



ANNUAL REPORT 2004



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*H.H. Shaikh Khalifa bin Salman Al Khalifa  
The Prime Minister*



*H.M. King Hamad bin Isa Al Khalifa  
King of Bahrain*



*H.H. Shaikh Salman bin Hamad Al Khalifa  
The Crown Prince and Commander-in-Chief  
of the Bahrain Defence Force*

# A breed apart

Unicorn Investment Bank (UIB) is a fresh face in Islamic finance. We combine ethics and innovation in our quest to set new standards in investment banking.

UIB's seasoned management team brings rich and diverse global banking experience. We are passionate about serving our clients - we listen and deliver innovative client driven investment products and services.

Ethics and innovation are an integral part of our character.

Unicorn Investment Bank - a breed apart



# Vision, Mission & Values

## Our Vision

To be a leading global Islamic investment bank.

## Our Mission

To be a respected and trusted world-class financial institution delivering innovative and tailored Shari'ah-compliant solutions to an international client base.

## Our Core Values

At the heart of our dealings with each other, our clients, our business partners and our communities are UIB's core values:

### Integrity

We apply the highest standards of personal and professional ethics.

### Client Focus

We aim to exceed the expectations of our clients by anticipating and responding to their needs.

### Entrepreneurial Spirit

We believe in fostering an entrepreneurial environment encouraging team members to be innovative and fully responsible for their clients' satisfaction.

### Teamwork

We attract, retain and motivate people from diverse backgrounds, thus leveraging a mix of cultures, languages, perspectives, skills and experiences.







## Financial Highlights

After commencing operations in May 2004, Unicorn Investment Bank (UIB) closed our eight months of business on December 31, 2004, with the publication of our audited financial statements. The buoyant financial market that prevailed in the GCC region during this period enabled the Bank to develop a robust deal pipeline in the Corporate Finance and Capital Markets as well as Private Equity business lines.

Our revenues of US\$ 36 million for this period are well ahead of our projections and are driven primarily by our Corporate Finance and Capital Markets team. Our revenues are at more than three times our operating expenses, comparing very favorably with other banks.

We have concentrated our operating expenses on building the unique business model that will define UIB - that of a full-service Islamic investment bank with an international focus and presence.

Maintaining and effectively managing our capital base is central to the strength of our bank. Our capital will be utilized to secure strong medium-term returns for our shareholders while preserving the Bank's liquidity and managing risks over the long-term. UIB was capitalized in May 2004 with US\$ 111 million and we are pleased to report, that even after absorbing the transaction costs associated with capital raising efforts over an extended pre-operating phase, we generated a return on equity of 24% for this period, positioning us well for future growth.

# Chairman's Statement



I am confident that the synergy among shareholders, clients and management team will lead UIB to earn recognition as one of the world's leading Islamic investment banks.



On behalf of the Board of Directors and Management Team, it gives me great pleasure to report on Unicorn Investment Bank's first set of financial results, for the eight-month period ending December 31, 2004. We have attained both our financial and organizational goals in accordance with a clearly outlined vision as a full-service investment bank, with integrated business lines for delivering superior client services and financial performance. During this start-up period we successfully established the Bank's infrastructure and operations. We brought on board a management team with extensive global banking experience, as well as specialists in Islamic financial products and services. We formed a well-respected Shari'ah Board comprised of prominent Islamic scholars, who provide vital guidance upon which our investment models are formulated. Our strong client relationship team manages the Bank's distribution strategy, maximizing both direct and indirect channels that enable us to offer a full range of investment banking products and services to institutional and family investors.

To take full advantage of regional and global opportunities, we have established a strategic presence in Chicago for the North American market and in Kuala Lumpur for the South and Southeast Asian regional markets. We also have plans to develop a European presence in the near future. With these foundations in place, Unicorn Investment Bank can progress on a path towards becoming a true world-class organization.

A crucial factor in our success will be the strength and durability of the working relationships with our valued clients. We have made good progress in building credibility and trust by delivering innovative, reliable and attractive investment and advisory services in a transparent manner. I am confident that the synergy among shareholders, clients and the management team will lead UIB to earn recognition as one of the world's leading Islamic investment banks. Our net earnings of US\$ 17 million during this period reflect our ability to tactically execute our strategic plans and to pursue them vigorously in a highly competitive environment. As a result of our solid performance, we have preserved our capital base with earnings that have allowed us to absorb start-up and pre-operating expenses as well as cover our operating expenses for the period.

We are aware that the road ahead is full of challenges. We are determined, however, to build a leading investment bank with regional and global aspirations that will differentiate itself from the rest. We are dedicated to the development of a sophisticated and transparent banking platform with innovative, competitive and highly profitable investments and services for our clients. We remain confident that with the support of our shareholders and investors, and with the solid vision of a world-class group of professionals, we will succeed.

Finally, on behalf of myself, the Board of Directors and the Management Team, I wish to extend our full appreciation and gratitude to our regulatory body, the Bahrain Monetary Agency, for its guidance, support and leadership. We look forward to a promising future for all our stakeholders as we continue to act as their partners and advisors and to remain their bank of choice.

Yousef A. Al-Shelash  
Chairman



# CEO's Message

I see that these opportunities can be captured with a pioneering spirit, a relentless focus and an ability to deliver solutions for both Islamic and conventional banking markets.



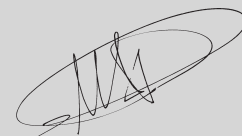
As an entrepreneur, I see a new and promising future for market opportunities in Islamic finance across the globe. As an international investment banker, I see that these opportunities can be captured with a pioneering spirit, a relentless focus and an ability to deliver solutions that meet the needs of both the Islamic and conventional banking markets. Moreover, as an individual who is comfortable in both cultures, I can see that tremendous opportunities exist to integrate the best of the two systems and unlock their true potential.

In recent years, I have been encouraged to see widespread structural economic change that is resulting in a favorable investment climate across the Muslim world. Political and economic reforms, strong business fundamentals, an abundance of natural resources and talent, regional and international economic integration, as well as existing entrepreneurial skills are creating investor confidence and a vibrant environment resulting in exceptional economic growth with even greater promise for the years to come. Policy-making and economic reforms now reflect the reality that a prerequisite for attracting greater direct investment is the development of transparent and efficient market mechanisms that will provide a level playing field for all competitors.

Unfortunately, these changes have not been fully mirrored in the Islamic financial markets, which have generally not kept pace with recent innovations in financial services, products and technology that have swept the global financial system. As a result, the financial needs of the worldwide Muslim community have been largely unaddressed. In fact, while almost one-fifth of the world's population is Muslim, by no measure do Islamic institutions account for a fifth of global financial transactions.

I am confident, however, that the coming years offer great promise as the window of Islamic finance rapidly opens in front of us, enabling dynamic Islamic financial institutions a tremendous opportunity to partner with regional and international entrepreneurs and providers of institutional capital to present creative and competitive investment banking solutions.

Today, we are indeed blessed with an abundance of talent and resources that can be tapped by Islamic as well as regional and international financial institutions to capitalize on these unique prospects. I firmly believe that these exciting times provide those of us with expertise, vision and discipline, the opportunity to realize our most ambitious goals.



Majid Al Sayed Bader Al-Refai  
Managing Director and  
Chief Executive Officer

# Board of Directors



Yousef A. Al-Shelash



Hethloul Saleh Al-Hethloul



Bader Sulaiman Al-Jarallah



Bader Abdulaziz Kanoo



Abdullatif Abdullah Al-Shalash



Majid Al Sayed Bader Al-Refai



Taher Darwish Makkiyah

### **Yousef A. Al-Shelash**

#### **Chairman and Founding Investor**

Mr. Al-Shelash is Chairman of Dar Al-Arkan Real Estate Development Company in Saudi Arabia which he has led through numerous successes with his vision, innovative thinking and the application of business' best practices. Mr. Al-Shelash introduced the concept of developing comprehensive residential environments through large-scale investment projects in the real estate sector in Saudi Arabia, the Middle East and in Europe. Previously, he served as a member of Investigation and Attorney General, as well as a legal advisor to various legal consultancy firms in Saudi Arabia. Mr. Al-Shelash obtained a MSc in law and legal proceedings from the Institute of Public Administration Al-Riyadh and a BSc in Shari'ah from Mohamed Bin Saud Islamic University, KSA. He has received formal training in financial management and evaluation of investment projects and also earned diplomas in both Banking and Financial Crimes.

### **Hethloul Saleh Al-Hethloul**

#### **Founding Investor**

Mr. Al-Hethloul sits on the Board of Directors of Dar Al-Arkan Real Estate Development Company in Saudi Arabia. Mr. Al-Hethloul has accumulated twenty years of experience in the financing business and is considered one of the pioneers in both mortgage financing and real estate investment financing in Saudi Arabia. His innovative approach has significantly contributed to the remarkable growth of Dar Al-Arkan. Previously, Mr. Al-Hethloul served as a General Manager for a number of companies, including Al-Izdihar Corner for Real Estates, Al-Gasim Real Estate Company and Kingdom Installment Company. Mr. Al-Hethloul holds a BSc in Business Administration from King Saud University, KSA.

### **Bader Sulaiman Al-Jarallah**

#### **Founding Investor**

Mr. Al-Jarallah is the Chairman and Managing Director of Livestock Transport & Trading Co. KSC, Kuwait, the largest livestock, transport and trading company in the world. He has worked for the Government of Kuwait in various capacities for more than thirty years. He was formerly the Chief Investment Manager for the Kuwait Investment Authority, where his responsibilities included controlling government investments in seventy Kuwaiti companies and seventy Arab companies outside Kuwait, as well as overseeing the Central Bank of Kuwait and Kuwait Airways Corporation. Previously, Mr. Al-Jarallah held the position of Controller in several departments within the Kuwaiti Ministry of Finance. In addition, he has served as the Chairman of Kuwait-Algerian Investment Company and as a Director of the National Automotive Trading Company (Kuwait) and Kuwait Flour Mills & Bakeries Company. Mr. Al-Jarallah obtained a BBA from Kuwait University, Kuwait.

### **Bader Abdulaziz Kanoo**

#### **Founding Investor**

Mr. Kanoo has spent twenty years in various positions within the Yusuf Bin Ahmed Kanoo (YBA) organization, a 114-year-old, family-owned group of companies operating in Saudi Arabia and throughout the Gulf. He is currently responsible for the Kanoo Commercial Division, Kanoo Joint Ventures Division and Business Development. Mr. Kanoo is a Board member of a number of YBA's joint venture companies, including Saudi Formaldehyde Chemical Co. Ltd., Modern Décor & Wood Products Manufacturing Co. Ltd., Guardian Industries Co. Ltd., Saudi Chevron and AXA Insurance (Saudi Arabia) B.S.C. (c). He also sits on YBA Kanoo's Finance and Holding Company Boards. Mr. Kanoo holds a degree in Management from Mercer University, Georgia, USA.

### **Abdullatif Abdullah Al-Shalash**

#### **Founding Investor**

Mr. Al-Shalash sits on the Board of Directors of Dar Al-Arkan Real Estate Development Company in Saudi Arabia and is also the Vice President of Emaar Al-Bayader Holding Company where his responsibilities include managing the company and evaluating its investment portfolio. He has considerable experience and knowledge in monitoring real estate investment projects, evaluating investment portfolios, research and development. Mr. Al-Shalash has led numerous task forces for market research, feasibility studies, business planning, valuation and due diligence reports. Previously, Mr. Al-Shalash served as Branch Manager of Al-Otham food retail markets and as Marketing Manager in Dar Al-Arkan. Mr. Al-Shalash obtained an MBA from Findlay University in Ohio and a BS in Organization Leadership and Supervision from Purdue University, Indiana, USA.

### **Majid Al Sayed Bader Al-Refai**

#### **Managing Director, Chief Executive Officer and Founder**

Mr. Al-Refai is one of the pioneers of Islamic finance. Prior to founding UIB, he established several other ventures, including First Islamic Investment Bank (renamed Arcapita), Bahrain, formed through the acquisition of Majestic Global Investments, Ltd. and Commerce MGI Sdn Bhd (Malaysia). He has held senior management positions at several leading financial institutions in the Middle East, including Dallah Al Baraka Group (KSA), Al-Tawfeek Company for Investment Funds (Bahrain), Al-Amin Securities Company (Bahrain) and Kuwait Finance House (Kuwait) and more recently was a Partner in The International Investor (Kuwait). A graduate of Purdue University, Indiana, USA, Mr. Al-Refai has an undergraduate degree in Chemical Engineering and an MS in Finance.

### **Taher Darwish Makkiyah**

#### **Chief Operating Officer**

Mr. Makkiyah has held senior management positions with several of the world's leading banks, including Manufacturers Hanover Trust Company (Senior Vice President), Chemical Bank (Senior Managing Director), Chase Private Bank (Managing Director) and Arab Banking Corporation (Executive Vice President and Chief Banking Officer). He has also served as Director of the International Bank of Asia, the Far East Trust Bank and the Business Council for International Understanding, worked with the U.S. Financial Services Volunteer Corps and served as President of the Arab Bankers' Association of North America. Mr. Makkiyah holds a BBA from the American University, Beirut and an MBA from Tulane University, Louisiana, USA.

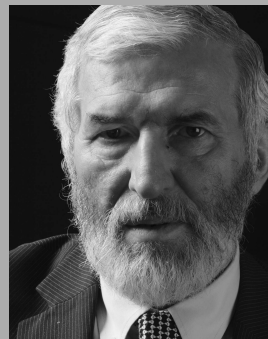
# Shari'ah Supervisory Board



Dr. Khalid Mathkooor  
Al-Mathkooor



Dr. Aagil Jasim Al-Nashmy



Dr. Abdul Sattar Abdul  
Kareem Abu Ghuddah



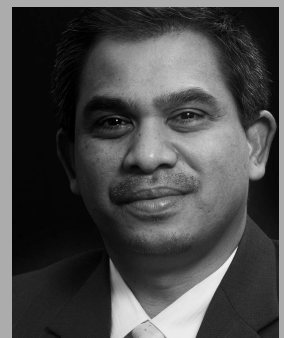
Dr. Ali Muhyealdin  
Al-Quradaghi



Sh. Abdul-Aziz  
Mohammad Al-Gasim



Sh. Nizam Mohammad  
Saleh Yaqouby



Dr. Mohammad Daud Bakar

**Dr. Khalid Mathkooor Al-Mathkooor**

Chairman

Dr. Al-Mathkooor is Chairman of the Higher Consultative Committee for the Finalization of the Application of the Provisions of Islamic Shari'ah for the State of Kuwait. He is a lecturer in the Division of Comparative Jurisprudence and Shari'ah Policy of the Faculty of Shari'ah and Islamic Studies at the University of Kuwait. Dr. Al-Mathkooor is a member of the Higher Planning Board of the State of Kuwait and serves on the Shari'ah Supervisory Boards of a number of Islamic banks. Dr. Al-Mathkooor holds a PhD in Shari'ah from Al-Azhar University, Cairo, Egypt.

**Dr. Aagil Jasim Al-Nashmy**

Deputy Chairman

Dr. Al-Nashmy is a Professor in the Faculty of Shari'ah and Islamic Studies at the University of Kuwait. He represents the State of Kuwait in the Islamic Fiqh Academy, which evolved from the Organization of Islamic Conference in Jeddah, Saudi Arabia. He is a member of the Shari'ah Supervisory Boards of a number of Islamic banks, as well as of the Accounting & Auditing Organization of the Islamic Financial Institutions of Bahrain. Dr. Al-Nashmy also serves on the Fatwa Committee of the Kuwaiti Ministry of Awqaf & Islamic Affairs. Dr. Al-Nashmy holds a PhD in Shari'ah from Al-Azhar University, Cairo, Egypt.

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

Member & Chairman, Executive Committee

Dr. Abu Ghuddah is a member of the Islamic Fiqh Academy, which evolved from the Organization of Islamic Conference in Jeddah, Saudi Arabia. He sits on both the Standard Board and Shari'ah Board of the Accounting & Auditing Organization of the Islamic Financial Institutions of Bahrain. He is also a member of the Shari'ah Supervisory Board for a number of Islamic banks. Previously, Dr. Abu Ghuddah held the positions of Expert and Reporter for the Islamic Fiqh Encyclopedia, Ministry of Awqaf & Islamic Affairs, State of Kuwait. Dr. Abu Ghuddah holds a PhD in Shari'ah from Al-Azhar University, Cairo, Egypt.

**Dr. Ali Muhyealdin Al-Quradaghi**

Member

Dr. Al-Quradaghi is Professor and Chairman of the Department of Jurisprudence and its Principles, in the Faculty of Shari'ah Law and Islamic Studies at the University of Qatar. He is a member of the Islamic Fiqh Academy, Organization of Islamic Conference, in the Kingdom of Saudi Arabia. He also sits on the Shari'ah Supervisory Board for a number of Islamic banks. Dr. Al-Quradaghi holds a PhD in Shari'ah from Al-Azhar University, Cairo, Egypt.

**Sh. Abdul-Aziz Mohammad Al-Gasim**

Member

Sh. Al-Gasim is currently General Manager of Al-Gasim for Shari'ah and Legal Consultation Office. He is a member of the Saudi Chamber of Commerce and Industry and a legal and Shari'ah consultant for a number of Islamic and conventional banks. Sh. Al-Gasim is presently a PhD candidate in Shari'ah - Applied Law and Philosophy from the College of Shari'ah, Riyadh. He also holds an MS in Legal Systems from the Higher Institute of Jurisdiction, Riyadh, KSA.

**Sh. Nizam Mohammad Saleh Yaqoub**

Member

Sh. Yaqoub is a member of the Shari'ah Supervisory Board for a number of Islamic banks and institutions. He holds a BA in Economics & Comparative Religion from McGill University, Canada and at present is a PhD candidate in Islamic Law at the University of Wales, UK.

**Dr. Mohammad Daud Bakar**

Member

Dr. Bakar is the Deputy Rector for Student Affairs and Development at the International Islamic University in Malaysia. He previously served as Dean of the Center for Postgraduate Studies and Associate Professor of Islamic Law at the International Islamic University, Malaysia. Dr. Bakar is a member of the Shari'ah Advisory Councils of both the Securities Commission and Bank Negara (Central Bank), Malaysia. Dr. Bakar holds a PhD in Shari'ah from St. Andrews University, UK.





UIB is built around multiple business lines -  
Corporate Finance & Capital Markets, Mergers &  
Acquisitions, Asset Management, Private Equity  
and Takaful (Insurance).



# Business Overview



We aspire to set new benchmarks in Islamic investment banking and in partnering with other global and regional financial institutions.



Muslims are a fifth of the world's population, but Islamic financial institutions are yet to succeed in adequately tapping this potential market, which has traditionally been serviced by conventional financial institutions. The latter deliver a wide range of diversified investment products and financial services at competitive prices, and have proven very adept at understanding and anticipating client needs as well as the value of product innovation in the rapidly changing global marketplace. Unfortunately, Islamic banks have not capitalized on the opportunity provided by 1.2 billion Muslims worldwide. While the Islamic banking industry has steadily developed over the last twenty-five years, major players have been unable to build a brand reputation that is globally recognized.

The founding shareholders and the Board of Unicorn Investment Bank recognized this gap and have developed a vision for a full-service, international investment bank, led by an experienced Board of Directors and a world-class management team committed to delivering innovative and ethical financial solutions to serve a broad international client base. To achieve this goal, UIB is built around multiple business lines - Corporate Finance & Capital Markets; Mergers & Acquisitions; Asset Management; Private Equity; and Takaful (Insurance).

All of our products, advisory services and business divisions are unified by two overarching principles: they comply with Shari'ah principles and are managed according to international banking standards. We aspire to set new benchmarks in Islamic investment banking and in partnering with other global and regional financial institutions.

# Products & Services

## Corporate Finance & Capital Markets

UIB's Corporate Finance and Capital Markets Division provides innovative solutions to companies and financial institutions. The team demonstrates a unique blend of technical skills, combined with broad experience in the origination, structuring and placement of complex Shari'ah-compliant financial transactions.

Financial transactions are tailored to meet clients' needs and risk profiles. Our areas of specialization include:

- Advisory services - including development of strategic and business plans, valuations, restructuring, project advisory and recapitalizations. In addition, providing advice where necessary on the conversion of a conventional business model to one which is fully Shari'ah-compliant.
- Mergers & Acquisitions - utilizing our strong network and the ability to understand and create market synergies, UIB can play a strategic role in advising clients on M&A opportunities for their organizations.
- Debt Raising - debt arrangements via bridge financing, project financing and syndicated facilities.
- Equity Raising - including structuring, arranging and placing private capital through private and strategic investors and public equity via IPO's, secondary offerings and rights issuance.
- Structured Finance & Capital Markets - including real estate/ mortgage securitizations, such as residential and commercial MBS; asset-backed securities, such as aircraft, ship and auto securitizations; structured export credits and tax-driven structures; corporate and sovereign sukuks (bonds) as well as building close relationships with financial institutions in the region.

UIB's distribution network works closely with the Corporate Finance and Capital Markets Division to raise capital across a widespread investor base spanning the Middle East, Southeast Asia, Europe and the US.

## Strategic Mergers & Acquisitions

In order to become a truly global player, UIB fundamentally believes in the "Growth through Acquisition" strategy for our own account as well as for our strategic partners. This will be accomplished by acquiring well-run regional and international conventional finance companies and converting them to Shari'ah-compliant institutions. We will target both private and publicly listed financial institutions that reflect our strategic footprint and fit our overall investment objectives.

Another aspect of our M&A strategy is to focus on existing Islamic institutions that are under-performing or under-capitalized. UIB's M&A Team will leverage our Shari'ah structuring capability and will also work closely with existing management to unlock the value in these organizations through more optimally allocating resources and enhancing efficiencies. This will ultimately help in creating maximum synergies from these target organizations for the benefit of all stakeholders and in enhancing their capability to compete at the global level.

In order to execute this M&A strategy and show complete confidence, UIB will co-invest in such M&A transactions with our strategic partners by developing special purpose acquisition funds (SPAF). These SPAFs will blend capital raised from investors and strategic partners with our own resources to acquire target financial institutions.

## Asset Management

Unicorn Investment Bank's Asset Management Division is responsible for developing, promoting and managing Shari'ah-compliant investment funds and mutual assurance products for high net worth individuals and institutional clients. The Bank's direct placement team will partner with product specialists to build relationships with financial institutions, with a forward focus on developing diverse distribution channels for our investment products.

We anticipate that our product offerings in the near-term will range from high-yielding equity funds to lower-risk fixed income offerings, which are structured according to Shari'ah principles. We also foresee our strong regional relationships in the real estate and property development sector providing opportunities to develop tailor-made products. Our focus is to develop regional equity and income products on a proprietary basis while selecting best-in-class managers for the international component of investments. Thus UIB will be in a unique position to provide Shari'ah-compliant global asset management solutions, ranging from corporate liquidity wealth management, insurance reserve advisory to savings products for Hajj schemes and Awqaf management programs.

## Global Private Equity

UIB's philosophy for private equity is to build value through a combination of conservative capital structures, sound business strategies and proper execution. Such an investment approach requires Shari'ah-compliant use of leverage in our investments and matching capital structures with the company's business model.

UIB's global presence and contact base offer our clients direct co-investment private equity opportunities in North America, Europe, the Middle East, South and Southeast Asia.

The Private Equity team targets stable and well-managed mid-cap companies, in selected market segments, which show strong near-term growth prospects. UIB's strategy is to leverage our financial, strategic and managerial expertise to partner with these companies in unlocking their potential and increasing valuations upon exit. Our team has extensive experience, a strong network of market relationships and the ability to identify and develop investment opportunities. We anticipate that these opportunities will primarily be generated by the following events in target companies:

- Recapitalization of family-owned or closely-held companies
- Divestiture of a division from a larger company
- Investments in private, mature, cash-flow positive companies, which offer a value-enhancing proposition upon exit

UIB's philosophy for private equity is to  
build value through a combination of  
conservative capital structures, sound  
business strategies and flawless execution.



## Takaful (Insurance)

The market for Takaful, an Islamic alternative to conventional insurance, is growing rapidly. Both individuals and businesses are increasingly purchasing Takaful products for non-life (property) and life (family) risk protection purposes. Although there are currently more than 65 Takaful companies in 24 countries (two-thirds of which are in the Middle East), most of these providers are under-capitalized and are thus frequently unable to compete effectively against conventional providers. While two Re-Takaful (reinsurance) operators currently exist that supply Re-Takaful risk-sharing, most of the \$1 billion annual Takaful gross premiums written globally are ceded to conventional reinsurers which follow traditional reinsurance practices. To date no Re-Takaful company is capitalized above \$100 million nor carries an "A" financial rating. In addition, Takaful operations have been constrained by an inability to source suitable Shari'ah-compliant vehicles for investment of capital and premiums.

Unicorn Investment Bank aspires to become a truly global provider of services to the Takaful industry. UIB delivers advisory, risk management and investment solutions to Takaful operators, co-operative insurers, Re-Takaful companies and private corporations seeking Islamic alternatives to conventional insurance. Our team can leverage UIB's multi-product and business-line expertise to combine Takaful with other Islamic financing structures to the advantage of our clients.

## Placement & Distribution

Unicorn Investment Bank's financial engineering skills are closely intertwined with a strong capacity to distribute a range of sophisticated and tailored Shari'ah-compliant investment products to a wide spectrum of institutional and high net worth clients. Our team is built around professionals with established credentials and extensive market experience, both regionally and internationally, and with a demonstrated record of leveraging their relationships within their regions.

UIB's placement and distribution network is based out of our headquarters in Bahrain for the Middle East; Chicago for North America and Europe; and Kuala Lumpur for South and Southeast Asia. The Bank's direct placement team will partner with product specialists to build relationships with financial institutions, with a view to developing diverse distribution channels for our products.

As we work at a business and transactional level with our clients, our direct placement and distribution team is tasked with continually developing these relationships to a level that will further integrate these investors with our Bank at a strategic and stakeholder level. The organic growth of our proprietary placement and distribution teams will complement our developing networks of relationships with financial institutions and family wealth groups, enabling UIB to add momentum, specialist expertise and a greater distribution footprint.

These alliances with financial institutions will act as 'force-multipliers' for UIB, allowing us to leverage our distribution network and ensuring a higher penetration among our selected target market segments of high net worth individuals, government and quasi-government organizations, publicly listed and unlisted corporations, private banking clients and retail customers.

## Investor Relations

The Investor Relations (IR) team's task is to work closely with the product teams in setting up third party relationships and the internal end-to-end operational processes required for all new products and to ensure the effective delivery of this product to the placement team. The IR Team also manages the investor database required to assist the placement and distribution teams in maintaining effective customer relationships and supervise external service providers and their interface with UIB's processes, with a view to ensuring relevant and timely delivery of information to our customers.



# International Offices



## Kuala Lumpur, Malaysia

UIB Capital Sdn Bhd, Malaysia is led by Raja Teh Maimunah as CEO, who has extensive international investment banking experience in both Islamic and conventional markets. Our Malaysian office currently acts as a platform for private equity deals and mergers and acquisitions in South and Southeast Asian markets, including Hong Kong, Singapore, Indonesia, China and India. In line with UIB's international strategy, UIB Capital Malaysia is in the process of expanding its operations in order to offer our clients in these markets a full range of investment products and financial services.



## Chicago, USA

UIB Capital Inc, based in Chicago and led by Aamir H. Khan as President, is overseeing our Global Private Equity business. Our objective over time is for this location to provide an additional platform for enhancing UIB's distribution capabilities. We selected Chicago as the base for our North American operations due to the concentration of mid-market companies in the region, which we believe will be our primary private equity acquisition targets. In addition, the Greater Chicago area is the second largest financial center in the US, hosting numerous private equity firms, banks and academic institutions. These will constitute a rich reservoir of talent and capital that we are confident can contribute to the development of our private equity business.

# Corporate Governance & Compliance

## Corporate Governance Mission

UIB aspires to the highest standards of ethical conduct - accuracy, transparency and full compliance with the laws and regulations governing the Bank's business in the Kingdom of Bahrain and other territories in which we operate.

## Role of the Board of Directors

The two primary responsibilities of the Board of Directors are to provide effective governance of the Bank's affairs for the benefit of our shareholders and to balance the interests of our diverse constituencies around the world, including our clients, staff, suppliers and local communities. The Board is comprised of members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity.

The Board also has responsibility for the formulation and approval of the Bank's strategic direction and plans. The Board will continually assess UIB's objectives, strategies and plans to ensure that they are relevant and achieving the desired results. As part of this process, the Board will review the Bank's business plans, approve financial budgets, set performance objectives and oversee major capital expenditures, acquisitions and divestitures.

## Role of the Shari'ah Supervisory Board

The role of the Shari'ah Supervisory Board is to ensure that any investment policies, structures, products, financial services and activities in which the Bank is involved are in strict conformity with Shari'ah. The written approval of the Shari'ah Board will be obtained on all significant matters pertaining to UIB's business activities to ensure that they are free of any Islamic prohibitions.

The Executive Committee of the Shari'ah Board plays a major role in reviewing and approving the mechanism of each transaction and ensuring that their structures are implemented in full compliance with Shari'ah principles and laws. The Executive Committee monitors the activities of UIB by conducting an interim as well as a year-end Shari'ah audit. The Executive Committee then presents an annual detailed report to the Shari'ah Board summarizing the activities that have been undertaken during the year.

## Compliance Process

UIB is committed to meet the highest level of ethical standards in all our areas of operations. The General Counsel, in his capacity as the Chief Compliance Officer of the Bank, is also responsible for preparing compliance policies for Board review and approval and to administer and enforce these policies. These policies establish standards and controls that protect the Bank, our staff, subsidiaries, associates, affiliates and joint venture operations from violating any laws in the various jurisdictions in which we conduct business.

# Shari'ah Assurance

Shari'ah compliance is the cornerstone of UIB's operations. A seven-member Shari'ah Supervisory Board has been established to provide Islamic advice and guidance to ensure that all our activities comply with Shari'ah. The members of the Shari'ah Board are prominent Islamic scholars who are well versed in international financial markets and have a proven track record in the implementation of Shari'ah rules and principles as well as in the development and structuring of Islamic products for both Islamic and conventional banks.

The Shari'ah Board is actively involved in all product development and investment decisions relating to transactions, and the underlying contractual documentation is only ratified with the full review and approval of the Shari'ah Board. The Shari'ah Board sets out the Islamic opinions (fatwas) that are required for approval of the structures of each financial transaction, service or investment product.

UIB's Shari'ah Assurance Division works closely with the Shari'ah Board in the development and pre-screening of all business propositions. The Division plays a key role in ensuring that the fatwas of the Shari'ah Board are consistently applied. In addition, the Shari'ah Assurance Division supervises, monitors and follows-up closely with UIB's business lines to ensure that all investment criteria and the process for executing each new deal, from origination to closing, fully complies with Shari'ah principles and guidelines.

## Risk Management

Unicorn Investment Bank has developed policies that will be rigorously applied to manage counterparty, market liquidity and operational risks. These policies are designed to prevent undue concentrations in individual issuers, geographic regions or industries.

The Bank intends to proactively and conservatively manage and allocate our capital to business lines. We will also ensure that a prudent risk-reward and liquidity relationship is maintained.



UIB's team is committed to delivering innovative and ethical financial solutions to serve a broad international client base.



# Corporate Management

The Corporate Management Team at UIB develops and maintains the policies and processes of the Bank. We aim to meet the highest standards of excellence in operational efficiency as well as transparent financial management and reporting. In parallel, we strive to apply international best practice benchmarks to the development of our human capital and to leverage our technology to deliver optimal solutions for our internal and external stakeholders. Maintaining these high standards will allow us to build the trust and confidence of our regulators in the regions in which we operate.

## Financial Control

Our best-in-class financial control function protects the integrity of our financial processes and systems. These processes are closely linked with the technology platforms of the Bank to ensure that efficiency, responsiveness and quality are woven into the fabric of our management information and reporting systems. This framework delivers the information required by management to arrive at sound business decisions and supports our product and distribution teams in delivering value to our investors and clients. The Financial Control Team consists of skilled accounting and business professionals with solid technical capabilities, a high degree of product knowledge, as well as a thorough understanding of local and global standards and regulations with which we are required to comply.

## Human Resources

Our people are our most important resource in ensuring the long-term growth and success of our business. We passionately believe in fostering an entrepreneurial environment that enables them to innovate, take full responsibility for their decisions and deliver leading-edge solutions to our clients. Our goal is to attract the best talent from international markets and provide them with the opportunity and support to generate success for themselves, our clients and the Bank. The HR Team works with the Bank's business teams to develop and promote the best HR practices for engaging our people through a high-performance corporate culture with meaningful professional development and career advancement opportunities.



We aim to meet the highest standards of excellence in operational efficiency as well as transparent financial management and reporting.



## Information Technology

Our IT Team develops technology platforms to enable delivery of information efficiently, securely and effectively to our clients and within the Bank itself. UIB relies on an up-to-date, robust and scaleable IT infrastructure to support our immediate and future needs for financial reporting, management information systems, product development and client relationship management. Our principal objective will be to leverage this infrastructure to attain a sustainable competitive advantage for the Bank.

## Corporate Communications

External and internal communications are crucial to the success of our Bank. The Corporate Communications Team maintains strong relationships with the media community to keep the banking industry, regulators and the broader financial community informed about important Bank initiatives. We develop and implement strategies and programs for corporate branding, positioning, marketing and promotion. The Corporate Communications Team builds and maintains UIB's visibility and brand recognition through various communication channels, such as publicity, company literature, website, advertisements, networking and other outreach programs. In addition, within the Bank, we encourage an open culture and environment where people can freely share information and exchange ideas.



Our goal is to attract the best talent from international markets and provide them with the opportunity and support to generate success for themselves, our clients and the Bank.





# Management Team



Managing Director & CEO  
Majid Al Sayed Bader Al-Refai

Majid Al Sayed Bader Al-Refai is one of the pioneers of Islamic finance. He established UIB on the basis of a unique multi-line Islamic business model and engaged UBS Investment Bank (USA) to lead the capital-raising for this venture. Prior to forming UIB, Mr. Al-Refai was a Partner in The International Investor, Kuwait, where he was in charge of developing the bank's global business. Previously, Mr. Al-Refai was Founder, Director and CEO of First Islamic Investment Bank (renamed Arcapita), Bahrain, which was formed through the acquisition of two companies launched earlier by Mr. Al-Refai - Majestic Global Investments Ltd., Kuwait and Commerce MGI Sdn Bhd, Malaysia. He was a senior executive for investment banking with the Dallah Al Baraka Group in Saudi Arabia, where he established the Kuwait Reconstruction Fund. Following this, Mr. Al-Refai was promoted to Assistant General Manager of Al-Tawfeek Company for Investment Funds and Al-Amin Securities Company, affiliates of Dallah Albaraka Group in KSA. A graduate of Purdue University, Indiana, USA, Mr. Al-Refai has an undergraduate degree in Chemical Engineering and an MS in Finance.



Chief Operating Officer  
Taher Darwish Makkiyah

Taher D. Makkiyah has more than thirty years of international management experience. He began his career at Manufacturers Hanover Trust in New York, working primarily in its Middle East Division before becoming Senior Vice President for Eastern Europe, the Soviet Union and the Philippines. After the merger with Chemical Bank, he was promoted to Senior Managing Director in the Emerging Markets Group. Later, following the merger with Chase Manhattan Bank, Mr. Makkiyah was transferred to London as Managing Director for Chase Private Bank responsible for Europe, the Middle East and Africa. He also served as Executive Vice President and Chief Banking Officer for Arab Banking Corporation BSC in Bahrain. Mr. Makkiyah previously held directorships with the International Bank of Asia in Hong Kong, the Far East Trust Bank in the Philippines and the Business Council for International Understanding in Washington, DC. He has also worked with the US Financial Services Volunteer Corps for Eastern Europe and served as President of the Arab Bankers Association of North America. Mr. Makkiyah graduated with a BBA from the American University in Beirut, Lebanon, and an MBA from Tulane University, New Orleans, Louisiana, USA.



Chief Financial Officer &  
Head of Corporate Management  
Atif Raza

Atif Raza, UIB's Chief Financial Officer, has over twenty-five years of international experience in public accounting, banking and finance. In his present role he is also responsible for leading UIB's Corporate Management Team - Financial Control, Human Resources and Technology. Mr. Raza joined UIB from Citigroup UK, where he served as Chief Financial Officer in one of its leading consumer businesses. During this time, he was responsible for a team tasked with building and managing a US\$ 2 billion consumer credit portfolio in an extremely competitive market. Previously, Mr. Raza served as the CFO of Saudi American Bank (SAMBA), a Citigroup-managed affiliate and the leading banking franchise in Saudi Arabia. In this role, he was part of the team which led SAMBA's acquisition of United Saudi Bank - the biggest financial merger in the Middle East to date. The successful integration of these entities was accomplished while maintaining year-on-year earnings and asset growth and without compromising the acknowledged quality of SAMBA's financial and operational processes. Mr. Raza qualified as a Chartered Accountant with KPMG in London, UK.



Placement & Distribution  
Ayman Amin Sejiny

Ayman Sejiny is a Co-Founder in UIB. Mr. Sejiny has more than twelve years of corporate and investment banking experience in the Gulf region, and prior to joining UIB, worked for Saudi American Bank (SAMBA), a Citigroup affiliate, as Assistant General Manager in the Bank's Corporate and Investment Banking Group. He was responsible for handling credit relationships and was on the team that concluded the successful merger of SAMBA with United Saudi Bank. At Saudi Hollandi Bank, an affiliate of ABN AMRO, Mr. Sejiny acted as a Relationship Manager for private and public companies and handled corporate credit relationships with a total exposure of US\$ 400 million. Mr. Sejiny has a BA in Finance from Eastern Michigan University, USA.



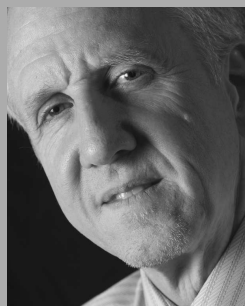
Advisor, Shari'ah Assurance  
Ahmad Mohammad Allam

Mr. Allam has rich and diverse Islamic banking experience with special emphasis on reviewing and examining the mechanisms of contracts and agreements related to Islamic banking transactions. As an Advisor in Shari'ah Assurance, Mr. Allam is well versed in the management of the interrelationships between the honorable scholars of the Shari'ah Supervisory Board and the senior management team. Mr. Allam was a member of the Management Committee of First Islamic Investment Bank (renamed Arcapita), Bahrain and Head of its Shari'ah Compliance Department. Prior to this, he helped establish Quantum Financial Advisors, Kuwait and served as Executive Vice President at the Shari'ah Verification Division of Majestic Global Investments Ltd., Kuwait and Commerce MGI Sdn Bhd, Malaysia. Mr. Allam's career began in the Foreign Exchange division of Bank of Alexandria in Cairo, Egypt, where he served as an Internal Auditor. Mr. Allam graduated with a degree in Commerce and an MBA from the University of Ein Shams, Cairo, Egypt. He also has a Masters in Islamic Economics from King Abdul Aziz University, Jeddah, KSA.



Managing Director, Corporate  
Finance & Capital Markets  
Stuart Henrickson

Stuart Henrickson's career has spanned more than twenty years, primarily in Canada and the Middle East, during which time he has been a lead in closing more than 50 corporate and project finance deals totaling more than US\$ 5 billion. He is also highly experienced in structured finance, particularly in innovative securitizations and derivative products, as well as in mergers and acquisitions, including one of the largest energy deals in North America. Prior to joining UIB, Mr. Henrickson worked in the Middle East as SVP Treasury and Investment Banking Department for Abu Dhabi Islamic Bank, as well as at the Saudi Industrial Development Fund. In North America, Mr. Henrickson worked as CFO and VP with Koch Canada Ltd., a subsidiary of North America's second largest privately-held company. Previously, he was Director Corporate Banking with CIBC World Markets, and Senior Financial Consultant with Merrill Lynch Canada Inc. Mr. Henrickson is a CFA charterholder and CFP, and also holds an MBA from the University of Calgary and a B.Comm. (Hons.) from the University of Manitoba, Canada.



Senior Director, Takaful  
Omar Clark Fisher

Omar Clark Fisher's financial services experience is broad and spans international project finance, Islamic leasing, political risk guaranties and Takaful. Mr. Fisher pioneered the Life Takaful business while working as Divisional Head for Bank Al-Jazira in the Kingdom of Saudi Arabia. Mr. Fisher also founded and launched several of his own ventures, including First Takaful USA, the first general property Takaful program in the United States; KCC, which specialized in Islamic project finance, leasing and venture capital; and BMIL, the first Islamic leasing business catering to Muslim doctors and professionals. He also authored the internationally accepted Takaful Training Manual and Resource Guide (1998). Mr. Fisher is a graduate of Yale University and holds an MEd from Trinity College, Dublin, Ireland and a Masters of Science in Management (MSM) from ADL School of Management, USA. He is a Takaful advisor to the General Council for Islamic Banks and Financial Institutions (Bahrain) and the International Cooperative and Mutual Insurance Federation, UK.



Managing Director, Global  
Private Equity &  
President UIB Capital Inc.  
Aamir H. Khan

Aamir Khan has over fifteen years of experience in merchant banking, principal investing, private equity and risk management. He was actively involved in the construction and financing of power plants, oil & gas and chemical industries worldwide. Prior to joining UIB, Mr. Khan was an executive at ABN AMRO's private equity group, a US\$ 2.5 billion global portfolio of middle market companies. His primary responsibilities included evaluating business plans, negotiations, structuring and closing Deals. Mr. Khan also spent time in the Middle East. He was Finance Manager for Easa Saleh Al Gurg Group in a partnership with Siemens in Dubai. Previously, he was a senior specialist at Enron's Structured Finance/ Risk Management group in Houston. Mr. Khan earned his BS in Accounting from University of Houston and an MBA from University of Chicago, Graduate School of Business, USA. He is also a Certified Public Accountant.

# Management Team



CEO, UIB Capital Sdn Bhd  
Malaysia  
Raja Teh Maimunah

Raja Teh Maimunah previously worked for RHB Sakura Merchant Bankers Berhad as Senior Vice President of Investment Banking. Her primary task was to establish the Bank's Investment Banking Division. Prior to joining RHB Sakura, Ms. Maimunah spent ten years at Commerce International Merchant Bankers Berhad (CIMB). She worked with the Corporate Finance, Debt Capital Markets and Equity Capital Markets divisions, and became Associate Director of Investment Banking. Ms. Maimunah also worked at Pengurusan Danaharta Nasional Berhad, Malaysia's national asset management company, whose mandate was to restructure the banking sector's bad loans following the Asian financial crisis. Her earlier career was spent at Peat Marwick Consultants, covering corporate and debt recovery as well as corporate finance. Ms. Maimunah has a law degree from the University of East London, UK.



Managing Director,  
Asset Management  
Jacques Bernard

Jacques Bernard recently held the position of Chief Investment and Product Officer at Ferrier Lullin & Cie - the oldest private bank in Geneva, Switzerland where he was responsible for establishing the overall direction of the bank's investment policy. Previously, Mr. Bernard was with Prudential Financial in New York, where he set the course and structure of the international investment product strategy. Prior to this, Mr. Bernard spent fourteen years in France and the UK working for Citigroup where he was instrumental in developing a wide range of currency-denominated products, including the first guaranteed fund launched in Greece, together raising a total of US\$ 3 billion. Previously in Citigroup's London office, he was responsible for analysis of the proprietary family of funds and the establishment of a third-party mutual fund distribution strategy. Mr. Bernard has an MBA with distinction in Finance and Banking from Pace University in New York, USA and a JD in Commercial and Labor Law from the University of Bordeaux International Law School, France.



General Counsel & Chief  
Compliance Officer  
Chris P. Sioufi

Chris P. Sioufi is a corporate lawyer with over ten years experience in international transactions. Mr. Sioufi is a specialist in international banking, structured finance, securitizations and mergers and acquisitions. Prior to joining UIB, he was a Partner with Ogilvy Renault, one of the leading law firms in Canada, with responsibility for banking and structured finance. Mr. Sioufi holds an L.L.B degree from the University of Montreal, Canada and was named one of the top 40 lawyers under the age of 40 in Canada in 2004.



Principal & Senior Vice President,  
Private Equity  
Brian P. Gallagher

Brian P. Gallagher was previously a Vice President of Private Equity at PPM America Capital Partners in Chicago and later became a Partner in the firm. At PPM, Mr. Gallagher led a team responsible for investing in mid-cap companies. Successful exits include Veterinary Centers of America, Huron Consulting and US Shipping. Mr. Gallagher also served as a Director for Magnequench, Nth Degree Global and WNC First Insurance Services. He began his career at Arthur Andersen in Chicago as an auditor in the company's Financial Services Division. He later became a manager in Corporate Finance. Mr. Gallagher earned a Masters in Management (MM) at Northwestern University's J.L. Kellogg Graduate School of Management in Chicago, USA, after graduating in Accountancy from the University of Notre Dame in Indiana. He is a CPA and a CFA charterholder.



Senior Director, Private Equity  
Najib Youssef Fayyad

Najib Fayyad heads the Bank's private equity practice in the Middle East. Mr. Fayyad has fifteen years of international investment banking and financial advisory experience, having worked with Arthur Andersen's Global Corporate Finance Practice, KPMG and PricewaterhouseCoopers (PWC) in Washington, DC. He served as lead financial advisor to a number of clients and was involved in private placements, project finance, business valuations, mergers and acquisitions, and the preparation of business plans and feasibility studies. As a member of PWC's International Privatization Group, he worked on USAID-funded projects in Eastern Europe, specifically mass privatizations and capital markets development projects. Mr. Fayyad also worked in investment banking in Istanbul, Turkey, and served as Head of Corporate Finance at BDO Jawad Habib in Bahrain. Mr. Fayyad has a BS in Corporate & International Finance from George Mason University, Virginia, USA.



Placement & Distribution  
Dr. Khalil Abdullrazaq Dahlawi

Prior to joining UIB, Dr. Dahlawi was the Senior Advisor and Acting CEO for Fair Vision Network, a media project of Dallah Al-Barakah Group. He also worked for Al-Takamul International Investments and the Saudi Economic Development Co., where he was Senior Vice President. Previously, Dr. Dahlawi was Assistant Deputy Minister in the Ministry of Industry and Electricity KSA. He was involved in the development of foreign investment regulations, negotiations leading to Saudi Arabia joining the WTO and rationalization of the electricity tariffs structure. Dr. Dahlawi was also Assistant Deputy Minister at the General Auditing Bureau of Saudi Arabia. Dr. Dahlawi was previously an Assistant Professor of Computer Science at King Fahd University of Petroleum and Minerals. During this time he also worked for the Saudi Embassy in the US and helped establish the Islamic Saudi Academy. Dr. Dahlawi has a PhD in Information Systems Management from George Washington University, Washington, D.C., and an MSc in Mechanical Engineering from Purdue University, Indiana, USA, a diploma from MIT, Cambridge, USA, and a BSc in Mechanical Engineering from King Fahd University, KSA.



Placement & Distribution  
Falah Nasser Al-Falah

Falah N. Al-Falah has wide experience in financial planning, stock brokering, asset management, financial and administrative management, sales and marketing, and client relations with large institutions and high net worth individuals. He has a proven track record in developing financial plans that preserve capital, maximize investment returns and minimize tax liabilities for clients. Mr. Al-Falah's career began at Bear Stearns in California, where he spent nine years, first as Vice President of International Equity before taking on the role of Managing Director. Prior to joining UIB, he was Senior Manager of Institutional and Private Banking at Ahli United Bank in Kuwait and previously was Senior Manager at Rasmala Investments, Dubai. Mr. Al-Falah holds a BA in Business Administration - Finance from the American College, UK.



Placement & Distribution  
Zafer Ahmad Al-Kalali

Zafer A. Al-Kalali has more than thirty years of financial services experience in the Kingdom of Saudi Arabia, and has worked for leading institutions including Saudi American Bank (SAMBA), a Citigroup affiliate, National Commercial Bank (NCB) and Gulf International Bank (GIB). As Head of Gulf International Bank's activities in Saudi Arabia, he played a key role in business development, increasing the Bank's profits in the region by fifty percent. Mr. Al-Kalali headed the National Commercial Bank's Corporate Banking Group - Central Region for five years, during which time he managed a credit portfolio of SR 12 billion. Most of Mr. Al-Kalali's career was spent at SAMBA, where he held various positions, including Senior Manager of the Transaction Banking Sector. He was responsible for developing a door-to-door remittance service called Speedcash, which was rolled out in five countries within two years. His early experience was gained at Al Mansour Group, where he was General Manager and a member of the Board of Directors. Mr. Al-Kalali has a BS in Economics from King Abdullaziz University, KSA.



# Management Team



Senior Director, Capital Markets  
& Structured Finance  
Amir Merchant

Amir Merchant joined UIB from Merchant Asset Management in London, where he served as Managing Director. Mr. Merchant's experience includes advisory, structured finance, capital markets, asset management and treasury. Sector expertise ranges from transportation and energy to infrastructure. Prior to this, Mr. Merchant worked for HSBC Financial Services Middle East in Dubai as Head of Capital Markets and Structured Finance, where he established a successful business from inception to one that became recognized as a market leader. As Head of Structured Financial Derivatives at the Royal Bank of Scotland in London, he successfully closed projects totaling \$US5+ billion. Mr. Merchant holds a BSc in Mathematics and Electronic Engineering from Nottingham University and an MBA (Finance) from City University Business School, London, UK.



Director, Structured Finance  
Tahir Muhammed Naseem

Tahir M. Naseem, a lawyer by profession, is responsible for all structured real estate finance transactions at UIB. Prior to joining the Bank, Mr. Naseem worked with Guidance Investments in the US, where he developed Shari'ah-compliant mortgage-backed securities investment instruments for Islamic capital markets. He has also worked as a legal and regulatory consultant for the US-based International Finance Corporation (IFC), where he completed a feasibility study on a secondary mortgage market facility in Pakistan. As Manager of Commercial and Multi-family Real Estate Finance for the Mortgage Bankers Association of America, Mr. Naseem worked on issues relating to real estate finance and securitization. While at ABN AMRO in the US, he served as a trustee for capital markets investors and was involved in closing over US\$1 billion commercial mortgage-backed securities transactions. Mr. Naseem has a BA in Political Science and a JD (Juris Doctorate) from DePaul University, Illinois, USA.



Director, Corporate Finance  
Yasser Saeed Abbady

Yasser S. Abbady's expertise lies in the areas of developing Islamic capital-raising, debt arrangements, structuring project finance facilities, managing and arranging merger and acquisitions transactions, conducting corporate advisory assignments and developing valuation models. Prior to joining UIB, Mr. Abbady was Manager of Investment Banking for Abu Dhabi Islamic Bank, responsible for developing and structuring investment schemes and funds. Previously as Vice President in Citigroup's Global Corporate and Investment Banking division (UAE), he was involved in closing project finance deals totaling US\$2.4 billion. Mr. Abbady previously worked in Corporate Finance at The Saudi British Bank (HSBC), Riyadh where he was a key team member in closing a number of deals in the GCC region worth US\$ 8.4 billion and advisory assignments totaling US\$7.8 billion. Mr. Abbady has an MA in Financial Software Applications from the American University in Cairo and BA in Commerce - Accountancy, from Alexandria University, Egypt. Mr. Abbady is also a CFA charterholder.



Director, Corporate Finance  
Patrick Van Surell

Patrick Van Surell is responsible for Corporate Finance and Equity Capital Markets Advisory. Previously, Mr. Van Surell was a Vice President at Swicorp Financial Advisory in Jeddah, KSA, where he advised clients in Europe and Middle East on mergers & acquisitions, equity and debt raising, financial restructuring and joint ventures. Prior to this, Mr. Van Surell held senior positions in mergers & acquisitions, in London at JP Morgan Chase, Credit Agricole Indosuez and Barclays de Zoete Wedd. Mr. Van Surell has a bachelors degree in Law and a MA in Business and Tax Law, both from the University Pantheon Sorbonne, Paris.

# Board of Directors' Report

We are pleased to present Unicorn Investment Bank B.S.C. (c)'s report for our first financial period of operations from May 5th to December 31st, 2004. This period has seen Unicorn Investment Bank B.S.C. (c) ("UIB") meet and exceed several key milestones that we had earlier set ourselves.

## Financial Results

Net income for the eight month period was US\$ 17.06 million. This was after writing off pre-operating expenses of US\$ 7.89 million relating to various costs associated with the setting up of the Bank, reflecting an annualized return on equity of approximately 24%.

Our total revenues exceeded total expenses by more than three times. After taking into account the expenses associated with building the infrastructure required for a multi-location and multi-business investment bank, these returns compare very favorably with our competitors. We have a robust deal pipeline that supported the strong revenue-driven performance in 2004 and closed on a number of financial advisory, private placement and private equity transactions in the U.S. as well in the Gulf region. Moving forward, our strategic focus will emphasize utilizing our distribution capabilities to place these transactions with investors in the region.

We closed on transactions valued in total at over US\$ 1 billion, generating revenues of over US\$ 35 million that were originated and structured by our Private Equity and Corporate Finance businesses.

We will continue to manage our capital conservatively to generate returns for our investors as well as our shareholders. We will place our surplus funds with rated financial institutions while limiting exposures to single counterparties. Our Capital Markets team will work closely with Risk Management to develop dynamic liquidity profiles for the Bank that strike a balance between funding our short-term requirements and maintaining an adequate and productive level of liquidity on our balance sheet.

## Appropriation of Income

The Board of Directors recommends that net income for the period be appropriated as follows:

	US\$ <u>Million</u>
Net income for the period	17.056
Legal reserves	(1.706)
Shari'ah Board remuneration	(0.220)
Transfer to transaction cost	<u>(15.130)</u>
	<u>-</u>



Yousef A. Al-Shelash  
Chairman



Majid Al Sayed Bader Al-Refai  
Chief Executive Officer



# Auditors' Report

We have audited the accompanying balance sheet of Unicorn Investment Bank B.S.C. (c) ("the Bank") as of December 31, 2004, and the related statements of income, cash flows, changes in equity, and sources and uses of charity funds for the period from May 5, 2004 to December 31, 2004. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah rules and principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with both Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2004, and the results of its operations, changes in its cash flows, equity, and sources and uses of charity funds for the period from May 5, 2004 to December 31, 2004 in accordance with International Financial Reporting Standards, Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, and the Islamic Shari'ah rules and principles as determined by the Shari'ah Supervisory Board of the Bank.

We confirm that, in our opinion, proper accounting records have been kept by the Bank and the financial statements, and the contents of the report of the Board of Directors relating to these financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the Bahrain Monetary Agency Law, nor of the Memorandum and Articles of Association of the Bank, have occurred during the period ended December 31, 2004 that might have had a material adverse effect on the business of the Bank or on its financial position and that the Bank has complied with the terms of its banking licence. We obtained all the information and explanations which we required for the purpose of our audit.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

Ernst & Young

May 11, 2005  
Manama, Kingdom of Bahrain

# Shari'ah Supervisory Board Report

In the Name of Allah, the most Gracious, the most Merciful  
Asslam Alaikum Wa Rahamt Allah Wa Barakatuh

In compliance with the terms of our letter of appointment, we are required to report as follows:

We have reviewed the principles and the contracts relating to the transactions conducted by the Unicorn Investment Bank B.S.C. (c) ("the Bank") during the period ended December 31, 2004. We have conducted our review with a view to form an opinion as to whether the Bank has complied with rules and principles of Islamic Shari'ah and also with the specific fatwas, rulings and guidelines issued by us.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with the rules and principles of Islamic Shari'ah. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to you.

We conducted our review that included examining, on a test basis each type of transaction and the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give assurance that the Bank has not violated any rules and principles of Islamic Shari'ah.

In our opinion:

- a) the contracts, transactions and dealings entered into by the Bank during the period ended December 31, 2004 are in compliance with the rules and principles of Islamic Shari'ah;
- b) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Shari'ah rules and principles;
- c) all earnings that have been realized from sources or by means prohibited by rules and principles of Islamic Shari'ah have been disposed off to charitable causes; and
- d) the calculation of Zakat is in compliance with the rules and principles of Islamic Shari'ah.

We supplicate to Allah the Almighty to grant us success and the straight path.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh



Dr. Khalid Mathkooor Al - Mathkooor  
Chairman of the Shari'ah Supervisory Board

Safar 15, 1426  
April 25, 2005

# Balance Sheet

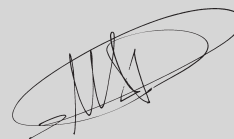
At December 31, 2004

	Notes	US\$ '000
<b>ASSETS</b>		
Cash and balances with banks	3	828
Due from financial institutions	4	69,993
Available for sale investments	5	44,000
Other assets		2,171
Fixed assets		525
		<b>117,517</b>
<b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNT AND EQUITY</b>		
<b>LIABILITIES</b>		
Other liabilities	6	10,698
		<b>1,006</b>
<b>EQUITY</b>		
Share capital	7	111,234
Transaction costs	8	(7,127)
Statutory reserve	9	1,706
		<b>105,813</b>
		<b>117,517</b>

The financial statements were authorized for issue by the Board of Directors on May 11, 2005 and signed on their behalf by:



Yousef A. Al-Shelash  
Chairman



Majid Al Sayed Bader Al-Refai  
Chief Executive Officer

Notes 1 to 24 form part of these financial statements.

# Statement of Income

For the period from May 5, 2004 to December 31, 2004

	Notes	US\$ '000
Advisory and placement fees	10	35,600
Income from financial institutions, net		776
<b>OPERATING INCOME</b>		<b>36,376</b>
Staff costs		8,337
Other operating expenses		3,069
Depreciation		22
<b>OPERATING EXPENSES</b>		<b>11,428</b>
<b>NET OPERATING INCOME</b>		<b>24,948</b>
Pre-incorporation expenses	11	7,892
<b>NET PROFIT FOR THE PERIOD</b>		<b>17,056</b>

Notes 1 to 24 form part of these financial statements.

# Statement of Cash Flows

For the period from May 5, 2004 to December 31, 2004

	US\$ '000
<b>OPERATING ACTIVITIES</b>	
Net profit for the period	17,056
Adjustments for non-cash item:	
Depreciation	22
Placement fees	(34,000)
	(16,922)
Changes in:	
Other assets	(2,171)
Other liabilities	6,106
<b>Net cash used in operating activities</b>	<b>(12,987)</b>
<b>INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(547)
Due from financial institutions	(69,993)
Available for sale investment	(10,000)
<b>Net cash used in investing activities</b>	<b>(80,540)</b>
<b>FINANCING ACTIVITIES</b>	
Unrestricted investment account	1,006
Proceeds from issue of share capital	101,000
Transaction costs paid	(7,651)
<b>Net cash from financing activities</b>	<b>94,355</b>
<b>CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER</b>	<b>828</b>
<b>Represented by:</b>	
Cash	8
Current accounts	820
	<b>828</b>

Notes 1 to 24 form part of these financial statements.

# Statement of Changes in Shareholders' Equity

For the period from May 5, 2004 to December 31, 2004

	Notes	Share capital US\$ '000	Transaction costs US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Total US\$ '000
Issue of share capital	7	111,234	-	-	-	111,234
Transaction costs	8	-	(22,257)	-	-	(22,257)
Net profit for the period		-	-	-	17,056	17,056
Transfer to statutory reserve	9	-	-	1,706	(1,706)	-
Transfer to transaction costs		-	15,130	-	(15,130)	-
Shari'ah Supervisory Board remuneration		-	-	-	(220)	(220)
Balance at December 31, 2004		111,234	(7,127)	1,706	-	105,813

# Statement of Sources & Uses of Charity Funds

For the period from May 5, 2004 to December 31, 2004

	US\$ '000
<b>SOURCES OF CHARITY FUNDS</b>	
Contribution by the Bank	39
Non Shari'ah compliant income	1
	40
<b>USES OF CHARITY FUNDS</b>	
Charitable contributions	(40)
<b>UNDISTRIBUTED CHARITY FUNDS AT 31 DECEMBER</b>	-

Notes 1 to 24 form part of these financial statements.



# Notes to the Financial Statements

December 31, 2004

## 1 INCORPORATION AND PRINCIPAL ACTIVITIES

Unicorn Investment Bank B.S.C.(c) ("the Bank") was incorporated in the Kingdom of Bahrain by Amiri Decree No. 12/1978, and registered with Ministry of Industry and Commerce under Commercial Registration No. 53462 on April 29, 2004 and on May 5, 2004 was granted an Islamic investment banking licence from the Bahrain Monetary Agency. The Bank's registered office is at Bab Al Bahrain Building, Government Avenue, Manama 315, Kingdom of Bahrain.

The Bank aims to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Bank are:

- financial advisory;
- equity structuring, private placements and initial public offerings;
- debt structuring, restructuring and placement including project finance, securitisation and sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management that meet specific investor driven return and asset criteria;
- advisory and investment services for Takaful (Islamic insurance) and Retakaful providers;
- mergers and acquisitions – including deal sourcing, structuring, valuations, and advisory; and
- developing and managing liquidity products.

The Bank's Shari'ah Supervisory Board consists of seven Islamic Scholars who review the Bank's compliance with general Shari'ah principles and guidelines. Their review includes examination of evidence relating to the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with these principles.

The Bank employed 34 staff as of December 31, 2004.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

### Basis of preparation

The financial statements of the Bank are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, International Financial Reporting Standards (IFRS) and are in conformity with the Bahrain Commercial Companies Law and the Bahrain Monetary Agency Law.

The financial statements are prepared under the historical cost convention as modified by the measurement at fair value of available for sale investments.

# Notes to the Financial Statements

December 31, 2004

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

The financial statements are presented in United States Dollars, this being the principal currency of the Bank's operations.

### Financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and balances with banks, due from financial institutions, available for sale investments and accrued income. Financial liabilities consist of other liabilities.

### Due from financial institutions

Due from financial institutions are stated net of deferred profits and provision for impairment, if any.

### Investments

All investments are initially recognized at cost, being the fair value of the consideration given including acquisition costs associated with the investment.

Following the initial recognition of investments, the subsequent period-end reporting values are determined as follows:

#### Investments held for trading

Investments are classified as held for trading if they are acquired for the purpose of generating a profit from short-term fluctuations in price or dealers' margin (where a pattern of short-term profit taking exists or where these instruments are part of a portfolio which reflects a recent pattern of short-term profit taking). These are subsequently measured at fair value and unrealized gains or losses as well as realized gains or losses are recognized in the statement of income for the period in which they arise.

#### Available for sale investments

Investments that are not classified as held for trading or held to maturity, are classified as available for sale and are subsequently measured at fair value. Unrealized gains or losses arising from changes in fair value are directly recognized in fair value reserve included in shareholders' equity till such time the investment is either derecognized or impaired, at which time these cumulative gains or losses are transferred to statement of income for the period.

Investment in subsidiaries where these are acquired and held exclusively with a view to their subsequent disposal in the near future and where control is intended to be temporary are classified as available for sale and are not consolidated.

#### Investments held to maturity

Investments which have fixed or determinable payments and fixed maturity where the Bank has both an intention and ability to hold these to maturity are classified as held to maturity. These investments are carried at amortised cost less provision for any impairment in value.

# Notes to the Financial Statements

December 31, 2004

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### Fair value

For investments that are traded in organized financial markets, fair value is determined by reference to the prevailing market price on the balance sheet date.

For unquoted investments, fair value is determined by a recent significant buy or sell transaction with a third party that is either completed, or in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments, adjusted for any material differences in the characteristics of these investments.

For investments that have fixed or determinable payments, fair value can be based on the net present value of estimated future cash flows determined by the Bank using current profit rates for investments with similar terms and risk characteristics.

Investments in mutual funds, unit trusts, or similar investment entities are carried at the latest asset valuation provided by the fund administrator.

Investments which cannot be re-measured to fair value using any of the above techniques are carried at cost or at a previously re-valued amount, less provision for any impairment.

### Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect revenues and expenses as well as resultant provisions and the fair value changes reported in equity.

### Impairment of financial assets

An assessment is made at each balance sheet date, to determine if there is objective evidence that any specific financial asset may be impaired. If such evidence exists, the estimated recoverable amount of such asset is determined and the impairment loss being the difference between the carrying value and recoverable amount is recognized in the statement of income.

### Offsetting

Financial assets and financial liabilities can only be offset with the net amount being reported in the balance sheet, when there is a legally enforceable right to set off the recognized amounts of financial assets and liabilities and the Bank intends to either settle these on a net basis, or intends to realize the asset and settle the liability simultaneously.

# Notes to the Financial Statements

December 31, 2004

## 2 SIGNIFICANT ACCOUNTING POLICIES (contd.)

### Unrestricted investment accounts

Unrestricted investment accounts are carried at cost plus accrued profit payable.

### Revenue recognition

Revenues earned by the Bank are recognized on the following bases:

#### Advisory and placement fees

Advisory and placement fees are recognized when related services are rendered.

#### Income from financial institutions

This is recognized on a time apportioned basis taking account of principal outstanding and the applicable profit rate.

#### Other income

Where income is quantifiable and contractually determinable, it is recognized on a time-apportioned basis; otherwise it is recognized when realized.

### Income allocation

Income to unrestricted investment account holders is allocated on the basis of their daily balances in proportion to shareholders' balances.

### Staff's end of service benefits

Provision is made for amounts payable under employment contracts applicable to non-Bahraini staff's accumulated periods of service at the balance sheet date. Bahraini staff are covered under the General Organization for Social Insurance Scheme.

### Zakah

In accordance with its Articles of Association, the Bank does not pay Zakah on behalf of its shareholders.

### Foreign currencies

Transactions denominated in foreign currencies are translated into United States Dollars at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the rate of exchange prevailing on the date of financial statements. Gains or losses resulting from retranslation of monetary assets and liabilities are taken to statement of income.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks with maturities of less than 90 days.

# Notes to the Financial Statements

December 31, 2004

## 3 CASH AND BALANCES WITH BANKS

	US\$ '000
Cash	8
Current accounts	820
	828

## 4 DUE FROM FINANCIAL INSTITUTIONS

	Self financed US\$ '000	Jointly financed US\$ '000	Total US\$ '000
Murabaha receivables	69,188	1,011	70,199
Less: deferred profits	(205)	(1)	(206)
	68,983	1,010	69,993

“Self financed” represents Murabaha receivables financed solely by the Bank’s own funds.  
“Jointly financed” represents Murabaha receivables that are jointly owned by the Bank and unrestricted investment account holders.

The profit on these balances as of December 31, 2004 was equivalent to an average rate of 2.4%.

## 5 AVAILABLE FOR SALE INVESTMENTS

	US\$ '000
Trust certificates - note 5.1	10,000
Others - note 5.2	34,000
	44,000

5.1 The underlying investment represents the Bank’s participation in four assisted living properties located in California, USA. These properties are managed by Wilkinson Corporation, a leading firm that specializes in the management of such properties. The Bank’s unquoted investment of US\$ 10 million is held with the intention of sale and is supplemented by US\$ 22.5 million of financing from a US financial institution.

5.2 This represents the Bank’s beneficial interest in ordinary shares of an unquoted real estate development company (“the client”). This interest was acquired in consideration of the provision of financial advisory services to the client in the period ended December 31, 2004 and is held through a Mudaraba financing arrangement with real estate investment company.

# Notes to the Financial Statements

December 31, 2004

## 6 OTHER LIABILITIES

	US\$ '000
Transaction costs	4,372
Pre-incorporation expenses	1,979
Staff related expenses	3,000
Accrued expenses	703
Provision for staff's end of service benefits	424
Shari'ah supervisory board remuneration	220
	<u>10,698</u>

## 7 SHARE CAPITAL

	US\$ '000
Authorized	
750,000,000 ordinary shares of US\$ 1 each	750,000
Issued and fully paid:	
101,000,000 ordinary shares of US\$ 1 each, issued against cash	101,000
10,234,000 ordinary shares of US\$ 1 each, issued in kind	10,234
	<u>111,234</u>

## 8 TRANSACTION COSTS

	In cash US\$ '000	In kind US\$ '000	Total US\$ '000
Patrons	-	3,434	3,434
Sponsors	-	5,000	5,000
Founder support	-	1,000	1,000
Others	12,023	800	12,823
	<u>12,023</u>	<u>10,234</u>	<u>22,257</u>
Transfer from retained earnings			(15,130)
			<u>7,127</u>

Transaction costs represent costs incurred by the Bank that are directly related to raising of capital for the Bank and have been taken to equity in accordance with the requirements of SIC 17 - cost of equity transactions. These costs relate to pre-incorporation period of the Bank, from November 1, 1997 to May 4, 2004.

"Others" represents fees paid to various consultants for services rendered that were directly related to the raising of capital for the Bank.



# Notes to the Financial Statements

December 31, 2004

## 9 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Bahrain Monetary Agency (BMA) regulations, 10% of the net profit for the period has been transferred to a statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The reserve is not distributable, but can be utilized as security for the purpose of a distribution in such circumstances as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations.

## 10 ADVISORY AND PLACEMENT FEES

Advisory and placement fees have been earned by the Bank under the terms of mandates whereby it has assisted its clients in balance sheet restructuring, capital raising through private placement and by providing financial advisory services. Included in the fees is an amount in of US\$ 34 million, which was settled in kind by granting an interest in an unquoted investment for which such services were provided by the Bank (note 5.2).

## 11 PRE-INCORPORATION EXPENSES

	US\$ '000
Professional fees	5,742
Staff costs	3,712
Travel	599
Rent	416
Communication	173
Others	273
	10,915
Pre-incorporation income/ reimbursements	(3,023)
	7,892

These expenses relate to pre-incorporation period of the Bank, from November 1, 1997 to May 4, 2004.

# Notes to the Financial Statements

December 31, 2004

## 12 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise major shareholders, directors, members of Shari'ah Supervisory Board of the Bank, close members of their families, entities owned or controlled by them, and companies affiliated by virtue of shareholding in common with that of the Bank.

The significant balances with related parties as of December 31, 2004 were as follows:

	US\$ '000
<b>ASSETS</b>	
Available for sale investments	34,000
Other assets	1,283
<b>LIABILITIES</b>	
Other liabilities	2,600

Transactions with related parties included in the statement of income are as follows:

	US\$ '000
Advisory and placement fees	35,600

Transactions with related parties during the pre-incorporation period as follows:  
November 1, 1997 to May 4, 2004

	US\$ '000
Pre-incorporation income/ reimbursements	(2,667)
Pre-incorporation expenses	2,340
Transaction costs	7,516

## 13 CREDIT RISK AND CONCENTRATION OF ASSETS AND LIABILITIES

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Bank manages its credit risk by monitoring its exposure to various investments, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

# Notes to the Financial Statements

December 31, 2004

## 13 CREDIT RISK AND CONCENTRATION OF ASSETS AND LIABILITIES (contd.)

The distribution of assets and liabilities by geographic region and industry sector was as follows:

	Assets	Liabilities and unrestricted investment account
Geographic regions	US\$ '000	US\$ '000
Middle East	107,197	11,704
North America	10,320	-
	117,517	11,704
Industry sectors		
Banks and financial institutions	70,821	-
Others	46,696	11,704
	117,517	11,704

## 14 MARKET RISK

Market risk arises from fluctuations in profit rates, foreign exchange rates and equity prices. The Bank's management has set limits on the amount of risk that may be accepted. This is monitored on a monthly basis by the Asset and Liability Committee.

## 15 CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is not exposed to currency risk as majority of its assets and liabilities are denominated in the reporting currency.

# Notes to the Financial Statements

December 31, 2004

## 16 PROFIT RATE RISK

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is not exposed to any significant profit rate risk as a result of fluctuation in profit rates or mismatch of assets and liabilities.

The Bank's profit rate sensitivity position based on contractual repricing arrangements or maturities as of December 31, 2004 is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates.

December 31, 2004	Up to 1 month US\$ 000's	1 to 3 months US\$ 000's	3 to 6 months US\$ 000's	6 months to 1 year US\$ 000's	1 to 3 years US\$ 000's	Non profit bearing US\$ 000's	Total US\$ 000's
<b>ASSETS</b>							
Cash and balances with banks	-	-	-	-	-	828	828
Due from financial institutions	23,141	46,852	-	-	-	-	69,993
Available for sale investment	-	-	-	-	-	44,000	44,000
Other assets	-	-	-	-	-	2,171	2,171
Fixed assets	-	-	-	-	-	525	525
Total assets	23,141	46,852	-	-	-	47,524	117,517
<b>LIABILITIES, UNRESTRICTED</b>							
<b>INVESTMENT ACCOUNT AND EQUITY</b>							
Other liabilities	-	-	-	-	-	10,698	10,698
Unrestricted investment account	-	-	-	-	1,006	-	1,006
Equity	-	-	-	-	-	105,813	105,813
Total liabilities, unrestricted investment account and equity	-	-	-	-	1,006	116,511	117,517
Profit rate sensitivity gap	23,141	46,852	-	-	(1,006)		
Cumulative profit rate sensitivity gap	23,141	69,993	69,993	69,993	68,987		

# Notes to the Financial Statements

December 31, 2004

## 17 LIQUIDITY RISK

Liquidity risk is considered the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by marker disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, the Bank monitors its funding requirements on a regular basis and thus manages its assets by maintaining an appropriate balance of cash and cash equivalents.

The table below, summarizes the maturity profile of the Bank's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities at the balance sheet date have been determined on the basis of the remaining contractual period. Maturity periods for receivables are determined on the basis of agreed collection dates with third parties. Maturity periods for available for sale investment are determined based on the planned exit dates.

December 31, 2004	Up to 1 month US\$ 000's	1 to 3 months US\$ 000's	3 to 6 months US\$ 000's	6 months to 1 year US\$ 000's	1 to 3 years US\$ 000's	Undated US\$ 000's	Total US\$ 000's
<b>ASSETS</b>							
Cash and balances with banks	828	-	-	-	-	-	828
Due from financial institutions	23,141	46,852	-	-	-	-	69,993
Available for sale investment	-	-	-	5,000	39,000	-	44,000
Other assets	-	334	1,028	309	500	-	2,171
Fixed assets	-	-	-	-	-	525	525
<b>Total assets</b>	<b>23,969</b>	<b>47,186</b>	<b>1,028</b>	<b>5,309</b>	<b>39,500</b>	<b>525</b>	<b>117,517</b>
<b>LIABILITIES, UNRESTRICTED</b>							
<b>INVESTMENT ACCOUNT AND EQUITY</b>							
Other liabilities	898	920	4,212	2,445	1,322	901	10,698
Unrestricted investment account	-	-	-	-	1,006	-	1,006
Equity	-	-	-	-	-	105,813	105,813
<b>Total liabilities, unrestricted investment account and equity</b>	<b>898</b>	<b>920</b>	<b>4,212</b>	<b>2,445</b>	<b>2,328</b>	<b>106,714</b>	<b>117,517</b>

# Notes to the Financial Statements

December 31, 2004

## 18 EQUITY PRICE RISK

Equity price risk arises from changes in fair values of equity investments. The Bank manages this risk through diversification of its investments in terms of geographical distribution and industry concentration.

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments as of the balance sheet date approximates their carrying values.

## 20 NON SHARI'AH COMPLIANT REVENUE

During the period, the Bank received interest income of US\$ 1,000 on its overnight deposits with a local bank. These were exclusively utilized for charitable purposes during the period.

## 21 CAPITAL COMMITMENTS

At December 31, 2004 the Bank had capital commitments of approximately US\$ 1 million in respect of premises.

## 22 SOCIAL RESPONSIBILITIES

The Bank discharges its social responsibility through donations to good faith charity funds.

## 23 ZAKAH

The Bank does not pay Zakah on behalf of its shareholders. Zakah payable by shareholders on their holdings in the Bank is calculated by the Bank on the basis of a method prescribed by the Bank's Shari'ah Supervisory Board. Zakah payable by the shareholders in respect of the period ended December 31, 2004 was 2 cents per share.

## 24 COMPARATIVE FIGURES

The Bank's financial statements cover the period from May 5, 2004 to December 31, 2004. This being the first period of operations, no comparatives are available.



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