTORS



**Dr. Ghassan Ahmed Al Sulaiman**  
Chairman, Kingdom of Saudi Arabia

**Board Committees:** Chairman of Finance & Investment Committee; Member of Nomination, Remuneration & Corporate Governance Committee.

**Chairman:** Ghassan Ahmed Al Sulaiman Trading (GAAT); Ghassan Ahmed Abdullah Al Sulaiman Trading. **Chairman of the Board:** Ghassan Ahmad Al Sulaiman Furniture Co. Ltd (IKEA); Ghassan Ahmad Al Sulaiman & Partners Co. (GASP); House of Development Co. Ltd (HoD); Sahary Information Development (SID); Emara International for Development & Construction Co. Ltd; Training & Education Services Co. Ltd (TESCO); Tauzeef Human Resource Co. Ltd; Ghassan Ahmad Al Sulaiman Holding Co.; Venture Capital Bank; Khaleej Salman Bay Development Co.; Siraj Capital Ltd.

**Director:** Propaganda Advertising Co. (ISH'HAR); Bin Sulaiman Holding Co.; Abna' Abdullah Al Sulaiman Co. Ltd; Arabian Cement Co.



**Abdulfatah Mohammed Rafei Marafie**  
Deputy Chairman, State of Kuwait

**Board Committees:** Chairman of Nomination, Remuneration & Corporate Governance Committee; Member of Finance & Investment Committee.

**Chairman and Managing Director:** Al-Tijaria Real Estate Company.

**Chairman:** Mozon Holding Company.

**Director & Treasurer:** Kuwait Union for Real Estate, Commercial & Investment Owners.

**Director:** Marafie Group of Companies; Commercial Bank of Kuwait; Amar Finance & Leasing Company; College of Business Administration, Kuwait University.



**Abdullatif Mohammed Janahi**  
Board Member & Chief Executive Officer,  
Kingdom of Bahrain

**Board Committees:** Chairman of Executive Management Committee; Member of Finance & Investment Committee.

**Chairman:** Gulf Projects Company; Lemissoler Maritime Company; World Development Company; Venture Capital Fund Bahrain, the Great Harbour Project; Al Jazira Plastic Company and OASIS Middle East Holding Company.

**Director:** Challenger Oil Drilling Company, Jordan Al Abyad Fertilizers and Chemicals Company (JAFCCO), GLOREI in Oman (and Chairman of its Investment Committee), ASAS Company in Saudi Arabia, Mozon Holding Company in Morocco and Omran Al Bahrain Company



**Ali Mousa A I Mousa**  
Board Member, State of Kuwait

**Board Committees:** Chairman of Risk Committee.

**Chairman & Managing Director:** Securities Group Company.

**Ex. Planning Minister:** State of Kuwait.

**Ex. Deputy Governor:** Central Bank of Kuwait.



**Marwan Ahmad Al Ghurair**  
Board Member, United Arab Emirates

**Board Committees:** Member of Nomination, Remuneration & Corporate Governance Committee.

**Chairman:** Fanan Investments; Fanan Food Trading; Dubai National School.



**Saleh Mohammed Al Shanfari**  
Board Member, Sultanate of Oman

**Board Committees:** Member of Finance & Investment Committee.

**Chairman:** Global Computer Services Company; Asaffa Poultry Company; Al Telfaz Media Services Company; Al Kawther United Service Company; Dhofar Stones Company.

**Managing Director:** The Global Omani Investment Company; Industrial Systems Corporation.

**Director:** Global Mining Company; Global Gypsum Company; Dhofar Agriculture Marketing Products; Muscat Securities Market; Oman Chamber of Commerce (Banking & Investment Committee); International Relations Committee; Omani-UAE Joint Business Council; Omani-Syrian Joint Business Council.



**Nedhal Saleh Al Aujan**  
Board Member, Kingdom of Bahrain

**Board Committees:** Chairman of Audit Committee.

**Chief Executive Officer:** Bahrain Development Bank (BDB).

**Director:** Retail Arabia; Bahrain Atomisers International; Bahrain Specialist Hospital; Joslin Diabetes Center; Bahrain Business Incubator Centre; Batelco; Dun & Bradstreet Same Limited.



**Mohammed Bin Sulaiman Abanumay**  
Board Member, Kingdom of Saudi Arabia

**Board Committees:** Member of Finance & Investment Committee.

**Director:** SABIC; Malath Insurance Company; Qassim Camant Company; Al Waten Newspaper in Kingdom of Saudi Arabia.



**Salman Mohammed Hassan Al Jishi**  
Board Member, Kingdom of Saudi Arabia

**Board Committees:** Member of Finance & Investment Committee; Member of Nomination, Remuneration & Corporate Governance Committee.

**Proprietor:** Salman Group of Companies.

**Vice Chairman:** Al Shifae Medical Syringes Manufacturing Company.

**Vice President:** Mohammed Hassan Al Jishi & Sons Holding Company; Saudi-Bahraini Businessmen's Society.

**Director:** Saudi United Cooperative Insurance Company; Chemical Development Company; ASAS Real Estate Company; Saudi Chamber of Commerce & Industry, Eastern Province.



**Sulaiman Haider Al Haider**  
Board Member, State of Qatar

**Board Committees:** Member of Audit Committee.

**Chairman:** Sulaiman & Brothers.

**Director:** Qatar Navigation; Qatar German Medical Company; Qatar Chamber of Commerce.



**Bader Grmallah Al Zahrani**  
Board Member, Kingdom of Saudi Arabia

**Board Committees:** Member of Risk Committee.

**Chairman:** Etab Company.

**Managing Director:** Zahrani Group.

**Manager, Operations:** Zahrani Operations and Maintenance Company .

**General Manager:** Al-Mashriq Medical O & P Company.

**Director:** Asseer Development Company; Saudi Detergents Company; ACROW Miser- Egypt; Naeem - Egypt.



**Christopher Brown**  
Board Member, United States of America

**Board Committees:** Member of Risk Committee.

**Director:** Global Emerging Markets (GEM), North America; Challenger Limited.

## SHARI'AH SUPERVISORY BOARD



**Shari'ah Supervisory Board Team** (from left to right)

Dr. Abdul Sattar Abdul Kareem Abu Ghuddah, Shaikh Nidham Mohammed Saleh Yaqooby & Dr. Essa Zaki Essa

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### **Shaikh Nidham Mohammed Saleh Yaqooby Chairman**

Shaikh Yaqooby is a Ph.D. Reader at University of Wales (Islamic Law). He holds a BA in Economics & Comparative Religion from McGill University, Canada, in addition to Traditional Islamic Studies under the guidance of eminent Islamic scholars, among them: Shaikh ‘Abdullah al-Farisi (Bahrain), Shaikh Yusuf al-Siddiqi (Bahrain), Shaikh Muhammad Saleh Al-Abbasi (Bahrain), Shaikh Muhammad Yasin al-Fadani (Mecca), Shaikh Muhammad Khatir (Egypt), Shaikh Habib-ur-Rahman Azmi (India), Shaikh Abdullah b. al-Siddiq Al-Ghumari (Morocco) and many other scholars. Shaikh Nidham used to be a Khatib in Bahrain in the nineties, and since 1976 he has been teaching Islamic subjects. He is a Member of the Shari’ah Supervisory Board for a number of Islamic banks and institutions, Member of AAI OFI Shari’ah Council, IIFM Shari’ah Council, Islamic Rating Agency Shari’ah Council, Central Bank of Bahrain Shari’ah Board, and Dow Jones Islamic Index.

### **Dr. Abdul Sattar Abdul Kareem Abu Ghuddah Member**

Dr. Abu Ghuddah is a Member of the Islamic Fiqh Academy, which evolved from the Organisation of Islamic Conference in Jeddah, Kingdom of Saudi Arabia. He previously held the positions of Expert and Reporter for the Islamic Fiqh Encyclopedia, Ministry of Awqaf & Islamic Affairs, State of Kuwait. He is a Member of the Shari’ah Supervisory Board of several Islamic financial institutions, and a Member of the Standards Board and Shari’ah Council of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI). Dr. Abu Ghuddah holds a Ph.D. in Shari’ah from Al-Azhar University, Cairo, Egypt.

### **Dr. Essa Zaki Essa Member**

Dr. Essa is Assistant Professor at the College of Basic Education, Public Authority for Applied Education & Training, State of Kuwait. He is a member of several Fatwa and Shari’ah Boards and Committees. Dr. Essa is the author of several books and publications on different Islamic subjects, and is a regular speaker at Islamic conferences and forums. He holds a Ph.D. in Comparative Fiqh from the Islamic University, Al Madina Al Monawarah, Kingdom of Saudi Arabia.

# REPORT OF THE CHIEF EXECUTIVE OFFICER

# 47%

Growth in Net Profit



**Abdullatif Mohammed Janahi**  
Board Member & Chief Executive Officer

**In the name of Allah, the Most Beneficent, the Most Merciful. Prayers and Peace be upon the Last Apostle and Messenger, Our Prophet Mohammed, His Comrades and Relatives.**

I am delighted to report that Venture Capital Bank enjoyed an excellent third year of operations in 2008, with a strong performance across all areas of our activities that exceeded expectations. As a result, we have successfully demonstrated the viability of our investment strategy and business model. This performance will, God willing, form a solid base for the ongoing success of VCBank during the challenging market conditions that face us.

The Bank posted record-breaking financial results during 2008. Net profit grew by 47% to USD 47 million compared to USD 32.3 million in 2007, resulting in a return on equity 27%. Total income for the year was USD 82 million (2007: USD 54.4 million). Total assets at the end of 2008 stood at USD 243 million (2007: USD 222 million) while total shareholders' equity before allocation was USD 224 million (2007: USD 202 million).

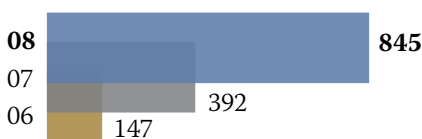
The Bank's capital adequacy ratio of 47% remains significantly higher than the minimum requirements of the Central Bank of Bahrain. I would also like to stress that the Bank has a very strong balance sheet, is not leveraged, and enjoys healthy levels of liquidity.

A smart and flexible organisational structure is one of the most critical success factors for a financial institution. Accordingly, in 2008, we reinforced our internal structure with the aim of increasing impact, promoting innovation, and facilitating growth. Building on our impressive business achievements to date, VCBank successfully executed new innovative projects in the MENA region during 2008. These comprise Venture Capital Fund - Bahrain, German Orthopedic Hospital and a number of development projects in the service and real estate sectors. These diverse investment offerings are fully detailed in the Review of Investment Portfolio section of this annual report.

## Net Profit

# USD 47 Million

## Assets-Under-Management USD Million





**VCBank posted record-breaking financial results during 2008. Net profit grew by 47% resulting in a return on equity of 27%**

During 2008, we continued to enhance the institutional capability of the Bank in order to support the growth and development of our business activities. The success of our ongoing recruitment of high calibre professionals has resulted in the strengthening of key critical areas such as Treasury, Compliance, Risk Management, Internal Audit and Operations, while the Bank's overall team now numbers 79 people. We remain committed to providing our staff with the relevant training and development to advance their careers and to help them realise their full potential.

Our impressive business achievements to date underline the success of the Bank's MENA-based strategic focus, which is to target fundamentally sound and well managed SMEs across multiple industry sectors, and selected real estate theme projects, with strong growth potential. Through such investments, we aim to offer investors superior risk adjusted returns and co-investment opportunities, which are in full compliance with Islamic Shari'ah principles. Given the challenging outlook for the region, VCBank is well placed to take full advantage of the growing potential for emerging venture capital-related and private equity investment opportunities.

Against the backdrop of current and future challenging market conditions, highlighted by unprecedented uncertainty and lack of clarity, I remain confident that our notable financial, business and organisational developments will enable the Bank to continue to protect the interests of all stakeholders, and advance our ambitious strategic and business goals.

Once again, the united contribution of all members of the Bank's team has resulted in excellent results for VCBank for 2008. This continued success would not have been possible without the support of our Chairman and Board of Directors, the confidence of our shareholders, the trust of our clients and business partners, and the loyalty of our management and staff.

In conclusion, I would like to thank all our stakeholders for their invaluable contributions during 2008. With God's blessing, I look forward to working with you to achieve even greater success in 2009 and beyond.



**Abdullatif Mohammed Janahi**  
Board Member and Chief Executive Officer

# EXECUTIVE MANAGEMENT

## Abdullatif Mohammed Janahi

### Board Member and Chief Executive Officer

The originator of the VCBank initiative and one of its key founders, Mr. Janahi served as the Executive Director of the Incorporating Committee of the Bank. He is the Chairman of Oasis Middle East Holding Company, an investment holding company that was responsible for originating, structuring and exiting the Blue City project in the Sultanate of Oman, one of the Middle East's major real estate development projects. He is also the Chairman of Lemissoler Maritime Company, World Development Company, Gulf Projects Company, Venture Capital Fund Bahrain, the Great Harbour Project and Al Jazira Plastic Company. Mr. Janahi is also a Director of Challenger Oil Drilling Company, Jordan Al Abyad Fertilizers and Chemicals Company (JAFCCO), GLOREI in Oman (and Chairman of its Investment Committee), ASAS Company in Saudi Arabia, Mozon Holding Company in Morocco and Omran Al Bahrain. Previously, he was a member of the senior management of Assurance & Business Advisory with Arthur Andersen in Bahrain. Mr. Janahi holds a B.Sc. in Accounting from the University of Bahrain, an M.Sc. in Accounting & Finance from the UK, and is a Fellow of the Chartered Institute of Management Accountants in the UK.

## Dr. Khalid Abdulla Ateeq

### Deputy CEO Operations & Support

Dr. Ateeq has over 25 years experience in banking, finance, auditing and accounting. Prior to joining VCBank he was Executive Director of Banking Supervision at the Central Bank of Bahrain, where he was responsible for the licensing, inspection and supervision of financial institutions, ensuring that all banks and financial institutions, either operating or incorporated in Bahrain, complied with promulgated laws and regulations. Before joining the CBB, he was Assistant Professor at the University of Bahrain. In addition, through his diversified exposure, Dr. Ateeq served in senior posts with a number of reputable firms. He holds a Ph.D. in Philosophy of Accounting from the UK.

## Sharif Ebrahim Monfaradi

### Chief Investment Officer Private Equity & Financial Advisory

Prior to joining VCBank, Mr. Monfaradi was with Kuwait Finance House Bahrain, where he was Head of the Group's Private Equity and Direct Corporate Investment Department. Prior to that, he was Director of the Merchant Banking Group at Bahrain International Bank. Mr. Monfaradi worked for over 5 years at BIB's New York and London Offices, where he gained considerable experience in international private equity, structured finance, and high-yield debt markets. During his career, he has concluded a number of private equity, direct corporate and structured finance transactions in the US, Europe, Middle East and Australasia. Mr. Monfaradi holds a Bachelor of Engineering degree (Honours) in Computer and Control Systems from the UK.

## Dr. Ahmed Al-Jawhary

### Chief Investment Officer Venture Capital & Business Development

Prior to joining VCBank, Dr. Al-Jawhary was with International Investment Bank, a Bahrain-based Islamic investment bank, where he was Director of the International Investment Division, responsible for originating, negotiating and structuring private equity and real estate investments. Prior to that, he was a freelance investment advisor providing business and investment consultancy to domestic and regional financial institutions and corporate clients. He was also involved in originating, screening and structuring private equity investments globally.

Dr. Al-Jawhary was also Director of Parallel Program, and an Assistant Professor at University of Bahrain, during which time he advised on major government and private projects. He holds an MBA in Financial Services and a Ph.D. in Strategies for Foreign Investment & Multinational Corporations in Emerging Markets from the UK.

## Khalid Habib Abdul Karim

### Chief Investment Officer Real Estate

Mr. Abdul Karim has over 15 years experience in real estate, private equity, strategic management and audit. Prior to joining VCBank, he was Executive Director – Private Equity at Gulf Finance House. Before that, he was Managing Director of Gulf Arab Investment Company, and the Chairman and Managing Director of Egyptian European Real Estate Company.

During his career, he has participated in a number of mergers and acquisitions, direction setting and strategic management for a number of growth businesses and turnarounds. A Fellow of the Association of Chartered Certified Accountants in the UK, Mr. Abdul Karim holds a Bachelor of Accounting & Computer Science degree from the University of Wales, UK.

## Masood Ahmed Al-Bastaki

### Chief Placement Officer

Prior to joining VCBank, Mr. Al-Bastaki was Head of the Islamic Banking Division at Bank Muscat International, with a mandate to establish an Islamic banking subsidiary. Before that, he was with JPMorgan Chase Bank for 6 years where he was Head of the GCC Client Management, responsible for the bank's business with financial institutions, government agencies and large corporates. Previously, he spent 5 years with Arab Banking Corporation as a Client Relationship Manager in the Islamic banking subsidiary, covering various regions including the GCC, Far East and the Americas, and responsible for syndication finance, and originating and structuring deals.

He started his banking career with Bank of Bahrain & Kuwait where he spent more than 7 years in the field of corporate and project finance, investment, and financial institutions. Mr. Al-Bastaki holds a Post Graduate Diploma (Honours) and a B.Sc. (Honours) in Business Administration from the University of Bahrain.

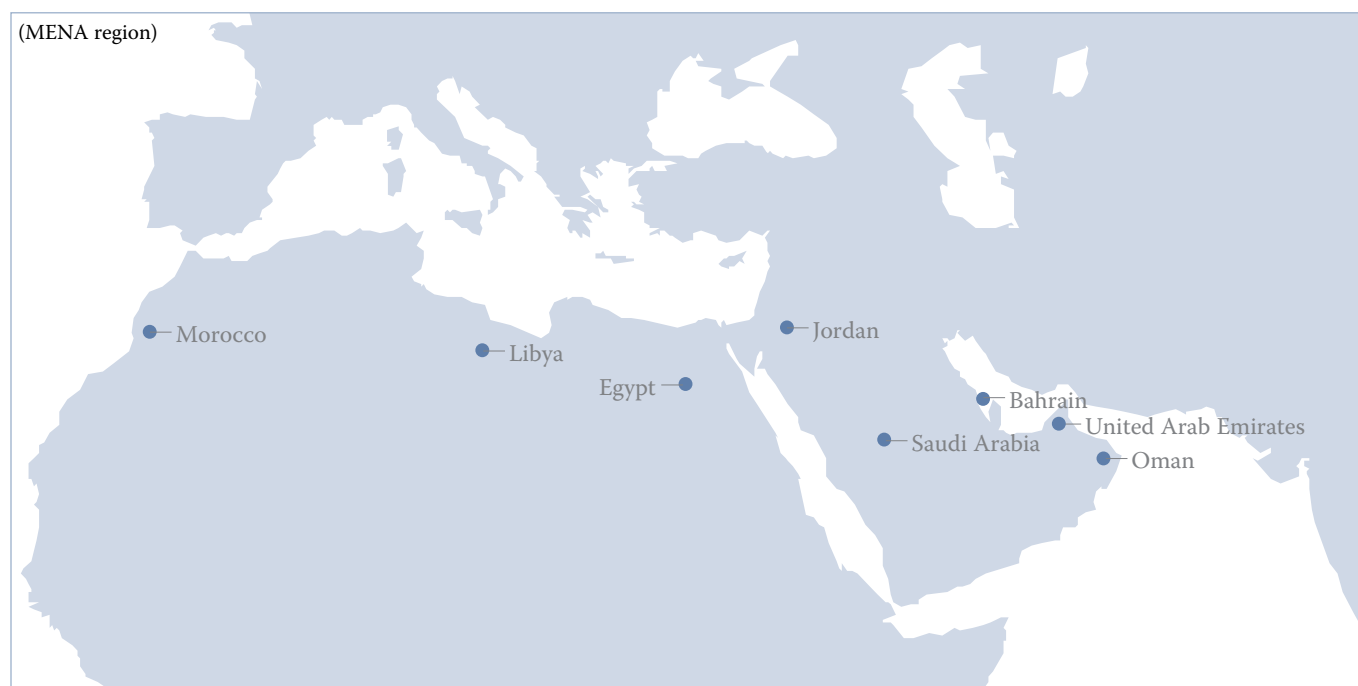


**Executive Management Team** (from left to right)

Khalid Habib Abdul Karim, Dr. Ahmed Al-Jawhary, Dr. Khalid Abdulla Ateeq, Abdullatif Mohammed Janahi (CEO), Masood Ahmed Al-Bastaki & Sharif Ebrahim Monfaradi



# GEOGRAPHIC ALLOCATION



## Venture Capital & Business Development

VCBank, having identified a gap in GCC and MENA markets, is focused on harnessing the potential of the largely untapped business opportunities, which it believes, if leveraged effectively, can provide a stable stream of alternative investment opportunities for investors.

Continued page 20

## Private Equity & Financial Advisory

VCBank is uniquely positioned to source and invest in undervalued / under-funded companies across multiple industry sectors that are seeking access to capital and additional technical and operational support to facilitate growth and expansion.

Continued page 24

## Real Estate

Over the past several years, real estate investments in the MENA region had increasingly appealed to investors. VCBank had recognised the role real estate plays in regional economies and followed a differentiated approach where it attempted to focus on niche markets with strong fundamentals such as low income housing, and end-user based products.

Continued page 28

## VENTURE CAPITAL & BUSINESS DEVELOPMENT

VCBank, having identified a gap in GCC and MENA markets, is focused on harnessing the potential of the largely untapped business opportunities, which it believes, if leveraged effectively, can provide a stable stream of alternative investment opportunities for investors. In doing so, VCBank first looks to identify promising, early to mid-stage growth companies with significant market potential. VCBank puts in place innovative and sophisticated investment structures by which it can both reduce the risks traditionally associated with venture capital investing, while simultaneously ensuring its ability to provide investors with superior returns. Access to venture capital investments, not only offers VCBank's clients opportunities in an under-invested niche asset class, but also enables them to play a positive role in the channelling of funds towards investment activities that stimulate real economic growth and further the development of regional economies.



### Venture Capital & Business Development Team

(From left to right)

Saeed Haji

Mariam Baqer

Dr. Ahmed Al Jawhary (Chief Investment Officer-  
Venture Capital & Business Development)

Elham Al Koo hiji

Abhishek Mukharjee



- 1. Venture Capital Fund Bahrain
- 2. German Orthopedic Hospital
- 3. The Lounge Serviced Offices
- 4. House of Development



## INVESTMENT REVIEW: VENTURE CAPITAL & BUSINESS DEVELOPMENT

### NEW INVESTMENTS IN 2008

<b>Venture Capital Fund Bahrain</b>
<b>Offering Size:</b> USD 15 million
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Venture Capital
<b>Year:</b> 2008

A new growth engine for small and medium enterprises (SMEs) – the USD 15 million Venture Capital Fund Bahrain was launched during 2008. This initiative is a partnership between VCBank, the Bahrain Development Bank, Tamkeen (formerly the Labour Fund of the Kingdom of Bahrain) and strategic investors in an investment fund structured and managed by VCBank. The Fund will respond to the needs of SMEs in the Kingdom of Bahrain, who will be able to benefit from Shari'ah compliant venture capital injection of between USD 250,000 and USD 3 million.

The first in a series of funds to target Bahrain and other promising MENA countries, the Venture Capital Fund Bahrain will scout for unique and innovative venture capital opportunities that are backed by committed entrepreneurs and dedicated management teams. It will provide the 'smart capital' needed to ensure the SMEs sustainability in a competitive environment, improve their business profitability, and drive their growth and expansion.

<b>German Orthopedic Hospital</b>
<b>Offering Size:</b> USD 17 million
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Venture Capital - Medical Services
<b>Year:</b> 2008

VCBank has made excellent progress in implementing the establishment of the German Orthopedic Hospital in Bahrain, which is designed to meet the growing demand for private specialist orthopedic healthcare in the GCC region. This dedicated centre of medical excellence will fill a large existing gap in the healthcare market by offering first-class orthopedic and rehabilitation medical services at German standards by German surgeons and medical professionals. The new hospital is planned to become operational during the second half of 2009.

The German Orthopedic Hospital will initially focus on surgical and conservative orthopedics, sports medicine including

physiological diagnostics for professionals, internal medicine and pain therapy. It will target patients from Bahrain and the region, who flock to Germany every year for the diagnosis, treatment and rehabilitation of orthopedic-related illnesses. The Hospital, through its resident German surgeons and medical professionals, will offer treatment at the same high standards that are to be found in leading German hospitals but in a more practical setting and at a significantly lower cost.

<b>The Lounge Serviced Offices Company</b>
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Venture Capital - Services
<b>Year:</b> 2008

VCBank has initiated and launched a new concept in the provision of professionally-managed serviced office space. This will be provided by The Lounge Serviced Offices Company (The Lounge) in which the Bank is a founding shareholder with a 90% stake. Launched during the second quarter of 2008, the Company's maiden business centre, situated on the sixth floor of the Venture Capital Bank Building in Bahrain's Diplomatic Area, has already achieved a significant occupancy rate.

Occupying a total space of 1,200 m<sup>2</sup>, The Lounge provides more than 50 offices, which differ in size and fit-out. In addition to its strategic location, which is a mere walking distance away from many of Bahrain's key ministries and leading financial institutions, The Lounge offers a number of facilities and unique advantages to its tenants.

### PROGRESS OF EXISTING INVESTMENTS

<b>Global Omani Development &amp; Investment Company (GLOREI)</b>
<b>Offering Size:</b> USD 113 million
<b>Country:</b> Sultanate of Oman
<b>Nature of Investment:</b> Business Development - Investment
<b>Year:</b> 2007

Established in 2007, with a paid-up capital of USD 113 million, GLOREI is designed to take advantage of the growing activity in Oman's various economic sectors and benefit from its numerous untapped business opportunities. Key developments in 2008 include formal licensing of the Company, the establishment of a Board of Directors, the appointment of the Chief Executive Officer and securing a small portfolio of assets.



**Saudi Venture Capital Investment Company (SVCIC)**

**Offering Size:** USD 100 million

**Country:** Kingdom of Saudi Arabia

**Nature of Investment:** Business Development - Investment

**Year:** 2007

Launched in 2007 and currently under formation, this USD 100 million investment company aims to capitalise on the significant potential of investment banking activities in the Kingdom of Saudi Arabia focusing primarily on the underserved small and medium enterprises sector.

A licence application was submitted to the Capital Markets Authority (CMA) in August 2008, and VCBank is working closely with the CMA to satisfy any additional information requirements that they have in order to expedite their review process. VCBank has received a favourable response from the CMA, who has indicated that the licensing approval process should be completed within six months of the application date.

**Mozon Investment Holding Company**

**Country:** Kingdom of Morocco

**Nature of Investment:** Business Development - Investment

**Year:** 2007

This USD 20 million Company was established by VCBank alongside key institutional investors from Kuwait in 2007 to capture the many lucrative investment opportunities available to Arab and foreign investors in the Kingdom of Morocco. Key identified sectors include industry, services, real estate, financial services and investment. During 2008, the Company was formally licensed, a Board of Directors was established and the Executive Management team appointed. Mozon has already identified a number of attractive projects that will offer attractive returns to investors.

**Venture Estates / Asas Realty Company**

**Offering Size:** USD 40 million

**Country:** Kingdom of Saudi Arabia

**Nature of Investment:** Business Development - Real Estate

**Year:** 2006

Venture Estates is a well-governed investment structure that holds a 40% stake in Asas Realty Company, which is based in the Eastern Province of the Kingdom of Saudi Arabia,

and focuses on non-speculative real estate projects in the Kingdom. In 2008, the Company successfully managed to put in place the ingredients for a “land bank” that can be tapped into as and when viable and rewarding projects are conceived. The Company is currently screening and negotiating several residential and mixed-use projects in Saudi Arabia, with a number of sites having been identified therefor.

**Gulf Projects Company**

**Offering Size:** USD 27 million

**Country:** Kingdom of Bahrain

**Nature of Investment:** Venture Capital - Logistical Assets

**Year:** 2006

VCBank’s investment in Gulf Projects Company (GPC) was based on the Bank’s venture capital approach of creating substantial return and value through turning a concession into an operational asset. The first operational asset of GPC was Venture Capital Bank Building, combining retail outlets, office space and multi-storey car parking in the Diplomatic Area of Manama, Kingdom of Bahrain, which is now fully let and operational. To date, the targeted return on investment has been exceeded, with the payment of quarterly cash dividends starting in September 2007.

**House of Development (HoD)**

**Offering Size:** USD 5 million

**Country:** Kingdom of Saudi Arabia

**Nature of Investment:** Business Development - IT

**Year:** 2006

VCBank acquired a controlling stake in this Saudi-based IT applications solutions provider in 2006 to help it implement its expansion plans, that included establishing an office in New York through which to expand its marketing activities in the USA.

Due to the economic slowdown in the US, the Company has recently shifted its focus to the MENA region. HoD has developed a unique electronic certification and authentication (EC&A) methodology using cryptography and barcode technologies, which can be used to develop Internet-based document certification and authentication products for a range of industries. The Middle East market offers good potential for the growth and expansion of the Company’s activities.

## PRIVATE EQUITY & FINANCIAL ADVISORY

VCBank is uniquely positioned to source and invest in undervalued / under-funded companies across multiple industry sectors that are seeking access to capital and additional technical and operational support to facilitate growth and expansion. VCBank then takes an active role in ensuring the growth and success of each portfolio company through a hands-on management approach and effective cooperation at every level. While the GCC and MENA regions constitute its primary markets, VCBank will also invest in opportunities outside these regions, where and when an opportunity exists, to utilise the expertise and technologies of portfolio companies to add value and drive advancement in its primary markets of focus. In addition, VCBank offers clients comprehensive solutions to commercial and financial issues that ensure they can effectively analyse and respond to the opportunities and challenges which entrepreneurial companies consistently face.



### Private Equity & Financial Advisory Team

(from left to right)

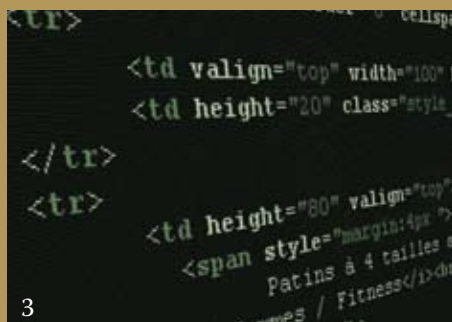
Jose Martin  
Mohamed Sohail Malik  
Sharif Monfaradi (Chief Investment Officer- Private Equity & Financial Advisory)  
Faisal Al Abbasi  
Sarah Mohamed Saleh  
Mahmood Zainal



1



2



3



4

- 1. Lemissoler Maritime Company
- 2. Jordan Al Abyad Fertilizers & Chemicals Company (JAFCCO)
- 3. ITWorx Limited
- 4. Challenger Limited



## INVESTMENT REVIEW: PRIVATE EQUITY & FINANCIAL ADVISORY

### NEW INVESTMENTS IN 2008

<b>Lemissoler Maritime Company</b>
<b>Offering Size:</b> USD 120 million
<b>Country:</b> Kingdom of Bahrain
<b>Sector:</b> Shipping
<b>Year:</b> 2008

In 2008, VCBank successfully arranged a USD 120 million private placement in Lemissoler Maritime Company which was formed with the objective of owning and operating a fleet of specialised commercial vessels. The Company has performed well since inception, with the initial fleet of five paper-carrying vessels exceeding its budget. Key developments during 2008 include the acquisition of another specialised paper-carrying vessel that was leased to Caribbean Forest Carriers for seven years; and the acquisition of three sister 2800 TEU container vessels chartered to Evergreen for five years.

Although the shipping industry has witnessed severe downturn especially with the decline in the Baltic dry index and spot rates, the Company has not been affected due to its strategy of acquiring vessels under long term charter agreements with blue chip companies and the prudent vessel acquisition strategy implemented by the Board of Directors. As a result, the Company is progressing very well in achieving its objectives and is on target to pay the promised dividends to investors for the year 2008.

### PROGRESS OF EXISTING INVESTMENTS

<b>Jordan Al Abyad Fertilizers &amp; Chemicals Company (JAFCCO)</b>
<b>Offering Size:</b> USD 24.85 million
<b>Country:</b> Hashemite Kingdom of Jordan
<b>Sector:</b> Chemical Fertilizers
<b>Year:</b> 2007

The proceeds of a USD 24.85 million private placement offering in 2007 together with the investment by VCBank and MENA SMEs Fund is being used to fund JAFCCO's business growth plan, which comprises the expansion of existing facilities with the development of a new state-of-the-art industrial complex, specialising in the manufacturing of chemical fertilizers and other kinds of chemicals that are currently imported into the MENA region.

During 2008, JAFCCO achieved exceptional results, mainly due to the outstanding performance of the existing plant with revenue and EBITDA higher than 2007 by 92% and 170% respectively. At the same time, work on the expansion project progressed well, and is currently ahead of schedule, with completion expected in early 2010.

<b>ITWorx Limited</b>
<b>Offering Size:</b> USD 8 million
<b>Country:</b> Egypt
<b>Sector:</b> Software Development
<b>Year:</b> 2007

The MENA Small & Medium Enterprises Fund 1 acquired a 30% stake in ITWorx in 2007. With development centres in Egypt, and sales and marketing offices in Saudi Arabia, UAE and USA, the Company is the largest software development company in Egypt in terms of revenue, developing and maintaining software for a large and diversified customer base. In 2008, ITWorx continued to perform well and on budget.

Historically, the Company has derived the majority of its revenues and profits from US clients. However, it has recently shifted its focus to the MENA region in order to minimise impact from the economic slowdown in the USA.

**Challenger Limited**

**Offering Size:** USD 42 million

**Country:** Great Socialist People’s Libyan Arab Jamahiriya

**Sector:** Oil Drilling

**Year:** 2006

In 2006, the MENA Small & Medium Enterprises Fund 1 acquired a 22.5% stake in Challenger Limited, an international provider of contract oil and gas land drilling and work-over services, operating primarily in Libya and also elsewhere in the Middle East.

Challenger’s results for 2008 represent historic highs, with revenues rising by over 60% and EBITDA growing more than 70%, due to the signing of a number of new contracts, and the increasing demand for drilling rigs in Libya as a result of the contractual obligations of Exploration and Production (E&P) companies under the Exploration and Production Sharing Agreements (EPSA).

**MENA Small & Medium Enterprise Fund 1**

**Offering Size:** USD 80 million

**Country:** Middle East & North Africa Region

**Sector:** Investment Funds

**Year:** 2006

This USD 80 million Fund, established in 2006, and whose portfolio includes Challenger Limited, JAFCCO and ITWorx Limited, has performed extremely well since inception. At the end of 2008, the Fund’s Net Asset Value (NAV) per share stood at USD 65, an increase of USD 15 per share or 30% from the initial NAV.

This NAV growth was partially attributable to the acquisition of a 25% stake in Challenger Limited by Bronco Drilling Company at a significant value than the Fund’s cost, and a partial exit in JAFCCO of 7% to Arab Mining Company. Distributions totalling USD 6.2 million were made to investors during the year.

## REAL ESTATE

Over the past several years, real estate investments in the MENA region has increasingly appealed to investors.

VCBank recognises the role real estate plays in regional economies and follows a differentiated approach where it focuses on niche markets with strong fundamentals such as low income housing, and end-user based products. Through the use of this approach, the Bank also strives to manage the inherent risks associated with its real estate products by applying minimal amounts of leverage.

VCBank, through its proven fundamental and value based investment philosophy, plans to capitalize on the current market situation whilst continuing to maintain its balanced and diversified strategy by offering superior risk adjusted returns to its client base.



### Real Estate Team

(from left to right)

Eman Abdulrahman  
Saad Al Khan  
Ahmed Al Abbasi  
Khalid Abdul Karim  
(Chief Investment Officer - Real Estate)  
Abdulla Nooruddin  
Saleh Bagaen



- 1. Jebel Ali Labour Accommodation
- 2. Jeddah Central District Regeneration
- 3. World Development Company
- 4. Difaaf – Reef Island



## INVESTMENT REVIEW: REAL ESTATE

### NEW INVESTMENTS IN 2008

<b>Jebel Ali Labour Accommodation</b>
<b>Offering Size:</b> USD 64 million
<b>Country:</b> United Arab Emirates
<b>Nature of Investment:</b> Labour Accommodation
<b>Year:</b> 2008

Jebel Ali Development Company W.L.L. has been formed to develop three strategically located labour accommodation complexes within the Jebel Ali Industrial Area in the United Arab Emirates (UAE). This AED 400 million (USD 109 million) project will provide high quality accommodation and supporting amenities for over 4,000 workers. The target completion date for the project is set for end of April 2010.

This project differentiates itself by concentrating on a segment of the real estate market with high demand - low supply characteristics, thereby enabling investors to further diversify their realty sector investments.

Jebel Ali is situated 35 kilometres southwest of the city of Dubai and is part of the Emirate of Dubai in the UAE. Its port of Mina Jebel Ali has the world's largest man-made harbour with 67 berths and an extensive dry-dock capability. Jebel Ali is the biggest port in the Middle East and is home to the eighth largest seaport in the world.

Al Maktoum International Airport, currently under construction in Jebel Ali, will be the world's largest passenger and cargo hub. Jebel Ali Free Zone, the only free zone in the world to be located between two such major logistics enablers, combined with air and sea ports, has positioned Jebel Ali strategically on the UAE and regional map.

<b>Difaaf – Reef Island</b>
<b>Offering Size:</b> USD 65 million
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Residential
<b>Year:</b> 2008

Reef Venture Holding Company W.L.L., was established to develop 'Difaaf', a high-end luxury residential development valued at USD 200 million, which is located on Reef Island

in Bahrain. Between its two concaving towers, Difaaf comprises a total of 425 apartments ranging from 1-3 bedrooms and penthouses with each apartment providing stunning views of the sea and the city.

Reef Venture Holding Company W.L.L. is 100% owned by Difaaf Development Limited which was a USD 65 million private placement offering allowing VCBank and its investors to jointly participate in the development project.

Despite the current unfavourable market conditions for real estate, 15% of the entire Project has been sold since the launch of the Project in October 2008. Piling works on the Project is near completion and the Board of Directors of Reef Venture Holding Company W.L.L. have taken a conscious decision to postpone the appointment of a contractor to take advantage of ongoing significant reduction in construction costs to the benefit of investors and buyers.

Reef Island is considered as one of the most exclusive and luxurious, residential real estate projects in the Kingdom of Bahrain, targeted at GCC and international investors / end-users seeking high end residences.

<b>Great Harbour – Hidd</b>
<b>Offering Size:</b> USD 73 million
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Mixed-use Development
<b>Year:</b> 2008

Established by VCBank, alongside two other strategic investors, Great Harbour W.L.L. has acquired a unique seafront plot of land with excellent development potential, in Hidd, Kingdom of Bahrain.

Through the successful placement of Great Harbour Limited, VCBank alongside its investors indirectly own approximately 56.8% stake in Great Harbour W.L.L. The plot is earmarked for a mixed-use development, comprising both residential and retail elements.

In light of recent developments in the real estate market in the region, the Board of Great Harbour W.L.L. is now considering a development that will primarily be targeting the mid-income segment in the Kingdom of Bahrain.



The Great Harbour plot, measuring 35,039 m<sup>2</sup>, is situated adjacent to the new Shaikh Khalifa Bin Salman causeway that links Hidd to Manama. Moreover, the plot is uniquely positioned, enjoying sea views on both sides.

Hidd is a new area that has recently undergone major land reclamation as part of the Master Plan issued by the Ministry of Municipalities, and is situated in a prime location just minutes away from Bahrain International Airport and Central Manama.

**PROGRESS OF EXISTING INVESTMENTS**

<b>World Development Company</b>
<b>Offering Size:</b> USD 36 million
<b>Country:</b> United Arab Emirates
<b>Nature of Investment:</b> Residential / leisure
<b>Year:</b> 2007

World Development Company Limited (WDCL) is a 50:50 joint venture between VCBank, investors, and Arabian Holdings International Limited. Incorporated as a British Virgin Islands company, Arabian Holdings International Limited is wholly owned by Bright Start, a privately held Dubai-based investment firm. The objective of the investment is to undertake a luxury residential /leisure real estate development within the iconic ‘The World’ master plan in the Emirate of Dubai in the United Arab Emirates. The 900,000 ft<sup>2</sup> (approximately) island is part of the land mass more commonly known as ‘Russia’. Achievements to date include the appointment of all consultants, completion of reclamation, design approvals from the master developer (with complimenting comments) and the execution of a successful sales strategy whereby 20% of the Project has been pre-sold.

<b>Jeddah Central District Regeneration</b>
<b>Country:</b> Kingdom of Saudi Arabia
<b>Nature of Investment:</b> Regeneration
<b>Year:</b> 2006

This challenging project involves the regeneration of Al Balad District, the central district of Jeddah and the Historical Area, covering an area of over 5 million m<sup>2</sup>,

which faces serious problems of decaying properties and outdated amenities.

VCBank is a member of a Consortium that has developed the master plan and built the economic model for the project in close coordination with Jeddah Municipality. The master plan has been endorsed by the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul Aziz Al Saud.

VCBank believes that this is one of the most unique regeneration projects in the region that will modernise the Central District of Jeddah whilst maintaining a wealth of historical properties. As a result, significant value has been created to the Consortium that will stem from the revenue streams arising primarily from the management of the project during the course of the project implementation.

<b>Omran Al Bahrain</b>
<b>Country:</b> Kingdom of Bahrain
<b>Nature of Investment:</b> Development Company
<b>Year:</b> 2006

Omran Al Bahrain is a 50:50 joint venture company between VCBank and a consortium of Kuwaiti institutional investors led by Al-Tijaria Real Estate Company in Kuwait.

The Company primarily seeks to identify potential developments, while building on its strength to be a service provider in a number of areas within the real estate sector including technical advisory and development consultancy.

In addition to the Rainbow Towers Development project in Umm Al Quwain, UAE, the Company has identified a number of other potential real estate projects in Bahrain.

During 2008, the Company’s capital was increased to USD 53 million (BD 20 million), to fuel the growth potential of the company.

The Company has undertaken investments in a number of strategic plots in the Kingdom of Bahrain for development.

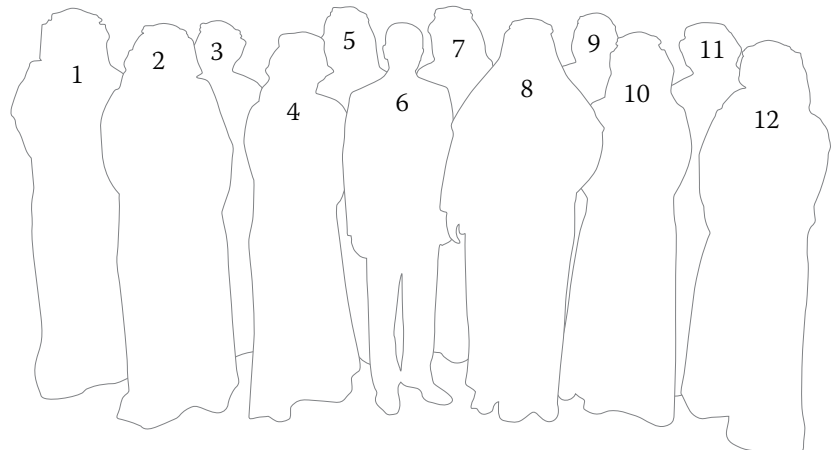
## INVESTMENT PLACEMENT

In a short space of time, the Bank's Investment Placement team has earned a highly favourable reputation in the market for its technical ability, quality and speed as well as professionalism. It has also successfully established a regional network of prominent institutional and high net worth individual clients.

Members of the team have demonstrated their technical ability to place a wide range of different products across different sectors. VCBank's core investment activities cover venture capital and business development, private equity and financial advisory, and real estate. These include funds, and a variety of stand-alone projects and deals covering diverse industry sectors and geographies, many of which were the first of their kind to be brought to our market.

The team's network of client relationships covers Bahrain, Saudi Arabia (all provinces), Kuwait, UAE (all Emirates), Qatar and Oman, and comprises large corporates, financial institutions and high net worth individuals. The team has also established a number of 'strategic' relationships with certain institutions interested in particular types of investment offerings.

In just three years, the Investment Placement team, which has now grown to 17 placement professionals and dedicated support staff, has successfully placed all the investment offerings. For a young bank that does not have a long-established track record, this constitutes an exceptional performance.





#### **Investment Placement Team**

1. Jehad Qamber 2. Abdulrahim Al Saeedi 3. Bassam Haji 4. Saud Al Hamar 5. Adel Sharif  
6. Hadi Al Hussaini 7. Khalid Abdulghani 8. Masood Al Bastaki (Chief Placement Officer) 9. Feras Al Jishi  
10. Mohamed Abdulla 11. Ali Al Alawi 12. Mohamed Al Shaikh

## OPERATIONS & SUPPORT

During 2008, the Bank's Operations & Support division was enhanced. The division now comprises six specialist departments: Treasury, Financial Control, Operations, Human Resources & Support, Information Technology and Corporate Communications.

### Treasury

The Bank's new Treasury department was established in June 2008, and quickly became fully operational, supported by the installation of SWIFT and Bloomberg systems. Given the current global financial crisis and credit crunch, the Treasury team's top priority during the year was the diligent and proactive management of the Bank's liquidity. The excellent three-year track record of VCBank has enabled the team to develop good inter-bank lines with a number of leading Islamic financial institutions. Apart from a small portfolio of available-for-sales securities in listed equities, and limited trading in listed equities, the Bank places its excess liquidity through money market placements with reputable Shari'ah compliant banks. This conservative approach, supported by its differentiated business model, diversified investment strategy, strong liquidity, and no leveraging, means that Venture Capital Bank is in a very healthy state, and well positioned to withstand the current global financial turmoil and to efficiently manage the additional funding from the capital increase process.

### Operations

The Bank's new Operations Department was established in 2008 as well, and has a key role to play in establishing cross-functional working relationships between Financial Control, Treasury and Investment Administration. The Operations team provides critical back-office support, covering the areas of transactions processing and settlement through SWIFT, reconciliations, telex transfers, management of Nostro accounts and investment accounts management.

### Human Resources & Support

In 2008, the Human Resources & Support team was expanded in order to meet the growth in the Bank's staff and the expansion of its business activities. The department's areas of responsibility cover all aspects of human resources that include recruitment, training and development and personnel systems; and support including

investor relations, administration support, legal services, procurement and premises.

Key Human Resources developments during the year include a successful recruitment drive to fill all key positions, the development of a succession planning and career development plan, introduction of a new performance appraisal system supported by staff competencies, training and development plans, job descriptions, and review and enhancement of all HR policies and processes and procedures. On the Administration side, the move to the Bank's new Headquarters at Venture Capital Bank Building was successfully accomplished.

### Information Technology

During 2008, the Bank's IT team was expanded to meet the requirements of the growing number of staff and support the expansion of VCBank's business activities. A key achievement was that no disruption of IT services occurred during the relocation to the new Headquarters. Other developments include an enhanced Data Centre, the installation of SWIFT and a new Accounting system, the development of a Customer Relationship Management (CRM) system and the introduction of a state-of-the-art Information Security system. To support the Bank's Business Continuity Plan, a Disaster Recovery Site was established, which will be initially off-line, then progressing to on-line in 2009. In addition, a GAP Analysis was conducted with the Business and Support functions to assess satisfaction with current services, and also to identify future IT requirements across the Bank.

### Financial Control

During the initial start-up phase of VCBank, the Financial Control department was responsible for a number of additional critical functions, including Operations, Compliance and Anti-Money Laundering Reporting. Following the expansion of the Bank's Operations & Support division during 2008, these activities were transferred to other departments. This will enable the Financial Control team to focus on its core activities, which include providing senior management with timely financial reports to aid decision making; preparing quarterly and annual consolidated financial statements; and ensuring that

effective financial control processes and procedures are in place, and monitored on a regular basis.

### Corporate Communications

During 2008, VCBank's Corporate Communications team was enhanced by the addition of experienced communications, public relations and marketing professionals to further improve the Bank's communications with all stakeholders. Notable developments during the

year include strengthening relationships with regional and international media; revamping the Bank's quarterly newsletter – VCOMM – to clients and investors; and reviewing VCBank's corporate social responsibility programme, which the team is responsible for implementing.



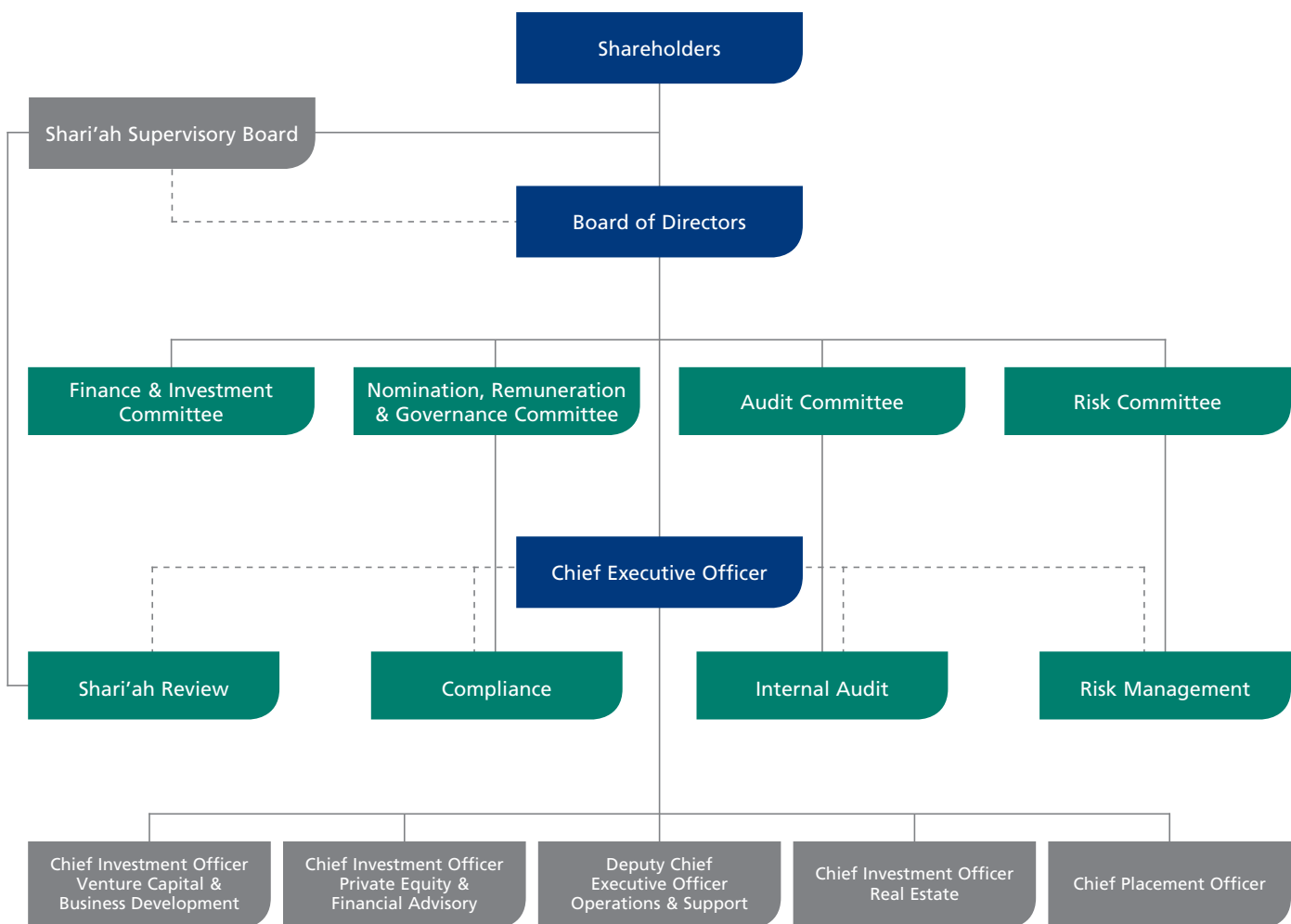
### Operations & Support Team (from left to right)

Hassan Murad, Santosh Jacob Karipat, Hisham Abu Alfateh, Najwa Mohanna, Abdulla Kandi, Dr. Khalid Ateeq (Deputy CEO - Operations & Support), Ahmed Sultan & May Marzouq

# CORPORATE GOVERNANCE

VCBank is committed to upholding the highest standards of corporate governance in compliance with relevant governing laws and regulations and global best practice. Accordingly, the Bank has put in place a robust and comprehensive corporate governance framework aimed at ensuring operational effectiveness while protecting the rights and interests of all stakeholders.

## Corporate Governance Structure



### Board of Directors

The Board is responsible for the stewardship of the Bank's business and affairs on behalf of the shareholders, with a view to enhancing long term shareholder value whilst taking into account the interests of other stakeholders, and maintaining high standards of transparency and accountability. All Board Members are independent non-executive members except for the CEO.

#### Members

1. Dr. Ghassan Ahmed Al Sulaiman – Chairman
2. Abdulfatah Mohammed Rafei Marafie – Deputy Chairman
3. Abdullatif Mohammed Janahi (CEO)
4. Ali Mousa Al Mousa
5. Marwan Ahmad Al Ghurair
6. Saleh Mohammed Al Shanfari
7. Nedhal Saleh Al Aujan
8. Mohammed Bin Sulaiman Abanumay
9. Salman Mohammed Hassan Al Jishi
10. Sulaiman Haider Al Haider
11. Bader Grmallah Al Zahrani
12. Christopher Brown

### Shari'ah Supervisory Board

The Shari'ah Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that they are in compliance with the rules and principles of Islamic Shari'ah.

#### Members

1. Shaikh Nidham Mohammed Saleh Yaqooby – Chairman
2. Shaikh Dr. Abdul Sattar Abdul Kareem Abu Ghuddah
3. Shaikh Dr. Essa Zaki Essa

### Board Committees

#### Nomination, Remuneration & Governance Committee

The Nomination, Remuneration & Governance Committee oversees matters related to the nomination of new directors, assessment of the Board and its committees and directors, and the remuneration of directors and senior management, in addition to overseeing the Bank's compliance with laws and regulations.

#### Members

1. Abdulfatah Mohammed Rafei Marafie – Chairman
2. Dr. Ghassan Ahmed Al Sulaiman
3. Marwan Ahmad Al Ghurair
4. Salman Mohammed Hassan Al Jishi

### Finance & Investment Committee

The purpose of the Finance & Investment Committee is to oversee the financial and investment affairs of the Bank including asset and liability management in coordination with the Executive Management Committee.

#### Members

1. Dr. Ghassan Ahmed Al Sulaiman – Chairman
2. Abdulfatah Mohammed Rafei Marafie
3. Saleh Mohammed Al Shanfari
4. Abdullatif Mohammed Janahi
5. Salman Mohammed Hassan Al Jishi

### Audit Committee

The Audit Committee is tasked with oversight responsibilities on financial reporting, internal control and risk management, internal and external audit and adherence to Shari'ah rules and principles.

#### Members

1. Nedhal Saleh Al Aujan – Chairman
2. Sulaiman Haider Al Haider
3. Giles Catchpole (non-board member)

### Risk Committee

The Risk Committee is tasked with maintaining oversight of the Bank's risk management framework including its Basel II framework covering all risks faced by the Bank, as well as its control environment.

#### Members

1. Ali Mousa Al Mousa – Chairman
2. Bader Grmallah Al Zahrani
3. Christopher Brown
4. Muneer Al Shehri (non-board member)

### Executive Management Committee

The Executive Management Committee is responsible for overseeing day-to-day operations of the Bank, monitoring the performance of business lines and departments in relation to strategy, policies, targets and limits, in addition to asset and liability management in coordination with the Finance and Investment Committee.

#### Members

1. Abdullatif Mohammed Janahi – Chairman
2. Dr. Khalid Abdulla Ateeq
3. Sharif Ebrahim Monfaradi
4. Dr. Ahmed Al Jawhary
5. Khalid Habib Abdul Kareem
6. Masood Ahmed Al Bastaki

## CORPORATE GOVERNANCE Continued

### Compliance

Compliance at VCBank starts at the top. The Compliance function effectiveness is lead by the Bank's Board of Directors and Executive Management, which emphasise on standards of transparency and integrity in conducting business across the whole organisation.

The Bank was keen to establish a strong and independent Compliance Department to assist Senior Management in managing effectively the compliance risk faced by the Bank. The Compliance Department is directly reporting to the Nominations, Remunerations & Governance Committee and administratively to the CEO ensuring the Bank's Compliance objectives are achieved.

The Compliance Department oversees the Bank's compliance programme and functions as an independent and objective body that reviews and evaluates the Bank's compliance issues. The Compliance function monitors the Bank's operations and activities are in compliance with the rules and regulations of the Central Bank of Bahrain (CBB), the Ministry of Industry and Commerce or any other applicable laws or regulations. It also monitors that the behaviour in the organisation meets the Bank's ethical standards and assists senior management in educating staff and increasing awareness on compliance issues across the whole organisation. This is supported by comprehensive policies and procedures put in place to ensure full legal and regulatory compliance, including anti-money laundering reporting and prudential reporting.



### Risk Management

Risk Management reports directly to the Risk Committee of the Board and administratively to the CEO. Key objectives of the Risk Management department are to develop an integrated risk management framework for the Bank, establish minimum risk management standards for the entire organisation, and install a culture whereby all staff are individual owners of risk. Key developments during the year include reviewing and assessing the Bank's risk management policy, processes and procedures, providing advice to strengthen the Bank's internal controls, formally identifying the key risks to which VCBank is exposed and developing various initiatives to manage, monitor and minimise such risks.

### Internal Audit

Internal Audit reports directly to the Audit Committee of the Board and administratively to the CEO. This function was originally outsourced, but due to the growth in the Bank's staff, and the expansion of its business activities, the Board considered that an in-house capability would be more effective for VCBank. Initiatives during the year include a thorough review of the Bank's existing internal processes and procedures, the adoption of a risk based audit approach, and advising management on enhancements to the Bank's internal controls framework. The Internal Audit team will work closely with Compliance and Risk Management, and place increased emphasis on providing Executive Management with preventative advice and guidance.



**Compliance, Risk Management & Internal Audit Team**  
(from left to right)

Khalid Al Madani, Kubra Ali,  
Tat Thong & Vivek Shenoy