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Finance capital

Having used its oil wealth to diversify the economy, the Kingdom of Bahrain has developed a modern infrastructure and is the most open economy in the Gulf. The government offers excellent incentives to companies looking to reach out to other markets in the region.

With its proximity to Saudi Arabia and Qatar — both are just a one and a half hours drive or flight away — Bahrain has been a firm favorite for investors for 40 years. The first Gulf state to discover oil, Bahrain has successfully developed the finance, tourism and real estate sectors to keep its economy buoyant, and grew by 7 percent last year.

For His Highness Prime Minister Sheikh Khalifa bin Salman al-Khalifa, now is the time to deepen the relationship with Japan, Bahrain's second-largest trading partner after the U.S., and a country with which bilateral trade already represents over \$1 billion. "Bahrain and Japan are currently cooperating on several large projects across many sectors. The importance of this is not just capital investment, but also Japanese technology and know-how, which strengthens ties still further," says Sheikh bin Salman al-Khalifa.

"Bahrain and Japan are cooperating on several large projects across many sectors."

His Highness Sheikh Khalifa bin Salman al-Khalifa, Prime Minister

As the Middle East's undisputed financial center, Bahrain is home to more than 400 licensed financial institutions. It has one of the best regulated systems in the world, and contributes 27.6 percent to the economy. In 2006, banking assets rose by 33.5 percent.

As minister of finance and economy, Sheikh Ahmad bin al-Khalifa, notes, "There has been a very positive contribution from Japanese financial institutions in Bahrain, and there is huge growth potential in mutual funds, fund administration, project finance, private banking and asset management. We are also major pioneers of Islamic finance, a sector that is now reaching the main centers of the world and expanding."



Sheikh Khalifa bin Salman al-Khalifa, Prime Minister



Rasheed al-Maraj, Governor Central Bank

Rasheed al-Maraj, governor of the Central Bank, which has created a license specifically for investment businesses, expands on the Islamic banking theme. "Bahrain has started to attract a lot of attention in this field and as a consequence, many more institutions want to be present here. We have done a lot of promotion inside and outside the region to explain how the system works, and given financial institutions worldwide the comfort of knowing that Islamic finance is governed by very high regulatory standards. All Bahraini financial institutions have been successful, both locally and regionally. People feel and see their impact."

Ithmaar Banking Group is one such entity. It owns a range of Islamic financial institutions, including Shamil Bank, one of Bahrain's leading commercial banks. "Shamil is involved in the retail and corporate market, and also has business internationally," Michael Lee, CEO and member of the board of Ithmaar Bank, explains. "We also own Faisal, a private bank licensed by the Swiss Banking Commission, which provides Islamic financial services to high net worth individuals and families. Faysal, one of the leading Pakistan banks, is also one of our subsidiaries, as is Solidarity, a global company that focuses on sharia-compliant leasing services."

The Ithmaar Development Company is another affiliate and already involved in projects worth billions of dollars. "We are a very diversified group, and the most diversified in terms of providing Islamic banking products and services," says Lee.

The group's traditional banking arm, Ithmaar Bank, focuses on investment banking, private equity funds, individual transactions and capital markets, and carries out all of the group's institutional business. "Ithmaar is a wholesale bank, and establishing and managing private equity funds is an important core business strategy for us. The geographical reach is not only regional but also global. Our industry focus is on investment banking, as well as mergers and acquisitions, thus we have a team that can assist clients with innovative solutions. We are looking at clusters of expertise that are important for the MENASA (Middle East, North Africa and South Asia) region.

The bank's sector interests lie in oil and gas, aluminum, and more recently real estate, which has been showing exponential growth in the region in the past two years. Tourism and leisure activities have also become more important, and private health care. Transportation, in the form of ports, airports or roads, is also important, as it involves leasing. The bank is also interested in



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