

**Capinnova Investment Bank B.S.C. (c)**  
**Pillar III Disclosures, Basel II**  
**31 December 2009**  
**(Unaudited)**

# Capinnova Investment Bank B.S.C. (c)

## Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

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## **1 Background**

### **1.1 Incorporation and activities**

Capinnova Investment Bank B.S.C. (c) (the "Bank") was incorporated on 6 June 1999 in the Kingdom of Bahrain and is registered with the Ministry of Industry and Commerce under commercial registration (CR) number 43137. The Bank operates under an Islamic Wholesale banking licence issued by the Central Bank of Bahrain (the CBB). Effective from 14 January 2009, the name of the Bank has been changed from Al-Khaleej Islamic Investment Bank B.S.C.(c) to Capinnova Investment Bank B.S.C.(c) as approved through a resolution of Board of Directors dated 8 September 2008.

The Bank's registered office is West Tower, Floor 38, Bahrain Financial Harbour, P.O. Box 5507, Kingdom of Bahrain.

The principal activities of the Bank include providing investment banking services in conformity with Islamic Shari'a. The Bank is a wholly owned subsidiary of BBK B.S.C. (the "Parent").

During 2009, the Bank has increased the paid-up capital from US\$ 12,500,000 to US\$ 125,000,000.

### **1.2 Introduction of Pillar III Disclosures, Basel II**

The Central Bank of Bahrain Basel II Guidelines, based upon the BIS Revised Framework – 'International Convergence of Capital Measurement and Capital Standards', were introduced on 1 January 2008. Basel II is structured around three 'pillars': Pillar I - Minimum Capital Requirements; Pillar II – the Supervisory Review Process and the Internal Capital Adequacy Assessment Process (ICAAP); and Pillar III - Market Discipline.

The public disclosures under this section have been prepared in accordance with the CBB requirements outlined in its Public Disclosure Module ("PD Module"), section PD-1: Annual Disclosure requirements, the CBB Rulebook, Volume II for Islamic banks. The disclosures under this section are applicable to Capinnova Investment Bank B.S.C (c) ("the Bank") being a locally incorporated bank with an Islamic wholesale banking license.

## **2 Capital Adequacy**

The primary objectives of the Bank's capital management framework are to ensure that the Bank complies with externally imposed capital requirements, and that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages a strong capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the CBB in supervising the Bank.

The Bank's capital structure is primarily made up of its paid-up capital and reserves. From a regulatory perspective, a significant amount of the Bank's capital is in the form of Tier 1 capital as defined by the CBB, i.e. most of the capital is of permanent nature.

To assess its capital adequacy in accordance with the CBB requirements, the Bank has adopted the Standardised Approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardised Measurement Approach for its Market Risk.

**2 Capital Adequacy (continued)**

**Table – 1. Capital Structure**

The following table summarises the eligible capital after deductions as at 31 December 2009 for purposes of Capital Adequacy Ratio (CAR) calculation:

	<i>US\$ '000</i>
<b>Components of capital</b>	
<b><i>Tier 1 capital</i></b>	
Issued and fully paid ordinary shares	125,000
Legal / statutory reserves	92
Retained profit brought forward	(2,605)
<b>Less:</b>	
Current interim cumulative losses	(4,465)
<b>Tier 1 Capital before PCD deductions</b>	<u>118,022</u>
<b>Total available capital</b>	118,022
<b>Deductions</b>	
Excess amount over maximum permitted large exposure limit	(864)
<b>TOTAL ELIGIBLE CAPITAL</b>	<u><u>117,158</u></u>
<b>Risk weighted assets</b>	
Credit risk	42,409
Market risk	-
Operational risk	1,036
<b>TOTAL RISK WEIGHTED ASSETS</b>	<u><u>43,445</u></u>
<b>Capital Adequacy Ratio (CAR)</b>	
The following are capital adequacy ratios as of 31 December 2009 for Tier 1 capital and Total capital:	
Tier 1 capital ratio	269.67%
Total capital adequacy ratio	<u><u>269.67%</u></u>

**2 Capital Adequacy (continued)**

**Table – 2. Capital requirement by type of Islamic financing contracts**

The following table summarises the amount of exposures as at 31 December 2009 subject to the standardised approach of credit risk and related capital requirements by the type of Islamic financing contracts:

<b>Type of Islamic Financing Contracts</b>	<b>Amount of exposures US\$ '000</b>	<b>Risk weighted assets US\$ '000</b>	<b>Minimum capital US\$ '000</b>
Murabaha receivables	97,707	22,885	2,746
Mudaraba investment	5,000	2,500	300
Istisna'a contract	12,743	12,743	1,529
Others	7,334	4,281	514
	<b>122,784</b>	<b>42,409</b>	<b>5,089</b>

**Table – 3. Capital requirement for market risk**

The Bank is currently not exposed to market risk.

**Table – 4. Capital requirements for operational risk**

The following table summarises the amount of exposures as at 31 December 2009 subject to the application of the basic indicator approach for operational risk and related capital requirements:

	<b>Risk weighted exposure US\$ '000</b>	<b>Minimum capital requirement US\$ '000</b>
Total exposure to operational risk	1,036	124

**3 Risk management**

**3.1 Risk management objectives**

The Bank introduces and defines the risk management policies and practices associated with the Bank. These policies and practices define the risk management control framework that allows the Bank to identify, assess, monitor, mitigate and control exposure to all major risks inherent in its activities.

The Bank has an independent Risk Management Function ("RMF") that is responsible for ensuring the appropriate implementation of the risk management framework and adherence to the risk policies.

**3.2 Strategies, Processes and Internal Controls**

**3.2.1 Bank's risk strategy**

The Bank seeks to instil a culture of risk management into all its activities. During 2009, the Bank developed a robust risk management framework, first establishing respective executive management committees (and supporting charters) which specifically meet to deliberate risk issues, as well as comprehensive risk and capital management policies which lay down the Bank's internal requirements to identify, measure, control, monitor and report the various risks to which it is, or may become, exposed.

### **3 Risk Management (continued)**

#### **3.2 Strategies, Processes and Internal Controls (continued)**

##### **3.2.2 Credit risk**

Credit risk is the risk of financial loss arising from the possibility that a counterparty fails to meet an obligation under a contract.

##### **3.2.3 Market risk**

The Bank has accepted the definition of market risk as defined by the CBB as “the risk of losses in on- and off-balance-sheet positions arising from movements in market prices”. The Bank is currently not exposed to any market risk.

##### **3.2.4 Operational risk**

Operational risk is the risk of loss arising from systems and control failures, fraud and human error, which can result in financial and reputation loss, and legal and regulatory consequences. Though operational risk cannot be entirely eliminated, the Bank aims to minimise this risk by strengthening its internal control environment, continuing its efforts to identify, assess, measure and monitor its risks, evolving in its risk management sophistication and promoting a strong control culture within the Bank. The material operational risks of the Bank are:

- Inappropriate design of processes for the appraisal of credit and investment projects;
- Shortcomings in documentation and processes for monitoring and control of credit and investment exposures;
- Absence of an efficient process to capture internal losses and near misses;
- Inadequacies in the process for execution of projects including selection of consultants and contractors, as well as monitoring time and cost overruns;
- Loss from staff negligence or fraudulent transactions perpetrated by employees or customers; and
- Delay in updating records and misreporting.

The Bank manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, effective training of staff, appropriate controls to safeguard assets, monitoring of various risk limits, periodic reconciliation of accounts, financial management and reporting, and performance of its compliance functions. In addition to these controls, the Bank is in the process of developing a Business Continuity Plan based on a risk review of the Bank’s activities and insurance is also in place to complement the associated controls.

##### **3.2.5 Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Bank is currently not exposed to equity price risk.

##### **3.2.6 Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to significant profit rate risk arising from the repricing at maturity of Islamic deposits placed with counterpart banks for liquidity management purposes.

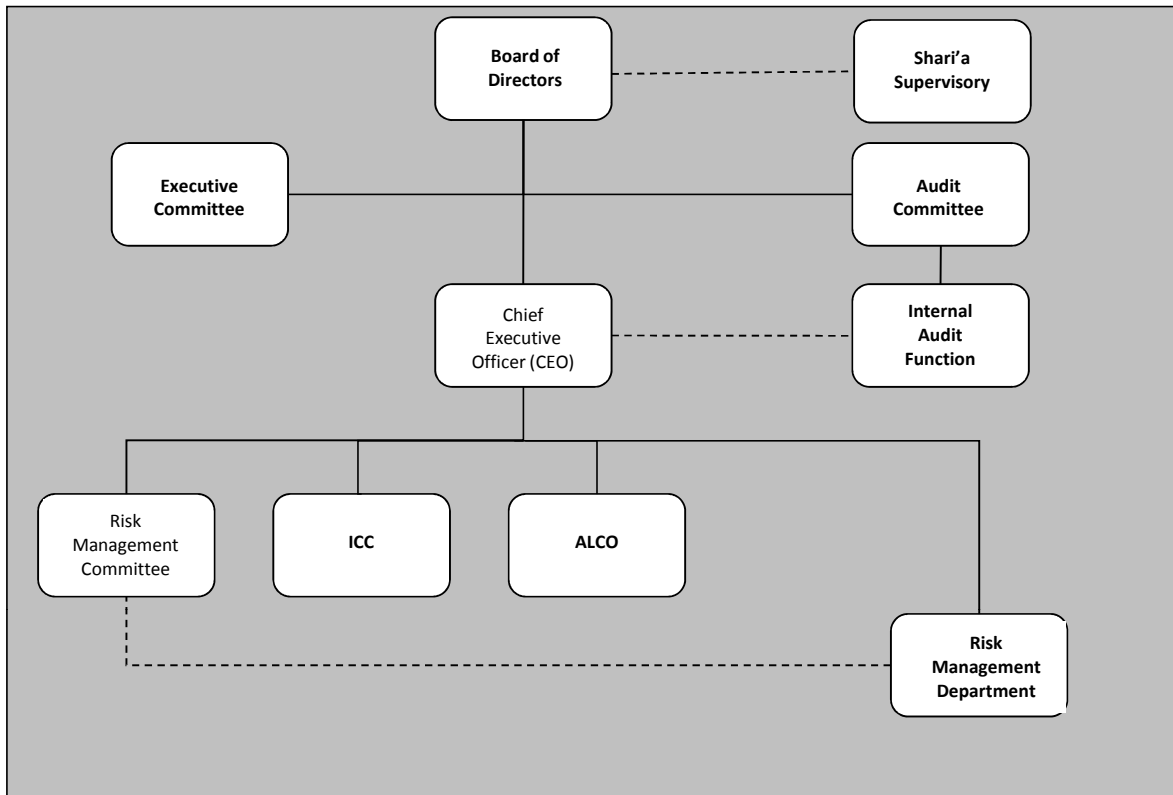
##### **3.2.7 Displaced commercial risk**

Displaced commercial risk (“DCR”) refers to the market pressure to pay returns that exceed the rate that has been earned on the assets financed by the liabilities, when the return on assets is less than competitor’s rates. The Bank is currently not exposed to displaced commercial risk.

**3 Risk Management (continued)**

**3.3 Structure and Organisation of Risk Management Function**

The Risk Management Structure includes all levels of authorities, organisational structure, people and systems required for the smooth functioning of risk management processes in the Bank. The responsibilities associated with each level of the risk management structure and their authorities are as follows:



The Board retains ultimate responsibility and authority for all risk matters, including delegating authority to the Executive Committee, Investment Credit Committee ("ICC"), the Chief Executive Officer and further delegation to the management to approve and review.

**3.4 Risk Measurement and Reporting Systems**

Based on the risk appetite of the Bank, the Bank has put in place various limits. These limits have been approved by the Board of Directors. Any breach in limits are reported to the CEO. The limits are reviewed and revised at least on an annual basis or as deemed required.

The Bank has developed a risk measurement and reporting system that generates various reports which have enhanced the risk monitoring processes within the Bank.

### **3 Risk Management (continued)**

#### **3.5 Credit Risk**

##### **3.5.1 Introduction**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from financing and investment activities. The Bank controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept in terms of counterparties, product types, geographies and industries. The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Financing contracts mainly comprise of Murabaha receivables, Mudaraba investments, Musharaka investments and Ijarah Muntahia Bittamleek.

##### ***Counterparty risk***

Counterparty risk arises due to the unwillingness/inability of the counterparty to fulfil its payment obligations in accordance with the terms and conditions of the contract. In instances where the deal is a non/limited recourse deal, the primary determinant of counterparty risk is the variability of the cash flow generated by the collateral rather than the credit standing of the borrower.

##### ***Concentration risk***

Concentration risk can take many forms and can arise whenever a significant number of credits have similar risk characteristics. Concentrations occur when the Bank has a high exposure to:

- A single counterparty;
- A group of connected counterparties;
- A particular industry/economic sector or a geographic region;
- An individual foreign country or a group of countries whose economies are strongly interrelated;
- A type of credit facility;
- A type of collateral;
- Credits with the same maturity; or
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity.

##### ***Residual risk***

The Bank uses credit risk mitigation techniques (e.g. collaterals and guarantees) to reduce its credit risk which give rise to other risks that may render the overall risk reduction to be less effective. Examples of these risks includes inability to seize, or realise the pledged collateral in a timely manner in the event of counterparty default, refusal or delay from the counterparty's guarantor to settle outstanding payment and incomplete documentation.

##### **3.5.2 Types of credit risk**

###### ***Murabaha receivables***

The Bank finances these transactions through buying the commodity which represents the object of the Murabaha contract and then resells this commodity to the beneficiary at a profit. The sale price (cost plus profit margin) is repaid in instalments by the beneficiary over the agreed period. The transactions are secured either by the object of the Murabaha contract (in case of real estate finance) or by a total collateral package securing the facilities given to the beneficiary.

Settlement risk is the risk that the counterparty will fail to meet the terms of the contract and default at the contract's settlement date. In the case of the Bank's foreign exchange transactions, the Bank's settlement risk exposure begins when it can no longer unilaterally cancel its instruction to pay the currency it is selling, and ends when it receives with finality the currency it is buying. Between these two points, the Bank is exposed to credit risk up to the full value of the bought currency.

**3 Risk Management (continued)**

**3.5 Credit Risk (continued)**

**3.5.2 Types of credit risk (continued)**

***Mudaraba investments***

The Bank enters into Mudaraba contracts by investing in funds operated by other banks and financial institutions for a definite period of time.

**3.5.3 Past due and impaired Islamic financing**

The Bank defines non-performing facilities as the facilities that are overdue for a period of 90 days or more. These exposures are placed on a non-accrual status with income being recognised to the extent that it is actually received. It is the Bank's policy that when an exposure is overdue for a period of 90 days or more, the whole financing facility extended is considered as past due, not only the overdue instalments/payments.

**3.5.4 External credit assessment institutions**

The Bank relies on external ratings for rated counterparties. The Bank uses Standard & Poor's, Fitch, Moody's and Capital Intelligence to provide ratings for such counterparties. In the case of unrated counterparties, the Bank will assess the credit risk on the basis of defined parameters.

**3.5.5 Definition of geographical area**

The Bank's classification of geographical area is according to its business needs and the distribution of its portfolios. For this purpose the bank has divided itself into the following geographical areas: Middle East and Europe.

**3.5.6 Concentration risk**

Concentration risk is the risk stemming from not having a well diversified portfolio (as defined in note 3.5.1). As per the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any planned or actual exposure to a single counterparty, or group of connected counterparties, exceeding 15 per cent of the regulatory capital base.

**3.5.7 Credit risk mitigation**

The Bank uses eligible collateral and guarantees acceptable to the CBB for risk mitigation for regulatory capital and CBB reporting purposes. The Bank adopted risk mitigation strategies (in line with the overall credit risk strategy) for each type of financing exposure, some of which are listed below.

The following risk mitigation approaches are considered in light of the existing business strategy of the Bank:

**Credit risk mitigation in project financing**

When extending finance to counterparties for specific projects, the Bank considers the following to reduce its risk exposure:

- Finance projects with political guarantees - Country risk (transfer risk, risk of expropriation and macroeconomic instability) is particularly relevant for project financing exposures. Hence, political guarantees such as written agreements and guarantees from the host government mitigate the risk inherent in such deals;
- Target low levels of leverage on deals with limited recourse to the Bank;
- Diversify financing to different countries and sectors in accordance with the geographic/sector limits established by the Board to avoid concentration risk; and
- Extend financing to projects with existing insurance and maintenance contracts.

### **3 Risk Management (continued)**

#### **3.5 Credit Risk (continued)**

##### **3.5.7 Credit risk mitigation (continued)**

###### **Credit risk mitigation in mergers and acquisitions**

Risk mitigation techniques for Mergers and Acquisitions ("M&A") projects include, but is not limited to, the following:

- Avail services of independent, external agencies / specialists for due diligence studies;
- Strive to ensure the following while extending financing for M&A:
  - Financing is provided to companies with strong market position, stable cash flows, strong management team and potential for growth;
  - There is periodic oversight of the overall business and risk management framework in the merged entities; and
  - Financing should diversify Bank's business in terms of business sectors and geographies served.

###### **Credit risk mitigation in asset backed securities and sukuk**

The originating unit will ensure the following while investing in asset backed securities and sukuk:

- Restrict investment to investment grade asset backed securities and sukuk; and
- Conduct a thorough due diligence of the underlying assets.

###### **Credit risk mitigation in inter-bank placements**

Minimize exposure to financial institutions not rated by external agencies. Formulate netting agreements with the counterparty banks, where possible.

###### **Credit risk mitigation in foreign exchange transactions**

The RMD in co-ordination with the ICC evaluate the use of short term tenor's to shorten the duration of settlement exposures, where applicable.

##### **3.5.7.1 General policy guidelines of collateral management**

The Bank uses credit risk mitigation techniques (e.g. collaterals and guarantees) to reduce its credit risk whilst recognising the limitations of such techniques where they may give rise to other risks which render the overall risk reduction less effective. Examples of these risks include inability to seize or realise the pledged collateral in a timely manner in the event of counterparty default, refusal or delay from the counterparty's guarantor to settle outstanding payment, and incomplete documentation.

##### **3.5.7.2 Guarantees**

In cases where a letter of guarantee from parent company or a third party is accepted as credit risk mitigant, the Bank ensures that all guarantees are irrevocable, and that there is no maturity (negative) mismatch between the guarantee and exposure.

##### **3.5.8 Counterparty credit risk**

The credit limit for a new counterparty is based on the counterparty ECAI rating and the country of origin. The management ensures that the credit limit is in line with the large exposure limits, as stipulated by the CBB in the large exposure module of the Rulebook Volume 2. Credit limits are set and expressed as a % of the Bank's total capital base for individual counterparties.

###### **3.5.8.1 Counterparty**

A counterparty is defined as an obligor (individual/company/other legal entity), a guarantor of an obligor, or a person receiving funds from the Bank, the issuer of a security in case of a security held by the Bank, or a party with whom a contract is made by the Bank for financial transactions.

###### **3.5.8.2 Bank exposure**

Bank exposure is defined as the total exposure to all counterparties closely related or connected to each other. For this purpose, Bank exposure is to two or more counterparties are related in such a way that the financial soundness of one may affect the financial soundness of the other(s) and one of them has a direct or indirect control over the other(s).

**3 Risk Management (continued)**

**3.5 Credit Risk (continued)**

**3.5.8 Counterparty credit risk (continued)**

**3.5.8.3 Connected counterparties**

Connected counterparties are companies or individuals connected with the Bank or its subsidiaries and associated companies (whether such association is due to control or shareholding or otherwise), Directors and their associates (whether such association is due to control, family links or otherwise), members of the Shari'a Supervisory Board, management and other staff and shareholders holding more than 10% or more of the equity voting rights in the Bank.

As Bank strategy, exposure to connected counterparties may be undertaken only when negotiated and agreed on an arm's length basis. The Bank shall not assume any exposure to its external auditors or members of Shari'a Supervisory Board. The disclosures relating to related party transactions has been made in the financial statements.

**3.5.8.4 Large exposure**

Large exposure is any exposure whether direct, indirect or funded by restricted investment accounts to a counterparty or a group of closely related counterparties which is greater than or equal to 10% of the Bank's capital base. The Bank obtains prior written approval from the CBB in the following cases:

- a. If any counterparty (single/group) exposure exceeds 15% of the Bank's Capital Base; and
- b. If any facility (new/extended) to an employee is equal or above BD100,000 (or equivalent).

The Bank has set a maximum exposure limit in light of the CBB guidelines. The Bank reports large counterparty exposures (as defined above) to the CBB on a periodic basis. The Bank reports the exposures on a gross basis without any offset. However, debit balances on accounts may be offset against credit balances where both are related to the same counterparty, provided the Bank has a legally enforceable right to do so.

**3.5.8.5 Maximum exposure**

The Bank has set a maximum exposure limit in light of the CBB guidelines.

**3.5.8.6 Reporting**

The Bank reports large counterparty exposures (as defined above) to the CBB on a periodic basis.

**3.5.9 Related party transactions**

The disclosure relating to related party transactions has been made in the financial statements. All related party transactions have been made on arm's length basis.

**3 Risk Management (continued)**

**3.5 Credit Risk (continued)**

**Table – 5. Credit Risk Exposure**

The following table summarises the amount of gross funded and unfunded credit exposure as at 31 December 2009 and average gross exposures over the period from 1 January 2009 to 31 December 2009:

	<i><b>Total gross credit exposure US\$ '000</b></i>	<i><b>*Average gross exposure over the period US\$ '000</b></i>
Bank balances	5,998	3,088
Murabaha receivables	97,707	111,153
Istisna'a contract	8,193	3,266
Mudaraba investments	5,000	1,382
Other assets	1,337	1,404
Off-balance sheet items	10,846	7,692
<b>Total</b>	<b>129,081</b>	<b>127,985</b>

\*Average balances are computed based on month end balances.

**Table – 6. Credit Risk – geographic breakdown**

The following table summarises the geographic distribution of net exposures as at 31 December 2009, broken down into significant areas by major types of credit exposure:

	<i><b>Middle East US\$ '000</b></i>	<i><b>Europe US\$ '000</b></i>	<i><b>Total US\$ '000</b></i>
Bank balances	5,998	-	5,998
Murabaha receivables	1,527	96,180	97,707
Istisna'a contract	8,193	-	8,193
Mudaraba investments	5,000	-	5,000
Other assets	1,337	-	1,337
Off-balance sheet items	10,846	-	10,846
<b>Total</b>	<b>32,901</b>	<b>96,180</b>	<b>129,081</b>
			<b>97,707</b>

\* Geographical distribution of exposure into significant areas by major type of credit exposure is based on country of incorporation of the counterparty.

**3 Risk Management (continued)**

**3.5 Credit Risk (continued)**

**Table – 7. Credit Risk – Industry Sector Breakdown**

The following table summarises the distribution of exposures as at 31 December 2009 by industry, broken down into main sources of credit exposure:

	<i>Financial Institutions US\$ '000</i>	<i>Others US\$ '000</i>	<i>Total US\$ '000</i>
Bank balances	5,998	-	5,998
Murabaha receivables	97,707	-	97,707
Istisna'a contract	-	8,193	8,193
Mudaraba investments	5,000	-	5,000
Other assets	-	1,337	1,337
Off-balance sheet items	-	10,846	10,846
<b>Total</b>	<b>108,705</b>	<b>20,376</b>	<b>129,081</b>

**Table – 8. Credit Risk – Concentration of Risk**

The following balances represent the concentration of risk to individual counterparties (in excess of the 15% individual obligor limit) as at 31 December 2009:

	<i>US\$ '000</i>
<b>Counterparties</b>	
Counterparty # 1	93,527
Counterparty # 2	18,568

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**3 Risk Management (continued)**

**3.5 Credit Risk (continued)**

**Table – 9. Credit Risk – Residual Contractual Maturity Breakdown**

The following table summarises the residual contractual maturity of own capital, liabilities and the whole credit portfolio broken down by main sources of credit exposure as at 31 December 2009:

	<i>Own capital and current account maturity breakdown</i>					<i>Total USD'000</i>
	<i>Up to one month USD'000</i>	<i>1-3 months USD'000</i>	<i>3-12 months USD'000</i>	<i>1-5 years USD'000</i>	<i>No fixed maturity USD'000</i>	
<b><u>Assets</u></b>						
Bank balances	5,983	15	-	-	-	<b>5,998</b>
Murabaha receivables	93,527	199	3,981	-	-	<b>97,707</b>
Istisna'a contract	-	-	-	8,193	-	<b>8,193</b>
Mudaraba investments	5,000	-	-	-	-	<b>5,000</b>
Other assets	7	72	84	5	1,169	<b>1,337</b>
<b>Total Assets</b>	<b>104,517</b>	<b>286</b>	<b>4,065</b>	<b>8,198</b>	<b>1,169</b>	<b>118,235</b>
<b><u>Liability and equity</u></b>						
Current accounts	-	-	-	-	-	-
Other liabilities	137	77	-	-	-	<b>214</b>
<b>Total liabilities</b>	<b>137</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>214</b>
Equity	-	-	-	-	118,021	<b>118,021</b>
<b>Total liabilities and equity</b>	<b>137</b>	<b>77</b>	<b>-</b>	<b>-</b>	<b>118,021</b>	<b>118,235</b>
Commitments	-	-	-	<b>8,193</b>	-	<b>8,193</b>

### **3 Risk Management (continued)**

#### **3.5 Credit Risk (continued)**

##### **3.5.10 Credit Risk Mitigation CRM**

The Bank has a murabaha receivables amounting to US\$ 93,527,098 which have been guaranteed by the Parent (BBK B.S.C.). The parent has a rating of A2 by Moody. The risk weight applicable for this exposure is 20%.

#### **3.6 Market Risk**

##### **3.6.1 Introduction**

The Bank has accepted the definition of market risk as defined by the CBB as “the risk of losses in on and off-balance-sheet positions arising from movements in market prices.”

##### ***Foreign Exchange Risk***

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. The Bank's financial instruments are mainly denominated in Bahraini Dinars and in United States Dollars. As the Bahraini Dinar is pegged to the United States Dollar, the Bank's exposure to currency risk is minimal.

##### ***Equity Price Risk***

Equity price risk is the sensitivity of financial products to the changes in equity prices. Currently, the Bank does not have any equity portfolio and is not exposed to equity price risk.

##### ***Commodity Risk***

Products may have an inherent risk as a result of sensitivity to changes in commodity prices. Since prices in commodity markets are determined by fundamental factors (i.e. supply and demand of the underlying commodity), these markets may be strongly correlated within particular sectors and less correlated across sectors.

##### **3.6.2 Sources of market risk**

##### **3.6.3 Market Risk Strategy**

The Bank's Board is responsible for approving and reviewing (at least annually) the risk strategy and significant amendments to the risk policies. The Bank's senior management and Risk Management Committee of Bank is responsible for implementing the risk strategy approved by the Board, and continually enhancing the policies and procedures for identifying, measuring, monitoring and controlling risks.

In line with the Bank's risk management objectives and risk tolerance levels, the specific strategies for market risk management include the following:

- 1 The Bank will manage its market risk exposure by evaluating each new product/activity with respect to the market risk introduced by it;
- 2 The Bank will proactively measure and continually monitor the market risk in its portfolio;
- 3 The Bank will at all times hold sufficient capital in line with the CBB Pillar 1 regulatory capital requirements;
- 4 The Bank will establish a market risk appetite which will be quantified in terms of a market risk limit structure;
- 5 The Bank will establish a limit structure to monitor and control the market risk in its portfolio.
- 6 The Bank will carry out stress testing periodically using the worst case scenarios to assess the effects of changes in market value due to changing market conditions;
- 7 The Bank will match the amount of floating rate assets with floating rate liabilities; and
- 8 The Bank will clearly identify the foreign currencies in which it wishes to deal and actively manage its market risk in all foreign currencies to which it has significant exposure.

### **3 Risk Management (continued)**

#### **3.6.4 Market risk measurement methodology**

The risk measurement techniques mentioned in this section are used for measuring market risk in both trading book as well as banking book.

The various techniques which are used by the Bank for the measurement, monitoring and control of market risk are as follows:

- a. Overnight open positions;
- b. Factor sensitivity limits; and
- c. Profit rate risk gap analysis.

#### **3.6.5 Market risk monitoring and limits structure**

The Treasury Department maintains a daily exposure report, checks the market risk limits and generates alerts for any limit breaches. The Risk Management Department, the CIO and the CEO are informed at the earliest when a limit is breached. A regular net open position report will be provided to the RMC and ALCO in each of their meetings.

#### **3.6.6 Limits monitoring**

The Treasury Department and Compliance Department monitor the risk limits for each transaction, ensure that the limits are well within set parameters and report periodically to senior management.

#### **3.6.7 Breach of limits**

In the case of any breach of limit, the risk management department, CIO and CEO are informed at the earliest when a limit is breached.

#### **3.6.8 Portfolio review process**

On a quarterly basis, the Risk Management Department ("RMD") reviews the Bank's assets and liabilities portfolio to evaluate the overall corporate exposure to market risk. As part of the review, RMD also monitors the Bank's overall market exposure against the risk tolerance limits set by the Board. RMD also reviews the adherence to approved limits to control the market risk.

#### **3.6.9 Reporting**

RMD will generate at regular periodic intervals market risk management reports. These reports will aim to provide the Bank's senior management with an up-to-date view of its market risk exposure. The same will also be done if the bank becomes newly exposed to any market risk arising from new

#### **3.6.10 Stress testing**

Stress tests produce information summarising the Bank's exposure to extreme, but possible, circumstances and offer a way of measuring and monitoring the portfolio against extreme price movements of this type. Stress testing also addresses the potential for large movements in the Bank's liquidity position that lie beyond day to day risk monitoring that may occur.

#### **3.6.11 Responsibility**

The RMD is responsible for performing stress tests in line with ALCO's guidelines. The proposed remedial action are reviewed by the CEO and the CIO and presented before the ALCO for approval. Ex-Com and the Board periodically review both the design and the results of such stress tests, and ensure that appropriate contingency plans are in place.

### **3 Risk Management (continued)**

#### **3.7 Operational Risk**

##### **3.7.1 Introduction**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal

##### **3.7.2 Sources of operational risk**

The different sources of operational risks faced by the Bank can be classified broadly into the following categories:

- People risk, which arises due to staffing inadequacy, unattractive remuneration structure, lack of staff development policies, lack of procedures for appointment, unhealthy professional working relationships and unethical environment.
- Processes risk, which arises due to inadequate general controls, inadequate application controls, improper business and market practices and procedures, inappropriate/inadequate monitoring and reporting.
- Systems (Technology) risk, which arises due to risks related to integrity of information including omission and duplication of data, as well as hardware failures due to power surge, obsolescence, and low quality.

As a strategy the Bank is to identify the sources of operational risks in coordination with each business unit. The Bank also plans to carry out Risk and Control Self-Assessments ("RCSA") to identify the operational risks it is exposed to.

Once the RCSA is carried out, the Bank on a continuous basis will:

- a. assess the effectiveness of controls associated with identified risks;
- b. regularly monitor operational risk profiles and material exposures to potential losses; and
- c. identify stress events and scenarios to which it is vulnerable and assess their potential impact, and the probability of aggregated losses from a single event leading to other risks.

##### **3.7.3 Operational risk monitoring and reporting**

The internal monitoring and reporting process ensures a consistent approach for providing pertinent information to senior management for the quick detection and correction of deficiencies in the policies, processes and procedures for managing operational risk through ongoing, periodic reviews.

The objective of the reporting process is to ensure that the relevant information is provided to senior management and the Board to enable proactive management of operational risk. The process ensures a consistent approach for providing information that enables appropriate decision making and action taking.

### **3 Risk Management (continued)**

#### **3.7 Operational Risk (continued)**

##### **3.7.4 Operational risk mitigation and control**

The RMD in consultation with business units/support functions determine all material operational risks and decide whether to use appropriate procedures to control and/or mitigate the risks, or accept the risks. For those risks that cannot be controlled, the Bank decides whether to accept these risks, reduce the level of business activity involved, transfer the risk outside the Bank or withdraw from the associated activity completely.

Control processes and procedures for each business/support areas are in the process of being augmented by the line heads and RCSA coordinators in consultation with RMD where control measures will be amended for identified risks. The RMD will facilitate the business units/support functions in co-developing the mitigation plans.

The risk management activities at the business level are restricted to the adherence to documented standard operating procedures for each business unit and specific directives issued by the RMD.

##### **3.7.5 Business Continuity Plan (BCP)**

The Bank is in the process of developing a comprehensive business continuity plan detailing the steps to be taken in the event of extreme conditions to resume the Bank's operations with minimum delay and disturbance. The plan is being developed in co-ordination with the Parent and is currently in the implementation stage. Elements of contingency plans and disaster recovery processes include operating systems, physical space, telecommunications and resources.

#### **3.8 Equity Positions in the banking book**

Equity price risk is the risk that the fair values of equities decrease as a result of changes in levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Bank's investment portfolio. Currently, the bank does not have any investment portfolio and is not exposed to equity price risk.

#### **3.9 Liquidity Risk**

##### **3.9.1 Introduction**

Liquidity risk is defined as "the risk that the Bank will be unable to meet its obligations as they come due because of an inability to obtain adequate funding or to liquidate assets".

##### **3.9.2 Sources of liquidity risk**

The sources of liquidity risk can broadly be categorised as the following:

- a. Funding risk is the risk of not being able to fund net outflows due to unanticipated withdrawal of capital or deposits;
- b. Call risk is the risk of crystallization of a contingent liability; and
- c. Event risk is the risk of rating downgrades or other negative public news leading to a loss of market confidence in the Bank.

##### **3.9.3 Bank's funding strategy**

The Board reviews the funding strategy on an annual basis and amends the existing strategy, as deemed required. For this purpose, all business units advise the Treasurer of their projected liquidity requirements and contributions at the start of each year as part of the Bank's annual budgeting

The funding strategy highlights any anticipated liquidity shortfalls, the funding requirements to finance these shortfalls and their impact on the balance sheet. The same is being regularly discussed as an agenda item of the ALCO.

**3 Risk Management (continued)**

**3.9 Liquidity Risk (continued)**

**3.9.4 Liquidity risk strategy**

The Bank monitors the liquidity position by comparing assets and liabilities in different time buckets of up to 1 month, 1-3 months, 3-6 months, 1-3 years, over 3 years with respect to their maturities and those with no fixed maturity. The Bank periodically carries out stress testing using the worst case scenarios to assess the effects of changes in market conditions on the liquidity of the Bank.

The Bank is in the process of implementing liquidity contingency plans to meet the possibility of urgent liquidity requirements in stressed conditions that addresses how funding liquidity would be managed if either their specific financial conditions were to decline or broader conditions created a liquidity problem.

The Treasury Department, in conjunction with Financial Control and the Risk Management Department periodically reviews/updates (at least annually) the liquidity risk strategy which is evaluated by the ALCO and the RMC, before presenting to the Ex-Com and the Board for approval.

**3.9.5 Liquidity risk measurement tools**

The Bank uses a combination of techniques for measurement of its liquidity risk. These include liquidity gap analysis, liquidity ratio limits and minimum liquidity guidelines.

**3.9.6 Liquidity risk monitoring**

The Treasury Department is responsible for managing the status of liquidity in the Bank on a day-to-day basis. The RMD is responsible for monitoring liquidity risk at the Bank on a day-to-day basis.

Liquidity ratios, liquidity mismatch limit excesses, current and future cash flow projections, and adherence to the CBB limits are reported to the Ex-Com on a bi-monthly basis.

**3.9.7 Liquidity limits structure**

The Bank uses a combination of different limits to ensure that liquidity is managed and controlled in an optimal manner. The Bank has set the Liquidity Ratio limits for monitoring liquidity risks.

**3.9.8 Liquidity risk stress testing**

Liquidity stress tests once developed will be used to evaluate whether the Bank is sufficiently liquid under conditions of severe stress.

**3.9.9 Contingency funding plan**

The ALCO members discuss and monitor the situation over regular time-intervals to ensure sufficient liquidity in the Bank. However, the Bank is in the process of developing a contingency funding plan which details procedures to be followed by the Bank, in the event of a liquidity crisis or a situation where the Bank faces stressed liquidity conditions. The contingency funding plan will be an extension of day-to-day liquidity management and involves maintenance of an adequate amount of liquid assets and management of access to funding sources.

**Table – 10. Liquidity Ratios**

The following table summarises the liquidity ratios for the two years:

	<b>2009</b>	<b>2008</b>
Short term assets to total assets	<b>92.08%</b>	89.30%
Liquid assets to total assets	<b>88.40%</b>	88.64%

Formulas are as follows:

Short term assets to total assets = Assets with up to one year maturity/ total assets

Liquid Assets to Total Assets = (Cash and bank balances + murabaha receivables with original maturity of 90 days or less + mudaraba)/total assets

**3 Risk Management (continued)**

**3.10 Profit Rate Risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows.

ALCO identifies the sources of profit rate risk exposures based upon the current as well as forecasted balance sheet structure of the Bank. The profit rate risk in the Bank may arise due to the following transactions:

- a. Murabaha transactions; and
- b. Mudaraba transactions.

The Bank is materially exposed to profit rate risk which arises from the repricing at maturity of its Islamic deposits placed with counterpart financial institutions for liquidity management purposes.

**3.10.1 Profit rate risk monitoring and reporting**

The Bank ensures a monitoring and reporting framework for profit rate risk that provides pertinent information to senior management and Board on a periodical basis. For this purpose the Bank is reporting the repricing GAP analysis, Profit Equalization Reserve (“PER”) / Investment Risk Reserve (“IRR”) report, limit utilization report and watch reports.

**Table – 11. Profit Rate Risk in Banking Book**

The following table summarises the effect on the value of assets and economic capital for a benchmark change of 200bp in profit rates as at 31 December 2009:

	<i>Effect on value of asset USD'000</i>	<i>Effect on value of economic capital USD'000</i>
Upward / downward rate shocks	1,968,740	1,968,740

**3 Risk Management (continued)**

**3.11 Corporate governance and transparency**

**Table – 12. Corporate Governance and Transparency – Board Members’ Profile**

The following table summarises the information about the business title, experience and qualifications of each Board member;

<i>Name of Board Member</i>	<i>Business Title</i>	<i>Experience and qualification</i>
<b>Abdul Karim Ahmed Abdul Rahman Bucheery</b>	Chairman of the Board of Directors	<p>Mr. A. Karim Bucheery's experience spans over three decades of extensive and diverse experience in the Banking Sector. He has particular strength in credit and country risks, correspondent banking corporate and international banking and Product Knowledge which includes Islamic Banking. Mr. Bucheery is currently the Chief Executive for BBK. In addition to other directorships, he serves as the Chairman of the Board of CrediMax, and Vice Chairman of the Board of Bahrain Credit Facilities Co.</p> <p>Mr. Bucheery was awarded a B.Sc. Degree in Economic Sciences in 1976 from Aleppo University, Syria.</p>
<b>Reyadh Yousif Sater</b>	Deputy Chairman of the Board of Directors	<p>Mr. Reyadh Yousif Sater joined BBK in 1978 and has worked in many support areas of the bank. He was instrumental in establishing the bank’s Cards and Loan operations units. He also headed the Internal Audit Department of the Bank during the recent past. He is currently the Deputy General Manager of the Shared Services Group at BBK. Mr. Sater is a Deputy Chairman of the Board of Directors in CrediMax, board member in the Benefits Committee, and the Chairman of the Audit Committee and board member in Sakana.</p> <p>Mr. Sater holds an MBA from the University of Glamorgan (UK), an Executive Management Diploma from the University of Bahrain and a Banking Diploma from the Bahrain Institute of Banking &amp; Finance. He is a member of the US Institute of Internal Auditors and the Canadian Chartered Association of Business Administrators.</p>
<b>Dr. Abdul-Rahman Ali Saif</b>	Member of the Board of Directors	<p>Dr. Abdul-Rahman Ali Saif brings an extensive experience in investment banking which spans over two and half decades with a solid foundation in Economics. He is currently the Assistant General Manager of the Treasury and Investment Division at BBK. He is a member of the Supreme Council for Higher Education. Before BBK, he worked with the Central Bank of Bahrain.</p> <p>Dr. Saif received his Postgraduate degree from the University of Lancaster and completed his Ph. D in Economics at the University of Leicester in the United Kingdom</p>

## Capinova Investment Bank B.S.C. (c)

### Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

#### 3 Risk Management (continued)

##### 3.12 Corporate governance and transparency (continued)

**Table – 12. Corporate Governance and Transparency – Board Members' Profile (continued)**

<b>Najah Hassan Al-Aali</b>	Member of the Board of Directors	<p>Ms. Al-Aali worked with Gulf International Bank for 23 years, where she held several managerial positions and contributed in many committees within the bank. When she left the bank in 2004, she held the Senior Vice President position – Head of International Banking. After an extensive career with Gulf International Bank, she moved on to Global Investment House Bahrain as General Manager for the firm and served until August 2007.</p> <p>Ms. Al-Aali is currently a board member in Bahrain Airport Company and Al Aali Investment Company. Previously, she was a board member in First Bahrain Real Estate Company, Adhari Park Company and College of Business Administration (University of Bahrain). She graduated from Brighton University, United Kingdom with Higher National Diploma in Business Studies.</p>
<b>Shaikh Rashed Salman Al-Khalifa</b>	Member of the Board of Directors	<p>Shaikh Rashid has a sound banking career developed through intensive training in financial analysis, credit administration and marketing. He has extensive knowledge of the Gulf's financial markets, having worked in the financial industry for more than 25 years where he held several senior positions. He has recently joined BBK as Deputy Chief Executive for the Business Group.</p> <p>Previously he worked with Arab Banking Corporation where he held the position of Senior Vice President, Head of Corporate Banking and Financial Intuitions. Prior to joining Arab Banking Corporation, he was the First Vice President and Head of Government and Financial for Arab World.</p> <p>Shaikh Rashid has a Bachelor of Science in Chemical Engineering from the University of Leeds</p>

The remuneration/incentive structure of Board members, Sharia'a Supervisory Board members and CEO is discussed and approved at Board Level. For all Bank staff there is fixed bonus and a performance bonus scheme. Performance bonus is based on staff performance and recommendation of respective department heads. The board approves all performance bonus scheme for staff.

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### Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

#### 3 Risk Management (continued)

##### 3.11 Corporate governance and transparency (continued)

###### Table – 13. Corporate Governance and Transparency – Executive Members' Profile

The following table summarises the information about the profession, business title and qualifications of each Executive member;

<i>Name of Executive Member</i>	<i>Designation</i>	<i>Experience and qualification</i>
<b>Jamal Hijris</b>	Chief Executive Officer	<p>Mr. Jamal Hijres started his banking career with BBK where he gained over 30 years of banking experience in commercial banking. Before joining Capinnova Investment Bank. Mr Jamal worked with BBK in key management positions as Head of Risk Management Department, Head of Corporate Banking Division, and Head of Retail Banking Division.</p> <p>Currently Jamal is the Vice Chairman in Sakana, a Board Member of Bahrain Commercial Facilities Company (BCFC), CrediMax and National Motor Company (NMC). He holds a Bachelor degree in Accounting and an MBA from the University of Bahrain.</p>
<b>Jameel Al Saati</b>	Chief Investment Officer	<p>Mr. Jameel Al-Saati brings 28 years of investment banking experience to his current role as a Chief Investment Officer at Capinnova Investment Bank. Jameel entertains significant hands-on experience in investment banking and successful development of new business set ups and ventures.</p> <p>Prior to joining Capinnova Investment Bank, Mr. Al-Saati worked with National Bank of Fujairah (NBF) Dubai where he held overall responsibility of the investment banking and brokerage division.</p> <p>Mr. Al-Saati set up the Kuwait Middle East Financial Investment Company (KMEFIC) in UAE where he served as the General Manager. He also headed the Investment and Trading division at the National Bank of Abu Dhabi, UAE during the second middle of the eighties. Mr. Al-Saati has served on different boards of portfolio companies owned by banks.</p> <p>Mr. Jameel holds a Bachelor degree in Business Administration from the University of Bahrain and a MBA from University of Mangalore, and has represented banks at the major international conferences in the IMF and the World Bank.</p>

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### Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

#### 3 Risk Management (continued)

##### 3.11 Corporate governance and transparency (continued)

**Table – 13. Corporate Governance and Transparency – Executive Members’ Profile (continued)**

<b>Dr. Ken Baldwin</b>	Chief Operating Officer	<p>Dr. Ken Baldwin comes to Capinnova Investment Bank with extensive experience in investment banking, having worked for top-tier investment houses in both London and the Middle East. His experience spans two decades, having built his career from an accounting foundation qualifying with Price Waterhouse, and then moving to UBS, and later Credit Suisse, to take up positions in risk and control of derivative products. Following a brief period of graduate studies, Dr. Baldwin then relocated to the Middle East to pursue a front-office role in derivative structuring with Citibank before deciding to direct his focus to Private Equity, taking up senior Treasury and Risk Management positions at Investcorp, and more lately heading the Risk Management Department for Venture Capital Bank.</p> <p>Dr. Baldwin has a first class honours degree in Physics from Oxford University, is a Member of the Institute of Chartered Accountants in England and Wales, and holds a Ph.D. in Game Theory. Dr. Baldwin has also authored several publications concerning the management of risk in Islamic Financial Institutions.</p>
<b>Yasser Abbady</b>	Senior Director - Corporate Finance	<p>Mr. Abbady’s expertise lies in five key areas: developing Islamic capital-raising arrangements, structuring project finance facilities, managing and arranging merger and acquisitions transactions, conducting corporate advisory assignments, and developing valuation models.</p> <p>Prior to joining the bank, Mr. Abbady was Senior Director with Unicorn Investment Bank based in Bahrain, where he was responsible for both Debt Capital Market (DCM) and Equity Capital Market (ECM) transactions, together with advisory services and M&amp;A activities.</p> <p>Mr. Abbady’s Islamic investment banking structuring abilities was founded during his tenure at Abu Dhabi Islamic Bank as Senior Manager of Investment Banking. Mr. Abbady was instrumental in high profile financing transactions for the Government of Abu Dhabi’s initiatives to privatize the power industry.</p> <p>Mr. Abbady also held positions in Citigroup’s Global Corporate and Investment Banking division in the U.A.E. at level of Vice President, and in the Saudi British Bank (HSBC), Riyadh where he handled regional project finance deals in the petrochemical, power and telecom industries, with a successful deal record of US\$8.4 billion.</p> <p>Mr. Abbady is a CFA charterholder and has a BA in Commerce - Accountancy, from Alexandria University, Egypt.</p>

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### Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

#### 3 Risk Management (continued)

##### 3.11 Corporate governance and transparency (continued)

**Table – 13. Corporate Governance and Transparency – Executive Members’ Profile (continued)**

<b>Nabeer Abdul Kareem</b>	Director - Asset Management	<p>Mr. Kareem has extensive global and regional exposure to Asset Management product lines and has experience in structuring, sponsoring and managing closed and open ended funds.</p> <p>Prior to joining Capinnova Investment Bank, Mr. Kareem worked at Strategic Investment Company, Kuwait, where he was responsible for managing and structuring investment funds. He was instrumental in getting two successive awards in 2007 and 2008 for Strategic as the Best Investment Manager in Kuwait and MENA region from Euromoney. He also worked at Global Investment House earlier, where he was involved in the set up and management of four funds with over US\$400 million assets under management.</p> <p>Mr. Kareem holds a first class Masters degree in Business and Finance from the School of Management Studies, CUSAT, India, PGDBA from Pondicherry University and a Bachelor of Commerce degree from Kerala University, India.</p>
<b>Hussain Husseni</b>	Head of Placement	<p>Mr. Al Hussaini’s experience spans over three decades of extensive and diverse knowledge in the banking sector. He has particular strength in managing investment portfolios, monitoring local and regional markets, maintaining key relationships and leverage existing and new businesses. He worked with Capital Union Bahrain and BBK Financial Services as a Portfolio Manager. He also worked in Senior Management positions with Investor Bank Bahrain and New Japan Securities where he traded equities, bonds warrants and convertibles. Before joining Capinnova Investment Bank, Hussain worked at International Investment Group in Kuwait as Assistant Vice President - Portfolio.</p> <p>Mr. Al Hussaini has General Certificate of Education in Bahrain.</p>
<b>Naeema Taheri</b>	Head of Compliance	<p>Mrs. Naeema Taheri has more than 16 years of banking experience. Prior to joining Capinnova Investment Bank, she worked as a Senior Vice President – Head of Compliance &amp; MLRO for Al Salam Bank Bahrain, before which she occupied the position of the Compliance Officer and MLRO at Gulf Finance House. She spent a year at the Bahrain Institute of Banking &amp; Finance (BIBF) as a lecturer, responsible for developing and delivering various courses and training programs for several banks and financial institutions inside and outside the Kingdom. Mrs. Taheri started her banking career with Citibank managing various responsibilities over a period of 11 years in Operations, Quality Assurance as well as Compliance.</p> <p>Mrs. Taheri received her International Diploma in Compliance (with Distinction) from the International Compliance Association in U.K. She is a Certified Basel II Compliance Professional (Switzerland), Certified Compliance Officer (U.S.A) and Certified Anti-Money Laundering Specialist (U.S.A). Mrs. Taheri has a Professional Certificate in Capital Markets, Regulation and Compliance (NASD – U.S.A. and University of Reading – U.K.). She is also a member of the Association of Certified Anti-Money Laundering Specialists in the United States, Fellow of the American Academy of Financial Management and a member of the International Compliance Association in the United Kingdom.</p> <p>Mrs. Taheri completed her education in Business Administration (BSc) from University of Bahrain.</p>

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### Pillar III Disclosures, Basel II

For the year ended 31 December 2009 (Unaudited)

#### 3 Risk Management (continued)

##### 3.11 Corporate governance and transparency (continued)

###### Table – 13. Corporate Governance and Transparency – Executive Members' Profile (continued)

<b>Naveed Anjum</b>	Head of Operations	<p>Mr. Naveed Anjum is a Chartered Accountant and a Banker with diversified experience across Banking and Investments domain. Followed a career path with demonstrating success he started as an auditor, played roles of credit analyst, relationship manager, financial controller and manager for Treasury and Investment Operations in Audit firms, local commercial banks and DFI's in Pakistan, Saudi Arabia and Bahrain. Mr. Anjum's areas of expertise lie in Treasury Operations (Liquidity Management, Settlements, Statistics, and Control Reporting), Investment Management Operations (Mutual Funds, Private Equity, Local/International Brokerage Management) Islamic Banking and Financial Auditing.</p> <p>During his 23 years of banking career, Naveed has been a core member of Treasury Operations Committees of all local Saudi Banks, core member of teams responsible for automation of Treasury Products, Takaful Islamic insurance products and Saudi Interbank Payments/Clearing System (SARIE).</p>
<b>Ravi Mehta</b>	Head of Finance	<p>Mr. Ravi Mehta comes to Capinnova Investment Bank with extensive experience in Financial Control. He has been working in the Gulf Region for the past 12 years. Mr. Ravi has worked in Abu Dhabi with the Abu Dhabi Investment Authority for over 8 years and thereafter moved to Bahrain where he worked with Eskan Bank as a Senior Finance Manager; his last job prior to joining Capinnova Investment Bank was with Bahrain Bay Development as Vice President Finance.</p> <p>Mr. Ravi is an Honours Graduate from India. He is also a Chartered Accountant and Cost Accountant from India.</p>
<b>Sawsan Mutawa</b>	Head of HR & Administration	<p>Mrs. Sawsan Al-Mutawa joined Capinnova Investment Bank with extensive experience in Human Resources &amp; Administration, having worked in Gulf Air for 13 years – Gulf Air is over 50 years old and its transition through various stages of development and management styles provided her with a wide knowledge of working styles, affording considerable depth of experience in Human Resources Planning &amp; Organization, Administration, Evaluation Studies, Training and Development, and Recruitment. Mrs. Al-Mutawa also established the Human Resources capability of Mashreq Bank – Bahrain during its start-up phase, and has worked as a member of the Placement &amp; Investment Department teams at Gulf Finance House.</p> <p>Mrs. Al-Mutawa holds a High National Diploma in Electrical Engineering from the University of Bahrain and is currently studying for certification as a Project Management Professional.</p>
<b>Maroun Hannoush</b>	Head of Corporate Communication	<p>Mr. Maroun Hannoush started his career in 1994 at the Scotia Bank as a personal banking officer in Montreal, Canada. He expanded his role in the financial services industry by marketing investment products. Prior to joining Capinnova Investment Bank, Mr. Hannoush worked with DAMAC Properties as a Senior Corporate Communications Manager for the Middle East and Egypt. Mr. Hannoush worked with Hewlett Packard, Middle East as Channel Marketing Manager covering infrastructure tools, training, marketing, monthly partners' newsletters, and communications for the region. In 2005, He successfully launched, managed and implemented the Preferred Partner Program.</p> <p>Mr. Hannoush studied Economics at Concordia University and is currently pursuing an MBA in Marketing. He is a seasoned marketer with a well-rounded international background and experience.</p>

**3 Risk Management (continued)**

**3.11 Corporate governance and transparency (continued)**

**Table – 14. Corporate Governance and Transparency – Management Committees Profile**

The following table summarises the information about Management Committees, their members and objectives:

<b>Management Committee</b>	<b>Members</b>	<b>Objective</b>
Asset & Liability Committee (ALCO)	<p><b>Chairman</b> Jamal Hijres</p> <p><b>Members</b> Jameel Al Saati Dr. Ken Baldwin Yasser Abbady Nabeer Abdul Kareem Ravi Mehta Hussain Mustafa Mohamed Al Hussaini</p>	<p>The objective of the ALCO is to prudently direct and manage asset and liability allocations to achieve the Bank's strategic goals. The ALCO monitors the Bank's liquidity risks by ensuring that the Bank's activities are compatible with the risk / reward guidelines approved by the Board.</p>
Risk Management Committee (RMC)	<p><b>Chairman</b> Jamal Hijres</p> <p><b>Members</b> Jameel Al Saati Dr. Ken Baldwin Yasser Abbady Nabeer Abdul Kareem Naeema Taheri</p>	<p>The RMC is a management committee of the Bank, responsible for the following functions, in relation to investment process:</p> <ul style="list-style-type: none"> <li>- Define and recommend risk parameters and benchmarks that are consistent with the Bank's strategic business objectives and risk appetite. It proactively reviews the Bank's risk profile and ensures that it is within the risk parameters approved by the Board of Directors.</li> <li>- The RMC oversees the operations of the Risk Management Department, which is charged with the responsibility for day-to-day monitoring of risk and reviews the Bank's provisioning, capital adequacy requirements and allocates capital to businesses as required.</li> </ul>
Investment and Credit Committee Charter (ICC)	<p><b>Chairman</b> Jamal Hijres</p> <p><b>Members</b> Jameel Al Saati Dr. Ken Baldwin Yasser Abbady Nabeer Abdul Kareem Hussain Mustafa Mohamed Al Hussaini Naeema Taheri</p>	<p>The Investment and Credit Committee was established as part of the framework to oversee and ensure an efficient and comprehensive due diligence process for each investment transaction from its point of origination to point of closing, as well as all related internal and external approval requirements.</p> <p>The ICC is responsible for recommending and overseeing investment and credit extension at the points of origination and financial close, with the objective of ensuring that all closing requirements (contractual or otherwise) are accomplished.</p>

**3 Risk Management (continued)**

**3.11 Corporate governance and transparency (continued)**

**Table – 14. Corporate Governance and Transparency – Management Committees Profile**

Human Resource Committee (HR)	<b>Chairman</b> Jamal Hijres  <b>Members</b> Jameel Al Saati Dr. Ken Baldwin Yasser Abbady Sawsan Al Mutawa	The main objectives of the HR Committee are to monitor and assess the employee workforce regarding human resources issues and monitor, review and analyse legislative and/or administrative changes related to human resources.
Zakah Committee	<b>Members</b> Members of Sharia Supervisory Board Naeema Taheri Ravi Mehta Sharia Reviewer (TBA)	The main objectives of the Zakah Committee are to co-ordinate the distribution of annual obligatory Zakah to the eligible recipients in accordance with AAOFI, FAS 9 and Sharia principles. The Zakah is distributed in accordance with the direction from Sharia supervisory board and approval of Capinnova BOD.

Relevant information is made available to the public through various channels of communication which may include publications, website, and local media.

Customer complaints are managed by Corporate Communications Department. After receiving a complaint, the department rotates the complaint to the concerned department for their response. After analysing the responses of the concerned department the customer is communicated to accordingly. Customers may use banks website for lodging a complaint.