



Prince Salman bin Hamad bin Isa Al-Khalifa, crown prince of Bahrain, with Prince Charles

The Pearl of the Middle East

With the countdown to bicentennial bilateral relations under way, Bahrain and the U.K. are exploring new ways to build on their strong political, economic and commercial relationship.

With less than 18 months until the bicentenary of bilateral relations, Bahrain and the U.K. continue to strengthen their successful political, economic and commercial relationship that has seen more than 120 British companies establish operations in the kingdom.

Boasting a proud reputation as a leading trade hub and major financial center for the region because of its modern infrastructure, the absence of corporate taxes and a safe regulatory environment, the pro-business country saw imports from the U.K. jump nearly 25% in 2012.

Investor confidence in Bahrain is extremely high, with foreign direct investment (FDI) jumping 11% year-on-year in 2013, to \$989 million, according to data from the United Nations Conference on Trade and Development (UNCTAD) "World Investment Report 2014". That figure is expected to soar across the \$1 billion threshold in 2014 as inflows remain strong against the backdrop of economic and social stability.

Further proof of Bahrain's favorable business conditions and robust economic fundamentals was illustrated by its attaining 13th position in the Heritage Foundation's 2014 Index of Economic Freedom. Not only did that enviable ranking place it ahead of the U.K., but it also meant the kingdom finished ahead of all other participants from the Middle East and North Africa.

A magnet for companies of all sizes operating in the banking and financial services sector, Bahrain is a pioneer of Islamic finance and now a global center for this type of banking system. The banking and financial services sector is now generating around a quarter of GDP, versus 16% for the diverse manufacturing sector and 13% for the oil industry. Bahrain's industrial base includes a range of broad operations in the lucrative downstream oil industry and downstream aluminum sector.

Bahrain Mumtalakat Holding Company (Mumtalakat) is the investment arm of the Kingdom of Bahrain, with companies active in aluminum production, financial services, telecommunications, real estate, tourism, transportation and food production. After the implementation of strategic initiatives in 2012, its annual net profit more than doubled

in 2013. "We remain committed to enhancing and creating value at our portfolio companies to support their contribution to the economy of the kingdom," says Mumtalakat CEO Mahmood Hashim Al Kooheji.

"Our emphasis on adherence to the highest standards of corporate governance and transparency has once again placed us in the top tier of global peers in relation to transparency. Furthermore, we are confident that our financial clarity, combined with our prudent investment strategy and emphasis on sustainable value creation, will continue to drive our business forward."

In addition to its excellent global connectivity, thanks to its strategic location at the heart of the Arabian Gulf, Bahrain's competitive advantages include its highly educated, bilingual workforce—the proportion of locals who work in the financial sector is striking when compared with neighboring countries—favorable tax climate and ease of doing business. Ministers and representatives from British and Bahraini private sectors have worked extensively in different areas to strengthen ties. In February 2014, the Prince of Wales made an official visit to the country, where he was received by the king of Bahrain, Sheikh Hamad bin Isa Al-Khalifa, and the crown prince, Salman bin Hamad bin Isa Al-Khalifa. "The U.K.-Bahrain relationship is a warm, close and long-standing one," said Britain's ambassador to Bahrain, Iain Lindsay. "This visit underlines the strength of the U.K.'s bilateral ties with Bahrain." This year also saw the 10th Bahrain Grand Prix at the Bahrain International Circuit, with the high-profile edition of the FIA Formula One World Championship.

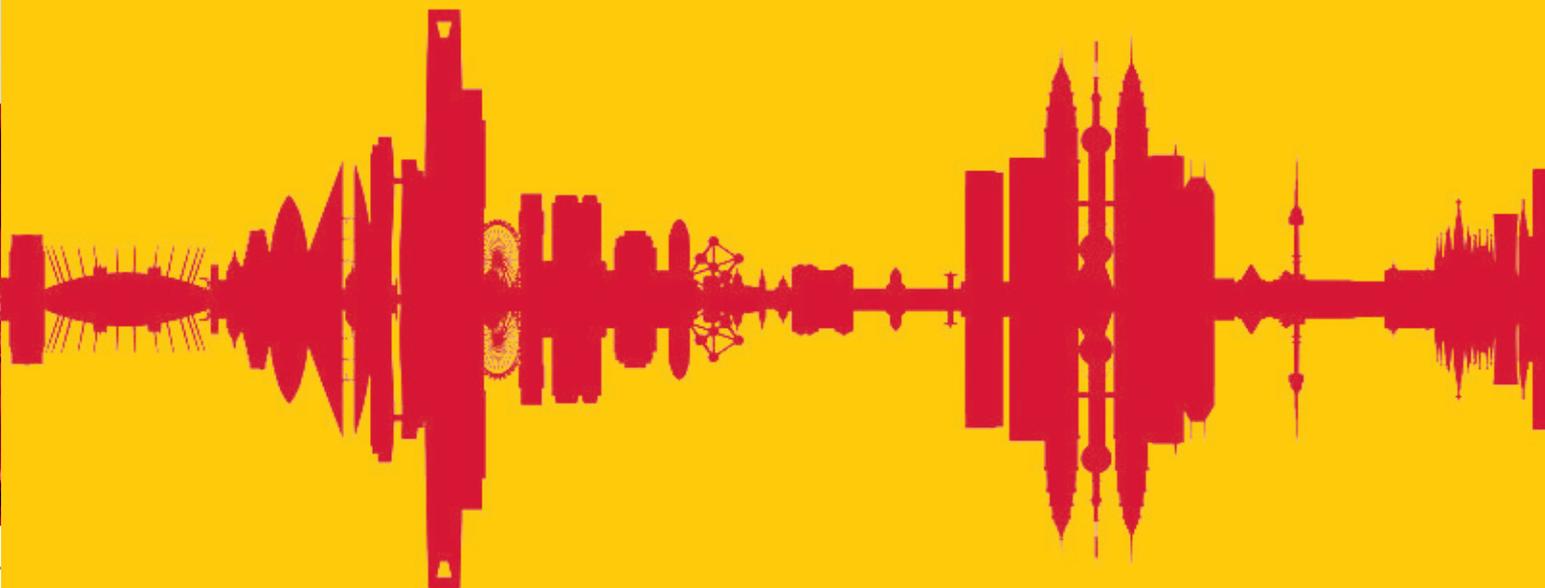
Bahrain's Minister of Industry and Commerce, Hassan Fakhro, wel-



Hassan Fakhro
Minister of Industry
and Commerce



Riyadh Y. Hamzah
Secretary General
Higher Education Council



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Nour Suliman, CEO of DHL Express for MENA.

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comes the upward trend in British investment in Bahrain but believes the U.K. should follow the lead of Germany, which is investing even more. “More needs to be done to encourage U.K. companies to look to Bahrain as a base for operations in the region, in particular small and medium-size enterprises, which Bahrain actively encourages and facilitates, and also to target U.K. service companies in health, education, tourism, high-tech, engineering and communications companies.

“Bahrain and U.K. authorities have established a joint panel to work on developing increased trade and investment, and a number of proposals are being discussed between the two sides.”

Asked to highlight why FDI is at a record high and what his country has to offer investors from the U.K. and beyond, Fakhro adds: “Bahrain is undoubtedly a successful financial hub, but this has its roots in commerce and industry. We will continue to improve our commercial and industrial infrastructure, including the laws and regulations in order to ensure that Bahrain is the logical choice for international businesses to establish. We are also seeking a paradigm shift in the form of a new Economic City, which would undoubtedly be an enormous pull factor for foreign investors.”

Six years ago, Bahrain launched Economic Vision 2030, a comprehensive fiscal strategy—based on the three core factors of sustainability, fairness and competitiveness—that aims to develop an even more robust and diverse economy and raise living standards for its 1.3 million citizens.

“Vision 2030 projects to support manufacturing by making industrial

land available. Bahrain has invested, and continues to invest, significantly in innovative infrastructure for manufacturing, with a high degree of integration and connectivity,” Fakhro adds, before listing three of the most exciting projects that have been approved.

“Salman Industrial City is purpose-built for companies looking to set up manufacturing or industrial operations to service the \$1 trillion-plus Gulf market. Bahrain International Investment Park [BIIP] will provide a convenient road link to Qatar. BIIP will ultimately house more than 150 companies. The new Economic City will provide an uninterrupted and sustained supply of industrial land—an essential requisite for a manufacturing base.”

Cabinet colleague A. Hussain Bin Ali Mirza, Minister of Electricity and Water Affairs, underlines this message and says British investment is welcome in the development of new infrastructure such as power plants, highways, water supply and sewerage systems.

“Bahrain offers a very secure and reliable investment environment,” he says. “The quality of labor is outstanding, as shown by the high percentage of Bahrainis working in all sectors. We welcome FDI and guarantee that such businesses will be protected. They will be given equal opportunities in bidding for the project, and all the transactions will be transparent. Moreover, foreign investors benefit from the heavily subsidized energy supply.”

Such positive factors have attracted scores of multinational companies and corporations that have established operations and bases for the Middle East and North Africa (MENA) in recent years.

One of the first major international enterprises to establish regional

“We will continue to improve our commercial and industrial infrastructure.”

Hassan Fakhro, Minister of Industry and Commerce

headquarters in Bahrain, nearly 40 years ago, DHL Express is the global market leader in the logistics industry that lists high-quality infrastructure, qualified labor force and the full support of local authorities among the reasons for its success in the logistics industry.

Nour Suliman, CEO of DHL Express for MENA, has no hesitation in recommending Bahrain to other ambitious firms seeking to locate to the area and highlights its excellent international connectivity, qualified workforce and government support for infrastructure development.

“DHL Express started in the Middle East in 1976 and Bahrain has been the first country in the region for us, positioning the country in everybody’s heart as a starting point,” he states. “During that period we

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received, and still do receive, good support from the government. Bahrain is the perfect home for our Middle East headquarters.

"In terms of logistical services, DHL continues to do an excellent job, with a wide presence in the Middle East, and we keep expanding our range of services to deliver additional value to our customers. The government has an active plan to further improve and develop the existing airport, which will further increase the value of Bahrain as a logistical hub. We are growing at close to double-digit rates so will always need more capacity, and Bahrain Airport supports our efforts."

DHL Express currently employs about 1,200 people in Bahrain, of which around 85% are Bahrainis. The senior executive says that because of top-level universal training programs, the company's workforce boasts an excellent skill set that will be required as the firm prepares for future growth.

"We are very lucky to be the most global company in the world operating in 220 countries, the leader in quality and the most customer-centric company," Suliman adds. "These factors allow us to build long-lasting customer relationships, which generate considerable loyalty and a high market share. Our USP in Bahrain comes through our integrated service structures and global network, resulting in a wide range of efficiency gains for our customers."

"The logistics sectors will benefit greatly from all the major investments going on throughout the region, and we foresee a steep demand increase within the SME segment, for which we have been developing tailored logistics solutions to suit their requirements. This region is continuing to grow steadily, and we are committed to this market for the long term."

Given Bahrain's proximity to the vast consumer market of Saudi Arabia and the growing economies of Qatar and the UAE, DHL Express is well positioned for future growth and sees itself as an important part of the Bahraini economy.

"We have developed a new plan to expand our facilities in Saudi Arabia to include three new airport gateways, two of which are in their final stages and should be ready for operation soon," Suliman says.



Adel A. El-Labban
Group CEO and MD
Ahli United Bank



Nedhal S. Al-Aujan
CEO
Bahrain Development Bank

"This will divide the load of shipments from and to Saudi Arabia and will improve, even more, the flow between Saudi and the United Arab Emirates. Moreover, we are scheduled to open a brand-new facility in Cairo International Airport that will feed into our plan to position Egypt as a gateway to Africa."

Bahrain Development Bank (BDB) was established in 1980 and is now one of the leading accounting and advisory firms in the country, with its strengths firmly rooted in the region; its many clients include local and foreign enterprises of all sizes that operate across all sectors.

BDO partner Basil Jawad Habib sees plenty of openings for U.K. enterprises in the kingdom: "We believe the construction and retail sectors have significant opportunities. Bahrain has a huge appetite for U.K. retail brands, and its proximity to Saudi Arabia makes it an attractive country for foreign investment. Real estate business is getting back on track, and we see a lot of opportunities for U.K. businesses to make their mark."

Such openings include the banking and financial services sector. In June 2014, Britain became the first country outside the Islamic world to issue sovereign sukuk—the Islamic equivalent of a bond. Investors from the major centers for Islamic finance in the Middle East, Asia and Britain were all represented in the final allocation of £2.3 billion (\$3.8 billion).

"Bahrain is the Gulf's most sophisticated financial market," Jawad Habib adds. "On a global perspective, and in spite of uncertainty on the current economic scene, we expect the non-oil sectors to make a comeback in Bahrain and lead the economic growth."

Bahrain has become the main international hub for Islamic finance, with this economic sphere thriving, partly because of the Waqf Fund, which was set up in 2006 with contributions from the Central Bank of Bahrain (CBB) and eight banks. The fund has made rapid progress in facilitating research and training, assisting human resource development, and positioning Bahrain as the global leader in Islamic finance research, innovation and development.

"With regard to the development of financial services, our strategy predominantly focuses on Islamic finance. The second pillar is human capital development, and the third is the insurance sector and ancillary

supporting ideas achieving success

Bahrain Development Bank offers a wide range of distinctive financial and advisory services specifically designed to meet SME's special needs. Whether your plan is to launch a new entrepreneurial venture, expand or diversify business in the Kingdom, BDB provides you with advice and support in developing the financial resources for your project since BDB's core mission is to develop SME's. Over the years, BDB has expanded in delivering an innovative mix of financial products tailored to meet the needs of entrepreneurs and extended to reach out to a broader spectrum of economic sectors.

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services,” explains Khalid Hamad Abdul-Rahman Hamad, executive director of banking supervision of the CBB. “The major banks in Bahrain posted profits even during the financial crisis. They didn’t only make profits, they distributed dividends. Overall, 2013 results have been very positive. Profits and assets have both been growing.”

Established in 1992 as the chief financial development institution, Bahrain Development Bank (BDB) has been entrusted by the government to promote investments that diversify the economic base, create new employment opportunities for Bahrainis and contribute significantly to the kingdom’s overall socioeconomic development. Over the past two decades, BDB has expanded to deliver an innovative mix of financial products tailored to entrepreneurs. It has extended out to a broader spectrum of economic sectors, including manufacturing, tourism, health, education, fisheries, agriculture, and other value-added services and activities.

“Our goal is to create more entrepreneurs,” says BDB CEO Nedhal S. Al-Aujan. “We encourage potential entrepreneurs to seize viable investment opportunities, in addition to increasing their innovative abilities, and create more job opportunities for others. BDB is always happy to support viable business initiatives.

“We continually seek opportunities in sectors with high growth potential and appreciation. Such a strategy has reaped rich dividends in the past and counterbalances possible losses to high-risk segments,” says Al-Aujan. “We foresee tremendous growth potential for upgrading the skills of Gulf Cooperation Council (GCC) nationals—enterprises aimed at enhancing food security of the region, health care of international standards, promotion of tourism and much more. In other words, there is an enormous scope for BDB to expand its assistance to the SME sector, which in turn will contribute significantly to the growth and development of the economy.”

Created at the start of the millennium through the merger of the United Bank of Kuwait and Al-Ahli Commercial Bank, Ahli United Bank’s (AUB) range of world-class services includes retail and corporate banking, treasury and investment, private banking and wealth management services, and Sharia-compliant banking services under the Al Hilal brand.

The award-winning group’s diverse geographical footprint provides a conduit to tapping cross-border business and investment flows within the MENA region, while its presence in the U.K. services the need of its Gulf clients in Britain. “Bahrain is a good hub for incorporating a regional business, given its open-door approach to foreign investment, its central location and excellent connections to regional destinations,” states AUB Group CEO and managing director Adel A. El-Labban. “AUB is leveraging



Abdulkarim A. Bucheery
Chief Executive
BBK



Waheeb Al-Khaja
President
Applied Science University

its Bahrain and five other regional presences to develop investment and trade tie-ups with the U.K. on different fronts.”

These range from assisting U.K. companies with the setting up of trading and manufacturing operations, to Gulf investors pursuing investment opportunities in the U.K., particularly in the commercial property and residential mortgages space. “Integration across the Gulf is increasing in terms of both trade and financial flows. Bahrain is a major beneficiary from these flows. Islamic banking is growing in terms of scope and maturity. The regulator’s approach of allowing hybrid licenses, which combine Islamic operations under a conventional banking license, has been a big contributor to its growth.”

With a strong local presence and a nationwide network of financial malls, branches and ATMs, BBK also has operations in Kuwait, India and, through a representative office, the UAE. “Because of the limited market size of Bahrain’s economy, many banks are interested in expanding operations into neighboring countries and benefit from a variety of cross-border opportunities, while using Bahrain as a hub for their operations,” says BBK chief executive Abdulkarim A. Bucheery.

Established by 17 commercial banks in November 1997 as the national ATM and point-of-sale switch of Bahrain, the Benefit Company rapidly expanded its network to cover other markets; its services are now used by all GCC members. “Benefit is always eager to extend its reach to the international market, and we are considered the regional gateway for Amex cash withdrawals, enabling all Amex card holders to withdraw from any ATM across Bahrain, Kuwait, Qatar, Oman and UAE,” says CEO Abdulwahid A. Janahi.

Bahrain’s educational system—from primary schools and colleges to higher education at universities—has long been recognized as the best in the region. Significant investment and new strategies aim to make Bahrain a regional hub for higher education, as Riyad Y. Hamzah, secretary general of the Higher Education Council, explains.

“Our vision for higher education is based on creating a high-quality sector that fuels the economy, public sector and society by producing skilled graduates who meet the future demands of Bahrain,” he says. “We wish to create the next generation of job creators by developing entrepreneurship education and better use of the latest technology in the sector that will enable Bahrain to become a hub for students from the Gulf region looking for quality higher education.”

Applied Science University (ASU) is a widely known institute that is a model of integrity, excellence and innovation in Bahrain. ASU creates a diverse and global learning community through world-class faculty, international collaboration and partnerships.

Waheeb Al-Khaja, ASU president, says: “There exists a wide range of opportunities to use U.K. expertise to enhance quality at the local university level. Demand for private-sector education is increasing rapidly among the GCC. Bahrain has a clear opportunity to become an educational hub in the region.”



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