

A NEW  
**BEGINNING**

A large, abstract graphic composed of numerous thin, parallel lines in shades of green and blue. The lines curve upwards from the bottom left, forming a shape reminiscent of an upward-pointing arrow or a rising curve, symbolizing growth and progress.

2020-2021  
**ANNUAL  
REPORT**

# CORPORATE PROFILE

Commencing operations in October 2005, Venture Capital Bank pioneered the provision of venture capital investment opportunities and dedicated support for the SME sector in the MENA region, within an Islamic investment banking framework.

This approach underlines the commitment of the Bank's founding shareholders to partner with like-minded investors in channelling funds towards innovative investment opportunities that would stimulate the growth and development of regional economies.

In light of subsequent economic, financial and socio-political crises, VCBank has progressively continued the realignment of its investment strategy and business model to face the challenges of a new economic norm and changing market dynamics.

Today, the Bank is a prominent Shari'ah-compliant alternative asset manager, with a primary focus on income-yielding real estate assets and selective private equity investments. VCBank's objective is to generate consistent returns with calculated risk from high-quality, rigorously-investigated, efficiently-structured and well-managed investment opportunities.

The Bank's investment portfolio is prudently diversified by geography and sector in order to minimise concentration risk and better withstand market volatility, with core markets being the GCC and MENA regions, Turkey, USA and UK. VCBank has also developed a distinctive capability and competitive edge in key sectors such as healthcare, agriculture and food, fertilizers, income-yielding real estate, and liquidity programmes. The Bank adds value to its portfolio companies through active participation and support, in order to maximise the exit potential of its investments.

With an authorised capital of US\$ 500 million and paid-up capital of US\$ 190 million, VCBank operates under an Islamic wholesale banking licence from the Central Bank of Bahrain. The Bank benefits from the financial backing and support of a prominent group of regional shareholders, an experienced team of industry professionals, and a close-knit network of strategic business partners.



## VISION

Our vision is to be a leading regional Shari'ah-compliant investment bank, helping to drive business growth, and supporting the economic and social development of the GCC and MENA regions.



## MISSION

Our mission is to maximise shareholders' value and clients' wealth through identifying promising investment opportunities that generate consistent risk-adjusted returns; while delivering the highest standards of client service.



## VALUE

The values of performance, innovation, client service, teamwork and Shari'ah compliance, guide us in our personal and professional behaviour. The adoption of international standards and global best practice governs the way we manage the operations of the Bank across all areas of activity.

# CHAIRMAN'S STATEMENT

In the Name of Allah, the Most Beneficent, the Most Merciful, Prayers and Peace be upon our Prophet Mohammed, His Companions and Relatives

On behalf of the Board of Directors, I would like to present the annual report and consolidated financial statements of Venture Capital Bank (VCBank) for the fiscal year ended 30 June 2021. The challenges faced throughout the period eased marginally, but still required constant vigilance.

Volatility remained the watchword across the global economy and international markets. Regional geopolitical tensions eased in the Gulf, although further afield, heightened posturing rhetoric continued to dampen trade relations between the United States and both China and Russia. The impact of Covid 19 became less severe in the more developed nations with better access to vaccines, but much of the planet's poorer regions remain severely underprotected. Recurring waves of the virus are unpredictable and will remain a threat for the foreseeable future.

The Bank reported a loss of USD 15.29 million, significantly lower than a loss of USD 81.12 million (restated) report in the previous fiscal year 2020. Total revenue was USD 5.03 million compared to USD 8.12 million (restated) in prior period; while operating expenses excluding finance costs reduced to USD 8.90 million from USD 9.41 million (restated) in the previous year. In current period, the Bank recorded a fair value gain of USD 9.27 million compared to a fair value loss of USD 31.87 million (restated) in the prior period; while impairment losses were lower at USD 16.22 million compared to USD 43.44 million (restated) in the previous year.

The Bank's total assets during the period ended 30 June 2021 decreased to USD 56.61 million from USD 128.22 million (restated) due to transfer of certain investments under a debt settlement agreement with the Bank's largest creditor. Total liabilities decreased significantly to USD 50.69 million to USD 107.18 million (restated) in the prior period due to the said debt restructuring. Shareholders' Equity stands at USD 5.92 million compared to USD 21.04 million (restated) in the previous year.

The Bank's debt restructuring process, with the objective of improving the Bank's financial position and further deleveraging its balance sheet, included a debt reduction transaction of USD 70.69 million. On 30 June 2021, the Bank entered into an agreement with its largest creditor to settle an Islamic financing payable amounting to USD 70.69 million in exchange for ownership in various investment assets of equivalent value held by the Bank as of that date. The transaction is expected to significantly reduce the Bank's finance costs going forward, a highly beneficial, positive outcome.

In December 2021, the Bank's shareholders approved the Bank's capital restructuring proposal, which included a plan to increase the Bank's capital by up to USD 60 million through cash or in-kind Rights Offering of the Bank's ordinary shares. The additional capital is expected to provide the Bank with the financial stability required for it to swiftly move forward with its reorganization plans, including re-licensing and execution of its new business strategy. This was required due to the delay in the license conversion and ability to execute the business model. Regarding the proposed change to the Bank's business model and regulatory licensing status, I am pleased to announce that in addition to obtaining in-principle approval from the CBB, the Bank's shareholders have approved the Bank's proposed license conversion plan to convert the Bank's existing wholesale banking license to a Category 1 Investment Firm license with the CBB. The Bank is in the process of preparing and submitting a formal license application to the CBB their final approval.

Initiatives begun last year on key issues related to the restructure of the management team, enhancing the operating structure, and improving regulatory compliance, continued apace. Excellent progress on plans for the conversion of the Bank's license was also made. Significant savings have resulted from this effort as well as the initiatives that are being implemented in the major exposure areas. Where appropriate, the Bank is taking steps to enforce its legal rights in the courts to preserve and enhance its capital position. The Bank completed several successful investment exits, among them Mozan in Morocco; Fuddrucker and Caribou Coffee in Bahrain; 24 Buckingham Gate

in London, UK; and West Haven in Atlanta, Georgia.

In the current year, the threat of Covid resurgence will overhang business markets globally. However, I am encouraged by the prospects for the immediate future in VCBank's core target investment fields with the presence of selective opportunities in real estate and in private equity. The progress the Bank has achieved with our debt restructuring programme and the licence conversion process being at an advanced stage give rise to cautious optimism. The Board looks forward to VCBank being able to regain prominence in its investment banking activities and a return to profitability.

On behalf of the Board of Directors, I extend my sincere thanks and appreciation to His Majesty the King of Bahrain, and His Royal Highness the Crown Prince and Prime Minister, for their wise leadership and their ceaseless encouragement for the Islamic banking sector.

Our grateful appreciation is also due to the Central Bank of Bahrain, the Ministry of Industry, Commerce & Tourism, and other Government institutions, for their continued professional advice and support.

I would also like to express my thanks to our shareholders, clients and business partners for their enduring loyalty and confidence in VCBank; and to our Shan'ah Supervisory Board for its ongoing wise guidance and supervision. I also extend my gratitude and appreciation to the Bank's management and staff for their unwavering dedication and professionalism in yet another difficult societal and business environment.

May Allah keep us on the proper path and lead us to a successful future success for the Bank.



ABDULFATAH M R  
MARAFIE

CHAIRMAN OF THE BOARD

# BOARD OF DIRECTOR



**Mr. Abdulfatah M. R. Marafie**  
Chairman

State of Kuwait  
Independent & Non-Executive Director  
Elected 5 October 2016  
40 years' experience

**VCBank Committees:**

Chairman of the Finance, Investments & Real Estate Committee (FIREC)

**Chairman & General Manager:**

Mazon Investment Holding Company, Morocco.

**Chairman & Chief Executive Officer:**

Mutajara Real Estate Company, Kuwait.

**Chairman:**

The Commercial Real Estate Company, Kuwait; The Commercial Real Estate Development Company, Bahrain; Goknur Foods Import Export Trading & Production Company, Turkey; TOPSU TARIM HAYVANCILIK GIDA SANAYI VE TICARET ANONIM SİRKETİ (Turkey Farmland).

**Vice Chairman:**

Mohammed Rafie Husain Foundation, Kuwait; Amar Finance and Leasing Company, Kuwait.

**Board Member:**

Hajar Tower Real Estate Company, Kuwait; Al-Jahra Touristic Company, Kuwait; Bayan Realty Company, KSA.



**Mr. Marwan Ahmad Al Ghurair**  
Deputy Chairman

United Arab Emirates  
Independent and Non-Executive Director  
Elected 6 October 2005  
30 years' experience

**VCBank Committees:**

Chairman of Audit Committee;

**Chairman:**

Fanan Investments, Dubai; Semakan Holdings, Dubai; Dubai National School.

**Board Member:**

Al-Khair Inorganic Chemical Industries Co. "InoChem", Saudi Arabia.



**Mr. Adwan Mohammad Aladwani**  
Board Member

State of Kuwait  
Non-Independent and Non-Executive Director  
Elected 8 December 2015  
45 years' experience

**VCBank Committees:**

Member of the Finance, Investments & Real Estate Committee (FIREC)

**Chairman & Chief Executive Officer:**

Al Salmiya Group for Enterprise Development Company, Kuwait.

**Chairman:**

Kuwait Resorts Company, Kuwait;

**Vice Chairman:**

The Commercial Real Estate Company, Kuwait; Bayan Realty Company, KSA; The Commercial Real Estate Development Company, Bahrain.

**Board Member:**

TOPSU TARIM HAYVANCILIK GIDA SANAYI VE TICARET ANONIM SİRKETİ (Turkey Farmland); Mazon Investment Holdings Company, Morocco; Vacation Club Venture BV, Dubai – UAE.



**Mr. Adel Mohammed Abu Nayyan**  
Board Member

Kingdom of Saudi Arabia  
Independent and Non-Executive Director  
Elected 24 October 2018  
25 years' experience

**VCBank Committees:**

Chairman of the Nomination & Remuneration and Corporate Governance Committee (NRCGC),

**Board Member:**

Mohammad Rashed Abu Nayyan Trading & Investment Co. Ltd, General Director & Chairman of the Real Estate and Investment Committee of the company; Delta Company Limited

**Representative of Mohammad Rashed**

**Abunyyan Trading and Investment Company in:** Union Salihia Closed Joint Stock Company Member of the Board of Directors of Phoenix Medical Hospitals Group - London.

# BOARD OF DIRECTOR



**Dr. Mohammed Ahmed Jumaan**  
Board Member

Kingdom of Bahrain  
Independent and Non-Executive Director  
Elected 24 January 2016  
38 years' experience

**VCBank Committees:**

Member of the Finance, Investments & Real Estate Committee (FIRERC), Member of the Board Executive Committee (BEC).

**Board Member:**

Royal University for Women, Bahrain; TIG Software, Bahrain; Mena Aerospace Enterprises, Bahrain; Pan Arabian Gourmet; The Malls Real Estate Development Company, Bahrain.

**Fellow Member:**

Royal Aeronautical Society (FRAeS); British Computer Society (FBCS).

**Senior Member:**

Institute of Electrical and Electronics Engineering.

**Previous Board Member:**

Eskan Bank, Bahrain Development Bank, Olive VFM Company.



**Dr. Issam Z. Al Tawari**  
Board Member

State of Kuwait  
Independent and Non-Executive Director  
Appointed: October 2020  
33 years' experience

**VCBank Committees:**

Member of the Audit and Risk Committee (ARC), Member of the Nomination & Remuneration and Corporate Governance Committee (NRCGC), Member of the Board Executive Committee (BEC)

**Managing Partner:**

Newbury Economic Consultancy Company, Kuwait

**Previous Executive Positions:**

Chairman & CEO, Rasameel Structured Finance Company, Kuwait; Partner & Chief Operating Officer, The International Investor, Kuwait

**Board Member:**

Alkhabeer Capital, Saudi Arabia; Saudi Refinance Company, Saudi Arabia



**Dr. Muhammad Khalil A. Dahlawi**  
Board Member

Kingdom of Saudi Arabia  
Independent and Non-Executive Director  
Appointed: October 2020  
43 years' experience

**VCBank Committees:**

Member of the Audit and Risk Committee (ARC), Member of the Nomination & Remuneration and Corporate Governance Committee (NRCGC), Member of the Board Executive Committee (BEC).

**Owner & Chairman:**

Muhammad Khalil A. Dahlawi Establishment, Saudi Arabia

**Founder & CEO:**

ERAB Investment Company, Saudi Arabia

**Chairman of the Auditing Committee:**

United International Auto Company (Budget KSA), Saudi Arabia

**Founding Member:**

World Islamic Media Organization (WIMO)

**Member:**

Saudi Engineering Society, Saudi Computer Society, Saudi American Management Society



**Mr. Mohammed Abdulrazzaq Alkandari**  
Board Member

State of Kuwait  
Non-Independent and Non-Executive Director  
Elected 25 April 2012  
20 years' experience

**VCBank Committees:**

Deputy Chairman of the Finance, Investments & Real Estate Committee (FIRERC), Chairman of the Board Executive Committee (BEC).

**Executive Vice President - Investment:**

Securities Group, Kuwait.

**Deputy Chairman:**

Gulf Energy Holdings, Kuwait; Kuwait Saudi Pharmaceutical Industries, Kuwait.

**Board Member:**

Ajial Real Estate & Entertainment Company, Kuwait; First Investment Company, Kuwait; Technology Industrial Gases Production Company, Kuwait; EYAS for Higher & Technical Education Company, Kuwait

# MANAGEMENT TEAM



**Robert C. Wages**  
Chairman of Executive Management Committee

CFA, CAIA, FRM  
Acting Chief Executive Officer and Head of Investments & Post-Acquisition  
Chairman of Executive Management Committee  
Joined VCBank in March 2017  
35 years' experience

Robert Wages has extensive global experience in sourcing, executing and managing institutional direct private equity investments across multiple industry sectors, spanning the US, Europe, MENA and Asia. Joining VCBank in March 2017 as Head of Post-Acquisition, he took on an additional role as Head of Investments in July 2019, and was appointed Acting CEO in April 2020. Prior to this, Robert was Managing Director of US-based Gazelle Capital Investors, a consulting firm advising family investment offices. Before this, he was Head of Private Equity with Emirates International Investment Company, the proprietary investment arm of National Holding, Abu Dhabi, UAE; and Executive Director, Private Equity at the government-owned Abu Dhabi Investment Company (Invest AD). Previously, he spent 17 years with Castle Harlan, a leading New York-based middle market buyout firm, where he rose from an Associate to Managing Director. Robert holds a Master's degree in Computational Finance & Risk Management from the University of Washington, USA; and a Bachelor's degree in Chemistry from Princeton University, USA. He is a Chartered Financial Analyst, Chartered Alternative Investment Analyst, and Financial Risk Manager.



**Nasir Maqsood**  
Acting Deputy Chief Executive Officer and Chief Financial Officer

Acting Deputy Chief Executive Officer and Chief Financial Officer  
Deputy Chairman of Executive Management Committee  
Joined VCBank in November 2019  
21 years' experience

Nasir Maqsood has an impressive track record in global financial services gained from working with leading multinational institutions in public practice and banking, across North America and the Middle East. His experience covers auditing and accounting; retail, commercial and investment banking (both Islamic and conventional); private equity and asset management; M&A and capital markets; and regulatory reporting. Nasir joined VCBank in November 2019 as Chief Financial Officer, and was appointed Acting Deputy CEO in April 2020. Prior to this, he was Chief Financial Officer at HSBC Bank - Bahrain, and CFO of Commercial Banking at HSBC Bank - Canada. Previously, Nasir worked with Ernst & Young - Canada, where he provided auditing and business advisory services; and with Ernst & Young - Bahrain, where he managed the development of a new Regulatory Capital Framework for Islamic Banks, the first of its kind globally. Nasir holds a Master's degree in Business Administration from the Hayworth College of Business, Western Michigan University, USA; and a Bachelor's degree in Business Administration from Southern Arkansas University, USA. He is an Associate Chartered Accountant from the Institute of Chartered Accountants in England & Wales.



**Mahmood Mohammed Zainal**  
Director - Investments

Joined VCBank in 2008  
17 years' experience

Mahmood Zainal has extensive experience in investment banking across the Middle East. His specialist expertise includes deal origination, valuations and modelling, post-investment management and due diligence, with a particular focus on real estate and private equity. Prior to joining VCBank, he spent five years with Kuwait Finance House - Bahrain, where he worked in Investments, Retail Banking and Customer Service; having started his career with American Express, Bahrain. Mahmood holds a Bachelor of Commerce degree from the John Molson School of Business at Concordia University, Montreal, Canada. He has also attended the Leadership Grooming Program conducted by the Ivey Business School, University of Western Ontario, Canada.



**Jehad Hasan Qamber**  
Executive Director- Head of Wealth Management

Member of the Executive Management Committee  
Joined VCBank in 2005  
30 years' experience

Jehad Qamber's wide-ranging public and private sector experience in the Kingdom of Bahrain, covers the areas of Human Resources, Finance, Investment Banking and Quality Assurance. Before assuming his current position with the Bank in 2021, he was Head of Human Resources & Support from 2016; having initially joined as a member of the Wealth Management team covering the markets of Bahrain, Qatar, Kuwait and the eastern province Saudi. Prior to VCBank, he was Director of HR & Finance with the General Organisation for Youth & Sport (GOYS), where he also served as Acting Director of the Technical Affairs Directorate. Previously, he was Head of Quality Assurance at the Civil Service Bureau. Jehad holds a Master's degree in Business Administration from the University of Glamorgan, Wales, UK.

# MANAGEMENT TEAM



**Rehan Zulqadar**  
Director-Head of Risk Management

Member of Executive Management Committee  
Joined VCBank in 2020  
Over 20 years' experience

Rehan Zulqadar has specialist experience in risk management, compliance, internal audit and consultancy, gained with Big Four auditing firms and financial institutions across the Middle East and Asia. Prior to joining VCBank, he held senior management positions in the Kingdom of Bahrain, including Head of Risk Management & Deputy MLRO at International Investment Bank; Head of Risk, Compliance & MLRO at Investrade Company; Head of Risk Management at Reef Real Estate Finance Company; and Head of Risk Management at Ibdar Bank. Previously, he was a member of the Financial Services Risk Management Group at the Bahrain office of Ernst & Young. Rehan is an Associate of the Professional Risk Managers' International Association, USA; and holds an International Certificate in Banking & Risk Regulation (Basel II) from the Global Association of Risk Professionals, USA (GARP). He is also a Certified Anti-Money Laundering Specialist, Certified Basel iii Professional, Certified Operational Risk Manager, and Certified Financial Advice Programmer. Rehan holds a Bachelor of Commerce degree from the University of Punjab, Lahore, Pakistan.



**Hanadi Alqaed**  
Acting Head of Human Resources & Support

Member of the Executive Management Committee  
Joined VCBank in 2008  
35 years' experience

Hanadi Alqaed has extensive experience in the field of Administrative and Executive Support within the banking sector of the Kingdom of Bahrain. Prior to assuming her current position with the Bank in 2021, she was Secretary to the Chairman and Board of Directors; and previously, Manager of the CEO's Office. Before joining VCBank, she held secretarial and administrative positions with Arcapita, Bahrain International Bank, Arab Investment Company and Gulf Riyad Bank - Bahrain. Hanadi is currently undertaking Level 5 Certification from the Chartered Institute of Personnel & Development, UK.



**Sahar Jafaar Khunji**  
Director - Head of Investor Relations

Member of the Executive Management Committee  
Joined VCBank in 2007  
14 years' experience

Sahar Khunji joined VCBank 14 years ago in the Bank's Operations & Support division, where she was involved in various investor relations, human resources and corporate communications activities. In 2017, she was promoted to Director - Head of Investor Relations, reporting directly to the Chief Executive Officer. A key role of this standalone function is to provide clients and shareholders with up-to-date information about the Bank's investment portfolio, and new investor-related regulatory requirements. In 2019, Sahar also assumed responsibility for Corporate Communications, which covers all stakeholder communications, marketing and research. She has initiated several projects, including a revamp of the Bank's website, development of a new Investor Portal, and enhanced use of social media channels. She also provides regular reports to the Executive Management with research insights on latest market trends and developments. Sahar is an Associate of the Chartered Institute of Personnel & Development (CIPD), UK; and holds a Bachelor's degree in Business (Economics & Finance) from Central Queensland University, Australia.



**Ahmed Hasan Alabbasi**  
Executive Director - Investments

Joined VCBank in 2006  
18 years' experience

Ahmed Alabbasi is a well-seasoned investment professional with sound experience in private equity, real estate and financial advisory. He has developed particular expertise in deal origination, structuring and engineering; acquisition and turnaround strategy; and post-acquisition monitoring and exit planning. Prior to joining VCBank, he was Group Head of Strategic and Direct investments at Bahrain National Holding. Ahmed is a Certified Financial Risk Manager (FRM) and a fellow member of the Global Association of Risk Professionals, (GARP), USA. He holds a Master's degree in Finance & Investments from the University of Exeter, UK; and a Bachelor's degree in Business Management from the University of Bahrain.

# MANAGEMENT TEAM



**A. Aziz A. Qader**

Director - Head of Treasury

Member of Executive Management Committee  
Joined VCBank in 2020  
16 years' experience

A. Aziz A. Qader is an experienced Treasurer with a primary focus on Islamic liquidity management and Islamic capital markets; the development of Shari'ah-compliant investment products; and financial institutions relationship management. He has particular expertise in fixed income in both primary and secondary markets; Sukuk portfolio management; foreign exchange and money market; and cash flow management. Prior to joining VCBank, A. Aziz spent 15 years with Bahrain-based Liquidity Management Centre in various roles, culminating in Vice President - Treasury and Capital Markets. He previously worked for Ithmaar Bank, Bahrain. His career accomplishments include leading the first Musharaka Trust transaction in the Kingdom of Bahrain, from sourcing to successful completion. A. Aziz holds an MBA from Ahlia University, Bahrain; and a BSc in Banking and Finance from the University of Bahrain.



**Amin Mohamed Ahmed**

Head of Legal

Member of the Executive Management Committee  
Joined VCBank in 2021  
29 years' experience

Amin Ahmed has extensive regional experience in all aspects of legal affairs and related activities, primarily in the Kingdom of Bahrain. Prior to joining VCBank, he was Co-founder and Senior Consultant at Kush International Consultancy Company, Bahrain. Previously, he was Head of Legal Affairs for over 12 years with Bahrain-based Khaleeji Commercial Bank. Before this, Amin was Board Secretary and Legal Advisor for Aluminium Bahrain (Alba); and an Attorney and Legal Consultant with the Bahraini law firm of Hasan Ahmed Bedaiwi & Associates. He started his career as Founding Partner, Attorney-at-Law and Commissioner for Oaths at Amin Bahaeldin Mohamed, Khartoum, Sudan. Amin holds a Bachelor in Law degree from Cairo University, Egypt; and an MSc in International Relations from the University of Khartoum, Sudan.



**Asad Aftab**

Principal- Investment & Post-Acquisition

Joined VCBank in March 2021  
12 years' experience

Asad Aftab has over 12 years of experience of Investment Management & Financial Advisory. He brings in valuable expertise of project, business & investor management. He has successfully helped companies transform its operating performance and generate positive returns for the company. He has served in the past with Big 4 Accounting Practices (Deloitte & KPMG) and Listed Investment Management Company in Bahrain. Along with this he is CFA Charter Holder and a Fellow member of ACCA.



**Salah Mohammed Abdulla Yousif**

Principal - Head of Information Technology

Head of Information Technology  
Joined VCBank in 2009  
22 years' experience

Salah Yousif has spent 12 years with VCBank, commencing with his appointment as IT Security Officer in January 2009. In this position, he was responsible for developing a robust cyber security framework in line with requirements of the Central Bank of Bahrain and international best practice. He also participated in building the IT infrastructure and providing IT support for several of the Bank's investment portfolio companies. Salah was promoted to Acting Head of Information Technology in December 2019, prior to assuming his current position in March 2020. Before joining VCBank, he spent 10 years as a Computer Administrator with the Ministry of Interior of the Kingdom of Bahrain. Salah is accredited as a Cisco Certified Network Administrator. He is also a Certified Ethical Hacker from the EC Council, Bahrain.



# SHARI'AH SUPERVISORY BOARD



**Shaikh Dr. Nidham Mohammed Saleh Yaqooby**  
Chairman

Shaikh Dr. Yaqooby holds a Doctorate in Islamic Studies and a BA degree in Economics & Comparative Religion from McGill University, Canada. He has been guided in Traditional Islamic Studies by eminent Islamic scholars from Saudi Arabia, Bahrain, Egypt, Morocco and India. During the 1990s, he was a Khatib in the Kingdom of Bahrain, and since 1976 has taught a range of Islamic topics. Shaikh Yaqooby is a Member of the Shari'ah Supervisory Board of several Islamic banks, and is a Member of the following institutions: Shari'ah Council of the Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI), Shari'ah Council of the Islamic Rating Agency, Shari'ah Board of the Central Bank of Bahrain, and the Dow Jones Islamic Index. He is also a regular speaker at Islamic conferences and forums.



**Shaikh Dr. Essa Zaki Essa**  
Member

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



# MESSAGE FROM CEO

## INVESTMENT PORTFOLIO

The continuation of strong post-acquisition management begun to bear fruit. Legacy holdings were scrutinised under stress testing metrics and appropriate action plans devised for each. Careful and considered assessment of each individual investment identified the optimum approach to their supervision, retention or exit strategy.

The momentum from exit decisions formulated in the previous year carried through into 2021, with excellent results, including exits of investment holdings of Mazon in Morocco; Fuddrucker and Caribou Coffee in Bahrain; 24 Buckingham Gate in London, UK; and West Haven in Atlanta, Georgia.

Excellent progress was made on other investments, as reflected in QCon in Qatar; Turkey Farmland; The Lounge in Bahrain; and ITWorx in Egypt, with its branches in Saudi Arabia, UAE, Qatar, Europe and the USA. The pipeline of market opportunities in the U.S. real estate market offers an encouraging profitable source of future business in areas where Venture Capital Bank has acknowledged expertise and competitive edge.

## INVESTOR RELATIONS

The maintenance of investor relationships is a constant priority, through regular direct telephone calls and virtual online connections. The transfer of relationship management via the Cloud, coupled with the revamp of the website with its Client Portal has meant a closer and more immediate interface with the Bank's various partnerships, providing real-time availability and access to investors and shareholders portfolios. From the inception of the Covid pandemic, the swift adaptation to proactive calling programs to the investor base has kept clients current with prevailing market conditions. The Wealth Management and investment teams have ensured that their respective clients and partners are kept apprised of Venture Capital Bank's initiatives on new structured products, including its leveraged Sukuk fund.

## INSTITUTIONAL CAPABILITY

Important and decisive action has strengthened the corporate governance of the institution across all levels of management and operations. Particular emphasis on risk management, control functions and interdepartmental collaboration has seen streamlining of back-office operations and increased sharing of responsibilities throughout the organisation. The Balance Sheet has been strengthened by the transfer of US\$ 68 million of debt to a trust entity.

The resultant deleveraging reduces the interest carry cost significantly. Right-sizing of the Balance Sheet continues with the prospect of further investment portfolio exits.

## DIGITAL TRANSFORMATION

The major revamp and upgrade of the information technology framework began last year. The transformation to a comprehensive virtual workflow network has embraced the data centre, the disaster recovery site, and the transfer of all key applications and services to the Cloud. Also fortified are the physical data servers, enterprise resource planning, customer relationship management (CRM) and all the financial-related processes and systems. All communication services are included – emails and internal and external messaging.

## CONTINUED RESPONSE TO COVID 19

With the continuing presence of Covid 19 in our communities, the early response to the pandemic has become standard practice for the Bank. Personnel have been equipped with security code-controlled laptops to work remotely from home where appropriate through a VPN networking arrangement. In the office, protocols are well-established for regular sanitisation. All personnel have readily fully volunteered for the requisite Bahrain Ministry of Health vaccinations.

## LICENCE CONVERSION

The Bank is working closely with the Central Bank of Bahrain as it pursues the conversion of its licence from a wholesale bank to an investment business. When the conversion process is complete, the structure of the entity will be aligned appropriately to the core business of an asset manager. It will also relieve the burden of a wholesale bank's more stringent requirements of capital adequacy, risk management and liquidity. With less burdensome reporting regulations, the business will be able to compete effectively with its market counterparts.

## FUTURE OUTLOOK

With the confluence of the measures already undertaken, with the licence conversion, the overhaul of the corporate structure, the strengthened corporate governance initiatives, and a highly motivated management team, the future outlook gives rise to optimism. Immediate opportunities in the target asset classes are available which lends impetus to the new beginnings for the leaner, more focused business.



2021 was a positive year of new beginnings, realignment and restructuring for Venture Capital Bank. The bank was able to make significant progress, with focus on restructuring and deleveraging its Balance Sheet, reducing financing costs, and protecting its existing investment portfolio.



**ROBERT C. WAGES**

CHIEF EXECUTIVE OFFICER AND HEAD OF INVESTMENTS AND POST-ACQUISITION

# INVESTMENT PORTFOLIO REVIEW

## REAL ESTATE

### GLENBRIDGE MANORS, USA

VCBank and its investors hold a 90 per cent stake in this 'garden and townhouse-style' gated community, which comprises 274 apartments set amid scenic landscaping and extensive amenities. Located in one of Cincinnati's most desirable residential areas, Glenbridge Manors is rated as a grade 'A-' high-quality asset with a superior location. At the date of acquisition, Glenbridge Manors was expected to provide investors with quarterly distributions equating to an annual cash-on-cash return of 8.5 per cent. However, returns were temporarily affected during the fiscal 2021 due to the impact of COVID-19 on occupancy levels and defaults, which are now reverting back to their usual levels.

### WESTHAVEN AT VININGS, USA

VCBank and its investors owned a 90 per cent interest

in the WestHaven at Vinings property in Atlanta, Georgia, USA. The property is a garden and town home-style apartment community located 12 miles northwest of downtown Atlanta. It comprises 610 units built to a grade 'A' standard, with a superior amenity package. The property has been paying investors quarterly distributions in line with the expected annual cash return of 8.5 per cent. Since the fund has completed its investment term, the Bank has successfully exited the investment at a 20% capital gain for its investors as of November 2021.

### REGENT'S CRESCENT, UK

VCBank has invested in the acquisition and development of an iconic property in one of London's most prestigious residential areas. Regent's Crescent was originally designed as one of the main gateways

to Regent's Park by the famous architect John Nash in the early 19th century. The project involves demolishing the existing commercial-use sections and redeveloping it into a fully residential scheme offering 77 high-specification apartments and garden villas, while retaining the magnificent Nash frontage. The project has made excellent progress to date, with practical completion achieved by August 2021, with 63 per cent of apartments having been sold.

### 24 BUCKINGHAM GATE, UK

VCBank structured and advised on a transaction for a select group of investors to acquire a prime freehold residential site under redevelopment in London, UK. Situated in the heart of Westminster, 24 Buckingham Gate comprises eight luxury apartments, each occupying one whole floor, together with a luxury, two-storey penthouse. The apartments and penthouse have all been sold, with full exit from this investment having been achieved in August 2021.

### DIFAAF

This architecturally-distinguished real estate development is strategically located on the prestigious residential development of Reef Island, Manama, Bahrain. The project consists of two high-rise residential towers comprising 534 residential units, and a range of recreational amenities. The project works were in progress until beginning of 2021, but have been put on hold at present, while funding solutions are identified to complete the project construction. Several discussions are ongoing with the various interested parties and a solution is expected to emerge during the first half of next year 2022.

### ONE BAHRAIN

This iconic high-rise waterfront tower occupies a prime location on Reef Island, measuring 14,000 square metres. The property will feature 160 apartments for sale to end-users, together with 180 professionally-managed serviced apartments for sale to individual and corporate real estate investors. The project team has obtained all the permits and approvals. The Bank is targeting to seek funding to commence construction for this project.

### GREAT HARBOUR

Great Harbour is a seafront plot measuring over 35,000 square metres in Hidd, Bahrain. Formal

approval from the relevant authorities for the subdivision of the land was obtained and the Bank is currently working on selling the subdivided lands to exit from this investment. The market is extremely soft due to the pandemic and no serious offers have been received so far.

### BAYAN

Bayan Real Estate Company has been established to address the acute shortage of residential units by providing quality housing for middle income nationals in the Kingdom of Saudi Arabia. The Company's main project is the development of Bayan Al-Aziziyah project. The Al-Aziziyah project sits on a 625 thousand square metres plot, located in the Aziziyah district of Al Khobar and once constructed, will comprise an integrated residential development that will include 800-1000 residential villas. The Al-Aziziyah project has been significantly delayed due to complications in relation to its title deed which began in May 2015 and has not been finally resolved yet, however, it is in the final stages to get the final clearance on the title deed.

### THE WORLD DEVELOPMENT COMPANY

VCBank owns a 900,000 square-foot island plot in The World, an iconic residential and leisure community located off the coast of Dubai, UAE. The land is free of any commitments and obligations. In 2018, the team received a formal bid to acquire the island and received an upfront non-refundable deposit from the buyer and the sale was registered with Dubai Land Department. Following this, the buyer took legal action against the Company in UAE to refund the deposit. As of the date hereof, the court has passed a judgement in the Company's favour and execution proceedings have been filed to enforce payment of the claimed amount by the Buyer. Meanwhile, the Bank is also seeking other buyers for the property.

### GLOREI

The Global Omani Development & Investment Company (GLOREI) provides VCBank with a platform for real estate investment opportunities in Oman. To date, the Company has successfully executed deals in the hospitality and logistics sectors, as well as certain sub-sectors of real estate. However, the COVID-19 pandemic has affected tourism-related developments, and the Company is planning to exit some projects through the sale of assets.



# PRIVATE EQUITY

## OBA MAKARNA

OBA's pasta brand is ranked number one in Turkey and second in the world in terms of capacity, equating to a daily 1,500 tons of wheat crushing per day and 1,000 tons of pasta production. OBA offers 40 different products which are exported to 85 countries, including the UK, Germany, Africa, China, South Korea, India and the Middle East. VCBank is currently exploring options to exit this investment. The Company generated revenue of USD 485.6mn for the year ended December 2020.

## FUDDRUCKERS & CARIBOU

VCBank owned a 60 per cent direct equity stake in the Fuddruckers Restaurant and Caribou Coffee franchises in the Kingdom of Bahrain, which have been operating successfully since 1995 and 2007, respectively. Fuddruckers was one of the pioneers of casual dining in Bahrain, while Caribou is one of the leading coffee house chains. Following acquisition, the Bank embarked upon a renovation programme of all outlets for both franchises; and a rapid expansion plan for Caribou that included the opening of 10 new stores. The Bank has realized a net cash on cash return on investment of more than 30 per cent on the complete sale of this investment. The first tranche of the consideration was received in November 2021 and earn-out is expected to be realised in Q2 2022.

## GERMAN ORTHOPAEDIC HOSPITAL (GOH)

Conceived and developed by VCBank, this orthopaedic specialist hospital earned a reputation for world-class orthopaedic treatment and surgery for patients in Bahrain and the GCC. During the period, GOH was transferred to a multi-speciality hospital and rebranded as German Specialized Hospital (GSH). Due to an unfortunate set of events, GSH was evicted from the premises. Currently the Bank is looking to set up the hospital in a new location and is seeking additional investment from accredited investors.

## GOKNUR

VCBank and its investors hold an 83.5 per cent stake in Goknur Foods Import-Export Trading & Distribution Company (Goknur), the largest fruit juice concentrate and fruit puree producer and exporter in Turkey. The Company is successfully implementing growth initiatives which focus on strategically expanding

its business lines and geographic footprint. These include the development of new products directly targeting the health foods sector, an expansion of its white labelling activities in the USA, and testing market opportunities in China. Goknur is in the process of being publicly listed on Borsa Istanbul. The company generated revenue of USD 170.4mn for the year ended December 2020.

## DELTA

VCBank and its investors hold a 43 per cent shareholding in Delta Company Limited, one of the leading electric power contractors in Saudi Arabia specialising in the fields of electrical power, transmission, and distribution. The Company has maintained profitability despite challenges including a slowdown in power spending over the past three years. Delta is expected to benefit from a number of additional contracts due to the recent resumption of several large government-backed infrastructure projects. The company is currently building a five-year strategy plan, with focus on the managed Services and ICT businesses following the appointment of the new CEO.

## TURKEY FARMLAND

VCBank along with its investors currently owns extensive farmland in Turkey, with a total planted area of approximately 11.8 million square metres; and more than one million organic apple, pear, sour cherry, and peach trees having been planted. The Company is focused on acquiring and planting farmlands that are adjacent to each other in order to expedite revenue generation and minimise costs associated with planting. In addition, it continues to explore diversification through new business activities that can complement its core operations.

## QCON

Established in 1975, Qatar Engineering & Construction Company (QCon) is a leading maintenance and engineering, procurement and construction (EPC) contracting company, specialising in projects and plant maintenance for the oil and gas, petrochemicals, fertilisers, power and other industrial infrastructure sectors. VCBank is in the final stages to sell the 20 per cent stake owned by VCBank and its investors.



## MENA SME FUND

This 'first-of-its-kind' Fund was launched by VCBank in June 2006, to pursue superior risk adjusted return by investing in small and medium enterprises (SMEs) throughout the MENA region. The Fund was established to give investors the opportunity to be a part of the region's economic development, while cultivating the rapidly expanding base of SMEs throughout the MENA region. The Fund aimed to provide direct funding solutions, and financial and administrative support, to promising, rapidly-growing enterprises with well-structured management and high potential for profitability. The Fund's portfolio companies are JAFCCO, QCon, ITWorx and Challenger Limited. Due to the expiry of the Fund's original terms, during 2020, the Fund applied to the regulatory authorities for a further two-year extension. VCBank is in the final stages to sell the 20 per cent stake in QCon owned by VCBank and its investors, out of which 3.96 per cent is owned by MENA SME Fund investors.

## JAFCCO

In 2007, VCBank along with its investors funded the strategic growth plan of JAFCCO. This comprised the development of a state-of-the-art industrial complex specialising in the manufacture of chemical fertilisers and other kinds of chemicals that previously had to be imported into the MENA region. Since its incorporation

in 1997, JAFCCO has established a strong name in the chemical fertilisers industry, specialising in the manufacture of high-quality sulphate of potassium (SOP) and hydrochloric acid (HCL) as a by-product of SOP. Due to a combination of technical and geo-political issues, operations ceased in 2020. VCBank is currently in discussions with several potential strategic investors with the objective of restarting operations under new management, through which to generate a partial or full exit.

## CHALLENGER

Established in 1991, Challenger is an international provider of contract oil and gas land drilling and workover services, headquartered in Egypt and operating mainly in Libya with a fleet of 29 rigs. Challenger's operations have been adversely impacted by subsequent deteriorating geo-political conditions in Libya, together with the recent severe volatility in oil prices. The Company currently has nine active rigs under contract.

## ITWORX

ITWorx is one of the largest software outsourcing firms in Egypt, with offices in Saudi Arabia, UAE, Qatar, Europe, and the USA. A key development during fiscal 2020 was the successful sale of the Education business. The Development business is performing

better than expected due to increased demand resulting from a change in companies' operating models caused by COVID-19. The management team continues to take operational measures to increase efficiency and improve results.

## SVCIC

VCBank established SVCIC in 2007 to capitalise on the significant potential of investment banking activities in the Kingdom of Saudi Arabia. Licensed by the Saudi Capital Market Authority, SVCIC focuses primarily on investing in promising small-to-medium enterprises in the Kingdom. Due to continued challenging market conditions, the Company has conducted a two-tranche capital reduction plan, as well as implementing a number of cost-cutting measures. The Board of SVCIC is considering reviving the business and offering new products to generate revenue.

## TREASURY SOLUTIONS

### VC Bank Liquidity Programmes

VCBank offers three innovative Shari'ah-compliant programmes with certificates and shares backed by income-yielding real estate assets in Bahrain and Dubai, with profits being distributed on a quarterly basis. The programmes offer recurring income to the certificate holders on a quarterly basis, based on the underlying performance of the programme assets.

Programme 1, which was launched in 2010, is backed by the Venture Capital Bank Building located in the Diplomatic Area of Manama, Bahrain. This comprises a unique combination of office space, retail outlets, and private and public car parking. Programme 2, introduced in 2015, is backed by the first building of the Jebel Ali Labour Accommodation Complex in Dubai. Programme 3, launched in 2016, is backed by the second and third buildings of the complex.

The value of the underlying asset of Programme 1 – Venture Capital Bank Building – has been affected by lower occupancy rates resulting from changing real estate market dynamics in Bahrain. Key factors include reduced demand for conventional office space (and associated car parking) due to the growing trend towards serviced offices; and a change in companies' operating models with a greater focus on remote working by staff, caused by COVID-19. The value of the underlying asset of Programmes 2 & 3 – Jebel Ali Labour Accommodation Complex – has been affected by the large reduction in the number of

## THE LOUNGE

The Lounge commenced operations in 2008 on the sixth floor of the VCBank building in Bahrain's Diplomatic Area, to provide specialist serviced offices. Since then, the company has made excellent progress in terms of consistent revenues, tenant retention and high occupancy levels. To meet growing demand for managed office space, which has been intensified by COVID-19, The Lounge is currently evaluating prospects of renting additional space in VCBank building as it approaches 100% of its existing capacity.

## MOZON

Mazon Investment Holding Company, which was established to provide VCBank with an investment platform for opportunities in Morocco, has completed a number of investments in the education and affordable housing sectors. VCBank has fully exited this investment.

labourers due to the slowdown in construction activity in the UAE, with a resulting oversupply of approved labour accommodation. In addition, the age of the three buildings makes the complex less competitive compared to newer properties in the market.

A number of clearly-defined remedial steps are being taken to address these issues. These will facilitate implementation of a major restructuring exercise aimed at enhancing the attractiveness and sustainability of these programmes. The Bank is working on a number of options that would allow it to restructure the programmes, increase liquidity and enhance the income for its investors.

Treasury Department is currently working on Sukuk Portfolio Fund "The Fund". The Fund is closed-ended which aims to generate appropriate periodic returns on its investments giving the Investors a chance to receive periodic coupons in addition to achieve long-term capital growth by investing in a diversified portfolio of Shariah-compliant global fixed-income securities (Sukuk) and in accordance with the controls stipulated in the Investment Guidelines.

The Fund's investment objective is to offer a yield pickup by investing primarily in USD-denominated fixed income securities with a pre-determined yield at the time of investment over the term of the fund through a sharia compliant Structure. We are anticipating to finalise the Sukuk Portfolio Fund by first quarter of 2022.

## CORPORATE FUNCTIONS

### Post Acquisition

VCBank adopts a qualitative-based approach towards the post-acquisition management of its portfolio companies. This entails a thorough analysis of the companies and their operating markets, with a focus on identifying problem assets requiring attention and the most eligible candidates for exit in the short to medium term. The main objective of the Post-Acquisition function is to maximise the value of the Bank's investment portfolio assets. This entails thoroughly understanding each asset by evaluating them on a highly systematic basis with the assistance of external experts who possess the appropriate market and sector knowledge. Significantly, it involves the utilisation of sophisticated analytical techniques and international best practices that are new to the region.

During the year, portfolio companies continued to be subjected to thorough investment stress testing and analysis to determine the most realistic valuations. In addition, significant progress was made in expediting the Bank's investment exit strategy. Exits from Mazon in Morocco; Fuddruckers and Caribou in the Kingdom of Bahrain; 24 Buckingham Gate in the UK; and West Haven in Atlanta, Georgia, have all been concluded; while QCon in Qatar is in the final stages of being concluded.

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## WEALTH MANAGEMENT

Wealth Management is responsible for developing and maintaining relationships with VCBank's broad network of institutional investors and high-net-worth individuals across the GCC. The Bank has also established a number of strategic relationships with certain institutions interested in particular types of investment offerings. The Wealth Management team consists of highly-qualified and experienced professionals who have consistently demonstrated their technical ability to place a wide range of products across different sectors. Acting as the main point of contact for investors, team members deliver regular portfolio updates, introduce new investment opportunities, offer insight into local

and regional markets, and provide financial advisory to their clients.

Investor sentiment during the year was affected by continued economic and market volatility, depressed oil prices, heightened regional geopolitical tensions, deteriorating global trade relations, and the COVID-19 pandemic. In response to travel restrictions, the CEO and Head of Investments & Post Acquisition, and the Wealth Management team, kept in regular telephone contact with investors across the region, to update them on the Bank's portfolio company developments and discuss their investment preferences.

## INFORMATION TECHNOLOGY

The major transformation of the Bank's Information Technology infrastructure commenced during the prior year, involving the transfer of all key applications to the Cloud creating a more efficient virtual workflow environment. These are now set, and have secured the data center, disaster recovery site, file server, enterprise resource planning, customer relationship management, and emails. Furthermore, the benefits of these initiatives have enhanced the automation and integration of all finance-related systems and processes, as well as resulting in more efficient reporting

and communication channels with shareholders and investors.

The benefits to the Bank from this revamp during the Covid pandemic enabled staff to work and communicate securely from home. A 75 percent reduction in the number of physical servers was achieved, and significantly less use of printers and paper. These developments continue to produce greater accuracy and productivity with attendant operating costs savings.



## INVESTOR RELATIONS

VCBank has carried out major updates and upgrades in the IT infrastructure to improve the systems functionality and enable clients' direct access to information. The Bank has successfully upgraded its client relationship management (CRM) system by moving it to the Cloud and to the latest version to keep pace with the latest technological and regulatory changes in order to offer the highest levels of support for shareholders and investors. Furthermore, in line with the bank's digitization drive, Venture Capital Bank has launched its first online portal, which aims to provide our valued clients with all the features and conveniences of accessing their investment portfolio and related updates. The mobile application is compatible with both iOS and Android platforms. The easy-to-use portal "VCB Online" allows our clients to view their investment statements, investment financial reports, and view the latest update reports and investments' fair values anywhere anytime, and much more. The application is free of charge, developed with customers' dynamic lifestyle in mind to be user-friendly. VCBank has carried out major updates and upgrades in the IT infrastructure to improve the systems functionality and enable clients' direct access to information. The Bank has successfully upgraded its client relationship management (CRM) system by moving it to the Cloud and to the latest version to keep pace with the latest technological and

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fair values anywhere anytime, and much more. The application is free of charge, developed with customers' dynamic lifestyle in mind to be user-friendly.

## HUMAN RESOURCES & SUPPORT

The Management team was restructured and expanded during FY 2021. It is now headed by the new Chief Executive Officer, who is also Head of Investments & Post-Acquisition, supported by the Deputy Chief Executive Officer who is also Chief Financial Officer. The Bank's institutional capability was strengthened with the appointment of a new Head of Risk Management; a new Head of Treasury; and a new Head of Legal Counsel; while recruitment is underway for a new Head of Compliance. The Bank undertook a redundancy plan which was handled with utmost fairness and consistent treatment, according to the best practices and standards of the Bahrain Labour Law. Most of our staff stepped up to undertake additional roles and duties.

With a current total headcount of 25 staff, VCBank is a lean, efficient and focused institution, benefitting from enhanced sharing and collaboration between

individuals and teams in the front and back office functions.

The Bank took early steps to address the challenges of the COVID-19 pandemic, in order to minimise disruption to daily operations. In response to the initial official lockdown, staff were provided with laptops and supporting technology to enable them to work securely from home. This involved the establishment of a virtual private network (VPN), and registration with virtual meeting systems to facilitate smooth internal and external communications. The Bank also took necessary precautions to ensure a safe working environment, entailing the regular sanitisation of premises and testing of those staff whose functions necessitate a presence at the office.

The Bank also provided the staff with the opportunity to enroll in various training and development programs such as the Waqf Fund Sponsorship Program for Masters in Islamic Finance/Fintech, CIPD Level 5 Diploma and

# CORPORATE GOVERNANCE REVIEW

VCBank is committed to upholding the highest standards of corporate governance in full compliance with relevant governing laws, regulations and international best practice. The Bank has put in place a robust and comprehensive Corporate Governance Framework (the Framework) aimed at ensuring the adoption of the highest standards of ethical conduct, transparent and prudent disclosures, and operational effectiveness; while protecting the rights and interests of all stakeholders.

The Framework has been designed in accordance with the Eleven Principles of the Kingdom of Bahrain's Corporate Governance Code, which was issued by the Ministry of Industry, Commerce and Tourism and embraced by the Central Bank of Bahrain (CBB). The adoption and implementation of such regulations, along with the continuous review and adherence to the Bank's Corporate Governance Framework, is the direct responsibility of the Board of Directors.

## KEY DEVELOPMENTS DURING THE YEAR

1. Dr. Issam Z. Al Tawari and Dr. Muhammad Khalil A. Dahlawi were elected as an independent and non-executive Director in November 2020.
2. The Board of Directors comprised eight members at the end of the fiscal year.
3. The Board has formed a temporary Steering Committee to act as an advisory committee to the board.

## KEY ASPECTS OF VCBANK'S CORPORATE GOVERNANCE FRAMEWORK

1. A comprehensive set of Charters and Job Descriptions that clearly articulate the roles, responsibilities and mandate of the Board of Directors, Board Committees, the Executive Management and the Control Functions, as well as all other key functions within the Bank.
2. A comprehensive set of Policy and Procedures Manuals which navigate the governance culture of the Bank.
3. Effective and independent Board oversight through the formation of four independent Board Committees, and through the Bank's Control Functions, with clear, direct and independent reporting lines.
4. A reputable and independent Shari'ah Supervisory Board.
5. A comprehensive annual self-assessment and evaluation of the Board and its Committees.
6. An effective set of Policies and Procedures to govern the activities of the Bank's Business Units and Support Functions.
7. An up-to-date and adequate formal succession plan for the Bank's key positions.

## BOARD OF DIRECTORS

The Board of Directors constitutes the central leadership of VCBank, and is responsible for the stewardship of the Bank's business and affairs on behalf of its shareholders. The Board is also responsible for articulating the Bank's objectives, strategies and risk appetite with a view to enhancing long-term shareholder value; while taking into account the interests of all relevant stakeholders and maintaining the highest standards of transparency and accountability. The Board ensures that high ethical standards are established across the Bank, and regularly reviews and monitors the Bank's

compliance with the regulations of the Central Bank of Bahrain (CBB). Based on VCBank's Memorandum and Articles of Association, the Board will comprise a maximum of 13 members, representing a mix of high-level professional skills and expertise, and with the majority being Independent Non-Executive Directors. The appointment of Directors is subject to the prior approval of the CBB and the shareholders, with classification of Directors in line with the definition stipulated in the CBB Rulebook. Board Members' profiles are listed at the end of this Review.



## SYSTEM FOR ELECTION AND TERMINATION OF DIRECTORS

The system for the election and termination of Directors is governed by the Bahrain Commercial Companies Law and VCBank's Articles of Association (Articles 23 & 32).

## BOARD COMMITTEES AND MEMBERSHIP BEFORE THE NEW CHANGES

| Board Committee   | Member's Name   | Member's Position   |
|---|---|---|
| Nomination, Remuneration & Corporate Governance Committee | Adwan Al Adwani<br>Abdulfatah Marafie<br>Mohammed Jumaan                            | Chariman<br>Member<br>Member  |
| Audit & Risk Committee                                    | Marwan Al Ghurair<br>Mohammed AlKandari<br>Mohammed Jumaan                          | Chairman<br>Member<br>Member  |
| Finance, Investments and Real Estate Committee            | Abdulfatah M. R. Marafie<br>Mohammed AlKandari<br>Mohammed Jumaan<br>Adwan Aladwani | Chairman of the Board<br>Chairman of the Committee<br>Deputy Chairman<br>Member |

## BOARD AD-HOC COMMITTEES

|                    |  |                                       |
|--------------------|--|---------------------------------------|
| Steering Committee | Mohammed AlKandari<br>Mohammed Jumaan<br>Abdulaziz Dakheel | Chairman<br>Deputy Chairman<br>Member |
|--------------------|--|---------------------------------------|

## AUDIT & RISK COMMITTEE

The mandate of the Audit & Risk Committee is to provide oversight on financial reporting, internal control and risk management, internal and external audit, and adherence to Islamic Shari'ah rules and principles. It is also responsible for recommending the appointment of the external auditors, determining the audit fees and compensation, overseeing the auditors' work, and reviewing the Bank's compliance with legal requirements. Also, the Committee is to maintain oversight of the Bank's risk management framework, covering all risks faced by the Bank as well as its control environment.

## THE BOARD COMMITTEES AND MEMBERSHIP AFTER THE NEW CHANGES

| Board Committee   | Member's Name   | Member's Position   |
|---|---|---|
| Nomination, Remuneration & Corporate Governance Committee | Adel Abu nayan<br>Issam Z. Al Tawari<br>Muhammad A. Dahlawi                         | Chariman<br>Member<br>Member  |
| Audit & Risk Committee                                    | Marwan Al Ghurair<br>Issam Z. Al Tawari<br>Muhammad A. Dahlawi                      | Chairman<br>Member<br>Member  |
| Finance, Investments and Real Estate Committee            | Abdulfatah M. R. Marafie<br>Mohammed AlKandari<br>Mohammed Jumaan<br>Adwan Aladwani | Chairman of the Board<br>Chairman of the Committee<br>Deputy Chairman<br>Member |

## BOARD AD-HOC COMMITTEES AND MEMBERSHIP AFTER THE NEW CHANGES

|                    |  |   |
|--------------------|--|---|
| Steering Committee | Mohammed AlKandari<br>Mohammed Jumaan<br>Issam Z. Al Tawari<br>Muhammad A. Dahlawi | Chairman<br>Deputy Chairman<br>Member<br>Member |
|--------------------|--|---|

## NOMINATION, REMUNERATION & CORPORATE GOVERNANCE COMMITTEE

The mandate of the Nomination, Remuneration & Corporate Governance Committee is to assist the Board of Directors in establishing a fair and transparent nominations process for the appointment and remuneration of Directors, Board Committee members and the Chief Executive Officer, and remuneration of the Executive Management team; and to assist the Board of Directors in fulfilling its responsibilities of corporate governance, developing and recommending changes from time to time in the Bank's corporate governance policy framework, oversight of the Bank's compliance with regulatory requirements, as well as liaising with the Shari'ah Supervisory Board.



## DIRECTORS' ATTENDANCE AT BOARD & COMMITTEE MEETINGS: JULY 2020 TO JUNE 2021

The Board of Directors and its Committees met regularly during the year towards fulfilling their responsibilities. Directors' attendance for FY 2021 is listed below:

| Name of Directors                       | Board of Directors | Audit & Risk Committee | Nomination, Remuneration & Corporate Governance Committee | Finance, Investments & Real Estate Committee | Steering Committee | Board Executive Committee |
|---|--------------------|------------------------|---|--|--------------------|---------------------------|
| Abdulfatah M R H Marafie                | 11 out of 11       |                        |   | 2 out of 2                                   |                    |                           |
| Marwan Ahmad Majid Al Ghurair           | 11 out of 11       | 4 out of 4             |   |  |                    |                           |
| Adwan M A Al Adwani                     | 11 out of 11       |                        |   | 2 out of 2                                   |                    |                           |
| Mohamed Ahmed Mohamed Jumaan*           | 11 out of 11       | 2 out of 4             |   | 2 out of 2                                   | 1 out 1            | 10 out of 10              |
| Adel Mohammed Rashid Abunayyan          | 11 out of 11       |                        | 4 out of 4  |  |                    |                           |
| Mohamed A A J Al Kandari**              | 10 out of 11       | 2 out of 4             |   | 2 out of 2                                   | 1 out 1            | 8 out of 10               |
| Mohammed Khalil Abdulrazaq M Dahlawi*** | 8 out of 11        | 2 out of 4             | 4 out of 4  |  |                    | 10 out of 10              |
| Iseam M Z Altawari ****                 | 8 out of 11        | 2 out of 4             | 4 out of 4  |  |                    | 10 out of 10              |
| Abdulaziz Dakheel *****                 | 2 out of 11        |                        |   |  | 1 out 1            |                           |

\* Member Reallocated to Finance, Investments and Real Estate Committee

\*\* Member Reallocated to Finance, Investments and Real Estate Committee

\*\*\* Member joined the committee in November 2020

\*\*\*\* Member joined the committee in November 2020

\*\*\*\*\* Member resigned in September 2020

## BOARD DEVELOPMENT

The annual awareness plan for Board members enables them to carry out their responsibilities in line with recent regulatory developments and market conditions in an informative and effective way. Normally, the awareness plan includes important topics such as corporate governance, compliance and risk management. During the year, the Bank conducted frequent Board Information Sessions for the Board Members to work closely with the Executive Management to revisit the Bank's strategic plans and objectives, and to ensure that the revised strategy is in line with current market conditions and serves the best interest of the Shareholders.

## BOARD EVALUATION

The Bank has in place a comprehensive Board Evaluation Programme, which is designed to help Directors identify areas for improvement and reinforce their responsibilities. The NRCG Committee annually conducts a self-evaluation of the performance of the Board as well as its Committees.

## EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee comprises the members of the Executive Management team. The Committee is responsible for assisting the CEO in overseeing day-to-day operations of the Bank; monitoring the performance of business lines and departments in relation to strategy, policies, targets and limits; and conducting investment decisions as delegated by the Board of Directors under the Discretionary Authority Limits (DAL), in addition to asset and liability management.

## STRATEGY STATEMENT

VCBank was formed as the first Islamic investment bank in the MENA region to specialise in small-to-medium enterprise (SMEs) capital investment opportunities, focuses on cash-yielding real estate investments and very selective private equity transactions. The Bank's strategy and business model is reviewed annually.

## CODE OF CONDUCT

The Bank has developed a Code of Conduct which contains rules on professional conduct and ethical behaviour that are applicable to the Directors and employees of the Bank. The Code is designed to guide all Directors and employees in fulfilling their responsibilities and obligations towards the Bank's stakeholders, in compliance with all applicable laws and regulations.

## SHAREHOLDER / INVESTOR COMMUNICATION & AWARENESS

The Board is committed to communicating with its shareholders and investors in a professional, transparent, accurate and timely manner, and adopts a number of different ways through which to promote greater understanding and dialogue with all stakeholders. These include the annual general meeting, annual reports and quarterly financial reports, corporate website, and regular announcements in the local media.

A detailed and dedicated section on Corporate Governance is available on the Bank's website at: <https://www.vc-bank.com/corporate-governance>.

## INVESTOR COMPLAINTS

The Bank treats investors' feedback, concerns and complaints with a great deal of due care and attention. Their inputs constitute a key element towards improving the Bank's standards, policies, products and services. While keen to provide a first-class service to its clients, the Bank understands that there could be a few incidences where a client might not be fully satisfied with the Bank's products, services or responses. Therefore, investors are

encouraged to immediately contact the Bank if at any stage they feel that its service levels are not up to their expectation. The Bank adopts a strict hierarchy and time frame towards resolving investors' complaints swiftly and promptly. A dedicated section on complaint handling procedures is available on the Bank's website at: <https://www.vc-bank.com/complaints>.

## WHISTLE-BLOWING POLICY

The Bank has formulated a whistle-blowing policy designed to enable the airing of genuine concerns regarding suspected malpractice within VCBank, enhancing transparency, and safeguarding the Bank's integrity. The whistle-blowing procedure is embedded in the Human Resources Manual. Malpractice includes but is not limited to: conduct

likely to prejudice the reputation of VCBank; breaches of applicable regulations; breaches of internal rules and limitation; criminal offences or endangerment of the health and safety of any person; environmental damage; and the deliberate concealment of any malpractice. The recommended rule of thumb is "If in doubt – raise it".

## EMPLOYMENT OF RELATIVES

The Bank does not encourage employment of first-degree family members. In the event that personnel of the office marry one another, the Executive Committee will review the situation to ensure that no potential exists for conflicts of interest. In some cases, it may

be necessary for one of the individuals to assume other responsibilities in that or another business unit, or to resign. The Bank, however, reserves the right to terminate one of the employees on the basis of conflict of interest.

## GOVERNANCE CONTROL FUNCTIONS

As well as undertaking their specific responsibilities, the Compliance, Risk Management, Internal Audit, and Shari'ah Coordination & Review departments

work closely together in assisting the Board and Executive Management of the Bank to uphold the highest standards of corporate governance.

## COMPLIANCE

At VCBank, compliance is recognised as the personal responsibility of all staff, not just the Compliance function. Compliance with regulatory requirements and internal policies and procedures is an ongoing process and considered as an integral part of the Bank's culture.

VCBank is committed to complying fully with the rules and regulations of the Central Bank of Bahrain; the Ministry of Industry, Commerce & Tourism; and other applicable laws and regulations, and international best practices. The Bank continuously strives to improve the level of compliance in conducting its business by actively educating staff to increase awareness of compliance issues and principles.

The Compliance department acts as a central point for all regulatory compliance, as well as adherence to the Bank's internal policies and procedures. The department is independent from other business activities and performs its compliance-specific responsibilities along with other limited activities as defined by the CBB, such as Anti-Money Laundering. The Compliance department reports functionally to

the Board Nomination, Remuneration & Corporate Governance Committee and administratively to the CEO, to ensure that the Bank's compliance objectives are achieved to the highest professional and ethical standards. The department performs its activities under a well-established Compliance Framework which is articulated by a comprehensive Compliance Manual approved by the Bank's Board.

## ANTI-MONEY LAUNDERING

VCBank's Anti-Money Laundering measures are based on three main pillars:

1. The Ethical pillar, by actively taking part in the fight against financial crime.
2. The Professional pillar, by preventing the Bank and its products to be used as a channel for money laundering and terrorist financing by recycling the proceeds of crime.
3. The Legal pillar, by complying with the Kingdom of Bahrain's legislation and regulations pertaining to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT).

The Bank's AML Manual has been developed in line with Central Bank of Bahrain guidance, and

the requirements stipulated in the Financial Crime Module of the CBB Rulebook Volume 2 – Islamic Banks; international best practices promoted by the Financial Action Task Force (FATF), with 40 recommendations on combating money laundering and the financing of terrorism and proliferation; and Basel Committee guidance on Customer Due Diligence. The manual provides a comprehensive set of AML policies and procedures that set out detailed requirements relating to customer identification, customer due diligence, ongoing due diligence and monitoring, reporting suspicious activities (SAR), combating the financing of terrorism, recordkeeping, and staff education and training.

## RISK MANAGEMENT

VCBank adopts an enterprise-wide approach to manage risk, whereby it is embedded in the organisational culture, with all employees being individual owners of risks. Risk management plays a critical role in the Bank's decision-making process. The ultimate accountability & responsibility for oversight of risk management at VCBank resides with the Board of Directors, which delegates its responsibility to the Board Audit & Risk Committee. The Risk Management department, which is an independent function, reports directly to the Board Audit & Risk Committee, to which it has direct access. The department is responsible for ensuring that the risks inherent in all banking activities are managed in line with the Board-approved risk appetite of the Bank. The department independently identifies measures, and monitors and communicates different dimensions of risk, which aim to protect the asset values and income stream and optimise shareholders' return.

- Business Units or Risk-taking units (1st line of defense): The business units that generate business are involved in the identification, assessment, and monitoring of risks and comply with internal regulations on risk management, as well as give due consideration to the risk level.
- Risk Management & Compliance (2nd line of defense): The Risk & Compliance departments work hand in hand to develop risk management tools and methodology, assesses and monitors the risk level, prepares reports on risks and carries out risk assessments.
- Internal audit (3rd line of defense): The Internal Audit department acts as the third line of defense and independently assesses the quality for existing risk management processes, identification of violations, and proposals for the improvement of the risk management system.

## INTERNAL AUDIT

The Internal Audit department reports directly to the Audit and Risk Committee of the Board, and administratively to the Chief Executive Officer. The department is responsible for evaluating and providing assurance to the Board of Directors and Executive Management on the effectiveness of the Bank's control, risk management and governance processes. This involves reviewing the effectiveness and efficiency of all business processes and their compliance with the Bank's policies, standards and procedures, and all applicable laws and regulations. In addition, the department audits the activities

of some portfolio companies for which the Bank has a fiduciary responsibility. The department conducts its audits in accordance with the audit plan approved by the Audit and Risk Committee. This plan is developed using a risk-based methodology which also considers any risks identified by the Risk Management function, the Executive Management and external Auditors. Regular reports on Internal Audit activities are presented to the Audit and Risk Committee. The Internal Audit department also provides Management and staff with preventive advice and guidance.

## STATUS OF COMPLIANCE WITH CBB'S CORPORATE GOVERNANCE GUIDELINES (HIGH-LEVEL CONTROLS MODULE)

As required by the CBB, VCBank regularly reviews its compliance with the governance requirements stipulated in the CBB's High Level Control Module of its Rulebook Volume 2 – Islamic Banks. The Bank's effort has yielded a high level of compliance with the Eleven Principles of the Corporate Governance Code of the Kingdom of Bahrain, along with its Rules and Guidance. The CBB has embraced the 'Comply or

Explain' methodology with regard to its guidance. VCBank is fully compliant with the requirements of the CBB's High Level Control Module except for the following listed below. However, it should be noted that in order to comply with CBB objectives, VCBank implemented alternative internal arrangements as explained below.