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## CBB broadens capital market services

The Central Bank of Bahrain (CBB) has concluded a Module for the licensing and regulation of Markets and Exchange (MAE). The module creates a regulatory framework that governs licensed exchanges and licensed market operators that operate in or from the Kingdom of Bahrain, including the Bahrain Stock Exchange (BSE). Article 39 (b) of the CBB Law is the basis for these new regulations.

"We have created this module because the rapid growth of the market demanded it," said Mr. Ali Thamer, Director – Capital Markets Supervision of the CBB. "Heightened regulations will create a legal framework that will stimulate investment, and increase the confidence of investors in Bahrain's various markets. The module reassures the local business community that the Kingdom is fully inline and compliant with international standards and norms."

These new regulations require exchanges to be created as joint stock companies and fall under the CBB's regulatory umbrella. Currently, the only exchange in Bahrain is the BSE, which trades primarily in equities. The MAE Module will allow the establishment of privately owned exchanges, or clearing houses that specialize in a variety of securities and asset classes.

"The module will add further depth to Bahrain's financial sector, and help cement its reputation as one of the region's leading financial centres," added Mr. Thamer. "The more diversity we can encourage in our financial exchanges, the better positioned we will be to offer an abundance of opportunities for investors. That will be of immense benefit to the Bahraini economy in the long term."

The Module MAE's regulations specifically pertain to "markets operated by a licensed exchange or a licensed overseas market operator for the trading

of securities." The licensing body in this case is the CBB. Licensing requirements are also detailed in the module, both in terms of initial compliance requirements and ongoing requirements.

The module sets forth a list of obligations that licensed exchange and market operators must fulfill. These include the "obligation 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."

The module also provides the exchanges with the status of Self Regulatory Organisations (SROs) and requires all licensed exchanges to issue rules acceptable to the CBB that will adequately allow for the admission and supervision of their member firms.

Brokerage firms are not regulated by the Module MAE. Brokerage firms are currently licensed as investment firms, and are regulated by Volume 4 of the CBB Rulebook. As with all of the CBB's modules, the MAE module was submitted for public consultation which closed at the end of August 2008. The public's opinions received were key to the final form of these regulations.

"As with all of our modules, public discourse is integral to the fashioning and fine tuning of our regulations," said Mr. Thamer. "Creating a liberal and open, yet regulated and organized economy requires the public's involvement in every aspect of lawmaking. We are confident that this discourse will validate our proposals, and positively critique any areas where clarification on amendment is required."

All regulations are available at [www.cbb.gov.bh](http://www.cbb.gov.bh).



### Bahrain Stock Exchange surge

Trading on the Bahrain Stock Exchange (BSE) has reached unprecedented levels during the first half of 2008 as the volume of shares traded increased by 348%, the value of shares traded by 287.16%, and the number of transactions by 141.05% compared to the figures recorded during the corresponding period last year.

Bahrain's All-Share Index closed at 2,859.03 points at the end of June 2008, marking a growth of 3.77% compared to its closing at the end of December 2007.

"This surge in market activity in the first half of 2008 shows Bahrain's solid economic growth and reflects investors' confidence in listed companies," said Mr. Fouad Rashid, Director of the BSE.

Market capitalization of listed Bahraini shareholding companies grew by 33.83% in the first half of 2008. The investment sector represented 47% of the total market capitalization, while commercial banks, services and insurance represented most of the remainder, making the BSE one of the

more diverse financial exchanges in the Gulf.

Mr. Ali Thamer, Director – Capital Markets Supervision of the CBB, added: "These figures reflect the importance of the financial sector within the Kingdom's economy, and this will only become more pronounced as we develop our domestic financial market further, and continue to provide an attractive home for both regional and international companies who wish to establish Bahrain-based operations."

### Takeover, Merger, Acquisition Module

The Central Bank of Bahrain (CBB), through its Capital Markets Supervision Directorate (CMSD), has drafted a consultation paper to help establish a regulatory framework to govern takeovers, mergers, acquisitions and share repurchase transactions occurring within the financial sector of the Kingdom of Bahrain. As is the norm with the proposed introduction of new or significant amendments to existing regulations, the module, better known as the Takeover, Merger, Acquisition (TMA) Module, has been open for public comment, which the CBB will consider carefully when finalising the regulations.

"By making the public aware of the regulatory activities that the CBB is engaged in, and by allowing the public to comment on potential regulations, we can create requirements and supervisory frameworks for the capital market that benefit everyone, and have the all-important buy in," said Mr. Ali Thamer, Director, Capital Markets Supervision, CBB. In this case, we are inviting comment from the public on regulations and requirements that affect mergers and transactions of publicly listed companies in Bahrain, and we are confident that this will result in regulations that will facilitate the development of the capital market and enhance the image of Bahrain as a centre for raising capital."

The TMA Module will not only set the stage for the creation of a regulatory framework for mergers and acquisitions of publicly listed companies in Bahrain, but it will define important concepts that play an integral part in any significant merger or acquisition. The concept of "controlling interest" and concepts related to the threshold of voting ownership are described within the module. All takeovers, mergers, acquisitions and share repurchases are to be subject to special requirements relating to timing, mode of offer, announcements etc, all falling under the umbrella of clear and adequate information that enables shareholders to make an informed decision as to the merits of an offer.

A "controlling interest", according to the TMA Module, means a "holding, or aggregate holdings, of 30 per cent or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control". The module also describes what constitutes a Bahraini company for the purposes of falling within the requirements put forth by the TMA Module. The module states that "Bahrain domiciled publicly listed companies whose ordinary voting equity securities are listed on a licensed exchange in Bahrain" and "overseas [companies] whose primary listing of its ordinary voting equity securities are listed on a licensed exchange in Bahrain."

It will apply to companies who have their primary listing in Bahrain.

The TMA Module also specifies that offers to non-voting, non-equity capital, or other types of equity that do not confer voting rights to the holder, be exempted. The module is concerned with purchases of equity that will enable a company to take over the decision-making ability of the firm they invest in. "These rules stabilise our market and offer protection to investors in companies that list here, yet cultivate stable and strong investment. Fair treatment of all involved is the order of the day," said Mr. Thamer.

Besides fair treatment, the module aims to create rules that achieve "the protection of the interests of investors by requiring equality of treatment of shareholders of publicly listed companies." It also aims to "ensure there is a fair and transparent market in the shares of listed companies."

The development in the Bahraini economy and its markets has led directly to the decision to create the module and regulations. Comments by the public for the TMA Module must be received by the CBB by 30 October 2008, after which the CBB will give due consideration to these, and shape the new module accordingly.

All consultation papers are available on the CBB's website at [www.cbb.gov.bh](http://www.cbb.gov.bh).



## Bahrain's fund industry leaps ahead



Mr. Mohammed Ayman Al Tajer,  
Director, Financial Institutions  
Supervision, CBB

Bahrain's reputation as the GCC's strategic financial hub was confirmed by the recent announcement that assets under management by Bahrain's mutual funds industry surged by nearly 115% to over US\$20 billion during the period from June 2007 to June 2008, according to Central Bank of Bahrain (CBB) statistics. Much of this growth comes from overseas funds that see Bahrain as an attractive base to tap into the increasing liquidity in the GCC and wider Middle East due to the maturity and efficiency of its financial market, and its comprehensive and transparent regulatory framework.

Bahrain, via the CBB and the Economic Development Board, has actively encouraged inward investment, and the success of this strategy is evident in the predominance of foreign funds – both regional and international – in Bahrain's capital markets: of the 2626 funds registered as of June 2008, a

staggering 95% are domiciled overseas, with total assets of US\$20.14 billion.

"Bahrain has been working extremely hard in recent years to develop its financial sector. We are now reaping the rewards and seeing unprecedented growth in the number of funds and assets under management. We at the CBB have actively encouraged regional and international investment, as we realize this is how Bahrain can make the most impact. At the same time, we are also developing our domestic funds, as investors are reassured and attracted by a growing body of expertise, and are increasingly looking to domestic funds as a viable way of diversifying their portfolios," said Mr. Mohammed Ayman Al Tajer, Director, Financial Institutions Supervision, at the CBB.

Recent changes to the CBB rulebook have increased transparency across all types of investment, and by doing so, have supported the growing trend in domestic funds with the creation of an exempt category for the first time in Bahrain and the region. The changes promise to be a catalyst for the development of specialist funds, such as hedge funds and other high risk alternative investment products for which investors have an increasing appetite. Specialist funds are quickly becoming a market niche in which Bahrain is becoming increasingly active.

Mr. Abdul Rahman Al Baker,



Mr. Abdul Rahman Al Baker, Executive  
Director, Financial Institutions  
Supervision, CBB

Executive Director, Financial Institutions Supervision of the CBB, said: "These new rules, and in particular the creation of the exempt category, demonstrate that Bahrain understands the complex nature of investors' requirements, as well as the players in the market. We are determined to offer the necessary amount of regulation without stifling innovation and, provided that they satisfy certain criteria, to allow financial institutions, to set up various types of funds."

The new rules aim to differentiate between the various categories of collective investment undertakings (CIU) and providing appropriate levels of protection for investors, or exemptions which encourage the growth of higher risk alternative investment vehicles mentioned above. The three distinct CIUs are retail, expert and exempt.

In line with international trends, the CBB expects to increase corporate governance requirements in the future, thus continuing Bahrain's lead in the region's financial industry as a proactive and standard-setting regulator.

## Global Investment House lists six mutual funds

The Bahrain Stock Exchange (BSE) listing platform continues to facilitate the listing of Mutual Funds in the region. Global Investment House has initiated the listing of six separate funds on the BSE, with each fund acting as an investment vehicle for a different industry or country within the MENA region.

"The growth in the assets under management is a clear indicator of the extremely investor sentiment towards mutual funds incorporated in

Bahrain," said Mohammed Ayman Al Tajer, Director of Financial Institutions Supervision, at the Central Bank of Bahrain (CBB).

"Mutual funds, in general, offer investors a number of benefits, including diversification, professional management, liquidity, flexibility and convenience. The listing of funds can be, additionally, an effective tool for the dissemination of information through BSE, acting as a credible source for participating investors, as well as a

monitoring tool for potential investors".

With the addition of these funds – Global Energy, Petrochemical and Downstream Industries Fund; Global Jordan Fund; Global GCC Islamic Fund; Palestine Dedicated Fund; Global Egypt Fund; Global Islamic Fund of Funds – the total number of mutual funds now listed on the BSE has risen to 42, the majority being GCC-based. The funds were issued by Global Investment House on the exchange on July 27, 2008.





# IOSCO calls for new standards on funds of hedge funds and accounting

While the global financial crisis was reaching a crescendo in October, the International Organization of Securities Commissions (IOSCO) released two important documents: one asking for input to new regulatory standards the organization is proposing for funds of hedge funds; the other a strongly worded statement from its Technical Committee calling for the development and enforcement of global accounting standards.

IOSCO is the world's most important international cooperative forum for securities regulatory agencies. It brings together the regulators of 90 % of the world's securities and futures markets, including the Central Bank of Bahrain (CBB). Its standard-setting principles and best practices, particularly following the events of September 11, 2001 and the global financial crises of Enron and others, has reinforced its pivotal role in global securities regulation.

IOSCO's most important committee, the Technical Committee, is its standard-setting body. This specialised working group reviews major regulatory issues related to international securities and futures transactions, and coordinates practical responses.

"We feel privileged and very proud to be a fully-fledged member of IOSCO," said Mr. Ali Thamer, Director, Capital Markets Supervision Directorate of the CBB. "The CBB wholeheartedly supports IOSCO and its work and we take its recommendations very seriously. As a growing international financial hub, it is extremely important that Bahrain takes this kind of active role among the global financial decision makers, especially during these current times."

Around the world, banks, hedge funds and other financial institutions have suffered unimaginable losses from exposure to US sub-prime mortgage bonds, with many analysts believing the full impact is yet to come. Meanwhile, declining oil prices are adding to the mounting pressures that the economies

of Bahrain and other Gulf States are experiencing. CBB is taking the lessons learned from this unfolding financial crisis to strengthen the position of Bahrain's financial sector. It is also helping IOSCO to develop standards that will protect the financial markets of the future.

## Regulatory standards on funds of hedge funds

The CBB welcomes the proposed new standards for funds of hedge funds and will study the IOSCO recommendations closely. A recent study on the institutional demand for hedge funds by the Bank of New York estimates that Middle East institutional investment in hedge funds could surge almost fivefold to US \$140 billion by 2010, as the region looks for alternative investments for oil revenue. State-owned investment firms in Bahrain and the five other Gulf Arab states are expected to account for the bulk of the increase, the study said.

IOSCO's proposed international regulatory standards for funds of hedge funds are aimed at the managers of these funds. They address regulatory issues around investor protection in light of the increased involvement of retail investors in hedge funds through conglomerate funds of hedge funds. IOSCO's standards cover liquidity risk, due diligence processes, adequate resources, procedures and organizational structures, and outsourcing due diligence.

The proposals were developed following IOSCO's June 2008 Report on Funds of Hedge Funds which identified two major issues: the methods by which funds of hedge funds' managers deal with liquidity risk; and the due diligence processes undertaken by managers prior to, and during the life of an investment.

## Accounting standards

IOSCO's position on accounting standards is one that the CBB endorses fully and will take into account in drafting its new Corporate Governance

Module, due to be released for public consultation soon.

"Rigorous accounting standards will be critical for Bahrain to continue to do business in the global financial arena," noted Mr. Thamer.

Just recently, the international accounting firm KPMG warned that the financial crisis was creating an environment in the Gulf region "where the risk of fraud will increase as businesses come under pressure to show results". With costs soaring and income flat, financial fraud in the Gulf region could potentially run into billions of dollars annually, the study said.

In the context of this environment, IOSCO's Technical Committee and the CBB have reaffirmed their commitment to the development and enforcement of high-quality accounting standards and the critical importance of financial reporting standards in the proper functioning of capital markets.

IOSCO maintains that accounting standards for public companies must provide clear, accurate and useful information to allow investors to make informed decisions. Proper standards promote investor confidence in financial statements and capital markets and therefore should be transparent, maintain market integrity, facilitate capital formation, and be aligned with financial stability, it says.

IOSCO confirmed its support for coordinated implementation and cooperative enforcement of standards developed by independent standard setters, in particular the recent announcement that the International Accounting Standards Board (IASB) and Financial Accounting Standards Board's (FASB) would jointly address issues related to the credit crisis.

IOSCO Consults on Regulatory Standards for Funds of Hedge Funds (6 October 2008) and IOSCO Technical Committee Statement on Accounting Standards Development and Enforcement (21 October 2008) are available at [www.iosco.org](http://www.iosco.org).



## Progress in Bahrain's financial sector admired by international delegation

H.E. Mr. Rasheed Al Maraj, Governor of the Central Bank of Bahrain (CBB), received the Deputy Governor of the Central Bank of the Seychelles and her accompanying delegation during their recent visit to Bahrain. The impressive performance and efficiency of Bahrain's financial sector provided the impetus for the visit. The delegation was especially interested in the reasons underlying Bahrain's impressive rise to prominence on both the regional and international financial stages.

During the meeting, Mr. Al Maraj,

accompanied by CBB colleagues Mr. Khalid Hamad, Executive Director of Banking Supervision, and Mr. Wahbi Al Alawi, Director of Retail Banking Supervision, discussed major developments in the local and GCC-wide financial and banking sector, as well as Bahrain's impressive economic advances. This success has been bolstered by the Kingdom's maturing financial markets, and its robust regulatory environment.

Mr. Al Maraj commented: "As a regulator, the CBB has played a key role in the development of Bahrain's Islamic

finance and capital markets sectors. This was achieved through a strategic combination of regulation and guidance, which created a stable and enticing financial environment. The upshot of this has been a surge in the number of local and international financial firms establishing an office in Bahrain, as well as an increase in local and foreign direct investment."

He also noted the increasing profile and contribution of the region's Islamic finance industry, which has been tapping into growing global demand for Shariah-compliant, ethical financial vehicles.

## Clearing, Settlement and Depository Module

The Central Bank of Bahrain (CBB) has recently issued a consultation paper that sets forth regulations for clearing houses and depositories that conduct business in or from the Kingdom of Bahrain. This module is intended to be sent out for consultation to the public at the end of October, with comments due thereafter.

The overall purpose of the module is to upgrade the legal and regulatory framework that allows the capital markets of Bahrain to flourish, be transparent and help ensure investor protection. The end goal is an "efficient clearing, settlement and depository system" in Bahrain. The Module CSD accomplishes this goal by incorporating licensing requirements, in addition to those already set forth by the Bahrain Stock Exchange (BSE), for the clearing function and depository of the BSE.

"The main purpose behind these regulations is to bring the Bahraini capital markets more in line with international best practices," said Mr. Ali Thamer, Director - Capital Markets Supervision Directorate of the CBB.

"The global consensus is that a well-run investor friendly market will allow for clearing and settling of securities transactions in the most efficient and transparent manner possible. These

regulations, to be developed in close cooperation with the public, will enable this to occur."

The regulations also act as an update to the current BSE regulations concerning clearing houses and depositories. These regulations will add the requirement to be licensed by the CBB in order to provide the services of a clearing house or depository. A clearing house is defined by the module as being "responsible for the clearance and delivery of listed securities which are traded on licensed exchanges." A depository provides "fair and efficient custodian services through establishing a central depository facility to safeguard the ownership of their securities," according to the same module.

The Module CSD deals specifically with the clearing and the settlement of securities and describes the requirements to make transactions enforceable. The module also advocates the "protection of customer assets particularly against loss upon custodian insolvency, immobilisation or dematerialisation of securities and the transfer of such securities by book entry, netting arrangements, securities lending, and finality of settlement." This quote, taken from the module's executive summary, describes one of the greater motivations for implementing more regulations

on securities transactions – namely, protecting the investor.

"With every new module that we develop, the protection of the investor is always one of our foremost considerations," said Mr. Thamer. "The Module CSD is no exception. We have made every effort to ensure that securities transactions in the Kingdom will be carried out according to the highest standards."

As well as the licensing requirements for clearing houses and depositories, this module also details the procedures for a license being removed and the cessation of business.

Disclosure is of key importance, with the module explicitly demanding that clearing and settlement transaction disclosure includes "all relevant information and timely information and transparency to enhance the confidence of members, participants, users and investors in the clearing and settlement system."

Clearing houses and depositories will be regarded as self-regulating organizations (SRO's) and be responsible for the regulation and supervision of their members or participants with final oversight in the hands of the CBB.

All consultation papers are available at [www.cbb.gov.bh](http://www.cbb.gov.bh).



# Three new licenses reflect growth and diversity of Bahrain's capital market



**Mr Ahmed Al Bassam**  
Director, Licensing & Policy, CBB

The Central Bank of Bahrain (CBB) has granted licenses to three international players in recent times, reflecting the increasing attractiveness of Bahrain as a GCC base for international asset management companies. The three companies are Bank Sarasin & Co. Ltd, a leading Swiss private bank, BNP Paribas Asset Management B.S.C., the well-

established French banking group; and one of the world's preeminent financial advisory and asset management firms, Lazard Asset Management.

According to the Heritage Fund's Index of Economic Freedom, Bahrain's economy ranks first in the Middle East region and 19th in the world. It has higher scores than the world average in eight of the 10 factors of economic freedom. Business freedom, fiscal freedom, monetary freedom, and especially financial freedom are high. The attractiveness of the GCC as a whole is demonstrated by recent figures announced in a McKinsey & Co report which states that private banking accounts for one-third of total revenues generated by the region's banking industry.

"Financial freedom is high on the CBB's agenda, and the continuous stream of licenses that we are issuing reflects the interest this generates.

However, this must be tempered by a robust regulatory environment, which is an equally attractive attribute that Bahrain offers," said Mr. Ahmed Al Bassam, the CBB's Director, Licensing & Policy.

"Through a mix of conventional and Shari'a-compliant investment management and advisory services, operating within a regulatory environment which more than satisfies international standards, but is sufficiently flexible and efficient, we are succeeding in attracting the right institutions to establish a representative office in the Kingdom, with the resulting surge in investment," added Mr. Al Bassam.

The CBB's 2007 revamp of the collective investment undertakings has also played a part, with clearly defined categories of investment, and the possibility of wider choice for investors, many of whom are seeking higher risk vehicles for their liquidity.

## Capital Markets Rulebook makes headway

Capital markets cover a broad spectrum of activity and, as a result, require a comprehensive set of regulations. The Central Bank of Bahrain (CBB) is making headway in the development of a suitably comprehensive set of regulations, the Capital Markets Rulebook (CMR), which when published, will become Volume 6 of the CBB Rulebook.

The CMR will include 18 modules, covering the generally accepted rules and regulations of each topic in line with international best practice. All modules are issued for public consultation, and the resulting feedback is taken into consideration in the final version of the rulebook.

Since the last update on progress, one module has been finalised, another has been issued for consultation, and a further three are nearing readiness for the initial deliberations.

Specifically, consultation on the Takeover, Mergers and Acquisitions

Module is due to close by the end of October 2008, with the Markets and Exchanges Module having closed at the end of August and now finalised. The Clearing, Settlement and Central Depository Module is due to be issued for consultation in late October, with consultations thereafter. Other modules with potential market impact are expected to be issued for consultation in the near future.

"Preparing the rulebook is a substantial task, and one that the CBB approaches systematically," said Mr. Ali Thamer, Director – Capital Markets Supervision of the CBB. "The public consultation is an infinitely worthwhile process. The feedback that it generates is essential when dealing with important capital market regulations, such as those in the CMR. The added value this generates is crucial in ensuring a final published version that is current and comprehensive."

The drafting process involves the

contributions of a number of CBB personnel and professional bodies, including the CBB's drafting consultants PricewaterhouseCoopers, as well as the incorporation of comments from

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**”**  
members of the wider financial sector.

The CBB wishes to have as wide a participation as possible from the industry and therefore encourages all financial institutions to provide their feedback.

All consultation papers are available on the CBB's website at [www.cbb.gov.bh](http://www.cbb.gov.bh).



## CBB Approved Debt/Equity Offerings

	Debt				Equity			
	2008 (Jan - Aug)		2007 (Full year)		2008 (Jan - Aug)		2007 (Full year)	
	No. of Issues	Value	No. of Issues	Value	No. of Issues	Value	No. of Issues	Value
<b>Private Placement</b>	1	US\$99.83m	16	US\$7.6553bn	3	US\$751.798m	5	US\$635m
<b>IPOs</b>	-	-	-	-	-	-	1	US\$47.6m
<b>Rights Issues</b>	-	-	-	-	5	US\$1.217bn	4	US\$176.7m
<b>Total</b>	1	US\$99.83m	16	US\$7.6553bn	8	US\$1.969bn	10	US\$859.3m

## Investors' Guide

(at 31 August 2008)

Company	Symbol	Closing Price	Closing Price	Change %	PR Ratio (x)	Dividend Yield (%)	P/BV (x)	ROE (%)	
		(Aug-end 08)	(Aug-end 08)						
		All prices in BD except where stated 1BD = US\$2.7							
Ahli United Bank	AUB	\$1.18	\$1.39	0.21	15.11	14.94	2.97	2.30	12.83
Al Salam Bank	SALAM	0.246	0.205	(0.04)	(20.00)	12.75	4.07	1.85	14.52
Bahrain Islamic Bank	BISB	0.546	0.514	(0.03)	(6.23)	8.50	2.32	1.93	13.37
BBK	BBK	0.705	0.68	(0.02)	(3.68)	16.40	3.83	2.39	12.67
National Bank of Bahrain	NBB	0.815	0.898	0.08	9.24	12.71	4.91	2.60	17.06
The Bahraini Saudi Bank	BSB	0.154	0.155	0.00	0.65	19.01	3.25	1.35	7.12
Al Baraka Banking Group	BARKA	\$2.90	\$2.39	(0.51)	(21.34)	20.98	3.10	1.77	7.87
Al Khaleej Development Co.	TAMEERK	\$2.60	\$1.56	(1.04)	(66.67)	11.08	3.85	3.30	24.49
Arab Banking Corporation	ABC	\$0.96	\$2.83	1.87	66.08	7.38	0.00	1.03	6.7
Bahrain Commercial Facilities Co.	BCFC	0.71	0.814	0.10	12.78	8.45	5.63	2.17	23.47
Bahrain Middle East Bank	BMB	0.11	0.129	0.02	14.73	5.34	0.00	0.90	16.01
Shamil Bank of Bahrain	SHAMEL	\$0.70	\$0.70	0.00	0.00	N/A	NA	NA	NA
Esterad Investment Co.	ESTERAD	0.7	0.975	0.28	28.21	5.64	6.43	1.64	20.63
Gulf Finance House	GFH	\$3.21	\$3.35	0.14	4.18	6.75	8.74	2.89	38.67
Gulf Monetary Group	GMG	0.035	0.035	0.00	0.00	NM	N/A	N/A	NA
Investcorp Bank	INVCORP	\$2,500.00	\$2,629.00	129.00	4.91	6.49	3.00	1.29	12.21
Ithmaar Bank	ITHMR	\$0.70	\$0.58	(0.12)	(20.69)	14.15	3.57	1.38	8.07
Khaleeji Commercial Bank	KHCB	0.316	N/A	N/A	N/A	12.49	4.75	2.34	15.44
Taib Bank	TAIB	\$2.55	\$2.56	0.01	0.39	16.56	0.00	1.37	7.4
United Gulf Bank	UGB	0.7	0.61	(0.09)	(14.75)	6.90	8.75	2.29	33.37
United Gulf Investment Co.	UGIC	0.165	0.164	(0.00)	(0.61)	13.75	0.00	1.05	7.58
Al-Ahlia Insurance Co.	AHLIA	0.595	0.5	(0.10)	(19.00)	5.96	8.40	1.05	15.98
Arab Insurance Group	ARIG	\$0.93	\$0.96	0.03	3.12	8.45	8.06	0.66	7.93
Arab International Insurance Co.	AIIC	0.08	0.08	0.00	0.00	N/A	N/A	N/A	NA
Bahrain Kuwait Insurance Co.	BKIC	0.545	0.59	0.04	7.63	8.26	8.26	1.25	15.25
Bahrain National Holding	BNH	0.539	0.484	(0.06)	(11.36)	11.20	3.71	1.44	12.87
Takaful Insurance Co.	TAKAFUL	0.305	0.305	0.00	0.00	200.66	0.00	2.41	1.2
Bahrain Ship Repairing & Eng. Co.	BASREC	1.73	1.613	(0.12)	(7.25)	12.01	2.89	1.36	9.4
Bahrain Car Parks Co.	CPARK	0.193	0.18	(0.01)	(7.22)	8.11	7.77	1.12	13.81
Bahrain Cinema Co.	CINEMA	1.225	1.105	(0.12)	(10.86)	8.69	4.08	1.55	14.88
Bahrain Duty Free Shop Complex	DUTYF	1.015	1.03	0.02	1.46	8.25	4.93	2.12	21.48
Bahrain Maritime & Mercn. Int. Co.	BMMI	0.83	0.81	(0.02)	(2.47)	7.83	6.02	2.16	25.28
Bahrain Telecommunications Co.	BATELCO	0.705	0.965	0.26	26.94	8.33	5.67	2.50	24.97
General Trading & Food Process Co.	TRAFKO	0.384	0.4	0.02	4.00	10.97	5.21	1.59	11.04
Nass Corporation BSC.	NASS	0.443	0.355	(0.09)	(24.79)	10.80	5.42	2.71	25.25
Seef Properties	SEEF	0.2	0.198	(0.00)	(1.01)	4.00	5.00	1.05	26.04
Bahrain Flour Mills Co.	BFM	0.32	0.32	0.00	0.00	7.11	5.63	0.47	6.56
Delmon Poultry Co.	POLTRY	0.28	0.305	0.03	8.20	10.77	6.43	0.61	5.56
Bahrain Family Leisure Co.	FAMILY	0.14	0.09	(0.05)	(55.56)	7.78	0.00	1.11	14.38
Bahrain Tourism Co.	BTC	0.385	0.474	0.09	18.78	7.35	5.19	1.06	14.38
Banader Hotels Co.	BANADER	0.064	0.35	0.29	81.71	18.60	0.00	1.01	3.26
Gulf Hotels Group	BHOTEL	0.54	0.049	(0.49)	(1002.04)	11.74	4.63	2.23	17.11
National Hotels Co.	NHOTEL	0.37	0.29	(0.08)	(27.59)	6.29	4.86	0.66	10.52





# Capital Markets Review

## CSD Statistics

January - June 2007/2008

	INs		Shares	
	2007	2008	2007	2008
<b>BAH</b>	9,254	13,919	2,756,882,011	4,153,061,914
<b>GCC</b>	25,131	26,329	1,707,388,268	2,795,675,800
<b>Non-GCC</b>	3,665	4,065	1,145,715,063	1,629,627,861
<b>Total</b>	38,040	44,313	5,609,985,342	8,578,365,575

## Debt Market

(at Aug-end 2008)

Govt Issuance	Period	Yield/Price	Issue Amount	Coupon Rate / Return Rate	Maturity Date
<b>BD T-Bills</b>	3Month	2.37/99.404	BD15m		27-Aug-08
	6Month	2.24/98.880	BD5m		23-Nov-08
<b>Sukuk Al-Salam</b>	3Month	2.15/100%	BD6m 2.15		30-Jul-08
<b>Sukuk Al-Ijara</b>	6Month	2.40/100%	BD5m	2.4	20-Nov-08
<b>Islamic leasing Securities</b>	Issue date				
Ijara Sukuk (issue 6)	2-Apr-03	3.75/100%	US\$100m	3.75%	2-Apr-08
Ijara Sukuk (issue 7)	27-May-03	5.98/100%	US\$250m	5.98%	27-May-08
Ijara Sukuk (issue 9)	30-Jun-04	5.83/100%	US\$250m	5.83%	30-Jun-09
Ijara Sukuk (issue 10)	20-Jul-04	5.125/100%	BD40m	5.13%	20-Jul-14
Ijara Sukuk (issue 11)	28-Feb-05	4.50/100%	BD30m	4.50%	28-Feb-10
Ijara Sukuk (issue 12)	21-Nov-05	5.60/100%	US\$230m	5.60%	21-Nov-11
Ijara Sukuk (issue 13)	3-Oct-07	5.44/100%	BHD95m	5.44%	3-Oct-12
Int. Ijara Sukuk (issue 14)	3-Apr-08	75 BP Over 6m Libor/100%	US\$350m	75 BP Over 6m Libor	3-Apr-13
<b>Conventional Bonds</b>					
Govt of Bahrain Bond	24-Jan-03	4.3/98.98	US\$500m	4%	24-Jan-08
<b>Corporate Bonds Sukuk</b>					
Alba	18-Jun-03	-	US\$200m	6.68%	15-Mar-13
National Industries Group	6-May-04	-	US\$52.2m	0.9%p.a.+Libor	9-May
Emaar	6-Jul-04	-	US\$65m	0.7%p.a.+Libor 6 months	6-Jul-09
Real Estate Sukuk Co	12-May-05	-	US\$100m	1.25%p.a.+Libor 6 months	12-May-10
BCFC (No 5)	15-Jun-05	-	BD10m	0.85%above 6months BIBOR	15-Jun-10
Esterad	20-Jul-05	-	US\$25m	1.25%p.a.+Libor 6 months	20-Jul-10
Investment Dar Sukuk	27-Oct-05	-	US\$100m	7.35%	26-Oct-10
BCFC (No 6)	19-Jun-06	-	BD10m	0.95%above 6months BIBOR	19-Jun-11
Sukuk Al Manafa'a	15-May-07	-	US\$650m	0.85%p.a.+ Libor 6 months	15-May-12

## Equity Market

(at Aug-end 2008)

Listed Companies	43	<b>Bonds</b>	15
Market Cap (US\$ million)	30,290	Bahraini	12
Growth in Market Cap % (YTD)	(10.02)	Non-Bahraini	3
Trading Value (US\$ million)*	397.09	Islamic (Sukuk)	10
Trading Volume (million shares)*	357.31	Government	5
No. of Transactions*	11,188	Conventional	5
Mutual Funds	42	Government	0
		Corporate	5

\* For the 3 months ending August 2008

### Key Ratios

Sector	Dividend Yield (%)	P/E ratio (x)	ROE (%)	PBV (x)
Commercial banks	2.76	16.73	13.42	2.24
Investment banks	4.31	10.05	15	1.67
Insurance	6.29	9.43	10.44	0.98
Services	4.74	9.18	23.53	2.16
Industry	6.04	8.71	6.11	0.53
Tourism	4.13	9.45	12.58	1.19
Total Market	3.84	11.54	15.25	1.86

## Factfile

**Regulator:** Central Bank of Bahrain

**Financial Institutions:** 412 (October 2008)

**Financial Sector Workforce:** 11,960 (2007)

Bahraini nationals 8,248 (69%)

Foreign nationals 3,712 (31%)

**Key Economic Indicators:**

GDP (Current) US\$15.8 billion (2006)

Growth 17%

GDP (Constant) US\$10.9 billion (2006)

Growth 6.9%

Financial Sector contribution to GDP 25.5%

Sovereign rating A (S&P 2007)

A (Fitch 2007)

Population 742,500 (2006)

**Banking Sector:**

Assets US\$265 billion (Aug 2008)

No. of institutions 125 (September 2008)

Retail banks 24

Locally incorporated 9

Branches of foreign banks 15

Wholesale banks 64

Representative offices 36

**Islamic Banks (included in above):**

No. of banks 26

Assets US\$23.5 billion (Aug 2008)

**Insurance Industry:**

No. of firms 167 (September 2008)

Domestic market

Gross premiums US\$361 million (BD136 million)(2007)

No. of firms 35

Locally incorporated insurance firms 24

Overseas insurance firms (foreign branches) 11

Brokers restricted to business inside Bahrain 32

Insurance firms restricted to business outside Bahrain 38

Brokers restricted to business outside Bahrain 10

Captives (locally incorporated) 1

Managers 1

Representative offices 6

Loss adjusters 12

Actuaries 20

Others 12

**Takaful (Islamic insurance) Firms**

(included in above)

Takaful firms 18

ReTakaful firms 1

**Investment Business Firms:**

No. of firms 45

**Capital Market:**

Market capitalization US\$27.25 (September 2008)

Brokers 14

Listings Companies 53

Mutual funds 42

Bonds 15

**Specialised Licensees:**

No. of firms 15

Money changers 19

**Funds Industry:**

Authorised funds 2,746 (September 2008)

NAV US\$20.23 billion

Local funds 139 (September 2008)

NAV US\$6.79 billion

Conventional-Local 82 (September 2008)

Islamic-Local 57 (September 2008)

Foreign funds-Offshore 2,607 (September 2008)

## BSE at a glance

Index	Dec-end 07	Aug-end 08	Change	% Change
Bahrain All	2755.27	2690.09	(284.39)	(10.32)
Esterad	2929.35	2725.57	(427.00)	(14.58)