



# Capital Markets Review

حجم Volume	سعر البيع Offer Rate	سعر الافتتاح Opening Price	شركة Company
0000	000000	000000	AUB(\$)
0000	000000	000000	BISB
0000	000000	000000	BSB, SA
0000	000000	000000	BBK
0000	000000	000000	NBB
0000	000000	000000	BSB
0000	000000	000000	ABC(\$)
0000	000000	000000	BCFC
0000	000000	000000	TAIB.A(\$)
0000	000000	000000	BMB

## BAHRAIN

March 2008 Issue 16

Published by the Central Bank of Bahrain (CBB)

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Editor

Indira Chand, CBB

E-mail: [capitalmarkets@cbb.gov.bh](mailto:capitalmarkets@cbb.gov.bh)

CBB Contact:

Director

Capital Markets Supervision Directorate

Central Bank of Bahrain

P.O.Box 27, Manama

Kingdom of Bahrain

Tel: +973 17547909

Fax: +973 17532957

Website: [www.cbb.gov.bh](http://www.cbb.gov.bh)

## CBB signs IOSCO multilateral MoU

The Central Bank of Bahrain (CBB) has joined a global information sharing network of the world's securities regulators.

The CBB is the first national capital market regulator in the GCC to be accepted as a signatory to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MoU).

The MoU was signed on behalf of the CBB by Mr. Rasheed Al Maraj, Governor of the CBB.

Spain-based IOSCO is the world's standard-setting body for securities regulations. The IOSCO MoU is aimed at raising the standards of cross-border cooperation among securities regulators and to fight cross-border violations.

"The CBB is delighted to be accepted as a signatory to the IOSCO MoU," said Mr. Ali Salman Thamer, Director, Capital Markets Supervision, at the CBB.

"It is an acknowledgement of CBB's status as a credible regulator with strong enforcement capability."

Acceptance as an IOSCO MoU signatory

is preceded by a rigorous assessment of the applicant's legislative and regulatory regime, he pointed out. Of IOSCO's current total membership of approximately 200 international securities regulators, only 44 have so far been accepted as signatories to the IOSCO MoU.

"IOSCO's acknowledgement marks a major milestone in strengthening CBB's regulatory, supervisory and enforcement efforts in the Kingdom's capital market," said Mr. Thamer.

The acknowledgement follows the Bahrain Financial Sector Assessment Programme (FSAP) report issued by the International Monetary Fund (IMF), which confirmed that the standard of securities market regulation and supervision in the Kingdom is generally high and is compliant with most of the IOSCO principles of securities regulation.

"Such international acknowledgements encourage us to continue our established policy of adhering to and applying international best practice," said Mr. Thamer.

The CBB is committed to the development of Bahrain's financial sector in general and the capital market in particular, by continuing to enhance the confidence of the local, regional and international investors.

## BSE launches online trading

The Bahrain Stock Exchange (BSE) has launched online trading service for brokerage firms registered at the BSE and licensed by the Central Bank of Bahrain.

Online trading allows investors to put in their bid and offer orders into the broker's online trading platform which automatically passes those orders to BSE's trading system using the Internet, without the need of human intervention in any of the stages.

Brokerage firms registered at the BSE can provide the online trading service to their clients after obtaining approval from the BSE.

Brokerage firms will also be required to

sign agreements with their clients, specifying both parties' responsibilities and obligations, as well as types of orders allowed in buying and selling.

"BSE has launched this service in line with its efforts to implement a strategy that aims to develop the exchange, particularly the trading mechanisms," said Mr. Fouad Rashid, Director of the BSE.

The BSE is ensuring that all registered brokerage firms meet the requirements and technical specifications to offer such a service as well as to ensure its continuous development according to the BSE's technical and security requirements.

## CBB licence for Al Fajr

The Central Bank of Bahrain (CBB) has granted a licence to Al Fajr Investments, an Islamic investment advisory firm.

The firm, which is being established by a group of Bahraini and British investors, will initially provide Islamic Treasury (commodity Murabaha) brokerage services to institutions in the GCC and wider Middle East and North Africa (MENA) region, as well as South East Asia and the UK with a strategy to provide a more diversified commodity base, including Metals, Softs and Oil.

In the longer term, the firm plans to develop the commodity sector through

fund investment and structured trade finance as well as the development of clean-tech (carbon) projects, both locally and internationally.

“The CBB is delighted to add Al Fajr Investment Advisory to its growing community of Islamic financial support services,” said Mr. Ahmed Abdul Aziz Al Bassam, Director, Licensing & Policy, at the CBB.

It is among few firms aimed at developing Shari’a compliant capital market products with clean-tech as the underlying asset, to be established in Bahrain, he said.

The firm’s shareholders represent

investors with strong links with GCC, London and European institutions and exchange traded markets and who recognise the need for providing a bridge for opportunities in developing the Islamic capital markets, including the rapidly growing sukuk sector, he pointed out.

Two major shareholders in Al Fajr are the owners of London-based Ashton Commodity Brokerage.

“As the leading hub for Islamic finance in the Middle East region, Bahrain is an excellent location for a service provider such as Al Fajr Investment Advisory,” said Mr. Al Bassam.

## BSE, DFM in cooperation pact

The Bahrain Stock Exchange (BSE) has signed a memorandum of understanding (MoU) with the Dubai Financial Market (DFM) to strengthen and deepen cooperation between the two exchanges.

Under the terms of the agreement, the two parties will also focus on areas of mutual expertise and exchange of information relating to the developments in both markets.

It is also intended to enhance awareness about investment opportunities in the two markets.

The MoU will also encourage cross-listing as well as collaboration between brokers in both markets.

Mr. Fouad Rashid, Director of the BSE, said the MoU comes in light of the efforts of GCC stock markets to support and develop the investment environment in the region.

He emphasized the importance of the BSE-DFM MoU in benefiting all concerned parties, including institutions, brokers, and investors, and said that the agreement will have a positive impact on the performance of both markets.

Enhancing relations and cooperation with the DFM will also help make investment more attractive and profitable and he hoped that listed companies in both markets will benefit from the deal.

Mr. Essa Kazim, Executive Chairman of the DFM, said the MoU aims to enhance co-operation between the two stock markets which have been witnessing remarkable growth.

“Such an agreement will facilitate the exchange of expertise and experience pertaining to the areas of technology, training, and all legal and technical procedures of exchanges,” he said.

It is also aimed at increasing the competitiveness of both markets and officials in both markets will work on opening up new areas of cooperation in order to enhance their relations.

The BSE has a number of cross-listing agreements and MoUs with several stock markets regionally and internationally. The most recent MoU was signed with the London Stock Exchange.

### BSE offers e-services

The Bahrain Stock Exchange (BSE) has launched new electronic services, provided by the Settlement & Central Depository Department (CSD) of the BSE. Among the new e-services is the “Online Account Service” and a service that will enable investors to open an account electronically, for which application forms are available on BSE’s website at [www.bahrainstock.com](http://www.bahrainstock.com)

The services have been introduced in line with BSE’s strategy to facilitate trading in the securities listed at the exchange, make investments more attractive to investors, and enhance investor confidence in the BSE and its services, said Mr. Fouad Rashid, Director of the BSE. The exchange will continue its efforts in enhancing its services in order to encourage investment in securities. It will also seek to develop an investment environment that will encourage investors to benefit from such services, with the aim of increasing returns from investment.

“We hope that offering such services will encourage investors who have physical certificates to convert them to electronic ones,” said Mr. Rashid.

With the e-services, investors who have CSD accounts, will be able to view real-time information related to securities on BSE’s website 24 hours a day, monitor all transactions that have taken place since they opened their accounts, as well as view their balances and account statements, and the details related to the depository, withdrawal, and transfer of securities or any bonus shares deposited in the account.

The BSE will provide investors wishing to access these e-services with a user name and password, after meeting certain requirements. The security arrangements related to the new e-services meet international security standards, Mr. Rashid stressed.

## Rules for markets & exchanges

The Central Bank of Bahrain (CBB) has developed draft regulations to govern the activities of licensed exchanges and other market operators, including trading platforms, operating in and from Bahrain.

The draft regulations, which comprise a key module of the CBB's Capital Markets Rulebook, are contained in a consultation paper, which is to be issued soon for comment by industry.

The Markets and Exchange (MAE) Module addresses the entire gamut of the licensing and activities of exchanges and trading platforms, including the Bahrain Stock Exchange, currently the only exchange operating in Bahrain.

"The CBB Law, promulgated in September 2006, provides for the licensing by the CBB of multiple exchanges or trading platforms," said Mr. Ali Salman Thamer, Director, Capital Markets Supervision, at the CBB.

"In this regard, the CBB has begun the process of developing a regulatory framework to govern the licensing of exchanges and market operators activities as well as the activities of such operators."

The upcoming consultation advances the CBB's work on the Capital Markets Rulebook, which constitutes Volume 6 of the CBB Rulebook. In its entirety, the Capital Markets Rulebook will govern all activities related to the markets for securities.

"The Capital Markets Rulebook project and this module in particular will facilitate the growth and development of the capital market in a sound and prudent manner. It is hoped that this will expand the nature of the capital market and encourage firms to list their securities, thereby increasing trade volumes,

and provide liquidity to investors," said Mr. Thamer.

The MAE Module aims to introduce a consistent, effective and harmonised approach in the regulation and supervision of licensed exchanges and licensed market operators.

The Module is applicable to markets operated by a licensed exchange or a licensed overseas market operator for the trading of securities, which include futures contracts.

The proposed regulations lay down specific rules applicable to all exchanges and trading platforms, including permissions required, eligibility criteria and ongoing compliance requirements.

The proposed regulations cover the following areas:

i. Licensing, including relevant requirements to receive such licences, the application process, the licensing of exchanges and market operators, the criteria for granting such licenses, and reasons which would lead to the surrender of such license and cessation of business. It also deals with exemption from licensing, as well as the cancellation and amendment of licenses, annual fees payable by such entities and the regulations regarding the publication of the decision to grant, cancel or amend a license.

ii. Obligations of licensed exchange & market operators, including general obligations, obligations to maintain proper records, procedures for final accounts and auditing, submission of periodic reports, requirements with regards to assisting the CBB, maintenance of confidentiality, provision of information to investors, transmission and storage of user information, and business continuity plans.

iii. Requirements relating to rules of licensed exchanges, which covers general obligations, contents of rules of such licensed exchanges, amendments of business rules and listing rules, positions and trading limits, issues regarding non-compliance with business rules, and requirements for registering trading personnel.

iv. The listing of licensed exchanges on securities markets, suspension of securities, emergency powers of CBB (as well as additional powers with regards to auditors), and the requirements for control of substantial shareholding in an exchange.

v. Matters requiring approval of CBB such as the appointment of key personnel, business transfers, and control of licensed exchanges.

vi. Immunity, specifically from criminal or civil liability.

vii. Miscellaneous powers, such as those to remove officers.

Module MAE is not intended to regulate brokerage firms or other members of an exchange. Brokerage firms, in line with the current requirements, must be licensed as investment firms and are governed by the rules contained in Volume 4 of the CBB Rulebook and the rules and regulations of the respective exchange of which they are members (Bahrain Stock Exchange).

"As is our established practice, the CBB consults with all relevant stakeholders prior to finalizing and issuing new regulations," said Mr. Thamer.

The consultation paper, once finalised, will be circulated to the industry and relevant market participants. It will also be available on the CBB website at [www.cbb.gov.bh](http://www.cbb.gov.bh)

## Reporting forms standardised

The Central Bank of Bahrain is requiring listed firms to use standardized documents in filing various reports to the CBB.

The filings, which are done electronically, include listed firms' quarterly and annual financial statement, the monthly Statement of Insiders' Transactions and Register of Interest in Securities and Disclosure.

The CBB has developed standardized templates for listed firms to follow in filing their reports with the Bank, said Mr. Ali Salman Thamer, Director, Capital Markets Supervision, at the CBB.

The templates, in Excel format, have been sent to all firms

listed on the Bahrain Stock Exchange.

"In order to maintain the confidentiality of the information disclosed in such returns and to shorten the time required and, therefore, to accelerate the process of handling such returns by the CBB, listed firms are urged to use the new templates," said Mr. Thamer.

All companies are required to use the prescribed template provided by the CBB.

For the financial statements, however, firms can continue to use the PDF format, if that is the company's current practice.

## AAOIFI statement on sukuk

**B**ahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued a statement on sukuk, providing guidelines for sukuk issuers.

The statement follows widespread concerns by leading Islamic scholars that a majority of sukuk being issued may not be fully compliant with Islamic Shari'a principles.

The issue was highlighted at the annual AAOIFI-World Bank Conference, held in Bahrain on 18 & 19 November 2007.

"The sukuk mechanisms adopted today have many faults," said prominent Islamic scholar Shaikh Dr. Abdul Sattar Abu-Ghuddah, who was seconded by other scholars who attended the conference.

Today's structures violate the principle of risk-and-profit-sharing by promising to pay back capital, he explained.

The statement of AAOIFI's Shari'a Committee has been issued in view of the expanding application of sukuk worldwide, the public interest in them, and the observations and questions raised about them.

The Shari'a Committee advises Islamic financial institutions and Shari'a supervisory boards to adhere to the following when issuing Sukuk:

First: Tradable Sukuk must represent ownership for Sukuk holders, with all of the rights and obligations that accompany ownership, in real assets, whether tangible or usufructs or services, that may be possessed and disposed of legally and in accordance with the Shari'a. All of this should be in accordance with AAOIFI

Shari'a Standard (17) on the subject of Investment Sukuk, articles (2) and (2/1/5). The manager of a Sukuk issuance must establish the transfer of ownership of such assets in its books, and must not retain them as its own assets.

Second: It is not permissible for tradable Sukuk to represent either revenue streams or debt except in the case of a trading or financial entity that is selling all of its assets, or a portfolio which includes a standing financial obligation such that debt was incurred indirectly, incidental to a physical asset or a usufruct in accordance with the guidelines mentioned in Shari'a Standard (21) on the subject of Financial Paper.

Third: It is not permissible for the manager of Sukuk, regardless of whether the manager acts as a mudarib (investment manager), or a sharik (partner), or a wakil (an investment agent), to undertake to offer loans to Sukuk holders when actual earnings fall short of expected earnings. It is permissible, however, to establish a reserve for the purpose of covering such shortfalls to the extent possible, on condition that the same be mentioned in the prospectus. There is no impediment to the distribution of expected earnings on account, in accordance with Shari'a Standard (13) on the subject of Mudaraba, article (8/8), or to obtaining project financing on the account of the Sukuk holders.

Fourth: It is not permissible for the mudarib (investment manager), sharik (partner), or wakil (investment agent) to agree to purchase assets from Sukuk holders or from whoever represents them for a nominal value of those assets at the time the Sukuk are extinguished at the

end of their tenors. It is permissible, however, to agree to purchase the assets for their net value, or market value, or fair market value, or for a price agreed to at the time of their purchase, in accordance with Shari'a Standard (12) on the subject of partnership and modern partnerships, Article (2/6/1/3) and with Shari'a Standard (5) on the subject of Guarantees, Articles (1/2/2) and (2/2/2). It should be understood that the Sukuk manager acts as guarantor of [investor] capital at its nominal value in cases of negligence or malafides or non-compliance with stated conditions, regardless of whether the manager is a sharik (partner), wakil (agent), or mudarib (investment manager). If, however, the assets of a Sukuk al-Musharaka, or Mudaraba, or Wakala, are of lesser value than assets leased by means of a lease ending in possession (Ijara muntahiya bi't-tamlik), then it will be permissible for the Sukuk manager to agree to purchase those assets at the time the Sukuk are extinguished for the remaining lease payments on the assets, by considering these payments to be the net value of those assets.

Fifth: It is permissible for the lessee in a Sukuk al-Ijara to agree to purchase the leased assets when the Sukuk are redeemed for their nominal value, as long as the lessee is not also an investment partner, mudarib, or agent.

Sixth: Shari'a supervisory boards must not consider their responsibility to be over when they issue a fatwa on the structure of Sukuk. Rather, they must review all contracts and documentation related to the actual transaction, and then oversee the ways that these are implemented in order to be certain that the operation complies at every stage with Shari'a guidelines and requirements as specified in the Shari'a Standards, and that the investment of Sukuk proceeds and what those proceeds are converted to takes place in accordance with one [or another] of the approved Shari'a methods of investment as stated in Shari'a Standard (17) on the subject of Investment Sukuk, Article (5/1/8/5).

In addition to all this, the Shari'a Committee advises Islamic Financial Institutions to decrease their exposure to debt-related operations and to increase their operations based on true partnerships and the sharing of risk and reward and thereby achieve the higher purposes of the Shari'a.

### BSE trading volume up 800%

**T**he volume of shares traded on the Bahrain Stock Exchange (BSE) totaled 559.7 million shares during the first quarter of 2008. This was an increase of 804.2% over the corresponding period in 2007.

The value of shares traded during Q1 2008 was BD311.4 million (US\$824.6 million), an increase of 659.6% compared to the same time last year.

The number of transactions executed reached 13,252, an increase of 211.7%, while the daily average value of trades was up from BD700,000 (US\$1.9m) to

BD5.2 million (US\$13.8m).

In terms of the value of shares traded during Q1 2008, Bank of Bahrain & Kuwait was the most actively traded company, constituting 54% of the total value of shares traded, followed by Al Salam Bank with 9.54%, and Gulf Finance House representing 8.64% of the total value of shares traded.

Trades by Bahraini investors represented just over half (51.34%) of the total value of shares traded during the first quarter of 2008, while GCC investors and non-GCC investors represented 43% and 5.65% respectively.

## Bahrain funds industry surges

Assets under management by Bahrain's mutual funds industry surged by nearly 73% to over US\$15 billion during 2007, according to Central Bank of Bahrain (CBB) statistics.

The number of funds registered with the CBB rose to 2,483 at the end of December 2007. The net asset value (NAV) of the registered funds totaled US\$15.6 billion.

In comparison, the number of registered funds at 2006-end was 2,199, with assets under management totaling US\$9 billion.

"The growth during 2007 was across-the-board, in funds investing in the region, overseas and in Islamic products," said Mr. Mohammed Ayman Al Tajer, Director, Financial Institutions Supervision, at the CBB.

Of the total assets of the fund industry, assets of foreign funds registered in Bahrain for sale rose 75% to US\$11.1 billion in 2007, compared with US\$6.3 billion in 2006. The number of such funds totaled 2,360 in 2007, compared

with 2,102 the previous year.

The Islamic fund industry grew by 78.5% to US\$1.3 billion, invested through 87 funds, compared with US\$750 million and 80 funds in 2006.

The investible assets of Bahrain-domiciled funds rose 66% to US\$4.5 billion in 2007, up from US\$2.7 billion in 2006. The number of such funds surged by 28% to 124 in 2007, from 97 the previous year.

"The growth in funds domiciled in Bahrain, in particular, coincides with unprecedented volatility in international financial markets," said Mr. Al Tajer.

In contrast, the GCC region is enjoying unprecedented levels of economic growth. The vast majority of funds domiciled in Bahrain are invested in the region, he noted.

"The region is attracting both Arab and international investors looking for portfolio diversification and fund managers have been quick to recognize the regional investment opportunities," said Mr. Al Tajer.

Buoyed by strong investor demand, both conventional and Islamic investment funds are proliferating, with product offerings becoming increasingly diverse to include equity, bonds, commodity, private equity, real estate and Ijara (leasing) funds.

In 2007, the CBB introduced a new, updated regulatory framework for the fund industry, which includes Bahrain's first-ever rules allowing collective investment undertakings (CIUs) targeting professional investors. The rules provide for the registration of 'Exempt' CIU, which allows hedge funds and other higher risk alternative investment vehicles to be legally domiciled and/or sold in Bahrain.

"The CBB is fully supportive of the fund industry and our new regulatory environment is aimed at enabling fund sponsors/managers and service providers to capitalize on the opportunities that best serve investors' needs," said Mr. Al Tajer.

## Standardised contract on way

The International Islamic Financial Market (IIFM) is in the final stages of developing the first-ever standardized Master Agreement, which can be used by Islamic financial institutions across the globe.

The Master Agreement for Treasury Placement (MATP) is a benchmark document, which is currently undergoing a final review by leading Islamic financial institutions and conventional institutions offering Islamic finance, to be followed shortly by a final Shari'a review by prominent scholars.

The MATP will significantly facilitate the Islamic banking industry's commodity Murabaha transactions, which form the bulk of Islamic market transactions, said Mr. Ijlal Alvi, Chief Executive Officer of the IIFM, an international market development institution focused on the development of the global Islamic capital and money markets.

According to some market estimates, the commodity Murabaha market is worth about US\$100 billion at present. Due to the shortage of other Shari'a compliant instruments, commodity Murabaha is the main and most widely

used Islamic money market product for liquidity management purposes by Islamic financial institutions.

"The IIFM is delighted to have spearheaded such a project to develop a contract which will cover over 90% of commodity Murabaha transactions in numerous jurisdictions across the world. In addition, the utilization of a standardized agreement will enable more transparency, robustness and consistency in Islamic financial transactions," said Mr. Khalid Hamad, IIFM Chairman and Executive Director, Banking Supervision, at the Central Bank of Bahrain (CBB).

"The standardization of such a contract will have significant positive ramifications for the Islamic banking industry worldwide."

The MATP will carry wide acceptability, given the active involvement of many prominent market players and prominent Shari'a scholars throughout the process of developing the agreement.

The development process has benefited considerably from the regulatory expertise provided by IIFM's founding and permanent members, namely

Bahrain, Brunei, Indonesia, Malaysia, Pakistan and Sudan, besides the Islamic Development Bank.

A leading global legal firm and accounting and auditing firm have also been involved in the development of the Master Agreement.

"The MATP, once it comes to market in a short while, will be the first Islamic finance contract to be harmonized across the different geographic regions where Islamic banking is practised," said Mr. Alvi.

The IIFM is also working on several other market development initiatives, which are aimed at the development of a truly globalised Islamic finance industry and Islamic capital markets.

"We are gratified by the support we have received from Islamic financial institutions and other market players, especially IIFM members and Shari'a scholars, in developing the MATP and for their active participation throughout the development process," said Mr. Alvi.

"We are also grateful to the Central Bank of Bahrain for its strong support and continued guidance."

## Huge upside potential

The three months ended February 2008 turned out to be one of the better performing quarters for Bahrain equities in recent times, with the Bahrain All Share Index ending at an all-time high of 2,880.8 points, gaining 11%. After sluggish performance in the previous quarter ended November, the market came back strongly, gaining 6.1% during the month of December. The strong December performance helped the Bahrain All Share Index to end the year on a strong note, returning investors an impressive 24.2%.



This article has been contributed by Mr Jithesh Gopi (Head of Research) at Bahrain-based Securities & Investment Company (SICO). The views expressed in the article are not necessarily those of the CBB.

Strong performance was also seen in other GCC markets; continuing their momentum from previous months. Oman rallied by 23%, followed by Kuwait and Abu Dhabi with 16% gains. All regional markets led by Oman, Abu Dhabi and Qatar have seen robust gains during the year, with the MSCI GCC Index's year to date gains reaching 46.6%, boosted by 25% gains made during 4Q07, and 13.6% gains made during December 2007.

Bahrain-based companies continued their strong operational performance and reported strong earnings growth during 2007. Normalised profits excluding exceptional items, surged by a robust 30% during the year, while total reported profits grew at the same pace crossing the BD1 billion mark. Bahrain companies continue to provide investors with attractive dividend yields, as total cash dividends paid out during the year increased by 15%, yielding 3.8% compared to GCC average of 2.3%. Thus, Bahrain equities continue to trade at attractive levels compared to their regional peers; with the broader market trading at an attractive Price to Earnings ratio of 10.2 times forecasted 2008 earnings.

### Regional Summary

	Mcap \$ bn <sup>^</sup>	P/E Ratios		P/BV	D/Y	Mcap/ GDP
		FY07	FY08E	2007	2007	
Saudi	414	17.2	15.1	3.2	2.6	1.19
UAE	218	14.8	12.8	2.8	1.9	1.30
Kuwait	209	14.4	12.9	2.9	2.6	2.17
Qatar	104	17.8	14.6	3.3	2.2	1.97
Bahrain	29	12.2	10.3	1.8	3.8	1.82
Oman	29	21.4	18.3	4.3	2.2	0.81
GCC	1,003	16.0	13.9	3.0	2.4	1.40
GCC Ex-SAUDI	589	15.2	13.2	2.9	2.3	1.60

Source: SICO Research (Data as on 30 Mar 08)

Note: 2007 ratios are calculated based on available results

### Corporate Bahrain

BBK's (Bank of Bahrain & Kuwait) ownership structure witnessed major changes during the 1Q08, with Bahrain-based Ithmaar Bank and Kuwait-based Global Investment House emerging as the major shareholders along with Bahrain-based Pension Funds. Ithmaar acquired a 19.1% stake in BBK in a surprise move, winning an auction for the stake sold by Commercial Bank of Kuwait for BD122.83 million (US\$326.2 million). This transaction made Ithmaar the largest stakeholder of BBK, spoiling an attempt by Kuwait's Global Investment House to acquire a 40% stake in the bank. However, Global has raised its stake in BBK to about 16% through a series of open market purchases.

Ithmaar also took a strategic step by listing its shares on the Kuwait Stock Exchange on 31 March 2008, closely following in the footsteps of Al Salam Bank which listed its shares on the Dubai Financial Market in March. This growing trend is seen as an indication of the ambitious regional expansion plans of Bahrain banks as multiple listings will allow them to access a wider investor base, attracting capital for future growth more easily.

Batelco's regional growth plans got a major boost as its joint venture in Saudi Arabia got final approval from Saudi authorities to launch a fixed line network in the Kingdom after winning a competitive bid in 2007. The consortium has already signed contracts worth \$333m for the first phase of its planned network and is expected to roll out services by 4Q08. Batelco also made an offer to

buy a further 20% share in Batelco Jordan for \$3m in its effort to consolidate its operations in Jordan.

Gulf Finance House (GFH) announced plans to set up a \$750m Shari'a-compliant First Energy Bank (TAQA) to cater for the financing needs of the energy sector. GFH may sell 30% of the shares of First Energy Bank in an IPO. GFH also announced pilot studies of major projects in Algiers and Tunisia adding to its strong pipeline of potential projects.

Albaraka Banking Group (ABG) has announced major expansion plans and its intention to set up a new headquarters in Bahrain at a cost of \$70m. The bank will also set up main offices in Algeria, Egypt, Lebanon, Turkey, and South Africa at a combined cost of \$100m during 2008, in addition to 50 new branches, of which three will be in Bahrain and 15 in Turkey. ABG also announced that it is considering an Indonesian acquisition of about \$60m and a \$40m share sale in Pakistan to expand its branch network.

Bahrain Maritime & Mercantile International (BMMI) announced plans to acquire a food supply company operating in the African markets and to invest BD10m in expanding its operations. It also announced that the US Armed Forces renewed their annual contract, worth about \$70m.

Ahli United Bank (AUB) announced the launch of Islamic banking business under the name of Al Hilal Banking Services in Bahrain.

### New Listings

Bahrain capital market is expected to see a higher number of IPOs during this year. Mobile telephone operator Zain has already announced its plan to sell its shares to the public later this year. There were also announcements made about new Islamic banks being set up in Bahrain and which may come to the primary markets in due course. AUB successfully concluded its US\$300 million rights issue during the quarter.

### Outlook

The Bahrain market is yet to see an expansion in trading multiples in line with its historical and projected earnings growth. The market is currently trading at an attractive PEG ratio (Price Earnings ratio to Earnings growth) of 0.6x based on 2008 expected earnings growth. We believe that with earnings growth remaining strong (north of 20%), the market will continue to deliver steady returns for the investors in the medium to long term. The upside will be further supported by increasing level of M&A activity and foreign investor interest in Bahrain and regional markets. Bahrain's attractive dividend yield (4%, the highest in the region) and low Price to Book ratio of 1.8x (the lowest in the region) limits its downside potential while the attractive P/E ratio (lowest in the region) and earnings growth momentum offer significant upside potential from current levels.

# Capital Markets Review

Volume	Offer Rate	Opening Price	Comp
#####	#####	#####	AUB*
#####	#####	#####	BISB
#####	#####	#####	BBK
#####	#####	#####	NBB
#####	#####	#####	BSB
#####	#####	#####	BARKA
#####	#####	#####	TameerK
#####	#####	#####	ABC
#####	#####	#####	BCFC
#####	#####	#####	BMB
#####	#####	#####	Shamil
#####	#####	#####	Esterad
#####	#####	#####	GFH
#####	#####	#####	GMG
#####	#####	#####	INVCORP
#####	#####	#####	ITHMR
#####	#####	#####	TAIB
#####	#####	#####	UGB
#####	#####	#####	UGIC
#####	#####	#####	Ahlia
#####	#####	#####	ARIG
#####	#####	#####	AIIC
#####	#####	#####	BKIC
#####	#####	#####	BNH
#####	#####	#####	Takaful
#####	#####	#####	BASREC
#####	#####	#####	CPark
#####	#####	#####	Cinema
#####	#####	#####	DutyF
#####	#####	#####	BMMI
#####	#####	#####	BATELCO
#####	#####	#####	TRAFCO
#####	#####	#####	Nass
#####	#####	#####	Seef
#####	#####	#####	BFM
#####	#####	#####	Poultry
#####	#####	#####	Family
#####	#####	#####	BHotel
#####	#####	#####	BTC
#####	#####	#####	Banader
#####	#####	#####	NHotel

## CBB-Approved Debt/Equity Offerings

Type of Issue	Debt				Equity			
	2008 (Jan – Feb)		2007 (Full Year)		2008 (Jan – Feb)		2007 (Full Year)	
	No. of Issues	Value	No. of Issues	Value	No. of Issues	Value	No. of Issues	Value
Private Placement	-	-	15	US\$6.483bn	1	US\$200m	5	US\$635m
IPOs	-	-	-	-	-	-	1	US\$47.6m
Rights Issues	-	-	-	-	-	-	4	US\$176.7m
<b>Total</b>	-	-	15	US\$6.483bn	1	US\$200m	10	US\$859.3m

## Investors' Guide

(at 15 March 2008)

Company	Symbol	Corporate Actions			Market Ratios			
		AGM Date	Cash Dividend	Stock Dividend	PE Ratio (x)	Dividend Yield (%)	P/BV (x)	ROE (%)
Ahli United Bank	AUB	03/03/2008	14%	10%	16.20	2.73	2.50	12.83
Al Salam Bank*	SALAM	20/02/2008	10%	-	13.32	3.89	1.93	14.52
Bahrain Islamic Bank	BISB	10/03/2008	13%	10%	8.17	2.41	1.86	13.37
Bank of Bahrain & Kuwait	BBK	02/03/2008	27%	5%	16.88	3.72	2.46	12.67
National Bank of Bahrain	NBB	24/02/2008	40%	20%	13.18	4.73	2.70	17.06
The Bahraini Saudi Bank	BSB	30/03/2008	5%	-	19.14	3.23	1.36	7.12
Al Baraka Banking Group***	BARKA	26/03/2008	9%	7.1%	15.92	4.09	1.25	7.87
Al Khaleej Development Co.	TameerK	19/02/2008	25%	7%	6.95	6.13	2.07	24.49
Arab Banking Corporation	ABC	25/03/2008	-	-	10.38	0.00	0.72	6.70
Bahrain Commercial Facilities Co.	BCFC	15/03/2008	40%	10%	10.48	4.55	2.45	23.47
Bahrain Middle East Bank	BMB	29/03/2008	-	5%	3.18	0.00	1.44	45.48
Bahrain Shamil Bank	Shamil	24/03/2008	-	-	N/A	N/A	N/M	N/A
Esterad Investment Co.	Esterad	16/03/2008	45%	20%	9.79	3.70	2.02	20.63
Gulf Finance House	GFH	17/02/2008	85%	10%	8.41	7.03	3.60	38.67
Gulf Monetary Group	GMG	31/03/2008	-	-	N/A	N/A	N/M	N/A
Investcorp Bank	INVCORP	-	-	-	6.83	2.85	1.37	21.88
Ithmaar Bank**	ITHMR	24/03/2008	10%	-	14.15	3.57	1.38	8.07
TAIB Bank	TAIB	30/03/2008	-	5%	16.10	0.00	1.27	7.40
United Gulf Bank	UGB	13/03/2008	65%	-	7.20	8.39	2.38	33.37
United Gulf Industries Corporation	UGIC	27/03/2008	-	-	13.33	0.00	1.01	7.58
Al-Ahlia Insurance Co.	Ahlia	17/02/2008	50%	10%	6.01	8.33	1.06	15.98
Arab Insurance Group	ARIG	30/03/2008	7.50%	-	9.00	7.58	0.71	7.93
Arab International Insurance Co	AIIC	-	-	-	N/A	N/A	N/M	N/A
Bahrain Kuwait Insurance Co.	BKIC	25/02/2008	45%	-	9.17	7.44	1.39	15.25
Bahrain National Holding Co.	BNH	25/03/2008	20%	-	11.03	3.51	1.44	12.82
Takaful International Company	Takaful	24/02/2008	-	-	N/M	0.00	2.41	-3.66
Bahrain Ship Repairing and Eng. Co.	BASREC	25/03/2008	50%	20%	20.67	2.72	1.32	5.62
Bahrain Car Park	CPark	17/03/2008	15%	-	8.11	7.77	1.12	13.81
Bahrain Cinema Co.	Cinema	03/03/2008	50%	20%	8.01	4.42	1.43	14.88
Bahrain Duty Free Shop Complex	DutyF	05/03/2008	50%	20%	10.00	4.07	2.57	21.48
Bahrain Maritime & Mercantile Int. Co.	BMMI	24/02/2008	50%	10%	8.02	5.88	2.21	25.28
Bahrain Telecommunications Co.	BATELCO	27/02/2008	40%	20%	10.04	4.71	3.01	24.97
General Trading & Food Processing Co.	TRAFCO	12/03/2008	20%	7.5%	13.14	4.35	1.58	11.04
Nass Corporation	Nass	25/03/2008	24%	-	8.88	6.59	2.23	25.25
Seef Properties****	Seef	25/03/2008	10%	-	4.50	4.44	1.18	26.04
Bahrain Flour Mills	BFM	19/03/2008	18%	-	7.11	5.63	0.47	6.56
Delmon Poultry Co.	Poultry	09/03/2008	18%	-	11.35	6.10	0.64	5.56
Bahrain Family Leisure Co.	Family	30/03/2008	-	-	5.61	0.00	0.80	14.38
Bahrain Hotels Co.	BHotel	24/03/2008	25%	10%	11.09	4.90	2.10	17.35
Bahrain Tourism Co.	BTC	31/03/2008	20%	-	6.68	5.71	0.96	14.38
Banader Hotels Company	Banader	21/02/2008	-	-	14.53	0.00	0.79	3.26
National Hotels Co.	NHotel	31/03/2008	18%	-	9.89	3.83	0.85	8.64

N/A: Not Available

NM: Not meaningful

\*Company was listed in April 2006

\*\*Company was listed in June 2006

\*\*\*Company was listed in September 2006

\*\*\*\*Company was listed in July 2007

