



VCOMM

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THE NEWSLETTER FROM VENTURE CAPITAL BANK, BAHRAIN ISSUE 01 - MARCH 2007

MESSAGE BY THE CHIEF EXECUTIVE OFFICER OF VENTURE CAPITAL BANK MR. ABDULLATIF MOHAMMED JANAH



PAVING THE WAY FOR GREATER PROSPERITY

IT IS MY PRIVILEGE TO INTRODUCE THE FIRST ISSUE OF VCOMM - OUR REGULAR NEWSLETTER DESIGNED TO PROVIDE ALL STAKEHOLDERS WITH A TIMELY AND INFORMATIVE UPDATE OF THE LATEST NEWS AND DEVELOPMENTS FROM VENTURE CAPITAL BANK (VC BANK).

I AM DELIGHTED TO ANNOUNCE THAT VC BANK HAS COMPLETED ITS FIRST EVENTFUL FULL YEAR OF OPERATIONS, AND HAS RECORDED A NUMBER OF IMPRESSIVE BUSINESS ACHIEVEMENTS. THESE ARE DUE TO THE EFFORTS OF THE BANK'S TEAM OF EXPERTS, WHOSE MEMBERS HAVE VAST EXPERIENCE IN THE FIELD OF INVESTMENT BANKING, AND ALSO DUE TO THE SUPPORT OF OUR SHAREHOLDERS STRATEGIC PARTNERS.

On behalf of the Management team, I would like to take this opportunity to express my deep appreciation and gratitude to all our stakeholders for their unstinting backing and encouragement to the Bank during its initial phase of operations. Our success to date will pave the way for greater prosperity in the future, Insha'allah.

The ample investment opportunities available in the Gulf region have led to a change in financing requirements, which have resulted from the prosperity enjoyed by region, fuelled by the high levels of liquidity following the growth in production and prices of oil over

recent years. We take pride in being the pioneering Islamic investment bank that focuses on small and medium enterprises (SME).

We have taken up the challenge to serve this vital sector, and tap its potential for the economy, by creating innovative Islamic investment instruments and products which provide tailored financing and advisory solutions to overcome the obstacles faced by the SME sector. This sector has long suffered from an acute shortage of short to medium term funding tools in the region, as well as from the limited number of funding institutions with experience of catering for the needs of this sector, in addition to the lack of advanced technologies needed to guarantee efficient institutional structures.

I am pleased to report that since our establishment in October 2005, VC Bank has successfully executed a number of innovative investment products, projects and deals in the MENA region, which have received unprecedented attention, not just locally but also regionally and internationally. These are detailed in this first issue of VCOMM, and include, but are not limited to, the following:

MENA Small and Medium Enterprises (SME) Private Equity Investment Fund. ASAS Real Estate Company, Eastern Province, Kingdom of Saudi Arabia. Park Plaza, Diplomatic Area, Manama,

Kingdom of Bahrain. Challenger Limited, an oil and gas drilling company, North Africa. Jeddah and Abha City Centre Rejuvenation Development Projects, Kingdom of Saudi Arabia. House of Development, Jeddah, Kingdom of Saudi Arabia.

These early achievements support the mission of our founding shareholders to create the first Islamic investment bank specialising in the provision of venture capital services to help drive business growth and economic development in the MENA region. They also support our vision to become the leading bank based on knowledge of investments in pioneering projects in the GCC countries and the MENA region.

However, I would like to emphasise that we consider our success so far a modest one, when compared to our high expectations for the future. We are currently working on a number of major investment projects, which we expect to finalise shortly before launching them as investment products for the Bank's clients, offering a rewarding yield and high value. As a new institution, we fully realise that a journey of a thousand miles begins with the first few small steps.

// OUR SUCCESS TO DATE WILL PAVE THE WAY FOR GREATER PROSPERITY IN THE FUTURE, INSHA'ALLAH. //



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Venture Capital Bank
Taib Tower, 6th Floor,
P.O. Box 11755, Manama,
Kingdom of Bahrain
T: +973 17 51 4451
F: +973 17 51 4441
E: vcomm@vc-bank.com

www.VC-Bank.com





THE ARABIAN GULF

PARK PLAZA - ADDRESSES LONGSTANDING PROBLEM

IN NOVEMBER 2006, VENTURE CAPITAL BANK LAUNCHED A NEW INVESTMENT PRODUCT FOR ITS INVESTORS.

The product yields quarterly current cash returns and represents the opportunity to acquire and own shares in Venture Logistic Properties. This is a dedicated investment vehicle that was established for the purpose of investing in the shares of Gulf Projects Company, a Bahrain-based limited liability company.

The Company's main portfolio currently comprises Park Plaza, a sole asset combining all the aforementioned elements. Park Plaza is situated in Bahrain's prominent Diplomatic Area, which has served as the prestigious business and finance district in the Kingdom of Bahrain for more than three decades. As part of its main strategy, Gulf Projects Company is actively on the lookout for similar opportunities, both inside and outside Bahrain.

It is expected that, through developing a sole property project only, namely Park Plaza, Venture Logistic Properties will realise an annual internal rate of return (IRR) estimated at 15 per cent during the investment period extended over nearly five years, while investors will enjoy an average cash yield of around 9.5 per cent per annum, payable quarterly over the investment term.

The entry of Venture Capital Bank into the Gulf Project Company in 2005 marked an inflection point in the life of the company, with a change in business scope and a capital increase to enable the company to pursue more ambitious ventures in the form of themed real estate assets with operational and logistical angles. Venture Capital Bank, with the help of an impressive line-up of renowned advisors and consultants, successfully managed to re-define the core business of the company and put in place the required capital and financing structure, as well as introducing

state-of-the-art corporate governance and operational best practices. As such, Gulf Projects stands today as a successful turnaround story for small and medium sized enterprises, and a practical illustration of investment in the growth potential of enterprises pursuing specialised themes and business concepts. Gulf Projects managed to achieve this unique position through an ideal partnership with a specialised financial institution, despite Venture Capital Bank's short involvement in Gulf Projects Company.

Due to exceptional demand and within only one month from the initial launch of this investment opportunity, Venture Capital Bank announced the official closing of the Park Plaza offering that was oversubscribed. The demand for the product enhances Venture Logistic Properties' mandate and indicates the vitality of the Park Plaza as a permanent solution to much needed car parking and retail outlets in the Diplomatic Area of Manama. ■



VENTURE CAPITAL BANK REPORTS OUTSTANDING PERFORMANCE FOR THE FIRST YEAR OF OPERATIONS THAT EXCEEDS ALL EXPECTATIONS.

Venture Capital Bank posted a net profit of US\$ 13.3 million for the period ended 31 December 2006, achieved a return on equity of 20.1 per cent, and recommends 12.5% dividend of which 7.5% cash dividend and 5% bonus shares. Dr. Ghassan Ahmed al Sulaiman - Chairman reported 'this constitutes a record-breaking performance for the initial start-up period of an investment bank in the Kingdom of Bahrain.'

Summarising the Bank's overall performance to date, Dr. Al-Sulaiman said: 'these excellent results have laid the foundations for the future success and prosperity of Venture Capital Bank. Due to the rapid growth in the Bank's business to date, and in order to support our ambitious strategic goals, the board of directors has recommended an increase in the capital of Venture Capital Bank to US\$ 150 million for the approval of the shareholders, subject to regulatory approval.'

KINGDOM OF SAUDI ARABIA

VC BANK ACQUIRES CONTROLLING STAKE IN HOUSE OF DEVELOPMENT

VENTURE CAPITAL BANK HAS SUCCESSFULLY COMPLETED THE ACQUISITION OF A CONTROLLING STAKE IN THE SAUDI-BASED IT APPLICATION SOLUTIONS PROVIDER - HOUSE OF DEVELOPMENT (HoD) - IN WHAT IS CONSIDERED AN IMPORTANT STEP IN THE DEVELOPMENT OF MUCH NEEDED VENTURE CAPITAL ACTIVITIES IN THE MENA REGION.

HoD specializes in providing Document Security Solutions using a unique Electronic Certification & Authentication (EC&A) solution, for which no other technologies exist

that address this market segment. The only competition to the HoD solution is an old and cumbersome method, using a manual process. HoD's solution has many applications for different sectors, such as the banking industry and e-government.

The move is in line with VC Bank's objective of supporting entrepreneurial small and medium enterprises, since the growth capital it will provide will allow HoD to commercialise its products and services worldwide.

After conducting the commercial, legal and financial due diligence,

VC Bank decided to invest in HoD to help it go global. HoD helps to combat the growing dangers of document fraud and identity thefts through its unique patented technologies. This represents a market niche where the company has huge potential as internet-based transactions become increasingly vital to global business.

HoD's products are already used in the region. In October 2003, it was contracted by the Council of the Saudi Chambers of Commerce and Industry to develop a secure solution for its member chambers across the Kingdom. ■



BACKGROUND

WHAT DO YOU KNOW ABOUT VENTURE CAPITAL?

“ VENTURE CAPITAL IS EQUITY CAPITAL PROVIDED BY PROFESSIONALS WHO INVEST ALONGSIDE MANAGEMENT IN YOUNG, RAPIDLY GROWING COMPANIES THAT HAVE THE POTENTIAL TO DEVELOP INTO SIGNIFICANT CONTRIBUTORS TO THE ECONOMY.

TO DATE, VENTURE CAPITAL FINANCING IN THE GCC AND MENA REGIONS HAS REMAINED LIMITED, WITH AVAILABLE OPPORTUNITIES LARGELY UNDER EXPLOITED, DESPITE THE PRESENCE OF A VAST NUMBER OF FUNDAMENTALLY STRONG ENTREPRENEURIAL COMPANIES WITH SOUND BUSINESS MODELS AND SIGNIFICANT PROSPECTS FOR GROWTH.

THIS IS LARGELY ATTRIBUTABLE TO THE CHALLENGES INHERENT IN VENTURE CAPITAL INVESTING AND THE SCARCITY OF THE REQUIRED TECHNICAL KNOWLEDGE AND EXPERIENCE IN THE REGION. THIS IS WHERE THE ROLE OF VENTURE CAPITAL BANK BEGINS.





CROSS-BORDER ACTIVITIES

MANAGING SAUDI-MALAYSIAN FUNDS

Through its subsidiary, Siraj Capital, Ghassan Holding Company has signed two memorandums of agreement with johor corporation, the investment arm of johor state, malaysia, for the establishment of two investment funds.

Venture Capital Bank has been appointed as the manager for one of these funds –the regional Ummah Investment Fund (RUIF). The Bank is assuming a leadership role in the development of the MENA region venture capital and private equity industry in collaboration with its strategic partner, Global Emerging Markets (GEM).

RUIF, with a proposed size of US\$ 250 million, will invest in strategic opportunities in both Malaysia and the Kingdom of Saudi Arabia. These include transportation, technology parks, infrastructure, and the downstream palm oil industry. The Fund will also focus on technology know-how transfer opportunities between Malaysia and Saudi Arabia. ■

LIBYA, EGYPT, SAUDI ARABIA & UAE

VC BANK ACQUIRES STAKE IN MAJOR REGIONAL OIL DRILLING COMPANY

VENTURE CAPITAL BANK, ALONG WITH ITS PARTNER, THE US PRIVATE EQUITY FIRM GLOBAL EMERGING MARKETS (GEM), HAS ACQUIRED A SIGNIFICANT STAKE IN THE MENA-BASED OIL DRILLING CONTRACTOR CHALLENGER LIMITED.

Established in 1991, Challenger currently owns and operates a fleet of 22 rigs in North Africa, providing drilling and work-over services of oil, gas and water wells, with offices in Egypt, Saudi Arabia and UAE.

The conclusion of this transaction depicts the dimensions of the Bank's mandate to secure unique and attractive deals in the region for its investors, and at the same time provide expansion and financing solutions to regional small-to-medium enterprises in

order to fulfill their untapped potential. As a result, the investment made in Challenger is mutually beneficial to both parties, allowing Challenger to achieve its growth plan, and helping VC Bank to achieve its objectives of supporting regional companies and contributing towards the economies of the MENA region.

Challenger Limited is an international provider of contract oil and gas land drilling and work-over services, with over 15 years' experience servicing major and independent oil and gas companies, first in Africa, and now expanding into the Middle East. It has a strong client base, including nearly all state-owned oil companies as well as international players such as Agip/Eni, Total, Marathon, Veba and Verenex Energy. ■

“ THIS TRANSACTION ILLUSTRATES THE BANK'S MANDATE TO SECURE UNIQUE AND ATTRACTIVE DEALS IN THE REGION FOR ITS INVESTORS, WHILE PROVIDING EXPANSION AND FINANCING SOLUTIONS TO REGIONAL SMALL-TO-MEDIUM ENTERPRISES. ”



MIDDLE EAST AND NORTH AFRICA

FIRST-OF-ITS-KIND PRIVATE EQUITY FUND LAUNCHED BY VC BANK TO INVEST IN SMEs IN THE MENA REGION

A UNIQUE FIRST-OF-ITS-KIND FUND HAS BEEN LAUNCHED BY VENTURE CAPITAL BANK WITH A SOLE FOCUS TO INVEST IN SMALL TO MEDIUM ENTERPRISES (SMES) - A LARGELY NEGLECTED SEGMENT - THROUGHOUT THE MIDDLE EAST AND NORTH AFRICA (MENA) REGION.

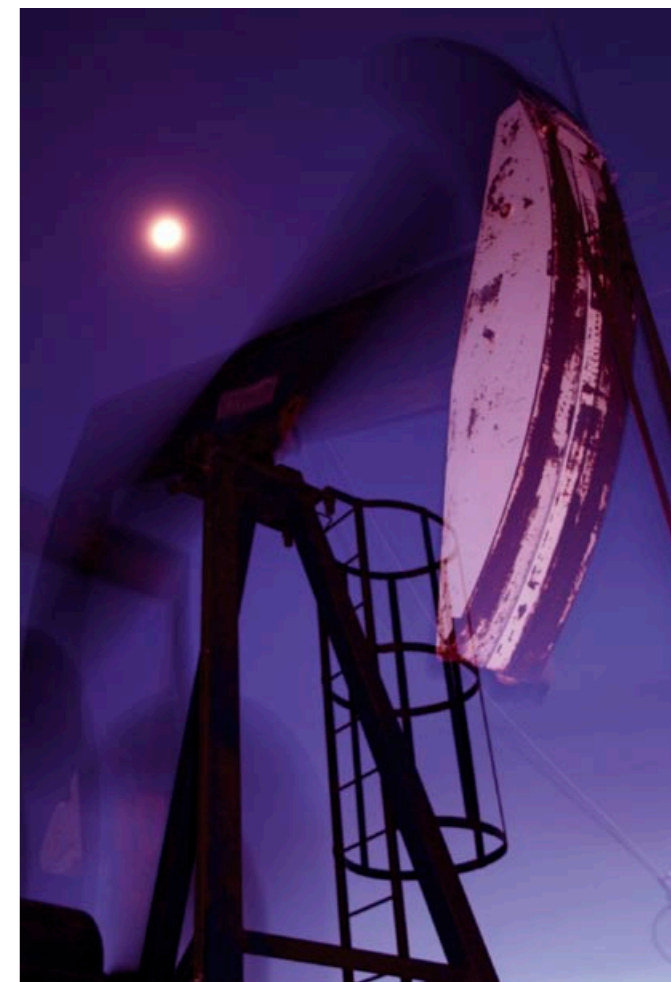
The US\$ 250 million MENA SME Private Equity Fund will give investors the opportunity to be a part of the region's unprecedented growth, while cultivating the rapidly expanding base of SMEs throughout the targeted region. The Fund is managed jointly by Venture Capital Bank and its strategic partner, Global Emerging Markets Group (GEM).

The Fund is tailored to provide direct funding solutions, and financial and administrative support, to promising, rapidly-growing enterprises with high potential for profitability and well-managed structures. Fully compliant with both Islamic Shari'ah and international investment standards, the Fund is designed to serve as an innovative investment platform for local and international investors seeking

highly lucrative investments with low risks, and attracting firms wishing to participate in leveraged buyouts (LBOs).

In December 2006, VC Bank announced the first closing for the Fund, with more than the targeted amount of US\$75 million having been raised. Out of the total amount raised, almost 20 per cent was committed by investors from USA. More than US\$ 100 million is expected to be raised from US and European investors by the second closing.

In addition to Challenger Limited, the oil drilling company in North Africa, which was recently acquired by Venture Capital Bank and GEM on behalf of the Fund, a number of other acquisition targets for the Fund are already at advanced acquisition stage. ■



KINGDOM OF BAHRAIN AND THE STATE OF KUWAIT

VENTURE CAPITAL BANK PARTICIPATES IN THE ESTABLISHMENT OF COMMERCIAL VENTURE REAL ESTATE COMPANY

VENTURE CAPITAL BANK, AS PART OF ITS STRATEGY TO PROVIDE VALUE ADDED SERVICES, PARTICIPATED ALONGSIDE A NUMBER OF PROMINENT KUWAITI INSTITUTIONS LED BY COMMERCIAL REAL ESTATE COMPANY, IN THE ESTABLISHMENT OF COMMERCIAL VENTURE REAL ESTATE COMPANY (COMVEN).

The objectives of Comven are to opportunistically participate in attractive real estate projects and benefit from the real estate boom that the region is currently experiencing. Comven will also provide a number of value added services to the real estate development sector.

Since its establishment, Comven has successfully employed the

competent resources required to achieve its objectives. The Company also studied a number of real estate projects and participated in Rainbow Towers Development, an affordable housing development in the Emirate of Umm Al-Qaiwain in the UAE. Comven, in addition to being a shareholder, provides technical advisory services to the Rainbow Towers Development. ■



KINGDOM OF SAUDI ARABIA

VC BANK PARTICIPATES IN DEVELOPMENT OF MASTER PLAN TO REJUVENATE JEDDAH CENTRAL CITY DISTRICT



AS PART OF ITS STRATEGIC ALLIANCE AMONG GCC-BASED COMPANIES TO EXECUTE PIONEERING CONSTRUCTION PROJECTS, VC BANK WAS INVITED TO JOIN AN INVESTMENT ALLIANCE LED BY THE URBAN DEVELOPMENT COMPANY (SAUDI ARABIA), TO DEVELOP THE CENTRAL PART OF JEDDAH IN THE KSA.

The alliance also includes Siraj Capital (Saudi Arabia) and the Commercial Real Estate Company

(State of Kuwait), in addition to a group of local, regional and global consultants of different related specialisations. A number of developers submitted proposals to develop different locations in Jeddah's city central areas, followed by the launch of a scheme to develop this area and prepare a comprehensive blueprint. To ensure equal opportunities for all interested companies in the proposed development of the area, and in line with international best

practice, Jeddah Municipality invited all interested developers to participate and outline the geographical area for which planning and constructional studies and infrastructure projects are required. Also required was the provision of necessary financial and legal feasibility studies to encourage land owners in the area and investors to participate in the project, which will realize a rewarding financial return and a constructional and economical added value. ■



// A PIONEERING REGIONAL INVESTMENT ALLIANCE, DESIGNED TO DEVELOP A MASTER PLAN FOR THE REJUVENATION OF CENTRAL JEDDAH CITY IN THE KINGDOM OF SAUDI ARABIA. //



KINGDOM OF SAUDI ARABIA

VC BANK SUPPORTS DEVELOPMENT PROJECT FOR THE REGENERATION OF ABHA CITY CENTRE



IN THE FRAMEWORK OF THE EFFORTS MADE BY ABHA CITY AUTHORITIES, AND WITH THE ENCOURAGEMENT AND SUPPORT OF THE PRINCE OF ASEER HIS ROYAL HIGHNESS PRINCE KHALID AL FAYSAL BIN ABDUL AZIZ AL SAUD, AND CHAIRMAN OF THE INVESTMENT COUNCIL IN THE REGION, PLANS ARE BEING FINALISED TO DEVELOP ABHA CITY CENTRE AND TO MAKE THE CITY AN IMPORTANT TOURIST ATTRACTION.

A co-operation agreement was signed among an alliance comprising Venture Capital Bank, Commercial Real Estate Company, and Siraj Capital Company on the one hand and the Investment Council in the Aseer region on the other hand. The agreement envisages the alliance conducting a study of

the best available options to develop the centre of the city of Abha, which is considered one of the most important tourist regions in the kingdom.

The agreement states setting up a specialised company that will draw up strategies and plans to develop the city center of Abha and promote tourism to the area. The Aseer region has been successful in attracting local and regional tourists all the year round, given the mountainous terrain that make its climate temperate and moderate all the year round, in addition to the idyllic scenery and its chequered history that is highlighted by numerous historical landmarks.

As part of this agreement, the companies forming the alliance and Abha City authorities will co-operate to execute pioneering

constructional projects by seeking the assistance of a group of local, regional and global consultants of different related specializations. This will serve the efforts being made by the government to make the Kingdom of Saudi Arabia an attractive tourism destination, and to provide additional sources of national income. Venture Capital Bank has been named the main financial advisor to manage the project. This is testimony to the trust vested by the decision makers in the Gulf strategic alliance in the Bank's ability to execute the Abha City Centre Development Project, as well as the confidence in it by the alliance given the long experience and professional expertise of the Bank's staff in financial structuring and providing banking solutions, tools and methods, which will ensure success for the project. ■



// THIS PROJECT WILL SUPPORT THE EFFORTS BEING MADE BY THE GOVERNMENT TO MAKE THE KINGDOM OF SAUDI ARABIA AN ATTRACTIVE TOURISM DESTINATION, AND TO PROVIDE IMPORTANT ADDITIONAL SOURCES OF NATIONAL INCOME. //

EASTERN PROVINCE OF SAUDI ARABIA

VENTURES ESTATES, A SPECIALISED PROPERTY INVESTMENT COMPANY, TARGETS THE SAUDI MARKET

VENTURE ESTATES, A SHARIAH-COMPLIANT CAYMAN ISLANDS INVESTMENT VEHICLE, WAS ESTABLISHED FOR THE SOLE PURPOSE OF ACQUIRING A 40 PER CENT OWNERSHIP STAKE IN ASAS REAL ESTATE DEVELOPMENT & FINANCING COMPANY (ASAS).

ASAS is a Saudi closed joint stock company headquartered in the Eastern Province of the Kingdom, and engaged in the development, management, marketing, and financing of various classes of real estate assets. ASAS is sponsored by a select group of prominent real estate investors and developers from the Kingdom of Saudi Arabia, who hold a 50 per cent ownership stake in the equity of the Company.

Venture Estates brings together the financial and structuring capabilities of VC Bank and the real estate market know-how of the Commercial Real Estate Company (Al-Tijaria), the real estate advisor to Venture Estates. In addition to Venture Estates

and its strategic investment of 40 per cent, Al-Tijaria - one of the largest companies on the Kuwait stock exchange - owns the remaining 10 per cent of ASAS.

Venture Estates, through its stake in ASAS, offers access to a vast array of real estate development and investment opportunities, particularly housing development projects in the Kingdom of Saudi Arabia. The Company's main focus will be the conceptualisation and development of affordable housing projects throughout the Kingdom, with particular emphasis on the Eastern Province of Saudi Arabia, where the need for such projects is the greatest. ■

// AL-TIJARIA, ONE OF THE LARGEST COMPANIES ON THE KUWAIT STOCK EXCHANGE, OWNS THE REMAINING 10% OF ASAS. //



VENTURE CAPITAL BANK BSC (c)

PLACEMENT TEAM

Back row, from left

Jehad Hassan Qamber
Director, Investment Placement
Kingdom of Bahrain

Mazin A. Al Ghareeb
Investment Placement
State of Kuwait

Salahuddin Yousif Al Janahi
Director, Investment Placement
UAE, Qatar and Oman

Front row, from left

Mohamed Abdullah
Investment Placement
Riyadh - Saudi Arabia

Masood Ahmed Al Bastaki
Chief Placement Officer

Mohammed J. Al Shaikh
Investment Placement
Kingdom of Saudi Arabia

