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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: ARCAPITA BANK B.S.C.(C), *et al.*, Reorganized Debtors.	Chapter 11 Case No. 12-11076 (SHL) Confirmed
KHALID AHMED A. BAESHEN, OSAMA AHMED A. BAESHEN, SAHAR AHMED A. BAESHEN, and SUMAYYA AHMED A. BAESHEN Plaintiffs, v. ARCAPITA BANK B.S.C.(C), ARCAPITA INVESTMENT HOLDINGS LIMITED, ARCAPITA LT HOLDINGS LIMITED, WINDTURBINE HOLDINGS LIMITED, AEID II HOLDINGS LIMITED, and RAILINVEST HOLDINGS LIMITED Defendants.	Adversary No.

COMPLAINT OF KHALID AHMED A. BAESHEN, OSAMA AHMED A. BAESHEN, SAHAR AHMED A. BAESHEN, AND SUMAYYA AHMED A. BAESHEN FOR (1) A DECLARATORY JUDGMENT THAT CERTAIN FUNDS IN THE REORGANIZED DEBTORS' POSSESSION ARE NOT PROPERTY OF THE REORGANIZED DEBTORS' ESTATES AND (2) AN ORDER COMPELLING REORGANIZED DEBTORS TO TURN OVER SUCH FUNDS

Mr. Khalid Ahmed A. Baeshen, Mr. Osama Ahmed A. Baeshen, Mrs. Sahar Ahmed A. Baeshen, and Mrs. Sumayya Ahmed A. Baeshen (collectively, the "Baeshens" or "Plaintiffs"), by and through their undersigned counsel, file this adversary complaint (the "Complaint") pursuant to 28 U.S.C. § 959(b), 28 U.S.C. § 2201, 28 U.S.C. § 2202, 11 U.S.C. § 541(d), and Federal Rule of Bankruptcy Procedure 7001 for a judgment (1) declaring that certain funds rightfully owned by Plaintiffs but in the possession and control of the Reorganized Debtors (as defined below) are not property of the Debtors' estates and never vested with the Reorganized Debtors; (2) compelling the Reorganized Debtors to turn over all such funds; and (3) awarding Plaintiffs prejudgment interest calculated at nine percent (9%) per annum pursuant to section 5001(a) of the New York Civil Practice Law and Rules.

In further support of the Complaint, the Plaintiffs respectfully allege as follows:

NATURE OF THE ACTION

1. This Complaint seeks the return of cash properly belonging to Plaintiffs in the possession and control of one or more of Arcapita Bank B.S.C.(c), Arcapita Investment Holdings Limited, Arcapita LT Holdings Limited, Windturbine Holdings Limited, AEID II Holdings Limited, and Railinvest Holdings Limited, (formerly the "Debtors" and presently and collectively, the "Reorganized Debtors" or "Defendants") in the above-captioned chapter 11 cases pending before this Court. As set forth below, pursuant to applicable Bahraini law,[1] the Debtors never held a legal or equitable interest in the Plaintiffs' Funds (defined below), and accordingly the Funds are not "property of the estate" for purposes of section 541 of the Bankruptcy Code, 11 U.S.C. § 541(d).

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[1] Pursuant to Rule 44.1 of the Federal Rules of Civil Procedure, this statement gives notice of the Plaintiffs' intent to raise an issue concerning the laws of a foreign country.

Plaintiffs' Mudarib Accounts with Arcapita

2. Pursuant to four nearly identical agreements with Arcapita Bank B.S.C.(c) (formerly, "First Islamic Investment Bank" or "First Islamic" and presently "Arcapita"), Plaintiffs placed money for investment purposes in four separate bank accounts (each a "Mudarib Account" and, collectively, the "Mudarib Accounts") at Arcapita.

3. The Mudarib Accounts are governed by the First Islamic Application and Agreement for the Opening of an Investment Account (attached hereto as Exhibit A, the "First Islamic IA Agreement") and the Arcapita Application and Agreement for the Opening of an Investment Account (attached hereto as Exhibit B, the "Arcapita IA Agreement") (collectively, the "IA Agreements").

4. The Arcapita IA Agreement explicitly provides that the relationship between Osama Baeshen, Sahar Baeshen, and Sumayya Baeshen on the one hand, and Arcapita, on the other hand, was and is governed entirely by the laws of the Kingdom of Bahrain. The First Islamic IA Agreement similarly provides that the relationship between Khalid Baeshen and Arcapita "shall be governed by and construed in accordance with the laws of Bahrain to the extent such laws are not inconsistent with the laws of Islamic Shari'ah." The IA Agreements expressly provide that investors, like Plaintiffs here, may call their balances, or parts thereof, in their investment accounts upon written notice to Arcapita at any time.

5. The IA Agreements provided that Arcapita acted as a "mudarib," or investment manager, with respect to the Plaintiffs' placement of funds in the Mudarib Accounts. Such an arrangement is commonly referred to in Islamic finance as a "Mudarabah" transaction.

6. "Mudarabah" is a kind of discretionary investment management arrangement where one party gives money to another for investing in a commercial enterprise. The capital

investment comes from the first party, who is called the "rabb-ul-mal," while the management and work is the exclusive responsibility of the other party, who is called the "mudarib." Profits generated are shared between the parties according to a pre-agreed ratio. If there is a loss, the first party will lose his capital, and the "mudarib" party will lose the time and effort invested in the project. For the transactions at issue, Plaintiffs are the "rabb-ul-mal" and Arcapita the "mudarib."

7. Mudarabah contracts do not grant the mudarib a beneficial interest in the invested funds at the time of investment. Under Mudarabah contracts such as the IA Agreements here, investors retain title to their investments unless and until invested in or with third parties. To the extent those investments are profitable, investors such as the Plaintiffs here would share in the upside with Defendants, and, if the investments decreased in value, Plaintiffs would bear the loss. However, and most critically, Plaintiffs only bore the risk of loss for *capital actually deployed by the "mudarib."* Here, some of the Plaintiffs funds were never deployed by Arcapita. Therefore, the Debtors and now the Reorganized Debtors have appropriated Plaintiffs' non-invested cash to use as their own in violation of the IA Agreements and governing Bahraini law.

8. Under the IA Agreements and applicable Bahraini law, title to the monies placed in the Mudarib Accounts remained with Plaintiffs unless and until invested by Defendants on behalf of Plaintiffs. Of the $10,262,597.36 placed by Plaintiffs in the Mudarib Accounts, at least $3,012,223.55 in various currencies was still or should have been in the Plaintiffs' Mudarib Accounts as of the Petition Date (as defined below). This sum consists of $1,090,218.76 placed by Osama Baeshen, $1,208,376.94 placed by Khalid Baeshen, $335,665.91 placed by Sumayya Baeshen, and $377,961.94 placed by Sahar Baeshen into four investment accounts in which

Arcapita acted as "mudarib," or investment manager.

The Rights Offering Investments

9. As a result of a cancelled rights offering in which the Plaintiffs participated with Arcapita (the "Rights Offering"), an additional $452,568.00 remained in the Debtors' possession on the Petition Date, consisting of $359,298, $46,635 and $46,635 placed by Khalid Baeshen, Sumayya Baeshen, and Sahar Baeshen, respectively (collectively, the "Rights Offering Investment"). The documents governing the Rights Offering, like those governing the Mudarib Accounts, also establish a "mudarib" relationship with Arcapita.

10. As a matter of governing Bahraini and Shari'ah law, Arcapita acted as a mudarib in connection with its possession of Plaintiffs' Rights Offering Investment. As set forth below, title to the Rights Offering Investment never passed from Plaintiffs to Defendants because at the time those investments were made, the shares contemplated by the Rights Offering did not yet exist, a critical pre-condition to the passage of title from Plaintiffs to Defendants under applicable Bahraini law. Therefore, as of the Petition Date, title to the Rights Offering Investment remained with Plaintiffs, and Arcapita is obligated to return those funds to Plaintiffs because they never constituted property of the Debtors' estates.

RELIEF SOUGHT

11. Between the Plaintiffs' Mudarib Accounts and the Rights Offering Investment, a total of $3,464,791.55 (collectively, the "Funds") is listed as owed to Plaintiffs on the Debtors' schedules and is not disputed. What is disputed, and forms the current justiciable controversy, is who holds the rightful ownership interest to the Funds.

12. The Debtors' confirmed and effective plan of reorganization (the "Plan") expressly provides that only the Debtors' "Assets" vest with the Reorganized Debtors. The Plan

defines "Assets" as "all property wherever located in which any of the Debtors *holds a legal or equitable interest*, including all property described in section 541 of the Bankruptcy Code." (emphasis added). Pursuant to applicable Bahraini law, the Debtors never held a legal or equitable interest in the Funds such that the Funds are not included within the definition of "property of the estate" under section 541 of the Bankruptcy Code.

13. Rather than returning the Funds to the Plaintiffs as required by Bahraini law and the relevant agreements, on information and belief, Defendants used the Funds to finance their chapter 11 cases and/or intend to use the Funds to make distributions to creditors in contravention of governing Bahraini law and 28 U.S.C. § 959(b).

14. Defendants' appropriation of Plaintiffs' Funds in contravention of applicable Bahraini law runs afoul of section 541 of title 11 of the United States Code, (the "Bankruptcy Code") and forms the basis for the declaratory relief sought herein.

15. Accordingly, Plaintiffs seek a judgment (1) declaring that the Funds are not property of the Debtors' estates and never vested with the Reorganized Debtors; (2) compelling the Reorganized Debtors to turn over the Funds; and (3) awarding Plaintiffs prejudgment interest calculated at nine percent (9%) per annum pursuant to section 5001(a) of the New York Civil Practice Law and Rules.

PARTIES

16. The Plaintiffs are Saudi citizens with mailing addresses in Jeddah, Kingdom of Saudi Arabia.

17. Defendant Arcapita is a Bahrain closed joint stock company and corporate parent to the other Defendants.

18. Defendant Arcapita Investment Holdings Limited is a Cayman Islands exempt

company formed for the purpose of holding Arcapita's ownership interests in its investments.

19. Defendant Arcapita LT Holdings Limited is a Cayman Islands exempted company.

20. Defendant Windturbine Holdings Limited is a Cayman Islands exempted company.

21. Defendant AEID II Holdings Limited is a Cayman Islands exempted company.

22. Defendant Railinvest Holdings Limited is a Cayman Islands exempted company.

JURISDICTION AND VENUE

23. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C. §§ 157(b)(1), 1334, 2201, and 2202.

24. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (O) and is commenced under Rules 7001(1), (2) and (9) of the Federal Rules of Bankruptcy Procedure. Pursuant to Local Rule 7008-1, Plaintiffs consent to the entry of final orders or judgment by the bankruptcy judge if it is determined that the bankruptcy judge, absent consent of the parties, cannot enter final orders or judgment consistent with Article III of the United States Constitution.

25. Venue is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409.

FACTUAL BACKGROUND

26. Arcapita was founded in 1996 as a Shari'ah-compliant alternative investment vehicle and investment bank. Shari'ah, in its most basic sense, is the bedrock of Islamic jurisprudence and is derived from the Quran and the Sunnah, which in turn are based on the teachings and practices of the Islamic prophet Muhammad in conjunction with the Quran. Thus, Arcapita's activities and its relationship with its customers are governed by the laws of the

Kingdom of Bahrain as viewed through the lens of Shari'ah. In fact, the Central Bank of Bahrain (the "CBB"), the Defendants' chief regulator, expressly differentiates between what it calls "Conventional Banks" and "Islamic Banks." Bahraini law requires transactions with Islamic Banks, such as Arcapita, to be governed by Islamic Shari'ah principles.

27. At all times relevant hereto, it was the legitimate expectation of the Plaintiffs that funds in the Mudarib Accounts would be treated in compliance with both Bahraini banking law and Shari'ah. So long as doing so does not contravene Bahraini public policy, Bahraini courts are required to apply the law agreed to by the parties when interpreting and enforcing contracts. In this case, the Plaintiffs expressly sought the protections of the laws of the Kingdom of Bahrain and Islamic Shari'ah through their agreements with Arcapita.

28. Arcapita is headquartered in Bahrain and on information and belief has no significant presence in the United States other than an office in Atlanta, Georgia and certain assets in the United States. On information and belief, the Atlanta office played only a very minor role in Arcapita's operations.

29. Arcapita is regulated under an Islamic wholesale banking license issued by the CBB, which is responsible for maintaining monetary and financial stability in Bahrain.

<u>The Investment Accounts</u>

30. Plaintiffs and Arcapita entered into the IA Agreements, pursuant to which Plaintiffs placed a total of $10,262,597.36 with Arcapita (the "Original Placement") subject to Arcapita's appointment as "Mudarib."

31. Of the Original Placement, $3,012,223.55 (the "Undeployed Placement") was never invested by Arcapita and was instead maintained in the Mudarib Accounts as cash denominated in various foreign currencies.

32. At all times relevant hereto, Plaintiffs maintained the Mudarib Accounts at Arcapita pursuant to the terms of the IA Agreements.

33. The IA Agreements contemplate that Arcapita, as Mudarib, would be "appointed to be the Attorney-in-Fact of the Investor to do all acts with respect to transactions and investments…as fully as the [Plaintiffs] could do [themselves]…"

34. Paragraphs twenty-four and twenty-five of the IA Agreements provide that "Assets underlying Investment Accounts are invested and managed in strict conformity with the provisions of Islamic Shari'ah," and that the IA Agreements "shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain."

35. The Mudarabah transaction contemplated by the IA Agreements consist of two separate relationships: one in which Arcapita, as the mudarib, acted as an expert for Plaintiffs, providing specialized insight and ability, and another in which Arcapita acted as the Plaintiffs' asset manager, with duties to represent the Plaintiffs and manage their investments. Where a mudarib registers funds or assets in its name, the mudarib is merely a custodian and title does not pass from the investor to the mudarib. On information and belief, Arcapita registered the funds in the Mudarib Accounts in its name.

36. Under Bahraini law and as recognized in standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, Arcapita, in its capacity as mudarib for the Plaintiffs, retained the authority and duty to safeguard the funds or place them in the custody of a trustworthy person or entity whenever appropriate, all of for the benefit of Plaintiffs.

37. Bahraini banking laws and regulations explicitly set forth a fiduciary relationship between a Mudarib and investors such as the Plaintiffs. Article 4 of the Central Bank of Bahrain Resolution No. 23 of 2009 on Definition of Deposits provides that funds received from an

investor for Mudaraba transactions are not considered "deposits" to which title transfers away from the investor once the funds are placed with the mudarib. Instead, title to funds invested with a mudarib remains with the investor unless or until they are invested in accordance with the governing agreements and law.

38. In contravention of this Court's order (the "Confirmation Order") confirming the Debtors' Plan, the Debtors (now the Reorganized Debtors) have appropriated the funds in the Mudarib Accounts for distribution to Defendants' creditors, in violation of the IA Agreements, Shari'ah law and Bahraini law, including Central Bank of Bahrain Resolution No. 23 of 2009 as well as 28 U.S.C. § 959(b).

The Rights Offering

39. In December 2010, Arcapita attempted the Rights Offering under which its then-current shareholders, including Plaintiffs Khalid Baeshen, Sumayya Baeshen, and Sahar Baeshen, were given the opportunity to purchase up to 1,666,667 shares (the "Shares") in Arcapita in exchange for a total capital infusion $500 million.

40. The Plaintiffs placed $452,568.00 with Arcapita in response to Arcapita's solicitation to participate in the Rights Offering.

41. Arcapita ultimately accepted subscriptions from investors for 27.7 million Shares and received $83.1 million in subscription proceeds for the Rights Offering.

42. On information and belief, the Rights Offering was abandoned sometime in 2012 with no Shares ever having been created or issued by Arcapita.

43. Under the Bahraini Commercial Companies Law, the prerequisites for consummating the Rights Offering included obtaining approval of the capital increase from Arcapita's shareholders and board of directors at an extraordinary general assembly meeting,

obtaining clearance of the rights subscriptions from the Ministry of Industry and Commerce and the CBB, updating the share register, and issuing the share certificates. On information and belief, Arcapita failed to satisfy one or more of the required prerequisites and the Shares were never issued.

44. The subscription agreement (the "Subscription Agreement") controlling the relationship between Arcapita and the subscribers to the Rights Offering, including Plaintiffs Khalid Baeshen, Sumayya Baeshen, and Sahar Baeshen, is governed by, and construed in accordance with, the laws of the Kingdom of Bahrain.

45. The private placement memorandum (the "Rights Offering Memorandum") under which Arcapita solicited investments from Plaintiffs Khalid Baeshen, Sumayya Baeshen, and Sahar Baeshen is incorporated into the Subscription Agreement by reference. A copy of the Rights Offering Memorandum (including a copy of the Subscription Agreement) is attached hereto as Exhibit C.

46. The Rights Offering Memorandum provides that all funds received by Arcapita with respect to the Rights Offering "shall be initially invested in an Islamically acceptable profit-bearing account at Arcapita," and that "if the Rights Issue is terminated by the Bank, then the shareholder will be notified and all such affected subscription amounts, together with any profits accruing thereon, shall be credited to the investment account of the shareholder at the Bank pending receipt of further instructions from such shareholder."

47. Arcapita only informed investors *after* the Petition Date that the Rights Offering did not close prior to the Debtors' bankruptcy filing. On information and belief, the Rights Offering was never formally terminated in accordance with Bahraini law.

48. Under the governing agreements and applicable Bahraini law, the cash maintained

in the Plaintiffs' investment accounts and allocated to the Rights Offering never converted to equity interests in Arcapita, because Arcapita never caused the Shares to come into existence.

49. One of the conditions for a valid sale under Shari'ah law is that the object of the sale is presently in existence and owned by the seller at the time the purchaser pays for the assets. Here, on information and belief, the Shares did not exist at the time of the Rights Offering Investment and were never issued by Arcapita. Because Arcapita solicited and accepted funds from Plaintiffs to purchase Shares that never existed, the Subscription Agreement operated under Bahraini and applicable Shari'ah law to require Arcapita to safeguard the Rights Offering Investment, and the Rights Offering Investment never formed part of Arcapita's capital account. As a result, Arcapita never took title to the Rights Offering Investment, which was and remains the Plaintiffs' property.

50. Accordingly, the Debtors (now the Reorganized Debtors) have appropriated the Rights Offering Investment for distribution to Defendants' creditors, in violation of the Rights Offering Memorandum, applicable Shari'ah and Bahraini law and 28 U.S.C. § 959(b).

<u>The Debtors' Bankruptcy Cases</u>

51. Under Bahraini law, an insolvent financial institution is required to immediately cease operations unless otherwise agreed in writing by the CBB. Furthermore, where foreign judgments, such as an order of a foreign bankruptcy court, are issued in matters relating to Bahraini operations, such judgments are required to adhere to Article 252 of the Bahrain Civil and Commercial Procedures Act, which requires an application for an order of enforcement from the Bahraini High Court. On information and belief, no written agreement was ever entered into by Arcapita and the CBB modifying the default rule that Arcapita be immediately liquidated. As of September 30, 2013, the CBB register of entities holding Wholesale Islamic Banking Licenses

and thus considered "active" under Bahraini law listed Arcapita as "active" despite the fact that Arcapita has been subject to insolvency proceedings before this Court for more than a year.

52. As an admittedly insolvent company, Arcapita was required to initiate bankruptcy proceedings in Bahrain within 30 days of being unable to meet its debt obligations as they came due. Upon the initiation of such proceedings, an administrator would have been appointed to liquidate Arcapita's assets and distribute them to investors and creditors in accordance with applicable Bahraini law.

53. Under Article 32 of the Bahrain Bankruptcy and Composition Law, "the bankrupt may not leave the country except with a permission of the bankruptcy judge." Upon request of a petitioning creditor, this prohibition extended to Arcapita's directors, some of whom, on information and belief, are domiciled and/or have traveled outside of Bahrain since the Petition Date.

54. Before the Petition Date, certain of Arcapita's creditors initiated an involuntary liquidation proceeding against the Debtors in the Cayman Islands (the "Cayman Action").

55. On information and belief, Arcapita was insolvent for purposes of Bahraini law before the Petition Date, based on its imminent default on a $1.1 billion syndicated credit facility and the initiation of the Cayman Action. Faced with the prospect of immediate liquidation and other consequences in Bahrain, Arcapita and its affiliated Debtors sought refuge in the United States by filing petitions for relief under chapter 11 of the bankruptcy Code on March 18, 2012 (the "Petition Date"), and April 30, 2012, respectively, in contravention of the Bahrain Bankruptcy Law.

56. In its bankruptcy proceeding in the United States, the Debtors admitted their inability to pay their debts as they came due.

57. Despite admitting its insolvency, on information and belief, Arcapita remains listed as "active" on Bahrain's Commercial Commerce Registry in contravention of Bahraini law.

<u>The Plaintiffs' Claims in the Bankruptcy Case and the Debtors' Plan of Reorganization</u>

58. Out of an abundance of caution, Plaintiffs filed proofs of claim (the "Proofs of Claim") for the value of the Mudarib Account funds on August 28, 2012. In filing the Proofs of Claim, the Plaintiffs reserved all rights and causes of action, including, without limitation, the right to bring causes of action that the claimants may have against the Debtors.

59. On February 4, 2013, Arcapita amended Schedule F of its Bankruptcy Petition to reflect claims related to the Rights Offering. The Plaintiffs' Rights Offering Investments were listed by Defendants in the aggregate of $452,568.00 as an unsecured non-priority claim.

60. The Debtors' Amended Schedule B lists $147,392,939.10 in checking, saving, and other financial accounts as assets purportedly belonging to the Debtors. Upon information and belief, the Debtors are including the Funds within that sum and intend to use the Funds to satisfy payment obligations owed to creditors under the Plan.

61. On February 8, 2013, the Debtors filed a plan of reorganization (the "First Plan") under which the Undeployed Placement was classified as a general unsecured claim but claims pertaining to the Rights Offering were treated as subordinated claims.

62. On April 23, 2013 the Debtors filed an Omnibus Response to Objections to the Debtors' Disclosure Statement and Voting Procedures (ECF No. 1017) (the "Omnibus Response"). The Omnibus Response replied in part to an objection (the "SCB Objection") filed by Standard Chartered Bank ("SCB"). The SCB Objection claimed that the First Plan purported to use SCB's "trust property" to fund the First Plan, and that this "trust property" was not

property of the Debtors' estates. The Debtors replied that the legal and factual basis supporting the Debtors' position that SCB's "trust property" was property of the Debtors' estates "would be set forth in the Debtors' Confirmation Brief." (Omnibus Response at p. 36)

63. On April 25th, 2013, the Debtors filed a Second Amended Plan and Disclosure Statement (ECF Nos. 1036 and 1038) (the "Second Plan").

64. According to the disclosure statement for the Second Plan, the Debtors determined that QRE Investments W.L.L., an entity with a $196 million general unsecured claim arising from the placement of proceeds from the sale of joint venture shares in an Arcapita Bank account "should receive payment in full" after considering "the potential argument that the Sale Proceeds are not property of the Arcapita Bank estate." According to the Debtors, the Arcapita Bank account in which these proceeds were deposited−like the Mudarib Accounts−was callable by the depositor at any time.

65. The Debtors objected to the Plaintiffs' claims on April 26th, 2013, allowing claims related to the Undeployed Placement but denying those portions of claims related to the remainder of the Original Placement.

66. On May 30, 2013, claimant Mounzer Nasr filed a limited objection (ECF No. 1182) to the Second Plan, taking the position that equity interests held in trust by the Debtors are not property of the Debtors' estates. Responding to section 9.1.2 of the proposed Second Plan, Nasr sought to add language to the Second Plan clarifying that the Second Plan did not alter the availability of Nasr's remedies with respect to claimed property or the Debtors' ongoing fiduciary obligations emanating from custody of that property.

67. On June 6, 2013 the Debtors filed a Memorandum of Law in Support of Confirmation of Second Amended Joint Plan of Reorganization (ECF No. 1218) (the "Plan

Memorandum"). The Plan Memorandum did not explain why "trust property" is property of the Debtors' estates in the Debtors' First Plan, nor did it dispute Mr. Nasr's contention that the Second Plan did not alter or impair any person or entities' right to argue that funds or interests in the Debtors' possession are not property of the Debtors' estates subject to the Plan and thus are not available for distribution to creditors.

68. On June 17, 2013, the Court entered an order (ECF No. 1262) confirming the Plan. Neither the Plan nor the Confirmation Order discharges the Reorganized Debtors' obligation to return funds that were not property of the Debtors' estate.

69. In fact, both the Plan and the Confirmation Order expressly make clear that only "Assets" of each Debtor's Estate shall revest in the applicable Reorganized Debtor on the Effective Date. The Plan further defines "Assets" as *all property wherever located in which any of the Debtors holds a legal or equitable interest, including all property described in section 541 of the Bankruptcy Code*. (emphasis added) Pursuant to applicable Bahraini law, Debtors and now the Reorganized Debtors do not hold a legal or equitable interest in the Funds.

70. The Reorganized Debtors, through their counsel, have been aware of Plaintiffs' contention that the Funds do not constitute property of the Debtors' estates and did not vest in the Reorganized Debtors since August, 2013.

71. The Plan became effective on September 17, 2013. (ECF No. 1518)

COUNT 1 – DECLARATORY JUDGMENT THAT THE FUNDS ARE NOT PROPERTY OF THE ESTATE UNDER 541(d)

72. The Plaintiffs restate and reallege all of the foregoing Paragraphs as if fully set forth herein.

73. This is a declaratory judgment action under 28 U.S.C. §§ 2201 and 2202. An actual justiciable controversy exists as to ownership of the Funds by way of the threat of

dissipation of the Funds under the terms of the Debtors' Plan and confirmation order.

74. Under 11 U.S.C. 541(d), property in which a debtor holds only legal title and no equitable interest becomes property of the estate only to the extent of a debtor's legal title to such property.

75. Debtors and Reorganized Debtors do not hold legal title to the Funds.

76. The Plaintiffs hold the sole equitable interest in the Undeployed Placement and the Rights Offering Investment.

77. Because the Funds constituting the Undeployed Placement and the Rights Offering Investment remain property of the Plaintiffs, the Reorganized Debtors have no ownership interest in the Funds. The Funds are not property of the Debtors' estates and did not vest in the Reorganized Debtors. As a result, the Funds are not available for distribution to the Debtors' creditors and interest holders pursuant to the Plan and Confirmation Order.

COUNT 2 –TURNOVER OF THE FUNDS

78. The Plaintiffs restate and reallege all of the foregoing Paragraphs as if fully set forth herein.

79. Because Debtors do not hold title to the Undeployed Placement and the Rights Offering Investment, the Funds are not property of the Debtors' estates and did not vest in the Reorganized Debtors under 11 U.S.C. § 541(d).

80. Plaintiffs, as the rightful, equitable and legal owners of the Funds, are entitled to possession of the Funds.

81. On information and belief, Defendants have used, or intend to use, the Funds in contravention of applicable Bahraini law and in violation of 28 U.S.C. § 959(b).

82. Because the Funds are not property of the Debtors' estates and did not vest in the

Reorganized Debtors, the Reorganized Debtors are compelled to immediately turn over the Funds, with prejudgment interest, to the Plaintiffs.

WHEREFORE the Plaintiffs respectfully request that this Court enter a judgment (1) declaring that the Undeployed Placement and the Rights Offering Investment are not property of the Debtors' estates and never vested with the Reorganized Debtors; (2) directing the Reorganized Debtors to turn over the Funds to Plaintiffs; (3) granting Plaintiffs prejudgment interest pursuant to N.Y. C.P.L.R. 5001; and (4) granting Plaintiffs such other relief as the Court deems necessary and proper.

Dated: New York, New York
November 7, 2013

BAKER & HOSTETLER LLP

By: /s/ *Marc Skapof*

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EXHIBIT A

FIRST ISLAMIC
INVESTMENT BANK

APPLICATION AND AGREEMENT
FOR THE OPENING
OF AN INVESTMENT ACCOUNT

Please open an Investment Account for me/us with First Islamic Investment Bank E.C. in accordance with the information provided below. I/We confirm my/our understanding that all balances in this account will be invested in commercially available short-term Islamic investments.

GENERAL INFORMATION

ACCOUNT HOLDER	JOINT ACCOUNT HOLDER (if any)
Name(s) of Account Holder: Khalid Ahmed Baeshen	Name(s) of Joint Account Holder (if any):
Passport No: B777772	Passport No:
Issued: Jeddah, Saudi Arabia	Issued:
Residence Address:	Residence Address:
Mailing Address: P.O.Box 18 Jeddah 21411, Saudi Arabia	Mailing Address:
Phone No. (Office): +966 2 6531760	Phone No. (Office):
Phone No. (Residence):	Phone No. (Residence):
Facsimile No: +966 2 6531536	Facsimile No:
Telex No:	Telex No:
Occupation/Business:	Occupation/Business:
Client's Accounts with other banks	Client's Accounts with other banks

SPECIAL INSTRUCTION

SPECIMEN SIGNATURE(S) OF PERSONS AUTHORIZED TO OPERATE THE ACCOUNT		
Printed Name:	Title (if relevant):	Signature
Khalid Ahmed Baeshen	Vice President	

SIGNATURE AUTHORITY: ☒ Sole ☐ Two Signatures Required
☐ Other (Please Specify): ____________

BUSINESS ACCOUNTS ONLY: Provide authenticated copy of Partnership Agreement and Registration or Certificate of Incorporation / Registration, Memorandum and Articles of Association and Board or Partner's Resolutions authorizing opening the account and designating authorized signatories to operate the account or in the case of a representative of a sole proprietor, a power of attorney to the same effect.

PERSONAL ACCOUNTS ONLY: Provide copy of pages of passports showing nationality, date of birth, photograph and other relevant personal information.

INVESTOR'S BANK DETAILS FOR USUAL TRANSFER OF FUNDS TO INVESTOR

Correspondent Bank Name: As per Instruction.

SWIFT: ____________ ABA/Chips: ____________

Bank Name: ____________

Address: ____________ Account Number: ____________

Account Name: ____________

Account Number: ____________

Please open an Investment Account in my/our name in accordance with the above information. I/We agree to the general conditions which govern such accounts as stipulated on the reverse of this application.

Account Holder's Signature(s): ____________ **Date:** 27/12/200[illegible]

FOR BANK'S USE

Passport copy attached? YES/NO

Corporate documents attached? YES/NO

Investor Specific Profit Share and Transactional Costs Schedule provided to the investor? YES/NO

Completed in the presence of:

Name: ____________ **Signature:** ____________

GENERAL CONDITIONS GOVERNING INVESTMENT ACCOUNTS

All deposits in Investment Accounts with First Islamic Investment Bank E.C. ("First Islamic") are received subject to the following conditions which I/we expressly accept:

The following General Conditions shall govern the contractual relationship between First Islamic Investment Bank E.C. (hereinafter referred to as "First Islamic" or "Mudarib") and its clients (the "Investor" or "Investors") who desire to invest their funds in Investment Accounts ("Investment Accounts") in accordance with these General Conditions and in strict conformity with Islamic Shari'ah.

1. Investor hereby appoints First Islamic as Mudarib and First Islamic hereby accepts the appointment as Mudarib.

2. The Mudarib is hereby appointed to be the attorney in fact of the Investor to do all acts with respect to transactions and investments through purchase agreements, sales agreements or other agreements as fully as the Investor could do itself and to negotiate with commodity and industrial firms, their suppliers and their clients on behalf of the Investor in relation thereto.

3. Investment Accounts shall mean any account opened by Investors with First Islamic for the purpose of investing their funds in accordance with Islamic Shari'ah, as determined by the Shari'ah Supervisory Board of First Islamic.

4. Investment Accounts may be opened in United States Dollars only.

5. Investors may call balances of Investment Accounts in accordance with these General Conditions subject always that where an Investor has made an application to purchase any investment product from First Islamic, an amount equal to the purchase price ("Purchase Price") for such investment product in the Investment Account of the Investor shall be deemed to be held as part of a closing account for such investment and, as such, no calls may be made by the Investor as to the amount of the Purchase Price in the Investment Account until that Investor's application to purchase the investment product is accepted or rejected by First Islamic for its own account or as agent for any seller of such investment product.

6. Investors may call balances (or part thereof) of Investment Accounts upon receipt by First Islamic of at least fifteen (15) Business Days advance written notice. Where such call specifies a payment date which is a day other than a Business Day, First Islamic shall effect payment on the next Business Day after such date.

Investment Documentation to be Provided to Investor

7. The Investment Accounts will be evidenced by Account Statement(s) to be issued by First Islamic.

Mudarib's Profit Share Schedule and Transactional Costs

8. First Islamic's Investor Specific Profit Share and Transactional Costs Schedule attached hereto and pertaining to this particular Investment Account, shall form an integral part of this Agreement and may be changed from time to time subject to 30 Business Days prior notification to the Investor.

Cost of Operations

9. First Islamic shall bear all of the costs of normal banking operations (with the exception of any transaction charges imposed by third parties in the operation of the Investment Account), and First Islamic shall bear the cost of managing the assets held for Investment Accounts. Brokerage commissions and similar costs and expenses paid to third parties in the ordinary course of business in connection with the acquisition or sale of assets acquired for the Investment Accounts are treated as part of the capital costs of such assets and not as expenses borne by First Islamic. Such costs will be payable by the Investor.

10. Where the obligation of the Mudarib to make a payment arises as a result of its having received sums from another person, the Mudarib shall not be obliged to make such payment until it has been able to establish that it has actually received such sums, but if it does so and it proves to be the case that it had not received such sums, or if it does so in anticipation of receipt of such sums which are not subsequently received, then the Investor shall, on demand by the Mudarib, repay the amount paid to the Investor.

Asset Treatment and Evaluation of Profit

11. a) All assets pertaining to Investment Accounts of any kind whatsoever may be commingled. These assets are valued at the end of every Gregorian month. Net profit realized and accrued for the month is credited to the Investor's account at the end of each pertinent month, less the Mudarib's share of the net profit and any transaction costs and costs of operations.

b) First Islamic shall invest at its discretion the commingled assets on a short, medium or long term basis subject to any necessary liquidity levels required to be maintained.

c) The commingled assets may, from time to time, be invested with First Islamic on a short term basis wherein the Investor will take First Islamic risk. In such transactions, First Islamic will use its best judgment to ensure that such transactions are conducted an arms length basis on commercially acceptable terms and in full compliance with First Islamic's fiduciary duties to the Investors herein. Where First Islamic acts as principal in such transactions, First Islamic shall not share in any of the profit generated thereby.

12. Where a particular investment has been made for a fixed term, either as a result of the Investor's own specification or otherwise, withdrawals from an Investment Account before maturity of such fixed term investment may be permitted under exceptional circumstances at the discretion and subject to the ability of First Islamic to break such term. Where withdrawals are permitted by First Islamic prior to maturity of a fixed term investment, the Investor shall receive only a pro rata portion of the profit due and such profit shall be in proportion to the period of time the funds were invested and the period of time remaining under the relevant fixed term less an administration charge in respect of the breaking of the fixed term investment prior to maturity.

First Islamic's Share of Profit

13. First Islamic, as Mudarib, shall receive its share of profit from the total profit, if any, generated by the investment of assets held for Investment Accounts, provided that, in the event of any loss during any valuation period, First Islamic shall be entitled to no profit on that relevant valuation date. The percentage at which such share of profit will be received by First Islamic is stated separately in the Investor Specific Profit Share and Transactional Costs Schedule pertaining to this specific Investment Account and shall be provided to such specific Investment Account holder at the time of opening of the Investment Account, subject to Section 8 hereof. First Islamic may, at its sole discretion, forego a part or all of its share of profit in favor of the Investors.

Changes in General Conditions

14. First Islamic reserves the right to change the General Conditions at any time by serving a 30-day notice to the Investment Account holders. The change shall take effect on the last day of the said notice period.

Power of Disposal of the Account

15. Subject to a written revocation received by First Islamic, the signatures deposited on file with First Islamic shall be the only ones in effect. First Islamic shall not be bound by different provisions recorded in any other register or document, public or private.

Signature Control Regulation

16. First Islamic is entitled to rely on any signature (whether facsimile or original) it believes in good faith to be one of the signatories

provided to it as the signature of a person authorized to deal with the Investment Account. First Islamic undertakes to check conscientiously the signatures of Investors and their designated Attorneys-in-Fact. First Islamic is authorized, but not obligated, to accept telephonic and other oral instructions regarding the account and will not be held liable for any actions taken on the basis of any such instructions which it believes in good faith to be genuine. The Investor hereby acknowledges that it is fully aware of the risk associated with communications via telephone, untested telex or facsimile transmission. In relation to any communication received by First Islamic via telephone, telex or facsimile transmission in or purported to be in the Investor's name or the name of one or more authorized representatives of the Investor, the Investor hereby irrevocably (i) authorizes First Islamic to accept, rely and act upon such communication without further enquiry as to the authority or identity of the person sending such communication (ii) indemnifies First Islamic against all losses, claims, actions, proceedings, damages, costs and expenses incurred or sustained by First Islamic as a result of First Islamic accepting, relying and acting upon such communication and (iii) acknowledges that First Islamic shall have no liability in the event that any untested telex or facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason.

Notice

17. The effective date of any notice or other communication hereunder shall be deemed to be the date of receipt if delivered personally or if transmitted by mail or international courier service; or the date of transmission, with confirmed answerback, if transmitted by tested telex, or with confirmation sheet if transmitted by facsimile, whichever shall first occur.

Transmission Errors

18. First Islamic shall not be held liable for damage resulting from cable, facsimile or telex transmission errors, nor for delays, misroutings or losses by post offices, railroads or air carriers.

Defective Execution of Orders

19. First Islamic will only have liability to the Investor if it is grossly negligent or acts with willful indifference to the Investor's interests. First Islamic will not be liable for continuing to act hereunder or under any transaction approved by the Investor.

Investor's Complaints

20. Complaints concerning periodic statements pertaining to Investment Accounts shall be made within one month from the date of receipt by the Investor.

Right of Lien and Set Off

21. In regard to all its claims, First Islamic shall have a lien on all of the assets in the Investment Accounts or held on behalf of the Investors as well as the right to set off any Investor's credit balance against all its claims, regardless of the currency in which they may be expressed. The same shall also apply to any Islamically acceptable financial services provided by First Islamic to the Investor, whether unsecured or against specific collateral. If the Investor, for any reason whatsoever, is in default, First Islamic shall be authorized to dispose immediately of the Investor's assets, at its own discretion, either by public or private sale.

Termination of Business Relationship

22. This Agreement shall remain valid until (i) either party has given at least 30 Business Days' notice of termination in writing to the other party; and (ii) all outstanding investments have been liquidated or transferred (as hereinafter described); and termination of this Agreement shall occur when conditions (i) and (ii) above have been satisfied. Upon receipt of a notice of termination by either party, the Mudarib will in relation to the investments which are outstanding at such time, in consultation with the Investor and as soon as practicable, liquidate such investments readily capable of liquidation and transfer all other investments to the Investor or to such other party as the Investor may specify for such purpose.

Business Days

23. Business Day shall mean a day on which banks are open for business in Bahrain and in New York.

Shari'ah Supervisory Board

24. Assets underlying Investment Accounts are invested and managed in strict conformity with the provisions of Islamic Shari'ah. All investments of such assets are subject to review and supervision of First Islamic's Shari'ah Supervisory Board, the determinations of which are binding on all First Islamic's Investors.

Governing Law

25. This Agreement shall be governed by and construed in accordance with the laws of Bahrain to the extent such laws are not inconsistent with the laws of Islamic Shari'ah and each of the parties hereto irrevocably agrees for the benefit of First Islamic that the Courts of Bahrain shall have jurisdiction for the purpose of any proceedings arising out of or in connection with this Agreement and, for such purposes, irrevocably submits to the jurisdiction of such courts.

26. Any issue not settled by the text of these General Conditions or any ambiguity therein shall be determined or construed in accordance with Shari'ah, as determined by First Islamic's Shari'ah Supervisory Board.

Performance

27. First Islamic shall invest the assets of Investment Accounts in its name but for the account and at the sole risk of the holders of Investment Accounts. First Islamic's action on the Investor's behalf hereunder and in connection with any transaction or investment is for the Investor's account and risk. First Islamic will only have liability to the Investor as a result of its gross negligence or willful misconduct. First Islamic will not be liable for continuing to act hereunder after this Agreement is terminated.

Indemnity

28. First Islamic will be entitled to be indemnified out of the assets held by it in an Investment Account in respect of any cost, claim, loss, expense (including legal fees) or liability (other than those resulting from First Islamic's non-compliance with these General Conditions or resulting from First Islamic's own gross negligence or willful misconduct) which may be imposed on, incurred by or asserted against First Islamic in performing its obligations or duties in accordance with these General Conditions.

AGREED AND ACCEPTED BY INVESTOR:

Signature: ______________________ **Date:** 27/12/2002

AGREED AND ACCEPTED BY FIRST ISLAMIC:

Signature: ______________________ **Date:** ______________________

FIRST ISLAMIC
INVESTMENT BANK

SPECIMEN SIGNATURE CARD

Date 27/12/2002 Account No. ______________

Name of Account Mr. Khalid Ahmed Baeshen

(CAUTION: unused boxes should be marked "VOID")

NAME	SIGNATURE
1) Khalid Ahmed Baeshen	
2)	
3)	
4)	
5)	

To operate singly/~~jointly with~~ any ______ signature(s)

FOR BANK'S USE ONLY	
Above signature verified by	Approved by
Name	Name
Signature	Signature

ص ب ١٤٠٦، المنامة البحرين. رقم الهاتف: ٢١٨٣٣٣ (٩٧٣). رقم الفاكسميلي: ٢١٧٥٥٥ (٩٧٣). www.firstislamic.com
P.O. Box 1406, Manama, Bahrain. Telephone: (973) 218333, Facsimile: (973) 217555, www.firstislamic.com

INVESTOR SPECIFIC PROFIT SHARE AND TRANSACTIONAL COSTS SCHEDULE

Name of Account: Khalid Ahmed Baeshen

Application Date: 06/11/2002

Schedule Issuance Date: ______

Mudarib Share of Profit:

First Islamic shall receive 0.50% per annum of the profits earned from investing the funds in the Investment Account determined and payable in arrears.

Transactional Costs:

First Islamic will not charge any account operating costs; however, any transactional costs and charges by third parties in the operation of the Investment Account will be passed on to the Investor.

AGREED AND ACCEPTED:

______

(Authorized signatory)

EXHIBIT B

Mr. Osama Ahmed A. Baeshen

ARCAPITA

APPLICATION AND AGREEMENT
FOR THE OPENING
OF AN INVESTMENT ACCOUNT

Please open an Investment Account for me/us with Arcapita Bank B.S.C.(c) in accordance with the information provided below and on the terms of the General Conditions as set out herein.

GENERAL INFORMATION

ACCOUNT HOLDER	JOINT ACCOUNT HOLDER (if any)
Name of Account Holder: Osama Ahmed A. Baeshen	Name of Joint Account Holder (if any):
Nationality: Saudi	Nationality:
Passport No. & Expiry Date: H935321 Date of Expiry: 28/6/2013	Passport No. & Expiry date:
Issued in: Jeddah	Issued in:
Residence Address*: Abd-AlLah Ibn Jalawi St. Al Rawdah District Jeddah, Saudi Arabia	Residence Address*:
Mailing Address: P.O. Box 18 Jeddah 21411 Saudi Arabia	Mailing Address:
Phone No. (Office): +9662 6570160	Phone No. (Office):
Phone No. (Residence):	Phone No. (Residence):
Facsimile No.: +9662 653 1536	Facsimile No.:
Email:	Email:
Occupation/Business:	Occupation/Business:

*Full physical address is required (e.g. P.O. Box is not acceptable)

INVESTOR'S BANK DETAILS FOR TRANSFER OF FUNDS TO INVESTOR

Correspondent Bank Name:

SWIFT: ABA/Chips:

Investor's Bank Name:

Address: Account Number:

SWIFT: ABA/Chips:

Investor's Account Name:

Investor's Account Number:

SPECIAL INSTRUCTIONS

SPECIMEN SIGNATURE(S) OF AUTHORIZED SIGNATORIES

(Caution: unused boxes should be marked "Void")

	NAME	SIGNATURE
1	Osama Ahmed A. Baeshen	
2		
3		
4		

To operate singly/jointly with any .... (number of) signatures

GENERAL CONDITIONS GOVERNING INVESTMENT ACCOUNTS

The following conditions (the "General Conditions") shall govern the contractual relationship between Arcapita Bank B.S.C.(c) (hereinafter referred to as "Arcapita", the "Bank" or "Mudarib") and its clients (the "Investor" or "Investors") who desire to invest their funds in investment accounts ("Investment Accounts") in accordance with these General Conditions and in strict conformity with Islamic Shari'ah.

Investment Accounts

1. Investor hereby appoints Arcapita as Mudarib and Arcapita hereby accepts the appointment as Mudarib.

2. The Mudarib is hereby appointed to be the Attorney-in-Fact of the Investor to do all acts with respect to transactions and investments through purchase agreements, sales agreements or other agreements as fully as the Investor could do itself and to negotiate with commodity and industrial firms, their suppliers and their clients on behalf of the Investor in relation thereto.

3. Investment Accounts shall mean any account opened by Investors with Arcapita for the purpose of investing their funds in accordance with Islamic Shari'ah, as determined by the Shari'ah Supervisory Board of Arcapita.

4. Investment Accounts may only be opened in United States Dollars, British Pounds, Euros, Japanese Yen and such other currencies as Arcapita may expressly permit from time to time. Transfers of funds received by Arcapita in any other currency will be exchanged to a currency acceptable to the Bank at commercially available market rates at the risk of the Investor. All movements in exchange rates will be at the risk of the Investor.

5. Investors may call balances of Investment Accounts in accordance with these General Conditions subject always that where an Investor has made an application to purchase any investment product from Arcapita, an amount equal to the purchase price ("Purchase Price") for such investment product in the Investment Account of the Investor shall be deemed to be held as part of a closing account for such investment and, as such, no calls may be made by the Investor as to the amount of the Purchase Price in the Investment Account until that Investor's application to purchase the investment product is accepted or rejected by Arcapita for its own account or as agent for any seller of such investment product.

6. Investors may call balances (or part thereof) of Investment Accounts upon receipt by Arcapita of at least seven (7) Business Days advance written notice. Where such call specifies a payment date which is a day other than a Business Day, Arcapita shall effect payment on the next Business Day after such date.

7. The Investment Accounts will be evidenced by account statement(s) to be issued by Arcapita to the Investor.

Mudarib's Profit Share and Transactional Costs

8. a) Mudarib Share of Profit: Arcapita shall receive 0.50% per annum of the profits earned from investing cash balances in the Investment Account determined and payable in arrears.

   b) Transactional Costs: Arcapita will not charge any account operating costs; however, any transactional costs and charges by third parties in the operation of the Investment Account will be passed on to the Investor.

Cost of Operations

9. Arcapita shall bear all of the costs of normal banking operations (with the exception of any transaction charges imposed by third parties in the operation of the Investment Account), and Arcapita shall bear the cost of managing the assets held for Investment Accounts. Brokerage commissions and similar costs and expenses paid to third parties in the ordinary course of business in connection with the acquisition or sale of assets acquired for the Investment Accounts are treated as part of the capital costs of such assets and not as expenses borne by Arcapita. Such costs will be payable by the Investor.

10. Where the obligation of the Mudarib to make a payment arises as a result of its having received sums from another person, the Mudarib shall not be obliged to make such payment until it has been able to establish that it has actually received such sums, but if it does so and it proves to be the case that it had not received such sums, or if it does so in anticipation of receipt of such sums which are not subsequently received, then the Investor shall, on demand by the Mudarib, repay the amount paid to the Investor.

Asset Treatment and Evaluation of Profit

11. a) All assets pertaining to Investment Accounts of any kind whatsoever may be commingled. These assets are valued at the end of every Gregorian month. Net profit realized and accrued for the month is credited to the Investor's account at the end of each pertinent month, less the Mudarib's share of the net profit and any transaction costs and costs of operations.

    b) Arcapita shall invest at its discretion the commingled assets on a short, medium or long term basis subject to any necessary liquidity levels required to be maintained.

    c) The commingled assets may, from time to time, be invested with Arcapita wherein the Investor will take Arcapita risk. In such transactions, Arcapita will use its best judgment to ensure that such transactions are conducted on an arms length basis on commercially acceptable terms and in full compliance with Arcapita's fiduciary duties to the Investors herein. Where Arcapita acts as principal in such transactions, Arcapita shall not share in any of the profit generated thereby.

12. Where a particular investment has been made for a fixed term, either as a result of the Investor's own specification or otherwise, withdrawals from an Investment Account before maturity of such fixed term investment may be permitted under exceptional circumstances at the discretion and subject to the ability of Arcapita to break such term. Where withdrawals are permitted by Arcapita prior to maturity of a fixed term investment, the Investor shall receive only a pro rata portion of the profit due and such profit shall be in proportion to the period of time the funds were invested and the period of time remaining under the relevant fixed term less an administration charge in respect of the breaking of the fixed term investment prior to maturity.

Arcapita's Share of Profit

13. Arcapita, as Mudarib, shall receive its share of profit from the total profit, if any, generated by the investment of assets held for the Investment Accounts, provided that, in the event of any loss during any valuation period, Arcapita shall be entitled to no profit on that relevant valuation date. The profit share and transactional costs attributable as between the Mudarib and the Investor pertaining to this specific Investment Account shall be in accordance with Section 8 hereof unless the Investment Account holder is notified in writing of any changes thereto either at the time of opening this Investment Account or at any time thereafter in accordance with Section 14 hereof. Arcapita may, at its sole discretion, forego a part or all of its share of profit in favor of the Investors.

Changes in General Conditions

14. Arcapita reserves the right to change the General Conditions at any time by serving a 15-day notice to the Investment Account holders. The change shall take effect on the last day of the said notice period.

Power of Disposal of the Account

15. Subject to a written revocation received by Arcapita, the signatures deposited on file with Arcapita shall be the only ones in effect. Arcapita shall not be bound by different provisions recorded in any other register or document, whether public or private.

Signature Control Regulation

16. Arcapita is entitled to rely on any signature (whether facsimile or original) it believes in good faith to be one of the signatories provided to it as the signature of a person authorized to deal with the Investment Account. Arcapita undertakes to check conscientiously the signatures of Investors and their designated Attorneys-in-Fact. Arcapita is authorized, but not obligated, to accept telephonic and other oral instructions regarding the Investment Account and will not be held liable for any actions taken on the basis of any such instructions which it believes in good faith to be genuine. The Investor hereby acknowledges that it is fully aware of the risk associated with communications via telephone, email, untested telex or facsimile transmission. In relation to any communication received by Arcapita via telephone, email, telex or facsimile transmission in or purported to be in the Investor's name or the name of one or more authorized representatives of the Investor, the Investor hereby irrevocably (i) authorizes Arcapita to accept, rely and act upon such communication without further enquiry as to the authority or identity of the person sending such communication, (ii) indemnifies Arcapita against all losses, claims, actions, proceedings, damages, costs and expenses incurred or sustained by Arcapita as a result of Arcapita accepting, relying and acting upon such communication and (iii) acknowledges that Arcapita shall have no liability in the event that any email, untested telex or facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason.

Notice

17. The effective date of any notice or other communication hereunder shall be deemed to be the date of receipt if delivered personally or if transmitted by mail or international courier service; or the date of transmission, with confirmed answerback, if transmitted by tested telex, or with confirmation sheet if transmitted by facsimile, whichever shall first occur.

Transmission Errors

18. Arcapita shall not be held liable for damage resulting from email, cable, facsimile or telex transmission errors, nor for delays, misroutings or losses by post offices, railroads or air carriers.

Defective Execution of Orders

19. Arcapita will only have liability to the Investor if it is grossly negligent or acts with willful indifference to the Investor's interests. Arcapita will not be liable for continuing to act hereunder or under any transaction approved by the Investor.

Investor's Complaints

20. Complaints concerning periodic statements pertaining to Investment Accounts shall be made within one month from the date of receipt by the Investor.

Right of Lien and Set Off

21. In regard to all its claims, Arcapita shall have a lien on all of the assets in the Investment Accounts or held on behalf of the Investors as well as the right to set off any Investor's credit balance against all its claims, regardless of the currency in which they may be expressed. The same shall also apply to any Islamically acceptable financial services provided by Arcapita to the Investor, whether unsecured or against specific collateral. If the Investor, for any reason whatsoever, is in default, Arcapita shall be authorized to dispose immediately of the Investor's assets, at its own discretion, either by public or private sale.

Termination of Business Relationship

22. This Agreement shall remain valid until (i) either party has given at least thirty (30) Business Days notice of termination in writing to the other party; and (ii) all outstanding investments have been liquidated or transferred (as hereinafter described). Termination of this Agreement shall occur when conditions (i) and (ii) above have been satisfied. Upon receipt of a notice of termination by either party, the Mudarib will, in relation to the investments which are outstanding at such time, in consultation with the Investor and as soon as practicable, liquidate such investments readily capable of liquidation and transfer all other investments to the Investor or to such other party as the Investor may specify for such purpose.

Business Days

23. "Business Day" shall mean a day on which banks are open for business in Bahrain, New York and London.

Shari'ah Supervisory Board

24. Assets underlying Investment Accounts are invested and managed in strict conformity with the provisions of Islamic Shari'ah. All investments of such assets are subject to review and supervision of Arcapita's Shari'ah Supervisory Board, the determinations of which are binding on all Arcapita's Investors.

Governing Law and Jurisdiction

25. This Agreement shall be governed by and construed in accordance with the laws of the Kindgom of Bahrain and each of the parties hereto irrevocably agrees for the benefit of Arcapita that the Courts of Bahrain shall have jurisdiction for the purpose of any proceedings arising out of or in connection with this Agreement and, for such purposes, irrevocably submits to the exclusive jurisdiction of such courts.

26. Any issue not settled by the text of these General Conditions or any ambiguity therein shall be determined or construed in accordance with Shari'ah, as determined by Arcapita's Shari'ah Supervisory Board.

Performance

27. Arcapita shall invest the assets of Investment Accounts in its name but for the account and at the sole risk of the holders of Investment Accounts. Arcapita's action on the Investor's behalf hereunder and in connection with any transaction or investment is for the Investor's account and risk. Arcapita will only have liability to the Investor as a result of its gross negligence or willful misconduct. Arcapita will not be liable for continuing to act hereunder after this Agreement is terminated.

Indemnity

28. Arcapita will be entitled to be indemnified out of the assets held by it in an Investment Account in respect of any cost, claim, loss, expense (including legal fees) or liability (other than those resulting from Arcapita's non-compliance with these General Conditions or resulting from Arcapita's own gross negligence or willful misconduct) which may be imposed on, incurred by or asserted against Arcapita in performing its obligations or duties in accordance with these General Conditions.

Compliance

29. Arcapita is authorized and permitted to release details of the Investment Account and certain other information pertaining to the Investor to any regulatory party or other third party in order to comply with any regulatory environment and the requirements of any counterparties as to their general compliance and "know-your-customer" policies.

Please open an Investment Account in my/our name in accordance with the above information.
I/We agree to the General Conditions which govern such accounts as stipulated herein.

Account Holder's Signature(s): 1. ______________ Date: ______________

2. ______________ Date: ______________

This Agreement must be accompanied by the following "know-your-customer" documents:

Corporate Investors:

- Certificate of Incorporation and/or Certificate of Commercial Registration
- Memorandum and Articles of Association
- Copy of latest financial reports
- Names, nationality and date of birth of the directors and officers
- Identification documents of the directors and officers (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories (passport and a secondary ID)
- List of ultimate beneficial owners (must be individuals) and identification documents of the ultimate beneficial owners (passport and a secondary ID), (and for publicly listed companies, a list of the main shareholders holding 5% or more of the issued capital)

Partnerships

- Partnership agreement
- Partnership registration documents
- Names, nationality and date of birth of the partners
- Identification documents of the partners (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories to operate the account (passport and a secondary ID)

Trusts

- Trust deed
- Trust registration documents
- Identification documents of the settlor, the trustee and the beneficiaries (passport and a secondary ID)

Individual and Joint Account Holders:

- Copy of the passport of each Investor certified as true copies by an Arcapita employee
- Copy of additional identification document, which includes any of the following:
  - o Government issued identity card
  - o Driving license
  - o Utility bill
  - o Birth certificate

FOR BANK'S USE

Passport copy	☐ YES	☐ NO
Secondary identification document	☐ YES	☐ NO
Corporate documents	☐ YES	☐ NO

Completed in the presence of:

Name: ______________ Signature: ______________

ARCAPITA

Ms. Sahar Ahmed A. Baeshen

ARCAPITA

APPLICATION AND AGREEMENT
FOR THE OPENING
OF AN INVESTMENT ACCOUNT

Please open an Investment Account for me/us with Arcapita Bank B.S.C.(c) in accordance with the information provided below and on the terms of the General Conditions as set out herein.

GENERAL INFORMATION

ACCOUNT HOLDER	JOINT ACCOUNT HOLDER (if any)
Name of Account Holder: Sahar Ahmed A. Baeshen	Name of Joint Account Holder (if any):
Nationality: Saudi	Nationality:
Passport No. & Expiry Date: H 559879 Date of Expiry : 24/2/2013	Passport No. & Expiry date:
Issued in: Jeddah	Issued in:
Residence Address*: Ibn AL-Nafessah St. AL-Naeem District /4 Jeddah, Saudi Arabia	Residence Address*:
Mailing Address: P.O. Box 18 Jeddah 21411 Saudi Arabia	Mailing Address:
Phone No. (Office): +9662 6570160	Phone No. (Office):
Phone No. (Residence):	Phone No. (Residence):
Facsimile No.: +9662 6531536	Facsimile No.:
Email:	Email:
Occupation/Business:	Occupation/Business:

*Full physical address is required (e.g. P.O. Box is not acceptable)

INVESTOR'S BANK DETAILS FOR TRANSFER OF FUNDS TO INVESTOR

Correspondent Bank Name:

SWIFT: ABA/Chips:

Investor's Bank Name:

Address: Account Number:

SWIFT: ABA/Chips:

Investor's Account Name:

Investor's Account Number:

SPECIAL INSTRUCTIONS

SPECIMEN SIGNATURE(S) OF AUTHORIZED SIGNATORIES

(Caution: unused boxes should be marked "Void")

	NAME	SIGNATURE
1	Sahar Ahmed A. Baeshen	
2		
3		
4		

To operate singly/jointly with any .... (number of) signatures

GENERAL CONDITIONS GOVERNING INVESTMENT ACCOUNTS

The following conditions (the "General Conditions") shall govern the contractual relationship between Arcapita Bank B.S.C.(c) (hereinafter referred to as "Arcapita", the "Bank" or "Mudarib") and its clients (the "Investor" or "Investors") who desire to invest their funds in investment accounts ("Investment Accounts") in accordance with these General Conditions and in strict conformity with Islamic Shari'ah.

Investment Accounts

1. Investor hereby appoints Arcapita as Mudarib and Arcapita hereby accepts the appointment as Mudarib.

2. The Mudarib is hereby appointed to be the Attorney-in-Fact of the Investor to do all acts with respect to transactions and investments through purchase agreements, sales agreements or other agreements as fully as the Investor could do itself and to negotiate with commodity and industrial firms, their suppliers and their clients on behalf of the Investor in relation thereto.

3. Investment Accounts shall mean any account opened by Investors with Arcapita for the purpose of investing their funds in accordance with Islamic Shari'ah, as determined by the Shari'ah Supervisory Board of Arcapita.

4. Investment Accounts may only be opened in United States Dollars, British Pounds, Euros, Japanese Yen and such other currencies as Arcapita may expressly permit from time to time. Transfers of funds received by Arcapita in any other currency will be exchanged to a currency acceptable to the Bank at commercially available market rates at the risk of the Investor. All movements in exchange rates will be at the risk of the Investor.

5. Investors may call balances of Investment Accounts in accordance with these General Conditions subject always that where an Investor has made an application to purchase any investment product from Arcapita, an amount equal to the purchase price ("Purchase Price") for such investment product in the Investment Account of the Investor shall be deemed to be held as part of a closing account for such investment and, as such, no calls may be made by the Investor as to the amount of the Purchase Price in the Investment Account until that Investor's application to purchase the investment product is accepted or rejected by Arcapita for its own account or as agent for any seller of such investment product.

6. Investors may call balances (or part thereof) of Investment Accounts upon receipt by Arcapita of at least seven (7) Business Days advance written notice. Where such call specifies a payment date which is a day other than a Business Day, Arcapita shall effect payment on the next Business Day after such date.

7. The Investment Accounts will be evidenced by account statement(s) to be issued by Arcapita to the Investor.

Mudarib's Profit Share and Transactional Costs

8. a) Mudarib Share of Profit: Arcapita shall receive 0.50% per annum of the profits earned from investing cash balances in the Investment Account determined and payable in arrears.

   b) Transactional Costs: Arcapita will not charge any account operating costs; however, any transactional costs and charges by third parties in the operation of the Investment Account will be passed on to the Investor.

Cost of Operations

9. Arcapita shall bear all of the costs of normal banking operations (with the exception of any transaction charges imposed by third parties in the operation of the Investment Account), and Arcapita shall bear the cost of managing the assets held for Investment Accounts. Brokerage commissions and similar costs and expenses paid to third parties in the ordinary course of business in connection with the acquisition or sale of assets acquired for the Investment Accounts are treated as part of the capital costs of such assets and not as expenses borne by Arcapita. Such costs will be payable by the Investor.

10. Where the obligation of the Mudarib to make a payment arises as a result of its having received sums from another person, the Mudarib shall not be obliged to make such payment until it has been able to establish that it has actually received such sums, but if it does so and it proves to be the case that it had not received such sums, or if it does so in anticipation of receipt of such sums which are not subsequently received, then the Investor shall, on demand by the Mudarib, repay the amount paid to the Investor.

Asset Treatment and Evaluation of Profit

11. a) All assets pertaining to Investment Accounts of any kind whatsoever may be commingled. These assets are valued at the end of every Gregorian month. Net profit realized and accrued for the month is credited to the Investor's account at the end of each pertinent month, less the Mudarib's share of the net profit and any transaction costs and costs of operations.

    b) Arcapita shall invest at its discretion the commingled assets on a short, medium or long term basis subject to any necessary liquidity levels required to be maintained.

    c) The commingled assets may, from time to time, be invested with Arcapita wherein the Investor will take Arcapita risk. In such transactions, Arcapita will use its best judgment to ensure that such transactions are conducted on an arms length basis on commercially acceptable terms and in full compliance with Arcapita's fiduciary duties to the Investors herein. Where Arcapita acts as principal in such transactions, Arcapita shall not share in any of the profit generated thereby.

12. Where a particular investment has been made for a fixed term, either as a result of the Investor's own specification or otherwise, withdrawals from an Investment Account before maturity of such fixed term investment may be permitted under exceptional circumstances at the discretion and subject to the ability of Arcapita to break such term. Where withdrawals are permitted by Arcapita prior to maturity of a fixed term investment, the Investor shall receive only a pro rata portion of the profit due and such profit shall be in proportion to the period of time the funds were invested and the period of time remaining under the relevant fixed term less an administration charge in respect of the breaking of the fixed term investment prior to maturity.

Arcapita's Share of Profit

13. Arcapita, as Mudarib, shall receive its share of profit from the total profit, if any, generated by the investment of assets held for the Investment Accounts, provided that, in the event of any loss during any valuation period, Arcapita shall be entitled to no profit on that relevant valuation date. The profit share and transactional costs attributable as between the Mudarib and the Investor pertaining to this specific Investment Account shall be in accordance with Section 8 hereof unless the Investment Account holder is notified in writing of any changes thereto either at the time of opening this Investment Account or at any time thereafter in accordance with Section 14 hereof. Arcapita may, at its sole discretion, forego a part or all of its share of profit in favor of the Investors.

Changes in General Conditions

14. Arcapita reserves the right to change the General Conditions at any time by serving a 15-day notice to the Investment Account holders. The change shall take effect on the last day of the said notice period.

Power of Disposal of the Account

15. Subject to a written revocation received by Arcapita, the signatures deposited on file with Arcapita shall be the only ones in effect. Arcapita shall not be bound by different provisions recorded in any other register or document, whether public or private.

Signature Control Regulation

16. Arcapita is entitled to rely on any signature (whether facsimile or original) it believes in good faith to be one of the signatories provided to it as the signature of a person authorized to deal with the Investment Account. Arcapita undertakes to check conscientiously the signatures of Investors and their designated Attorneys-in-Fact. Arcapita is authorized, but not obligated, to accept telephonic and other oral instructions regarding the Investment Account and will not be held liable for any actions taken on the basis of any such instructions which it believes in good faith to be genuine. The Investor hereby acknowledges that it is fully aware of the risk associated with communications via telephone, email, untested telex or facsimile transmission. In relation to any communication received by Arcapita via telephone, email, telex or facsimile transmission in or purported to be in the Investor's name or the name of one or more authorized representatives of the Investor, the Investor hereby irrevocably (i) authorizes Arcapita to accept, rely and act upon such communication without further enquiry as to the authority or identity of the person sending such communication, (ii) indemnifies Arcapita against all losses, claims, actions, proceedings, damages, costs and expenses incurred or sustained by Arcapita as a result of Arcapita accepting, relying and acting upon such communication and (iii) acknowledges that Arcapita shall have no liability in the event that any email, untested telex or facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason.

Notice

17. The effective date of any notice or other communication hereunder shall be deemed to be the date of receipt if delivered personally or if transmitted by mail or international courier service; or the date of transmission, with confirmed answerback, if transmitted by tested telex, or with confirmation sheet if transmitted by facsimile, whichever shall first occur.

Transmission Errors

18. Arcapita shall not be held liable for damage resulting from email, cable, facsimile or telex transmission errors, nor for delays, misroutings or losses by post offices, railroads or air carriers.

Defective Execution of Orders

19. Arcapita will only have liability to the Investor if it is grossly negligent or acts with willful indifference to the Investor's interests. Arcapita will not be liable for continuing to act hereunder or under any transaction approved by the Investor.

Investor's Complaints

20. Complaints concerning periodic statements pertaining to Investment Accounts shall be made within one month from the date of receipt by the Investor.

Right of Lien and Set Off

21. In regard to all its claims, Arcapita shall have a lien on all of the assets in the Investment Accounts or held on behalf of the Investors as well as the right to set off any Investor's credit balance against all its claims, regardless of the currency in which they may be expressed. The same shall also apply to any Islamically acceptable financial services provided by Arcapita to the Investor, whether unsecured or against specific collateral. If the Investor, for any reason whatsoever, is in default, Arcapita shall be authorized to dispose immediately of the Investor's assets, at its own discretion, either by public or private sale.

Termination of Business Relationship

22. This Agreement shall remain valid until (i) either party has given at least thirty (30) Business Days notice of termination in writing to the other party; and (ii) all outstanding investments have been liquidated or transferred (as hereinafter described). Termination of this Agreement shall occur when conditions (i) and (ii) above have been satisfied. Upon receipt of a notice of termination by either party, the Mudarib will, in relation to the investments which are outstanding at such time, in consultation with the Investor and as soon as practicable, liquidate such investments readily capable of liquidation and transfer all other investments to the Investor or to such other party as the Investor may specify for such purpose.

Business Days

23. "Business Day" shall mean a day on which banks are open for business in Bahrain, New York and London.

Shari'ah Supervisory Board

24. Assets underlying Investment Accounts are invested and managed in strict conformity with the provisions of Islamic Shari'ah. All investments of such assets are subject to review and supervision of Arcapita's Shari'ah Supervisory Board, the determinations of which are binding on all Arcapita's Investors.

Governing Law and Jurisdiction

25. This Agreement shall be governed by and construed in accordance with the laws of the Kindgom of Bahrain and each of the parties hereto irrevocably agrees for the benefit of Arcapita that the Courts of Bahrain shall have jurisdiction for the purpose of any proceedings arising out of or in connection with this Agreement and, for such purposes, irrevocably submits to the exclusive jurisdiction of such courts.

26. Any issue not settled by the text of these General Conditions or any ambiguity therein shall be determined or construed in accordance with Shari'ah, as determined by Arcapita's Shari'ah Supervisory Board.

Performance

27. Arcapita shall invest the assets of Investment Accounts in its name but for the account and at the sole risk of the holders of Investment Accounts. Arcapita's action on the Investor's behalf hereunder and in connection with any transaction or investment is for the Investor's account and risk. Arcapita will only have liability to the Investor as a result of its gross negligence or willful misconduct. Arcapita will not be liable for continuing to act hereunder after this Agreement is terminated.

Indemnity

28. Arcapita will be entitled to be indemnified out of the assets held by it in an Investment Account in respect of any cost, claim, loss, expense (including legal fees) or liability (other than those resulting from Arcapita's non-compliance with these General Conditions or resulting from Arcapita's own gross negligence or willful misconduct) which may be imposed on, incurred by or asserted against Arcapita in performing its obligations or duties in accordance with these General Conditions.

Compliance

29. Arcapita is authorized and permitted to release details of the Investment Account and certain other information pertaining to the Investor to any regulatory party or other third party in order to comply with any regulatory environment and the requirements of any counterparties as to their general compliance and "know-your-customer" policies.

Please open an Investment Account in my/our name in accordance with the above information.
I/We agree to the General Conditions which govern such accounts as stipulated herein.

Account Holder's Signature(s): 1. ______________ Date: ______________

2. ______________ Date: ______________

This Agreement must be accompanied by the following "know-your-customer" documents:

Corporate Investors:

- Certificate of Incorporation and/or Certificate of Commercial Registration
- Memorandum and Articles of Association
- Copy of latest financial reports
- Names, nationality and date of birth of the directors and officers
- Identification documents of the directors and officers (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories (passport and a secondary ID)
- List of ultimate beneficial owners (must be individuals) and identification documents of the ultimate beneficial owners (passport and a secondary ID), (and for publicly listed companies, a list of the main shareholders holding 5% or more of the issued capital)

Partnerships

- Partnership agreement
- Partnership registration documents
- Names, nationality and date of birth of the partners
- Identification documents of the partners (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories to operate the account (passport and a secondary ID)

Trusts

- Trust deed
- Trust registration documents
- Identification documents of the settlor, the trustee and the beneficiaries (passport and a secondary ID)

Individual and Joint Account Holders:

- Copy of the passport of each Investor certified as true copies by an Arcapita employee
- Copy of additional identification document, which includes any of the following:
  - o Government issued identity card
  - o Driving license
  - o Utility bill
  - o Birth certificate

FOR BANK'S USE

Passport copy	☐ YES	☐ NO
Secondary identification document	☐ YES	☐ NO
Corporate documents	☐ YES	☐ NO

Completed in the presence of:

Name: ______________ Signature: ______________

ARCAPITA

Arcapita Bank B.S.C.(c), P.O. Box 1406, Manama, Kingdom of Bahrain, Tel: +973 17 218333, Fax: +973 17 217555, www.arcapita.com

Ms. Sumayya Ahmed A. Baeshen

ARCAPITA

APPLICATION AND AGREEMENT
FOR THE OPENING
OF AN INVESTMENT ACCOUNT

Please open an Investment Account for me/us with Arcapita Bank B.S.C.(c) in accordance with the information provided below and on the terms of the General Conditions as set out herein.

GENERAL INFORMATION

ACCOUNT HOLDER	JOINT ACCOUNT HOLDER (if any)
Name of Account Holder: Sumayya Ahmed A. Baeshen	Name of Joint Account Holder (if any):
Nationality: Saudi	Nationality:
Passport No. & Expiry Date: H448236 Date of Expiry: 16/12/2012	Passport No. & Expiry date:
Issued in: Jeddah	Issued in:
Residence Address*: Rafee Ibn Yazeed St. Al Rawdah District /1 Jeddah, Saudi Arabia	Residence Address*:
Mailing Address: P.O. Box 18 Jeddah 21411 Saudi Arabia	Mailing Address:
Phone No. (Office): +9662 6570160	Phone No. (Office):
Phone No. (Residence):	Phone No. (Residence):
Facsimile No.: +9662 6531536	Facsimile No.:
Email:	Email:
Occupation/Business:	Occupation/Business:

*Full physical address is required (e.g. P.O. Box is not acceptable)

INVESTOR'S BANK DETAILS FOR TRANSFER OF FUNDS TO INVESTOR

Correspondent Bank Name:

SWIFT: ABA/Chips:

Investor's Bank Name:

Address: Account Number:

SWIFT: ABA/Chips:

Investor's Account Name:

Investor's Account Number:

GENERAL CONDITIONS GOVERNING INVESTMENT ACCOUNTS

The following conditions (the "General Conditions") shall govern the contractual relationship between Arcapita Bank B.S.C.(c) (hereinafter referred to as "Arcapita", the "Bank" or "Mudarib") and its clients (the "Investor" or "Investors") who desire to invest their funds in investment accounts ("Investment Accounts") in accordance with these General Conditions and in strict conformity with Islamic Shari'ah.

Investment Accounts

1. Investor hereby appoints Arcapita as Mudarib and Arcapita hereby accepts the appointment as Mudarib.

2. The Mudarib is hereby appointed to be the Attorney-in-Fact of the Investor to do all acts with respect to transactions and investments through purchase agreements, sales agreements or other agreements as fully as the Investor could do itself and to negotiate with commodity and industrial firms, their suppliers and their clients on behalf of the Investor in relation thereto.

3. Investment Accounts shall mean any account opened by Investors with Arcapita for the purpose of investing their funds in accordance with Islamic Shari'ah, as determined by the Shari'ah Supervisory Board of Arcapita.

4. Investment Accounts may only be opened in United States Dollars, British Pounds, Euros, Japanese Yen and such other currencies as Arcapita may expressly permit from time to time. Transfers of funds received by Arcapita in any other currency will be exchanged to a currency acceptable to the Bank at commercially available market rates at the risk of the Investor. All movements in exchange rates will be at the risk of the Investor.

5. Investors may call balances of Investment Accounts in accordance with these General Conditions subject always that where an Investor has made an application to purchase any investment product from Arcapita, an amount equal to the purchase price ("Purchase Price") for such investment product in the Investment Account of the Investor shall be deemed to be held as part of a closing account for such investment and, as such, no calls may be made by the Investor as to the amount of the Purchase Price in the Investment Account until that Investor's application to purchase the investment product is accepted or rejected by Arcapita for its own account or as agent for any seller of such investment product.

6. Investors may call balances (or part thereof) of Investment Accounts upon receipt by Arcapita of at least seven (7) Business Days advance written notice. Where such call specifies a payment date which is a day other than a Business Day, Arcapita shall effect payment on the next Business Day after such date.

7. The Investment Accounts will be evidenced by account statement(s) to be issued by Arcapita to the Investor.

Mudarib's Profit Share and Transactional Costs

8. a) Mudarib Share of Profit: Arcapita shall receive 0.50% per annum of the profits earned from investing cash balances in the Investment Account determined and payable in arrears.

   b) Transactional Costs: Arcapita will not charge any account operating costs; however, any transactional costs and charges by third parties in the operation of the Investment Account will be passed on to the Investor.

Cost of Operations

9. Arcapita shall bear all of the costs of normal banking operations (with the exception of any transaction charges imposed by third parties in the operation of the Investment Account), and Arcapita shall bear the cost of managing the assets held for Investment Accounts. Brokerage commissions and similar costs and expenses paid to third parties in the ordinary course of business in connection with the acquisition or sale of assets acquired for the Investment Accounts are treated as part of the capital costs of such assets and not as expenses borne by Arcapita. Such costs will be payable by the Investor.

10. Where the obligation of the Mudarib to make a payment arises as a result of its having received sums from another person, the Mudarib shall not be obliged to make such payment until it has been able to establish that it has actually received such sums, but if it does so and it proves to be the case that it had not received such sums, or if it does so in anticipation of receipt of such sums which are not subsequently received, then the Investor shall, on demand by the Mudarib, repay the amount paid to the Investor.

Asset Treatment and Evaluation of Profit

11. a) All assets pertaining to Investment Accounts of any kind whatsoever may be commingled. These assets are valued at the end of every Gregorian month. Net profit realized and accrued for the month is credited to the Investor's account at the end of each pertinent month, less the Mudarib's share of the net profit and any transaction costs and costs of operations.

    b) Arcapita shall invest at its discretion the commingled assets on a short, medium or long term basis subject to any necessary liquidity levels required to be maintained.

    c) The commingled assets may, from time to time, be invested with Arcapita wherein the Investor will take Arcapita risk. In such transactions, Arcapita will use its best judgment to ensure that such transactions are conducted on an arms length basis on commercially acceptable terms and in full compliance with Arcapita's fiduciary duties to the Investors herein. Where Arcapita acts as principal in such transactions, Arcapita shall not share in any of the profit generated thereby.

12. Where a particular investment has been made for a fixed term, either as a result of the Investor's own specification or otherwise, withdrawals from an Investment Account before maturity of such fixed term investment may be permitted under exceptional circumstances at the discretion and subject to the ability of Arcapita to break such term. Where withdrawals are permitted by Arcapita prior to maturity of a fixed term investment, the Investor shall receive only a pro rata portion of the profit due and such profit shall be in proportion to the period of time the funds were invested and the period of time remaining under the relevant fixed term less an administration charge in respect of the breaking of the fixed term investment prior to maturity.

Arcapita's Share of Profit

13. Arcapita, as Mudarib, shall receive its share of profit from the total profit, if any, generated by the investment of assets held for the Investment Accounts, provided that, in the event of any loss during any valuation period, Arcapita shall be entitled to no profit on that relevant valuation date. The profit share and transactional costs attributable as between the Mudarib and the Investor pertaining to this specific Investment Account shall be in accordance with Section 8 hereof unless the Investment Account holder is notified in writing of any changes thereto either at the time of opening this Investment Account or at any time thereafter in accordance with Section 14 hereof. Arcapita may, at its sole discretion, forego a part or all of its share of profit in favor of the Investors.

Changes in General Conditions

14. Arcapita reserves the right to change the General Conditions at any time by serving a 15-day notice to the Investment Account holders. The change shall take effect on the last day of the said notice period.

Power of Disposal of the Account

15. Subject to a written revocation received by Arcapita, the signatures deposited on file with Arcapita shall be the only ones in effect. Arcapita shall not be bound by different provisions recorded in any other register or document, whether public or private.

Signature Control Regulation

16. Arcapita is entitled to rely on any signature (whether facsimile or original) it believes in good faith to be one of the signatories provided to it as the signature of a person authorized to deal with the Investment Account. Arcapita undertakes to check conscientiously the signatures of Investors and their designated Attorneys-in-Fact. Arcapita is authorized, but not obligated, to accept telephonic and other oral instructions regarding the Investment Account and will not be held liable for any actions taken on the basis of any such instructions which it believes in good faith to be genuine. The Investor hereby acknowledges that it is fully aware of the risk associated with communications via telephone, email, untested telex or facsimile transmission. In relation to any communication received by Arcapita via telephone, email, telex or facsimile transmission in or purported to be in the Investor's name or the name of one or more authorized representatives of the Investor, the Investor hereby irrevocably (i) authorizes Arcapita to accept, rely and act upon such communication without further enquiry as to the authority or identity of the person sending such communication, (ii) indemnifies Arcapita against all losses, claims, actions, proceedings, damages, costs and expenses incurred or sustained by Arcapita as a result of Arcapita accepting, relying and acting upon such communication and (iii) acknowledges that Arcapita shall have no liability in the event that any email, untested telex or facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorized or delayed for any reason.

Notice

17. The effective date of any notice or other communication hereunder shall be deemed to be the date of receipt if delivered personally or if transmitted by mail or international courier service; or the date of transmission, with confirmed answerback, if transmitted by tested telex, or with confirmation sheet if transmitted by facsimile, whichever shall first occur.

Transmission Errors

18. Arcapita shall not be held liable for damage resulting from email, cable, facsimile or telex transmission errors, nor for delays, misroutings or losses by post offices, railroads or air carriers.

Defective Execution of Orders

19. Arcapita will only have liability to the Investor if it is grossly negligent or acts with willful indifference to the Investor's interests. Arcapita will not be liable for continuing to act hereunder or under any transaction approved by the Investor.

Investor's Complaints

20. Complaints concerning periodic statements pertaining to Investment Accounts shall be made within one month from the date of receipt by the Investor.

Right of Lien and Set Off

21. In regard to all its claims, Arcapita shall have a lien on all of the assets in the Investment Accounts or held on behalf of the Investors as well as the right to set off any Investor's credit balance against all its claims, regardless of the currency in which they may be expressed. The same shall also apply to any Islamically acceptable financial services provided by Arcapita to the Investor, whether unsecured or against specific collateral. If the Investor, for any reason whatsoever, is in default, Arcapita shall be authorized to dispose immediately of the Investor's assets, at its own discretion, either by public or private sale.

Termination of Business Relationship

22. This Agreement shall remain valid until (i) either party has given at least thirty (30) Business Days notice of termination in writing to the other party; and (ii) all outstanding investments have been liquidated or transferred (as hereinafter described). Termination of this Agreement shall occur when conditions (i) and (ii) above have been satisfied. Upon receipt of a notice of termination by either party, the Mudarib will, in relation to the investments which are outstanding at such time, in consultation with the Investor and as soon as practicable, liquidate such investments readily capable of liquidation and transfer all other investments to the Investor or to such other party as the Investor may specify for such purpose.

Business Days

23. "Business Day" shall mean a day on which banks are open for business in Bahrain, New York and London.

Shari'ah Supervisory Board

24. Assets underlying Investment Accounts are invested and managed in strict conformity with the provisions of Islamic Shari'ah. All investments of such assets are subject to review and supervision of Arcapita's Shari'ah Supervisory Board, the determinations of which are binding on all Arcapita's Investors.

Governing Law and Jurisdiction

25. This Agreement shall be governed by and construed in accordance with the laws of the Kindgom of Bahrain and each of the parties hereto irrevocably agrees for the benefit of Arcapita that the Courts of Bahrain shall have jurisdiction for the purpose of any proceedings arising out of or in connection with this Agreement and, for such purposes, irrevocably submits to the exclusive jurisdiction of such courts.

26. Any issue not settled by the text of these General Conditions or any ambiguity therein shall be determined or construed in accordance with Shari'ah, as determined by Arcapita's Shari'ah Supervisory Board.

Performance

27. Arcapita shall invest the assets of Investment Accounts in its name but for the account and at the sole risk of the holders of Investment Accounts. Arcapita's action on the Investor's behalf hereunder and in connection with any transaction or investment is for the Investor's account and risk. Arcapita will only have liability to the Investor as a result of its gross negligence or willful misconduct. Arcapita will not be liable for continuing to act hereunder after this Agreement is terminated.

Indemnity

28. Arcapita will be entitled to be indemnified out of the assets held by it in an Investment Account in respect of any cost, claim, loss, expense (including legal fees) or liability (other than those resulting from Arcapita's non-compliance with these General Conditions or resulting from Arcapita's own gross negligence or willful misconduct) which may be imposed on, incurred by or asserted against Arcapita in performing its obligations or duties in accordance with these General Conditions.

Compliance

29. Arcapita is authorized and permitted to release details of the Investment Account and certain other information pertaining to the Investor to any regulatory party or other third party in order to comply with any regulatory environment and the requirements of any counterparties as to their general compliance and "know-your-customer" policies.

SPECIAL INSTRUCTIONS

SPECIMEN SIGNATURE(S) OF AUTHORIZED SIGNATORIES

(Caution: unused boxes should be marked "Void")

	NAME	SIGNATURE
1	Sumayya Ahmed A. Baeshen	
2		
3		
4		

To operate singly/jointly with any .... (number of) signatures

Please open an Investment Account in my/our name in accordance with the above information.
I/We agree to the General Conditions which govern such accounts as stipulated herein.

Account Holder's Signature(s): 1. ____________ Date: 12/4/2009

2. ____________ Date: ____________

This Agreement must be accompanied by the following "know-your-customer" documents:

Corporate Investors:

- Certificate of Incorporation and/or Certificate of Commercial Registration
- Memorandum and Articles of Association
- Copy of latest financial reports
- Names, nationality and date of birth of the directors and officers
- Identification documents of the directors and officers (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories (passport and a secondary ID)
- List of ultimate beneficial owners (must be individuals) and identification documents of the ultimate beneficial owners (passport and a secondary ID), (and for publicly listed companies, a list of the main shareholders holding 5% or more of the issued capital)

Partnerships

- Partnership agreement
- Partnership registration documents
- Names, nationality and date of birth of the partners
- Identification documents of the partners (passport and a secondary ID)
- List of authorized signatories and identification documents of the authorized signatories to operate the account (passport and a secondary ID)

Trusts

- Trust deed
- Trust registration documents
- Identification documents of the settlor, the trustee and the beneficiaries (passport and a secondary ID)

Individual and Joint Account Holders:

- Copy of the passport of each Investor certified as true copies by an Arcapita employee
- Copy of additional identification document, which includes any of the following:
  - o Government issued identity card
  - o Driving license
  - o Utility bill
  - o Birth certificate

FOR BANK'S USE

Passport copy	☐ YES	☐ NO
Secondary identification document	☐ YES	☐ NO
Corporate documents	☐ YES	☐ NO

Completed in the presence of:

Name: ____________ Signature: ____________

ARCAPITA

EXHIBIT C

ARCAPITA

CONFIDENTIAL

Private Placement Memorandum

$500,000,000 Rights Issue

Invitation to exercise preemptive rights over 166,666,666 new shares of Arcapita Bank B.S.C.(c)

Issue Price: $3.00 per share
1 for 1.87 Rights Issue

Invitation Period: November 8, 2010 – December 9, 2010
Issuer: Arcapita Bank B.S.C.(c)

Subject to approval at Extraordinary General Assembly of shareholders on or around December 6, 2010 and other regulatory approvals

Legal Notice

This Private Placement Memorandum is being furnished on a confidential basis to shareholders of Arcapita Bank B.S.C.(c) ("Arcapita") so that they may consider the opportunity to exercise preemptive rights and subscribe for new shares (the "Rights Shares" or "Shares") of Arcapita in a rights issue (the "Invitation" or the "Rights Issue"). Use of this Private Placement Memorandum for any other purpose is prohibited. This document is the lawful property of Arcapita and may not be distributed or copied, nor may any of its contents be disclosed except as expressly provided herein, without prior written permission from Arcapita. By accepting delivery of this Private Placement Memorandum, each shareholder agrees to the foregoing and agrees upon request to return this Private Placement Memorandum if such shareholder does not purchase Rights Shares.

THIS PRIVATE PLACEMENT MEMORANDUM (AND RELATED DOCUMENTS) DOES NOT CONSTITUTE AN OFFER TO SELL SECURITIES AND IS NOT SOLICITATION OF AN OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY SALE OR PURCHASE OF SECURITIES PURSUANT HERETO, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT PERMITTED OR WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE LAWS OF ANY SUCH JURISDICTION.

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THE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED IN THIS PRIVATE PLACEMENT MEMORANDUM AND THE PRINCIPAL DOCUMENTS (AS DEFINED HEREINAFTER). SHAREHOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS POTENTIAL INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

No person has been authorized to give any information or make any representation with respect to Arcapita not contained in this Private Placement Memorandum and, if given or made, such information or representation may not be relied upon as having been authorized by Arcapita.

This Private Placement Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any security other than securities offered hereby, nor does it constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction in which it is unlawful to make such an offer or solicitation to such person.

Market data used throughout this Private Placement Memorandum was obtained from internal surveys and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed.

Arcapita has not independently verified this market data. Similarly, internal Arcapita surveys, while believed by Arcapita to be reliable, have not been verified by any independent sources. While the historical information is believed to be accurate and while the financial projections are intended to provide a reasonable scenario of possible future performance of Arcapita, no representation or warranty, express or implied, is made herein, and no legal or other liability is accepted as to the truth, accuracy or completeness of the information contained in this Private Placement Memorandum or as to any other matter concerning such information or any statements made herein, including, without limitation, the future performance of, or the legal, tax or other consequences of acquiring and/or holding shares in Arcapita.

No financial advisor identified herein has independently verified or advised on the accuracy or completeness of this Private Placement Memorandum, the information presented herein or the applicable laws or regulations of any jurisdiction and no financial advisor identified herein assumes any responsibility whatsoever for the contents of this Private Placement Memorandum or the performance of any of the obligations of Arcapita.

This Private Placement Memorandum contains certain "forward-looking" statements as such term is defined in the US Private Securities Litigation Reform Act of 1995, and such information is based on the beliefs of Arcapita as well as assumptions made by and information currently available to Arcapita as of the date of this Private Placement Memorandum. When used in this Private Placement Memorandum, the words "anticipate," "believe," "estimate," "expect," "intend," and words or phrases of similar import, as they relate to the investment in the Rights Shares, are intended to identify forward-looking statements. The financial projections herein are based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by Arcapita, inherently are subject to significant business, economic, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond the control of Arcapita. Based upon changing conditions, should any one or more of these underlying assumptions or estimates prove incorrect, actual results may vary materially from those described herein or as anticipated, believed, estimated, expected or intended. Arcapita assumes no responsibility or obligation to update publicly or review any of the forward-looking statements contained herein.

Shareholders should make their own investigation of the investment opportunity offered hereby and the terms of the Private Placement Memorandum, including the merits and the risks involved. Shareholders should have the financial ability and willingness to accept the risks of the investment described herein. Arcapita will give shareholders, prior to acceptance of their application to purchase Rights Shares, the opportunity to ask questions of, and receive answers and additional information from, Arcapita regarding the terms and conditions of this offering and any other relevant matters. The contents of this Private Placement Memorandum are not to be construed as legal, business or tax advice. Each shareholder should consult its own attorney, accountant and other advisors for legal, business or tax advice.

An investment in the Rights Shares involves certain risks and conflicts of interest. For a discussion of certain risk factors which should be taken into account when considering whether to take up your Rights Shares under the Rights Issue, see Risk Factors. Shareholders are strongly advised to read this Private Placement Memorandum thoroughly including in particular the section headed *Risk Factors*.

This Private Placement Memorandum or parts of it may be translated into languages other than English, but in the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, this English text shall prevail. Any such translation will be subject to the same restrictions on distribution and publication as this original English version.

No Rights Shares may be sold without delivery of this Private Placement Memorandum. The information contained herein is believed to be accurate as of the date hereof with the exception of all forward-looking statements as hereinbefore described, which are based on certain speculative assumptions and estimates. All information contained herein is subject to change, completion or amendment without notice.

Neither the delivery of this Private Placement Memorandum at any time nor any sale of Rights Shares made pursuant hereto shall imply that information contained herein is correct as of any time subsequent to the date of such information.

The latest time and date for acceptance and payment in full under the Rights Issue is 5:00 p.m. on December 9, 2010. The procedure for acceptance and payment is set forth in the "Offering" section of this document.

Further information on the restrictions related to offers of securities in certain jurisdictions is provided in Appendix D.

Confidentiality

Shareholders and any other persons who receive this Private Placement Memorandum agree that by accepting this Private Placement Memorandum they will hold the contents of this Private Placement Memorandum and all related documents in the strictest confidence at all times and that they will not utilize such information to the detriment of Arcapita.

Shareholders and any other persons who receive this Private Placement Memorandum also agree that, if they engage any advisor or consultant to analyze the contents of this Private Placement Memorandum, prior to such disclosure they will require such advisor or consultant to sign a confidentiality agreement pursuant to which the advisor or consultant agrees not to disclose any information contained in this Private Placement Memorandum at any time prior to the closing of this offering.

This Private Placement Memorandum is dated November 2010.

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Table of Exhibits

Summary of Rights Issue

Exhibit 1

Rights Issue Statistics

Price per Rights Share	$3.00
Number of Rights Shares to be issued by Arcapita	166,666,666
Estimated net proceeds receivable by Arcapita	$500,000,000
Rights Shares as a percentage of enlarged share capital of Arcapita following the Rights Issue (assuming full take-up)	34.87%
Number of shares in issue immediately following completion of the Rights Issue (assuming full take-up)	477,989,883
Use of Proceeds	General corporate matters (see "Rationale for Equity Capital Increase" in *The Offering* for details).

Exhibit 2

Expected Timetable for the Rights Issue[(a)(b)]

Date of issue of Private Placement Memorandum	November 8, 2010
Record Date (as defined hereafter) for entitlements under the Rights Issue	November 4, 2010
Invitation Period	November 8, 2010 – December 9, 2010
Date of Extraordinary General Assembly of shareholders	December 6, 2010
Latest time and date for acceptance and payment in full of Rights Shares	5:00 p.m. Bahrain time on December 9, 2010

(a) Does not include up to 43,230,700 shares which are available for issuance to strategic investors. On July 19, 2008, Arcapita shareholders approved the issuance of up to 50,000,000 new shares to strategic investors to be issued in a series of offerings over a period of three years on terms to be determined by Arcapita's Board of Directors. Of the 50,000,000 authorized new shares, Arcapita has issued 6,769,300 shares and 43,230,700 shares remain available for issuance on or prior to July 19, 2011. In conjunction with the Rights and Third Party Issues, Arcapita may offer and issue some or all of the 43,230,700 remaining new shares under this program to satisfy demand from third parties.

(b) The dates set out in the expected timetable above and mentioned throughout this Private Placement Memorandum and the Subscription Agreement may be adjusted by Arcapita in its sole discretion, in which event, shareholders will be notified of the new event details and dates where appropriate.

Executive Summary

Note: "$" refers to United States Dollars throughout this Private Placement Memorandum.

Investment Opportunity

The Board of Directors of Arcapita Bank B.S.C.(c) ("Arcapita" or the "Bank") is offering the shareholders of Arcapita (the "Invitation" or "Rights Issue") the opportunity to exercise preemptive rights over 166,666,666 new shares of $1.00 nominal value each of Arcapita (the "Rights Shares" or "Shares") for an issue price of $3.00 each (the "Issue Price") for a total of $500 million.

Each shareholder is invited to offer to subscribe for up to one (1) Rights Share for each 1.87 Arcapita shares owned by such shareholder as of November 4, 2010 (the "Record Date"). The maximum subscription amount will be notified to each shareholder by the Bank in a separate letter accompanying this Private Placement Memorandum. If a shareholder does not take up the offer of Rights Shares, their shareholding will be diluted by 34.87 percent (assuming full take-up). Shareholders may offer to subscribe for up to or more than their pro rata preemptive rights entitlement of the Rights Shares. Any offers received by the Bank from a shareholder in excess of such shareholder's pro rata preemptive rights entitlement for Rights Shares shall be deemed to be an offer for the maximum pro rata entitlement for such shareholder for any Rights Shares not taken up by the other shareholders. Shareholders will receive Rights Shares above their pro rata entitlements as Arcapita's Board of Directors may determine, in its sole discretion.

The acceptance of any offers to exercise preemptive rights by the shareholders and any final issuance of the Rights Shares will be subject to the approval of the Bahrain Ministry of Industry and Commerce and the Central Bank of Bahrain (the "CBB"), and the approval of the $500 million equity capital increase by the shareholders of the Bank at the Extraordinary General Assembly ("EGA") of shareholders to be held on or around December 6, 2010.

The Invitation is open to all shareholders of the Bank whose names appear in its shareholders' register on the Record Date pursuant to this Private Placement Memorandum during the period between November 4, 2010 and December 9, 2010 (the "Invitation Period"). The issue and allotment of the Rights Shares to shareholders is expected to occur promptly after the EGA. The latest time and date for acceptance and payment in full under the Rights Issue is 5:00 p.m. Bahrain time on December 9, 2010. Any Rights Shares that are not subscribed for by a shareholder will be issued to the other shareholders who have requested more than their allotted shares during the Invitation Period.

Any shares ("Third Party Shares") not subscribed for by the shareholders in the Rights Issue will be available for offer and issuance to third parties in a third party issue ("Third Party Issue") at a price of $3.00, and on other terms to be determined by Arcapita's Board of Directors, pursuant to a supplement to this Private Placement Memorandum which will set forth the material terms and subscription procedures relating to the Third Party Issue.

Arcapita will use the additional equity capital raised through the Rights Issue for general corporate purposes, including to capitalize on attractive investment opportunities, to develop new products and services to increase recurring revenues, and to strengthen the Bank's balance sheet. Arcapita has conducted a detailed valuation exercise to determine the price at which to offer the Rights Shares. The valuation of Arcapita shares using the "sum-of-the-parts" ("SOP") valuation is set out in Appendix B. This valuation methodology has been prepared by Arcapita's auditors, Ernst & Young.

For further details on the Rights Issue, please see *The Offering*.

Rationale for Equity Capital Increase

See "Rationale for Equity Capital Increase" in *The Offering* for details of the rationale, sources and uses.

Overview and Background

The significant financial stress endured by the world economy and financial markets over the last two years presented considerable challenges to the global finance industry; these challenges are reflected in Arcapita's loss for FY 2010. The over riding focus of Arcapita's management team ("Management") during this period was on meeting the challenges leveled at the balance sheet, stabilizing the Bank's liquidity position and protecting the institution through the extended downturn. Now, after almost two years during which Arcapita has faced extraordinary challenges, Arcapita believes that the Bank has successfully navigated the most difficult phase of the global financial crisis and is poised to capitalize on future growth and business opportunities.

Use of Proceeds

Arcapita intends to use the proceeds raised in Rights Issue for general corporate purposes, including to capitalize on attractive investment opportunities, which Arcapita believes will be prevalent as the global financial crisis recedes, and to launch new products and services that are designed to increase recurring revenues and thereby reduce volatility of the Bank's income, and serve to strengthen Arcapita's balance sheet.

Capitalize on attractive investment opportunities. Historically, alternative investments made in post-recessionary periods outperform all other investments. As an example, private equity funds raised during the last three recessions had an industry mean return of approximately 27 percent vs. 13 percent for funds raised during all other periods.[1] Arcapita is seeking additional equity capital to make investments during this post-recessionary period. Arcapita's private equity, real estate, infrastructure and venture capital investment teams have built a pipeline of underwriting opportunities at attractive valuations. Arcapita believes that underwriting new investments at this point in the market cycle will support the Bank's return to profitable growth in FY 2011.

New products and services to increase recurring revenues. Arcapita is focused on increasing its recurring revenues, which are less susceptible to cyclical market swings exhibited in its core Deal-by-Deal Product Offering (defined herein). Through its Funds Product Offering (defined herein), its potential wealth management offering, and other products and services that are recurring in nature, Arcapita aims to increase its recurring revenues and reduce transaction-based volatility inherent in its historical earnings.

Optimize capital structure and strengthen Arcapita's balance sheet. As a result of the global financial crisis, Arcapita has been subject to a combination of losses and unrealized negative fair market value adjustments, reducing the Bank's capital base from $1.4 billion as at the end of FY 2008 to $1.1 billion as at the first quarter end of FY 2011 ("Q1 2011"). Through this Rights Issue, Arcapita seeks to strengthen its capital base in order to ensure that the Bank optimizes its capital structure to pursue its future growth plans.

An increased equity capital base will improve the Bank's financial ratios. Historically, the Bank has maintained a leverage ratio (total liabilities/total equity) of between two and three times equity capital (2.3 times as at September 30, 2010). Arcapita believes that strengthening its equity capital base will allow the Bank to achieve prudent and conservative financial ratios. These improved ratios, in conjunction with new underwriting and the improvements seen across Arcapita's investment portfolio, will support the refinancing of Arcapita's medium-term and long-term liabilities. Arcapita is in active discussions with a number of financial institutions regarding the refinancing of its medium-term facilities and/or the introduction of new facilities.

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[1] Preqin.

Arcapita Summary

Since commencing operations in 1997, Arcapita has evolved into a leading international investment firm that provides investors with quality alternative investment opportunities on a global basis. These investments target long-term returns at or exceeding those offered by conventional public equity markets. Arcapita is headquartered in the Kingdom of Bahrain, with offices in Atlanta, London and Singapore. Arcapita invests through four lines of business: private equity, real estate, infrastructure and venture capital. As the world's leading sponsor of Shari'ah-compliant alternative investments, Arcapita has established a track record of offering investors diversified investment opportunities that adhere to Islamic principles.[2]

One of Arcapita's important competitive advantages is its strong network of investors and shareholders in the Gulf Cooperation Council ("GCC") region. These relationships, which have been built at the highest levels for over 10 years, are very difficult for competing firms to replicate. Since inception, Arcapita's investment placement team ("Investment Placement Team") has syndicated approximately $6.5 billion with over 1,800 individuals, family offices, institutional investors and sovereign wealth funds ("SWFs"), primarily in the GCC region and Southeast Asia.

Arcapita is one of the world's leading Shari'ah-compliant alternative investment firms.[3] As at September 30, 2010, the Bank had completed in excess of 70 investments with a total transaction value in excess of $28 billion. Total assets under management ("AUM") were approximately $7.9 billion.[4] As at September 30, 2010, Arcapita had a total balance sheet of approximately $3.6 billion, an equity capital base of approximately $1.1 billion, and employed 265 individuals across its four offices.

Arcapita Shareholders and Board of Directors

Arcapita's shareholder base and Board of Directors are a testament to Arcapita's deep-rooted network of relationships across the GCC region and Southeast Asia. Arcapita's Board of Directors includes representatives from some of the GCC region's most influential families, businesses and sovereign entities (see *Board of Directors* for details). Arcapita's 330 shareholders (excluding Management) also include numerous other sovereign entitities, royal family members from across the GCC region and hundreds of prominent individuals and institutions in the Middle East. No shareholder other than Management as a whole owns more than 10 percent of the issued shares of Arcapita.

Strategy and Business Model

Leverage Strength of Arcapita Client Base

Arcapita sources capital from its cash-rich clientele and deploys it across the world. This exclusive and extensive network of investors typically exhibits loyalty towards Arcapita and its investment products. Arcapita enjoys relationships with the GCC region's top individuals and institutions, with many of these investors having long, established relationships with Arcapita as repeat investors and shareholders.

Post-global financial crisis, Arcapita is focused on refining its business model to:

- Continue to serve its core investor base with the high-quality investment products and services that it demands;
- Diversify its investor base to include more investors outside of the GCC region, and more institutional investors; and
- Diversify its product and service offering to increase recurring revenues and reduce income volatility.

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[2] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

[3] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

[4] AUM represents estimated total equity value of Arcapita's investments.

Deal-by-Deal Product Offering

The Bank acts as a principal and arranger in alternative investments, offering investment opportunities on a deal-by-deal basis (the "Deal-by-Deal Product Offering"). Under the Deal-by-Deal Product Offering, Arcapita underwrites investments prior to placing a majority of the equity invested with its investor base. Arcapita typically maintains an equity position in each transaction, thus aligning its interests with investors. As an example, Arcapita may utilize its balance sheet to aquire a controlling interest in a single company or a portfolio of assets; after acquisition, Arcapita syndicates the equity of the company or assets to its investors. The Deal-by-Deal Product Offering, which has historically been favored by Arcapita's core base of investors (High Net Worth Individuals ("HNWIs") and family offices in the GCC region), provides its clients with the ability to select from a range of unique investment offerings diversified by asset class and region. Additionally, it provides investors with a clear understanding of the underlying assets and uses of capital in any given investment, without the uncertainty of placing money in a "blind pool" private equity fund. Finally, the Deal-by-Deal Product Offering allows investors to customize their portfolio of private equity investments based on their specific asset allocation and concentration.

In addition, the Deal-by-Deal Product Offering gives Shari'ah-compliant investors (investors who will only invest in products that are Shari'ah compliant) the opportunity to participate in alternative investments which would not normally be available to them. Arcapita believes that it is a global leader in providing Shari'ah-compliant direct investment opportunities across a wide range of alternative investment products.

Funds Product Offering

As part of Arcapita's long-term growth plan, the Bank has expanded its product offering to strengthen and bolster the resiliency of its business model. Consequently, alongside Arcapita's Deal-by-Deal Product Offering, Arcapita is now offering traditional investment funds (the "Funds Product Offering"), which allows it to diversify its investor base. These funds are and will be marketed primarily to international institutional investors. Arcapita is targeting instutional investors with this product offering because they typically favor investing in funds versus Arcapita's Deal-by-Deal Product Offering, which primarily caters to HNWIs and family offices. Arcapita expects that the Funds Product Offering will produce predictable, recurring revenue streams to balance the transaction-based revenues from the Bank's Deal-by-Deal Product Offering.

Arcapita believes that it has a strong foundation to expand its Funds Product Offering. This foundation is based on the Bank's close relationships with certain institutional investors and SWFs, extensive deal-sourcing capabilities, portfolio management expertise and investment track record. Arcapita believes that this product will allow the Bank to target the large pools of institutional capital in the GCC region and beyond. Arcapita's fund track record to date includes Arcapita Ventures I Limited ("Arcapita Ventures I"), a $200 million venture capital fund launched in 2006, focusing on growth-stage enterprises primarily in the United States. In addition, in July 2010, the Bank closed the ARC Real Estate Income Fund ("AREIF") at $260 million with Al Rajhi Capital, the investment banking subsidiary of Saudi Arabia's Al Rajhi Bank. The Bank is currently evaluating several other fund opportunities, which it expects to bring to market in FY 2011.

New Product Innovation

Arcapita has a track record of innovation in Shari'ah-compliant alternative investment products and is currently exploring a number of new products and services that are recurring in nature, in line with the Bank's strategy to increase recurring revenues. During FY 2010, Arcapita dedicated significant resources to analyze the market opportunity for a Shari'ah-compliant wealth management offering. The idea to explore wealth management services was market driven; the Bank has had several large investors inquire if Arcapita could provide Shari'ah-compliant wealth management services. Arcapita believes this is a testament to the trust and strength of relationships that the Bank has built with its investors. Additionally, a wealth management offering would strengthen the Bank's ties with investors. During FY 2010, Management undertook extensive internal reviews and engaged an external advisor to evaluate the wealth management proposition for its existing investor base. Arcapita believes the results to date are promising. The Bank will continue to evaluate this opportunity. The Bank is exploring a number of other new products and services.

See *Arcapita Overview* and *Five-Year Projections* for details on Arcapita's projected expansion trajectory.

Investment Placement

The Investment Placement Team is responsible for developing and maintaining relationships with the Bank's broad network of investors. Investment Placement Team members are the main point of contact for investors, and ensure regular portfolio updates, presentation of new investment opportunities and accumulated insights into local and international investment markets. The Investment Placement Team consists of highly experienced investment professionals from leading financial institutions with extensive networks of relationships among HNWIs, family offices, institutional investors and SWFs.

Summary of Arcapita Lines of Business

Private Equity

Arcapita's private equity team ("Private Equity Team") operates out of the Atlanta, London and Bahrain offices. The Bank acts as a principal and arranger in the acquisition of controlling and non-controlling interests in established companies throughout the world with an emphasis on the United States, Europe, the Middle East and India, targeting growth-oriented private equity investments with an equity size between $50 million and $200 million. See the "Private Equity" section in *Arcapita Lines of Business* for details on this line of business.

Real Estate

Arcapita's real estate team ("Real Estate Team") acts as a principal and arranger of real estate investments, operating out of its offices in Atlanta, London, Bahrain and Singapore. The Real Estate Team has completed investments in the United States, Europe, the Middle East and Asia, targeting investments with an equity size between $50 million and $200 million. See the "Real Estate" section of *Arcapita Lines of Business* for details on this line of business.

Infrastructure

Arcapita's infrastructure team ("Infrastructure Team") operates out of the Atlanta, London, Bahrain and Singapore offices, focusing on the infrastructure and energy sectors, which include power, utilities, oil & gas, and transport infrastructure and related assets, targeting investments with an equity size between $50 million and $200 million. The Infrastructure Team focuses on investments in both developing and developed markets, mainly seeking investments in Europe, North America, the Middle East and Asia. See the "Infrastructure" section of *Arcapita Lines of Business* for details on this line of business.

Venture Capital

Arcapita launched its venture capital line of business in 2006 by introducing Arcapita Ventures I, a $200 million venture capital fund, which focuses on growth-stage enterprises primarily in the United States. From its office in Atlanta, the Arcapita Ventures I management team (the "Arcapita Ventures Team") targets portfolio companies with annual revenues between $2 million and $25 million in the healthcare, information technology ("IT") and industrial technology sectors. Arcapita anticipates launching its second venture capital fund by the end of 2010. See the "Venture Capital" section of *Arcapita Lines of Business* for details on this line of business.

Investment Considerations

Arcapita believes that it has the client relationships, investment capabilities, and management team to successfully implement its strategy to deploy capital into superior risk-adjusted alternative investment opportunities. Management is confident about the continued demand for the Bank's Deal-by-Deal Product Offering, its ability to develop further its Funds Product Offering and the sustainability of the Bank's business model. Key investment considerations are as follows (see *Key Investment Considerations* for details):

Opportune Time for Investment. Historically, investing in post-recessionary periods has been an opportune time to invest in alternative investments.[5] Arcapita believes that its Deal-by-Deal Product Offering and Funds Product Offering will be able to capitalize on this environment to the benefit of the Bank's investors and shareholders.

Extensive and Exclusive Network of Investors. Since inception, the Bank has placed approximately $6.5 billion of investments with over 1,800 investors. Arcapita enjoys relationships with the GCC region's top individuals and institutions, with many of these investors having long, established relationships with Arcapita as repeat investors and shareholders.

Limited Competition in Islamic Market Segment. Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments.[6] Very few firms offer investors Shari'ah-compliant alternative investments on a global scale. Arcapita believes that none of these firms can match the breadth (in terms of asset class and geography) of Arcapita's product offering.

Track Record of Innovation. Arcapita was established to satisfy demand from GCC region investors seeking quality alternative investment products structured according to Shari'ah principles. Over the last 12 years, Arcapita has been a market leader in developing innovative Shari'ah-compliant alternative investments. These innovations include the first private equity leveraged buyout and first US-based venture capital fund investing according to Shari'ah.

Global Investment Platform. With offices and investment teams in Bahrain, Atlanta, London and Singapore, Arcapita has a strong footprint to invest on a global scale. From these offices, Arcapita sources and manages private equity, real estate, infrastructure and venture capital investments. Arcapita brings an international perspective towards its investments and is able to accelerate international growth of its portfolio companies.

Unique Product Offering. Arcapita believes that its Deal-by-Deal Product Offering positions the Bank as a unique provider of diversified Shari'ah-compliant alternative investment opportunities. Unlike typical sponsors of private equity funds, Arcapita offers its investors the ability to manage their portfolio asset-by-asset. Additionally, Arcapita is able to structure and administer investments for smaller investors (investing less than $5 million) who are unable to invest with typical private equity funds.

Investment Track Record. Since inception, the Bank has completed in excess of 70 investments with a total transaction value in excess of $28 billion. As at September 30, 2010, on the 16 realized private equity investments, the Bank has generated an average internal rate of return ("IRR") of approximately 18 percent; on the seven realized real estate investments (yielding assets), the Bank has generated an average IRR of approximately 19 percent; on the two realized infrastructure investments (yielding assets), the Bank has generated an average IRR of approximately 49 percent; and on one realized venture capital investment, the Bank has generated an average IRR of approximately 165 percent.[7]

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[5] Preqin.

[6] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

[7] Represents compound annual rate of return presented for fully realized transactions as of September 30, 2010 before deduction of expenses, management fees, and carried interest. Returns are calculated on the pooled cashflow method as if realized investments in each asset class were part of one fund, and are not comparable to any other performance metrics, including Arcapita net returns.

Investment Portfolio Well Positioned. As at Q1 2011, Arcapita's investment portfolio comprised approximately $2.2 billion in equity and $587 million in financings in private equity, real estate, infrastructure and venture capital investments. During the global financial crisis, Arcapita took approximately $517 million in unrealized negative fair market value adjustments and provisions. At the same time, Arcapita has dedicated significant resources to position the portfolio for growth following economic recovery. As a result, Arcapita believes that the Bank will realize significant value from the portfolio in the coming years. Management expects that the portfolio, once realized, will generate returns in excess of its current carrying value.

Proven Ability to Drive International Growth Within its Investment Portfolio. Arcapita's international perspective, combined with its strong shareholder and investor base in the GCC region, provides it with the ability to evaluate and accelerate the growth of its portfolio companies in the Middle East. Arcapita's unique ability to facilitate the growth of its portfolio companies to the GCC region, as a result of Arcapita's network of relationships, differentiates it from typical private equity players.

High Caliber Management Team. Arcapita has assembled a highly experienced, diverse, and capable management team (see *Senior Management Team*). The Bank has been able to attract and retain top-tier Management talent due to its consistent access to substantial investment funds, successful track record, prospects for profitable expansion, strong corporate culture and attractive compensation structure.

Financial Overview

Exhibit 3

Key Financial Indicators[(a)(b)(c)]

	FY 2013P	FY 2012P	FY 2011P	FY 2010	FY 2009	FY 2008	FY 2007[(a)]	FY 2005
Operating income ($ millions)	595	535	280	82	338	619	373	246
Net income ($ millions)	310	255	50	(559)	(88)	362	190	104
Return on average equity (ROE)[(b)] (percent)	17	15	3	(42)	(6)	32	28	29
Return on average assets (ROA)[(c)] (percent)	9	7	1	(14)	(2)	8	7	7
Efficiency ratio (total income/operating costs)	2.9	2.6	0.5	0.3	1.2	2.1	1.7	2.2
Total assets ($ millions)	3,300	3,680	3,740	3,457	4,372	5,137	3,805	1,865
Leverage (total liabilities/total equity)	0.6	1.0	1.3	2.3	1.7	2.8	3.0	3.7

(a) FY 2007 was a transitional 18-month period. Income figures and certain ratios are annualized for purposes of comparison.
(b) ROE calculated as: net income / average equity. Average equity is calculated as the sum of the current and previous year's equity divided by two. For the purpose of this calculation Arcapita excludes proposed dividends from equity.
(c) ROA calculated as: net income / average total assets. Average total assets is calculated as the sum of the current and previous year's assets divided by two.

Prior to the global financial crisis, Arcapita enjoyed a sustained period of prosperity and growth, driven by the momentum of the private equity industry and Arcapita's unique competitive advantages. This period from inception to FY 2008 saw Arcapita achieve profitability in every year prior to the escalation of the global financial crisis. The Bank grew its revenue and net income through numerous economic slumps, including following the collapse of the IT bubble in 2000, the post-9/11 economic slowdown, and fallout from the Iraq War in 2003.

Following a period of significant expansion, the global financial crisis caused the private equity industry to experience a severe downturn. Since the onset of the crisis in 2007, global private equity transaction volumes dropped dramatically, financing for leveraged buyouts contracted, and fundraising became extremely challenging. As a result of its focus on the balance sheet, Arcapita did not commit significant funds to new investments during this period. In addition, the Bank delayed or abandoned a number of planned exits due to unfavorable market conditions. These factors resulted in net losses in FY 2009 and FY 2010.

Arcapita is now moving forward with confidence on its value-enhancing business strategies. Supported by a number of projected exits, new investments, product innovation, and increasing investor demand, Arcapita believes that the outlook for FY 2011 and beyond is positive. Arcapita believes that this outlook is underpinned by the recent Q1 2011 results, in which Arcapita posted a net profit of $29.1 million.

See *Financial Overview* and *Five-Year Projections* for full details on Arcapita's historical and projected financial results.

Liquidity and Exit Analysis

See *Liquidity and Exit Analysis* for further details regarding the following summary.

Dividend Policy

Since inception, Arcapita has returned $342 million in dividend proceeds to its shareholders. In FY 2008 and FY 2007, prior to the global financial crisis, the dividend payout ratio was 25 percent and 39 percent, respectively. As Arcapita returns to profitability, Management anticipates that the Bank will resume dividend distributions to its shareholders.

Market for Arcapita Shares

In order to provide liquidity for Arcapita shareholders, Arcapita established a liquidity mechanism, the Arcapita Share Liquidity Program ("ASLP"), which allows Arcapita shareholders to buy the Bank's shares from other shareholders and sell the Bank's shares to other shareholders and third parties at a predetermined price during a one-month period on an annual basis. In the ASLP, the program administrator matches buyers and sellers of Arcapita shares based on demand.

Trade Sale

Arcapita believes that Bank is an attractive strategic acquisition candidate for certain buyers. Arcapita believes that a number of firms would be interested in acquiring Arcapita due to: (1) its exclusive and extensive network of investors in the GCC region, which is difficult to access, (2) the expertise and reputation that the Bank has developed as the world's leading sponsor of Shari'ah-compliant alternative investments, and (3) Arcapita's global investment and asset management capabilities.

Listing of Arcapita Shares

Arcapita believes that the Bank is poised to become an attractive candidate for a public offering following the successful execution of its five-year business plan. This plan is predicated on increasing the Bank's recurring revenues and reducing earnings volatility inherent in its transaction-based product offering.

Risk Factors

Arcapita's ability to execute its business strategy is dependent on its ability to source capital from its investor base. While Management is confident in the Bank's ability to source capital due to its extensive relationships and long track record, there is a risk that the Bank is unable to source sufficient capital to run its business profitably. This risk is subject to factors within and outside of Arcapita's control.

Investments made by Arcapita thus far, and the investments proposed to be made out of the capital raised hereby, include some high-risk components, and such investments will have medium to long-term maturities and will be illiquid prior to maturity.

Arcapita diversifies its investments in a variety of countries that results in exposure to a range of currencies other than the currency of its share capital. Fluctuations in foreign currency exchanges may have a materially adverse effect on the returns that Arcapita may hope to achieve in such investments.

The ability of Arcapita to continue to source and structure attractive investment opportunities depends, to some extent, on its ability to employ and retain highly experienced and qualified professionals. Arcapita provides a competitive compensation structure to attract and retain such professionals.

The global financial crisis and the continuation of current market conditions, or future deterioration of the markets and economic conditions, may have an ongoing negative impact on Arcapita's business and financial results.

An investment in Arcapita shares may not be liquid. Arcapita shares are not registered or qualified under the securities laws of any jurisdiction or traded on any stock exchange. Although Arcapita plans to resume offering the ASLP on an annual basis in October 2011, there is no certainty that a market for Arcapita shares will develop.

For a further discussion of certain risk factors, please see *Risk Factors*.

Advisors

Auditor: Ernst & Young LLP, Manama, Bahrain.

Financial Advisor to Arcapita in relation to the Rights Issue and Third Party Issue: Standard Chartered Bank, DIFC, UAE.

The information in the foregoing *Executive Summary* should be read only in conjunction with the full text of this Private Placement Memorandum.

The Offering

Introduction

The Board of Directors of Arcapita Bank B.S.C.(c) ("Arcapita" or the "Bank") is offering the shareholders of the Bank (the "Invitation" or "Rights Issue") the opportunity to exercise preemptive rights over 166,666,666 new shares of $1.00 nominal value each of Arcapita (the "Rights Shares" or "Shares") for an issue price of $3.00 each (the "Issue Price") for a total of $500 million.

Each shareholder is invited to offer to subscribe for up to one (1) Rights Share for each 1.87 Arcapita shares owned by such shareholder as of November 4, 2010 (the "Record Date"). The maximum subscription amount will be notified to each shareholder by the Bank in a separate letter accompanying this Private Placement Memorandum. If a shareholder does not take up the offer of Rights Shares, its shareholding will be diluted by 34.87% (assuming full take-up). Shareholders may offer to subscribe for up to or more than their pro rata preemptive rights entitlement of the Rights Shares. Any offers received by the Bank from a shareholder in excess of such shareholder's pro rata preemptive rights entitlement for Rights Shares shall be deemed to be an offer for the maximum pro rata entitlement for such shareholder for any Rights Shares not taken up by the other shareholders. Shareholders will receive Rights Shares above their pro rata entitlements as Arcapita's Board of Directors may determine, in its sole discretion.

The acceptance of any offers to exercise preemptive rights by the shareholders and any final issuance of the Rights Shares will be subject to the approval of the Bahrain Ministry of Industry and Commerce and the Central Bank of Bahrain (the "CBB"), and the approval of the $500 million equity capital increase by the shareholders of the Bank at the Extraordinary General Assembly ("EGA") of shareholders to be held on or around December 6, 2010.

The Invitation is open to all shareholders of the Bank whose names appear in its shareholders' register on the Record Date pursuant to this Private Placement Memorandum during the period between November 4, 2010 and December 9, 2010 (the "Invitation Period"). The issue and allotment of the Rights Shares to shareholders is expected to occur promptly after the EGA. The latest time and date for acceptance and payment in full under the Rights Issue is 5:00 p.m. Bahrain time on December 9, 2010. Any Rights Shares that are not subscribed for by a shareholder will be issued to the other shareholders who have requested more than their allotted shares during the Invitation Period.

Any shares ("Third Party Shares") not subscribed for by the shareholders in the Rights Issue will be available for offer and issuance to third parties in a third party issue ("Third Party Issue") at a price of $3.00, and on other terms to be determined by Arcapita's Board of Directors, pursuant to a supplement to this Private Placement Memorandum which will set forth the material terms and subscription procedures relating to the Third Party Issue.

The $500 million equity capital increase and Rights Issue was approved by Arcapita's Board of Directors on October 14, 2010.

Arcapita will use the additional equity capital raised through the Rights Issue for general corporate purposes, including to capitalize on attractive investment opportunities, to develop new products and services to increase recurring revenues, and to strengthen the Bank's balance sheet.

The table below provides details of the Rights Issue.

Exhibit 4

Arcapita's Pro Forma Equity Account Following the Rights Issue[a]

($ thousands)

	Fiscal year ended September 30, 2010	Rights Issue	Pro Forma
Total Equity	1,077,932	500,000	1,577,932
Liquidity Ratio (Cash and cash equivalent/ Total Assets)	3.5%	-	12.3%
Capital Adequacy Ratio	12.3%	-	16.9%
Leverage Ratio	2.3x	-	1.5x

(a) Assumes full take up of the shares.

(b) Does not include up to 43,230,700 shares which are available for issuance to strategic investors. On July 19, 2008, Arcapita shareholders approved the issuance of up to 50,000,000 new shares to strategic investors to be issued in a series of offerings over a period of three years on terms to be determined by Arcapita's Board of Directors. Of the 50,000,000 authorized new shares, Arcapita has issued 6,769,300 shares and 43,230,700 shares remain available for issuance on or prior to July 19, 2011. In conjunction with the Rights and Third Party Issues, Arcapita may offer and issue some or all of the 43,230,700 remaining new shares under this program to satisfy demand from third parties.

Rationale for Equity Capital Increase

Overview and Background

The global financial crisis presented considerable challenges to the global finance industry; these challenges are reflected in Arcapita's results for FY 2010. The over riding focus of Management during this period was on meeting the challenges leveled at the balance sheet, stabilizing the Bank's liquidity position and protecting the institution through the extended downturn, reflecting an approach taken by comparable global institutions. The Bank took a number of measures to navigate this challenging operating period, including raising more than $2.4 billion (see "Performance During the Global Financial Crisis" section of *Financial Overview*).

The negative implications of the global financial crisis, and the subsequent decline in the Bank's transaction-based income-generating activities, combined with non-cash negative revaluation of the Bank's investment portfolio and adverse currency movements resulted in Arcapita posting a loss of approximately $559 million for FY 2010. Over the past 18 months, nearly all financial institutions have taken substantial losses. Despite this loss, and after almost two years during which Arcapita has faced extraordinary challenges, Arcapita believes that the Bank has successfully navigated the most difficult phase of the crisis and is now poised to capitalize on future growth and business opportunities.

Use of Proceeds

Arcapita intends to use the proceeds raised in the Rights Issue for general corporate purposes, including to capitalize on attractive investment opportunities, which Arcapita believes will be prevalent as the global financial crisis recedes, and to launch new products and services that are designed to increase recurring revenues and thereby reduce volatility of the Bank's income, and to strengthen Arcapita's balance sheet.

Capitalize on attractive investment opportunities. Historically, alternative investments made in post-recessionary periods outperform all other investments. As an example, private equity funds raised during the last three recessions had an industry mean return of approximately 27 percent vs. 13 percent for funds raised during all other periods, and real estate funds raised post-recession also outperformed all other periods.[8] Arcapita is

[8] Preqin; Wharton Real Estate Review; Arcapita analysis.

seeking additional equity capital to make investments in today's market environment. Arcapita's private equity, real estate, infrastructure and venture capital investment teams have built a pipeline of investment opportunities at attractive valuations. Arcapita believes that underwriting some of these investments will support the Bank's return to profitable growth in FY 2011. Arcapita believes that it is well positioned to underwrite new investments based on the following: (i) investor demand and the strength of Arcapita's client relationships, (ii) Arcapita's track record of profitably investing clients' money, and (iii) Arcapita's global investment-sourcing and management capabilities. Arcapita believes that through this Rights Issue, the Bank will have sufficient capital to pursue new investment opportunities in this post-recessionary environment.

New products and services which increase recurring revenues. New capital will allow Arcapita to strengthen its business model by diversifying its product and service offerings. Through these actions, Arcapita is focused on increasing its recurring revenues, which are less susceptible to cyclical market swings exhibited in its core Deal-by-Deal Product Offering. Arcapita is developing a number of funds which will provide the Bank with a steady stream of recurring income. In addition, the Bank is exploring a potential wealth management offering. Through its Funds Product Offering, its potential wealth management offering, and other products and services that are recurring in nature, Arcapita aims to increase its recurring revenues and reduce transaction-based volatility inherent in its historical earnings.

Optimize Capital Structure and Strengthen Arcapita's balance sheet. As a result of the global financial crisis, Arcapita has been subject to a combination of losses and unrealized negative fair market value adjustments, reducing the Bank's capital base from $1.4 billion as at the end of FY 2008 to $1.1 billion as at Q1 2011. During this time, Arcapita embarked on a number of initiatives to fortify its balance sheet, protect its investment portfolio, and generate liquidity for the Bank (as described in *Financial Overview*). Through this Rights Issue, Arcapita seeks to strengthen its capital base in order to ensure that the Bank optimizes its capital structure to pursue its future growth plans.

An increased equity capital base will improve the Bank's financial ratios. Historically, the Bank has maintained a leverage ratio (total liabilities/total equity) of between two and three times equity capital (2.3 times as at September 30, 2010). Arcapita believes that strengthening its equity capital base will allow the Bank to achieve prudent and conservative financial ratios by:

- Improving the Bank's capital adequacy ratio;
- Extending the maturity profile of the Bank's liabilities to better match the maturity profile of the Bank's assets;
- Increasing the ratio of equity and medium-term and long-term financing to short-term financing; and
- Increasing the ratio of liquid funds to short-term financing.

Arcapita believes that these improved ratios, in conjunction with new underwriting and the improvements seen across Arcapita's investment portfolio, will support the refinancing of Arcapita's medium-term and long-term liabilities. Arcapita is in active discussions with a number of financial institutions regarding the refinancing of its medium-term facilities and/or the introduction of new facilities.

Valuation of Arcapita Shares

The Shares are being offered at a price of $3.00 per share. This price represents a 25.2 percent discount to Arcapita's book value per share of $4.01 as at September 30, 2010. It also represents a discount of 39.1 percent to Arcapita's gross market value per share of $4.93 and a discount of 32.3 percent to Arcapita's net market value per share of $4.43 (after 10% liquidity discount), as determined by Ernst & Young, Arcapita's auditor. The offering of

Rights Shares at a discount is consistent with the practice of companies using discounted rights issues for equity capital raising. The discount also reflects the importance Arcapita attaches to the successful subscription and take up of the Rights Issue.

Valuation Methodology

Ernst & Young has developed an SOP methodology to determine the fair market value of Arcapita shares. The SOP valuation is based on the two distinct means that Arcapita utilizes to generate income: (i) investing its own balance sheet funds and (ii) earning investment banking and management fees on client assets under management. The valuation of Arcapita shares, which captures both the balance sheet value as well as the franchise value using earnings multiples, is set out in Appendix B.

Subscription Procedures

Offers to subscribe for Rights Shares must be made by completing in full and signing the attached Subscription Agreement in accordance with the instructions therein and the terms of this Private Placement Memorandum. Shareholders may offer to subscribe for up to or more than their pro rata preemptive rights entitlement of the Rights Shares. Any offers received by the Bank from a shareholder in excess of such shareholder's pro rata preemptive rights entitlement for Rights Shares shall be deemed to be an offer for the maximum pro rata entitlement for such shareholder for any Rights Shares not taken up by the other shareholders. Shareholders will receive Rights Shares above the pro rata preemptive entitlement as Arcapita may determine, in its sole discretion. Arcapita also reserves the right to reject subscriptions in whole or in part, in its sole discretion.

Any Rights Shares that are not subscribed for by a shareholder will be issued to the other shareholders who have requested more than their allotted shares during the Invitation Period and then any remainder will be available for offer and issuance to third parties on terms to be determined by Arcapita's Board of Directors.

The completed Subscription Agreement should be sent by fax and courier to the Bank (together with payment in the manner described hereinafter) to be received by the Bank no later than 5:00 p.m. Bahrain time on December 9, 2010. Each completed Subscription Agreement must also be accompanied by the following "Know-Your-Customer" documents, if such documentation has not already been provided.

For Corporate Shareholders:

- Copy of the Certificate of Incorporation of the company or Certificate of Commercial Registration of the company;
- Copies of the Memorandum and Articles of Association of the company;
- Copy of the register of shareholders of the company;
- List of Officers/ Directors accompanied with passport copies and secondary identification;
- Copy or copies of the passport(s) of the ultimate beneficial owners of the company certified as true copies by a company representative; and
- Corporate resolution authorizing subscription for Rights Shares.

For Individual Shareholders:

- Copy or copies of the passport(s) of each Shareholder certified as true copies by an Arcapita employee;
- Copy or copies of one additional identification document for each shareholder, comprising any of the following:
  - Government issued identity card;

- Utility bill;
- Driving license; or
- Birth certificate.

Payment

Shareholders offering to subscribe for Rights Shares must either:

(a) Authorize Arcapita to debit their investment account with Arcapita and such investment account must have sufficient readily available funds on or before December 9, 2010; or

(b) Make payment for the full payment price of the Rights Shares in US Dollars ($) on or before December 9, 2010 to the account of Arcapita at:

Pay to:	JP MORGAN CHASE BANK, NEW YORK
SWIFT CODE:	CHASUS33
For account of:	Arcapita Bank B.S.C.(c), Bahrain
SWIFT CODE:	FIIVBHBM
Account No.	000400806991

All funds received by the Bank or debited from the shareholders' investment accounts at the Bank shall be initially invested in an Islamically acceptable profit-bearing account at Arcapita Bank B.S.C.(c). Upon acceptance by Arcapita of the offer to subscribe and the approval of the Rights Issue by (i) the shareholders at the EGA to be held on or around December 6, 2010, (ii) the Bahrain Ministry of Industry and Commerce and (iii) the CBB, the Bank shall allot the Rights Shares and apply such funds to its capital. If part or all of a shareholder's subscription funds are not accepted, or if the Rights Issue is terminated by the Bank, then the shareholder will be notified and all such affected subscription amounts, together with any profits accruing thereon, shall be credited to the investment account of the shareholder at the Bank pending receipt of further instructions from such shareholder.

Offers to subscribe for Rights Shares may be rejected if:

- The Subscription Agreement is not received by the Bank by 5:00 p.m. Bahrain time on or before December 9, 2010 and payment for the Rights Shares has not been made (i) by authorizing Arcapita to debit the shareholder investment account (and such investment account must have sufficient readily available funds) at Arcapita or (ii) by wire transferring the required funds to the Bank on or before December 9, 2010;
- The Subscription Agreement is found to be incomplete; or
- The requisite "Know-Your-Customer" documents as specified in the Subscription Agreement have not been provided.

Notwithstanding the above, Arcapita may also (in its absolute discretion) treat a Subscription Agreement as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with relevant instructions or not accompanied by the requisite accompanying documentation.

Key Investment Considerations

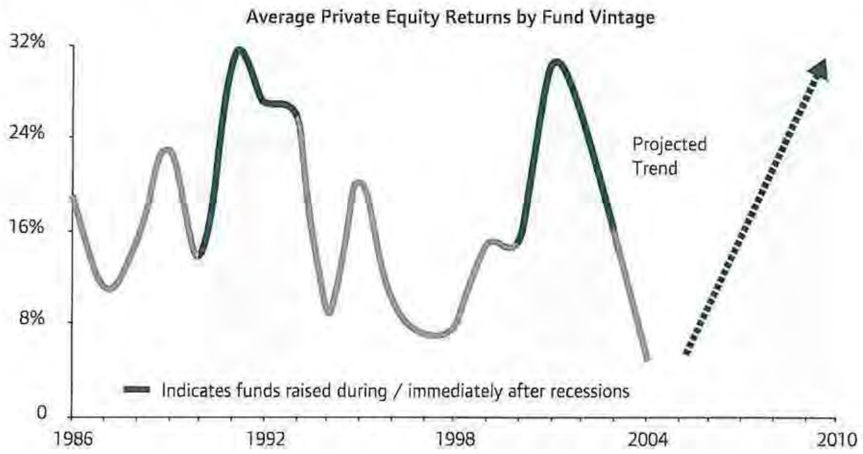
Arcapita believes that it has the client relationships, investment capabilities, and management team to successfully implement its strategy to deploy capital into superior risk-adjusted alternative investment opportunities. Management is confident about the continued demand for the Bank's Deal-by-Deal Product Offering, its ability to develop further its Funds Product Offering and the sustainability of the Bank's business model. Key investment considerations are as follows.

Opportune Time for Investment

Historically, investing in post-recessionary periods has been an opportune time to invest in alternative investments. Arcapita believes that its Deal-by-Deal Product Offering and Funds Product Offering will be able to capitalize on this environment to the benefit of the Bank's investors and shareholders. As an example, private equity funds raised during the last three recessions had an industry mean return of approximately 27 percent vs. 13 percent for funds raised during all other periods, and real estate funds raised post-recession also outperformed all other periods.[9] As a result, Arcapita believes that capital deployed today will generate higher returns and profits for the Bank and its clients. Concurrently, Arcapita believes that the high returns generated in this environment will facilitate the Bank's return to profitable growth.

Exhibit 5

Private Equity Returns Outperform After Recessions

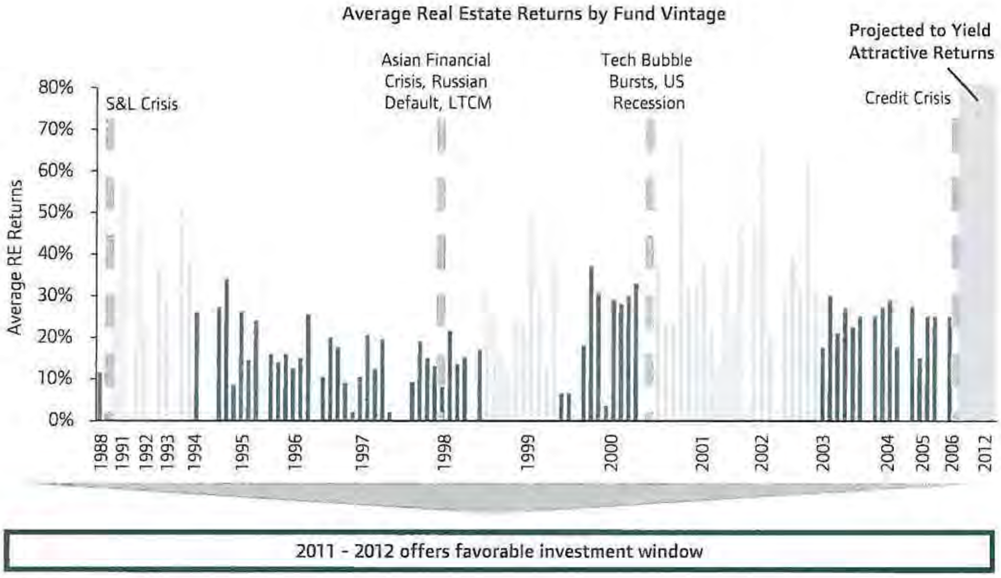


Source: Preqin.

[9] Preqin.

Exhibit 6

Real Estate Returns Outperform After Recessions



Source: Wharton RE Review; Arcapita analysis.

Extensive and Exclusive Network of Investors and Shareholders

Since inception, the Bank has placed approximately $6.5 billion of investments with over 1,800 investors in the Middle East and Southeast Asia. Arcapita enjoys relationships with the GCC region's top individuals and institutions, with many of these investors having long, established relationships with Arcapita as repeat investors and shareholders.[10] Arcapita's established clientele base is located in two of the fastest growing wealth regions in the world: the GCC region and Southeast Asia (see *Market Overview* and *Investment Placement* for further details on Arcapita's investor base and placement track record).

In the HNWI and family office market segments, Arcapita has approximately 1,100 investors. Management estimates that these investors control total assets estimated to be in excess of $150 billion.[11] Many of these investors are among the GCC region's leading family offices, including the Aljomaih, Al-Fozan, Alnafisi, and AlGhanim families, which are represented on Arcapita's Board of Directors. The businesses run by these families represent some of the GCC region's largest family-owned conglomerates, and include interests in the transportation, food & beverage, real estate, manfufacturing, power & infrastructure and logistics industries. Arcapita enjoys numerous relationships with other leading HNWI and family offices in the region, including those run by private individuals/families and royal families.

Additionally, Arcapita enjoys relationships with many of the GCC region's top institutions and SWFs globally. These relationships are apparent in the composition of Arcapita's Board of Directors, which includes directors from the Abu Dhabi Investment Council, Brunei Investment Agency, Qatar Islamic Bank, Qatar International Islamic Bank, Qatar Islamic Insurance Co., QInvest, Gulf Cement Co., British Islamic Insurance Holdings Limited, Karachi

[10] Due to the confidential nature of Arcapita's client base, this section only includes specific information on Arcapita's Board of Directors, which is publicly available.

[11] Investment Placement Team client data, Oliver Wyman analysis.

Electric Supply Company Ltd., National Bank of Abu Dhabi, Abu Dhabi National Insurance Co., International Petroleum Investment Company, and Mackeen Development & Real Estate Investment.

Exhibit 7

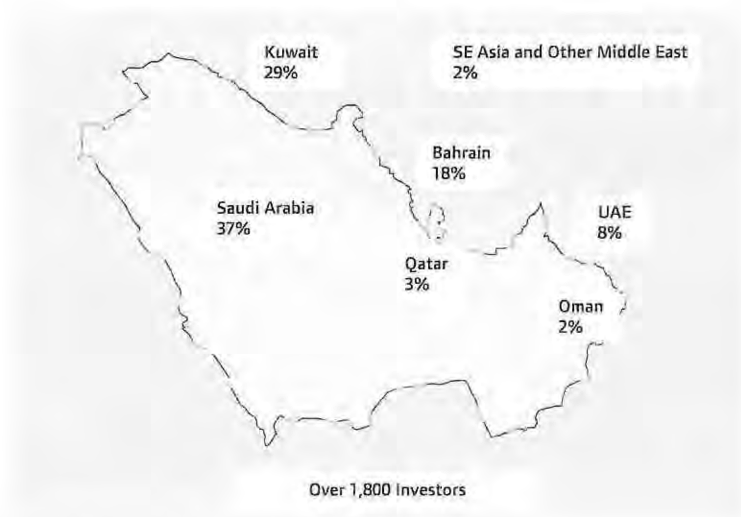
Arcapita Placement Track Record 2005-2010

FY 2005	$558 million
FY 2007	$1,644 million
FY 2008	$1,604 million
FY 2009	$401 million
FY 2010	$345 million

Note: FY 2007 was a transitional 18-month period.

Exhibit 8

Geographical Distribution of Investors



Note: Figures may not reconcile due to rounding.

Arcapita's shareholder base and Board of Directors are a testament to Arcapita's deep-rooted network of relationships across the GCC region and Southeast Asia. Arcapita's Board of Directors includes members from some of the GCC region's most influential families, businesses and sovereign entities. Represented on Arcapita's Board of Directors are:[12]

- **Mohammed Abdulaziz Aljomaih and Abdulaziz Hamad Aljomaih**: Aljomaih Group, one of the leading families in Saudi Arabia with interests in numerous major industrial and business enterprises in the Middle East and Southeast Asia. The Aljomaih Group represents General Motors, PepsiCo, Shell, Yokohama, and

[12] For a full list of the entities represented by each of the respective Board Members, see *Board of Directors*.

Fiat-IVECO, MAN, MTU, Lurgi, New Holland and other American, European and Japanese international companies in the GCC region.

- **Ghazi Fahad Alnafisi**: The Alnafisi family is one of the leading business families in Kuwait. Mr. Alnafisi is Co-Founder, Chairman, and Managing Director of Salhia Real Estate Company K.S.C., a leading player in GCC region real estate property investment, development, and management. The company also owns and manages hotels, nursing homes and senior residences.
- **H.E. Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al-Thani**: Sheikh Jassim is a member of the Qatar royal family, and Chairman of Qatar Islamic Bank, a publicly listed bank on the Qatar Stock Exchange, offering commercial banking, asset management and investment banking services.
- **Khalifa Mohamed Al Kindi**: Mr. Al Kindi is Managing Director of Abu Dhabi Investment Council, the investment arm of the Abu Dhabi government focusing on investments in Abu Dhabi, the Middle East and globally.
- **Abdurrahman Abdulaziz Al-Muhanna**: Mr. Al-Muhana is Managing Director of Almarai Company, a vertically integrated company covering all supply chain activities (dairy farming, food processing, marketing, sales and distribution across the GCC region) of numerous food stuffs, with over 16,000 employees and production capacity of 2.8 million liters of dairy products per day.[13]
- **Abdulla Abdullatif Al-Fozan**: Mr. Al-Fozan is Chairman of Al Fozan Group, one of the leading family businesses in Saudi Arabia with interests in industrial manufacturing, construction, consumer goods, financial services, retail and services industries. The Al Fozan Group represents Christian Dior, Dolce & Gabbana, Estée Lauder, Façonnable, Burberry, Fendi, Giorgio Armani, Bvlgari, Calvin Klein and many other leading global brands in Saudi Arabia. Mr. Al-Fozan also represents a number of other leading Saudi Arabian enterprises.
- **Dr. Khalid Thani A. Al-Thani**: Dr. Al-Thani is Vice-Chairman and Managing Director of Tadawul Holding Group, a Qatar government-owned firm, undertaking direct investment in the financial services sector for the royal family. The Group also includes a Shari'ah-compliant real estate property investment, development, management and consultancy services business. Mr. Al-Thani also represents Qatar International Islamic Bank and Qatar Islamic Insurance Co., both leading public financial services firms.
- **Hajah Hartini Binti Haji Abdullah**: Hajah Hartini is Acting Managing Director of Brunei Investment Agency, the sovereign wealth fund that holds and manages the government of Brunei's General Reserve Fund, and their external assets.
- **Ibrahim Yusuf Alghanim**: The Alghanim family is one of the leading business families in Kuwait. Mr. Alghanim is Chairman and Chief Executive Officer of Alam Al Mesila Trading Co., an Alghanim family business focusing on investments in the financial services and real estate sectors, both in the GCC region and internationally. In addition, Mr. Alghanim is Vice-Chairman of the Securities House, a publicly listed, Shari'ah-compliant investment firm investing in various sectors, and offering a number of asset management and investment banking services.

Arcapita's 330 shareholders (excluding Management) also include numerous other sovereign entitities, royal family members from across the GCC region and hundreds of prominent individuals and institutions in the Middle East. No shareholder other than Management as a whole owns more than 10 percent of the issued shares of Arcapita.

[13] Zawya.

Limited Competition in High Growth Islamic Market Segment

Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments.[14] Very few firms offer investors diversified Shari'ah-compliant alternative investments on a global scale. Arcapita believes that none of these firms can match the breadth of Arcapita's product offering. A majority of firms in the Islamic alternative investment market operate solely in the real estate asset class, whereas Arcapita has a long track record in private equity, real estate, infrastructure and venture capital.

Exhibit 9

Competitive Analysis of Arcapita's Islamically Structured Products

Private Equity	**Competition**
United States	Limited
Europe	Limited
Middle East	Extensive
India	Limited
Infrastructure	**Competition**
United States	Limited
Europe	Limited
Asia	Moderate
Middle East	Extensive
India	Limited
Real Estate	**Competition**
United States	Extensive
Europe	Extensive
Asia	Extensive
Middle East	Extensive
India	Extensive
Venture Capital	**Competition**
United States	Limited

Note: based on Arcapita's internal qualitative analysis and industry knowledge.

Importantly, Arcapita believes that it has access to a wider investor base than its competitors who do not offer Shari'ah-compliant investment products. Due to its investment capabilities and track record, Arcapita syndicates investment products to investors who (i) will only invest in Islamically structured investments, (ii) prefer to invest in Islamically structured products, and (iii) are indifferent to the Islamic nature of an investment. Conventional competitors can only access investors in the second and third categories. More than 60 percent of Arcapita's HNWI and family office client base prefer Shari'ah-compliant investments.[15]

As at 2009, only one percent of global assets were invested in Islamic finance.[16] As Islamic finance gains increasing visibility, Arcapita believes sophisticated Islamic investors will increasingly turn to Shari'ah-compliant alternative investments as an allocation strategy. Arcapita believes it is well poised to capitalize on these market dynamics.

[14] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

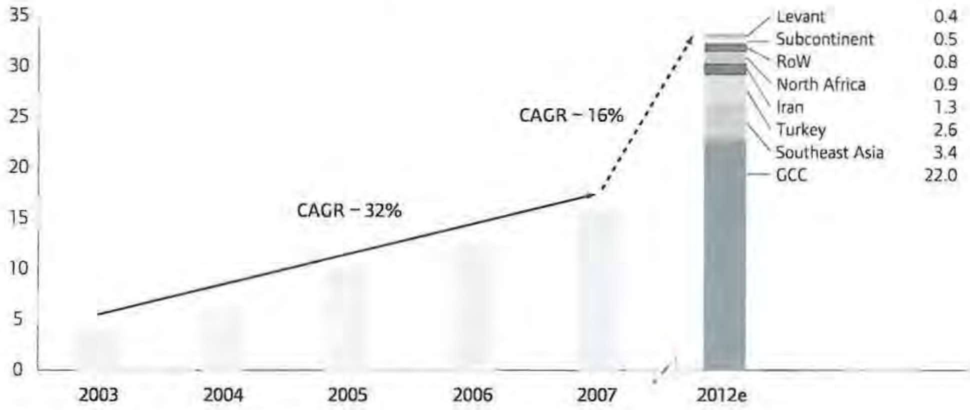
[15] Investment Placement Team client data, Oliver Wyman analysis.

[16] Oliver Wyman, 2010.

Exhibit 10

Profit Pool Growth: Islamic Finance Profit before Tax

($ billions)



Source: Bankscope and Oliver Wyman analysis; "The Next Chapter in Islamic Finance," Oliver Wyman, 2009.

Track Record of Innovation

Arcapita was established to satisfy demand from GCC investors seeking quality alternative investment products structured according to Shari'ah principles. Over the last 12 years, Arcapita has been a market leader in developing innovative Shari'ah-compliant alternative investments. These innovations include:

- The first Shari'ah-compliant leveraged buyout ("LBO") in the United States, Computer Generation Inc, when it was acquired by the Bank in May 1999.
- The largest Shari'ah-compliant LBO to date in December 2006, with a transaction value of $4.2 billion, through the public-to-private acquisition of Viridian Group plc.
- The first initial public offering ("IPO") by a Shari'ah-compliant firm in the United States, Caribou Coffee, Inc, when it was listed in October 2005.
- The first Shari'ah-compliant venture capital fund targeting western markets: a $200 million fund launched in October 2005, with eight investments and one exit to date.

Arcapita believes that there is a scarcity of quality Shari'ah-compliant alternative investment opportunities. Through its culture of innovation, demonstrated by its track record, Arcapita believes that the Bank is well positioned to develop further innovative products in the Islamic finance space.

Global Investment Platform

With offices and investment teams in Bahrain, Atlanta, London and Singapore, Arcapita has a strong footprint to invest on a global scale. From these offices, Arcapita sources and manages private equity, real estate, infrastructure and venture capital investments. Arcapita believes it is critically important to have resources in close geographic proximity to the Bank's investments.

Arcapita brings an international perspective towards its investments, which it draws upon to enhance investor returns. Given its global reach spanning three continents, Arcapita believes that it can shift its asset allocation according to the global economic outlook more easily than its peers. Arcapita's balance sheet benefits from the global diversification of its investments: North America (34 percent), Europe (38 percent), Asia (15 percent) and the Middle East (13 percent).

Exhibit 11

Arcapita's Investment Capabilities

Private Equity	Real Estate	Infrastructure	Venture Capital
North America	North America	North America	North America
Europe	Europe	Europe	Europe
Middle East	Middle East	Middle East	
India	Asia	Asia	
	India	Australia	

Unique Product Offering

Arcapita believes that its Deal-by-Deal Product Offering positions the Bank as a unique provider of diversified Shari'ah-compliant alternative investment opportunities. Unlike typical sponsors of private equity funds, Arcapita offers its investors the ability to manage their portfolio asset-by-asset. This product offering provides investors with a clear understanding of the underlying assets and uses of capital in any given investment, without the uncertainty of placing money in a "blind pool" fund. Arcapita has found that its HNWI and family office clients prefer to invest on a deal-by-deal basis. Additionally, the Bank has certain SWF clients who view the deal-by-deal offering as a means to access co-investment offerings typically reserved for anchor investors in private equity funds.

Additionally, Arcapita is able to structure and administer investments for smaller investors (investing less than $5 million) who are unable to invest with typical private equity funds. In this manner, the Bank is able to create alternative investment products that are accessible to both HNWIs and large institutions.

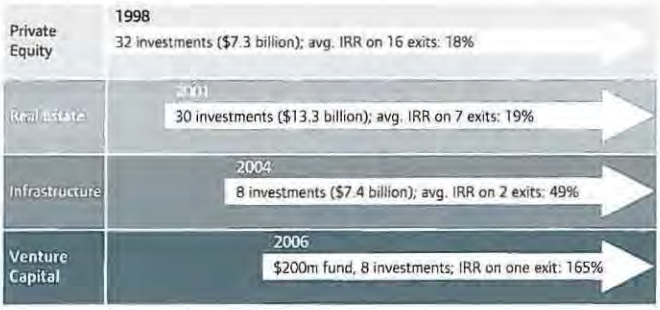
Investment Track Record

Since inception, the Bank has completed in excess of 70 investments with a total transaction value in excess of $28 billion. As a result of its investment track record, the Bank enjoys considerable benefits in client acquisition and retention. As at September 30, 2010, on its 16 realized private equity investments, the Bank has generated an average IRR of approximately 18 percent; on its seven realized real estate investments (yielding assets), the Bank has generated an average IRR of approximately 19 percent; on its two realized infrastructure investments (yielding assets), the Bank has generated an average IRR of approximately 49 percent; and on one realized venture capital investment, the Bank has generated an average IRR of approximately 165 percent.[17]

[17] See footnote seven for details on the presentation of Arcapita's track record.

Exhibit 12

Arcapita's Track Record[18]



Well Positioned Investment Portfolio

As at Q1 2011, Arcapita's investment portfolio comprised $2.2 billion in equity and $587.3 million in financings in private equity, real estate, infrastructure and venture capital investments. During the global financial crisis, Arcapita took approximately $517 million in unrealized negative fair market value adjustments and provisions. At the same time, Arcapita dedicated significant resources to position the portfolio for growth following economic recovery. As a result, Arcapita believes that the Bank will realize significant value from the portfolio in the coming years.

Exhibit 13

Arcapita Balance Sheet Equity and Financing Exposure by Line of Business

	Equity	Financing	Total Exposure	% of Total Exposure
Private Equity and Venture Capital	669.1	191.4	860.5	31.2%
Real Estate	1,017.5	215.5	1,326.7	44.7%
Infrastructure	486.8	180.4	667.3	24.2%
Total	2,173.4	587.3	2,854.5	100%

In conjunction with the improved operating environment, Arcapita believes that the portfolio will benefit from specific actions taken by the Bank's portfolio management group (the "PMG"). Unlike many of its peers, Arcapita employs dedicated portfolio management resources, which are separate from its investment teams. PMG consists of individuals with backgrounds in consulting, management, operations and asset management.

During the global financial crisis, PMG focused on cost reductions at the portfolio companies in order to protect earnings. More recently, the focus has been on operational improvements, customer management and inventory control to ensure that the businesses are able to occupy a prominent market position during the economic recovery.

[18] See footnote seven for details on the presentation of Arcapita's track record.

Exhibit 14

Broad Market Challenges and Arcapita Response

Issue	Symptoms	Response
Declining Demand	Industrial and consumer spending retreated as the world entered the worst recession since the 1930s	Implemented cost cuts across the portfolio including: - Plant consolidations - Cost rationalizations - Headcount reductions
Sourcing / Commodity Pressures	Increased sourcing and commodity prices as suppliers reached for margin	Implemented numerous sourcing initiatives focused on global supply chain management and negotiating new, favorable supply agreements
Tight Financing Environment & Liquidity Challenges	Lack of available credit and poor operating environment drove liquidity crunch and refinancing risk	Restructured or amended majority of the portfolio, creating sufficient financial covenant headroom to position portfolio for growth Provided capital where absolutely necessary
Need for Growth	Need to generate incremental revenue during downturn Need to position portfolio for eventual recovery despite near-term focus on cost reductions	A variety of growth initiatives were evaluated and implemented: - Small opportunistic acquisitions - Expansion into adjacent business lines / products, leveraging current assets - Improved lead generation to gain share in downturn and beyond

Note: Numbers may not reconcile due to rounding.
Source: Capgemini Lorenz curve analysis; Capgemini World Wealth Report 2010.

In an environment where leverage and financial engineering have diminished as an effective source of value creation, Arcapita believes that the Bank's ability to provide operating expertise to derive lasting operational improvements is a major source of differentiation. As a result, Arcapita's portfolio management expertise remains a cornerstone of the Bank's investment platform. See *Portfolio Management Group* for details on the group's activities and significant achievements during the global financial crisis.

Management expects that the portfolio, once realized, will generate returns well in excess of its current carrying value.

Proven Ability to Drive International Growth Within its Investment Portfolio

Arcapita's international perspective, combined with its strong shareholder and investor base in the GCC region, provides it with the ability to evaluate and accelerate the growth of its portfolio companies in the Middle East. Arcapita's unique ability to facilitate business relationships among its portfolio companies and its network of relationships in the GCC region differentiates it from typical private equity players. For example, Arcapita facilitated introductions to oil & gas customers in the Middle East for Roxar AS and Varel International, thereby driving top-line growth at the respective companies.

High Caliber Management Team

Arcapita has assembled a highly experienced, diverse, and capable management team (see *Senior Management Team*). Management includes individuals with backgrounds in principal investing, asset management, investment banking, consulting and industry. The Bank has been able to attract and retain top-tier management talent due to its consistent access to substantial investment funds, successful track record, prospects for profitable expansion, strong corporate culture and attractive compensation structure. Arcapita has a flat and participatory management structure which contributes to a corporate culture of teamwork, innovative thinking and integrated decision-making. Management, as a group, is Arcapita's single largest shareholder, giving executives a strong incentive to maximize value for shareholders.

Market Overview

Overview

Arcapita was established to satisfy the demand from Middle East investors for quality alternative investment products structured according to Shari'ah principles. Over time, Arcapita has produced returns that compare favorably with conventional alternative investments and, as a result, the Bank's investor base now consists of both Islamically oriented investors who invest solely in Shari'ah-compliant investments, and those who invest on the basis of returns. Over the last two years, the global financial crisis impacted markets globally, with private equity activity slowing the fundraising/placement environment in the Middle East and around the world. Investors became cautious about new investment commitments after losing significant amounts in local and international equities and real estate markets. However, Arcapita believes that the investment outlook is improving, and investors in each of its market segments - HNWIs, family offices, institutional investors and SWFs - are all beginning to show increasing appetite for new investment.

Arcapita believes that its performance to date will support the continued growth of its investor base and attract investors from a diverse range of backgrounds and geographies. In addition, Arcapita continues to believe in the long-term fundamentals of segments within the alternative investment industry in which it operates: private equity, real estate, infrastructure, and venture capital. Historically, the industry has been characterized by adding significant value and consistently outperforming conventional equity markets and other alternative investments. Further, alternative investments have rebounded significantly on the heels of numerous recessions, showing the resiliency and long-term fundamentals of the asset class (see "Opportune Time for Investment" in *Key Investment Considerations*).

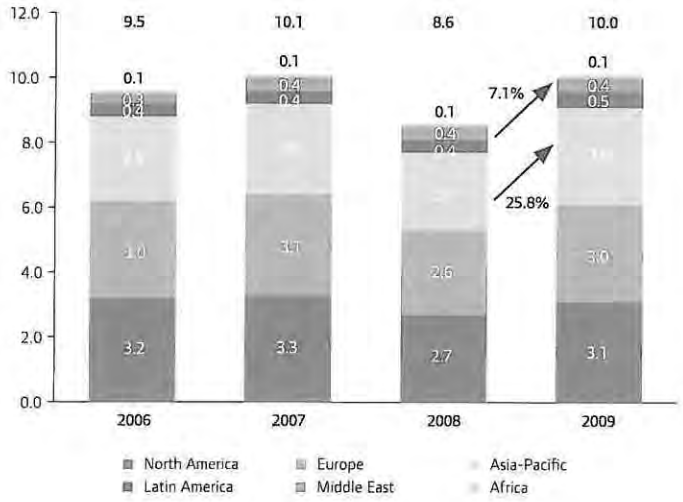
Wealth Market Overview

Arcapita's success is dependent on demand from its clients to invest and manage their wealth. With deep roots in the capital-rich Middle East, Arcapita's investor base has significant wealth. Moreover, due to a number of factors, including continued global demand for petroleum-based products, this wealth is projected to increase substantially in the coming years. Seeking to diversify its investor base, Arcapita has expanded its investor base to include Southeast Asia. This region, which is poised to benefit from high wealth growth rates in future periods, is a natural extension to Arcapita's Middle East-based client base due to its large Muslim population and increasing trade ties with the Middle East.

Exhibit 15

HNWI Population, 2006-2009

(millions)

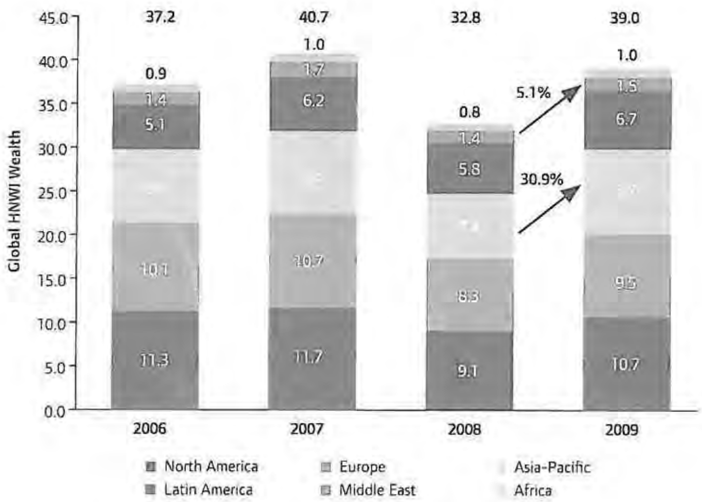


Sources: Bain & Company Global Private Equity Report, 2010; Preqin.

Exhibit 16

HNWI Wealth Distribution, 2006-2009 (by region)

($ trillions)



Note: Numbers may not reconcile due to rounding.
Source: Capgemini Lorenz curve analysis; Capgemini World Wealth Report 2010.

Middle East

Arcapita believes that HNWIs, family offices, institutional investors and SWFs in the Middle East will continue to devote large sums of capital to alternative investments in the future. The high oil prices of recent years contributed to high region-wide gross domestic product ("GDP") growth rates and trade-driven surpluses, which ultimately drive wealth creation across the region.[19] Due to the uncertainty created by the global financial crisis, many HNWI and family office investors in the Middle East sought to hold their wealth in safe, liquid investments during this period. Today, with an increased risk appetite, investors are moving up the risk/return curve and are willing to take increased risks necessary to achieve higher returns on their investment.

Southeast Asia

Southeast Asia has demonstrated growing demand for alternative investments in recent years and is considered one of the markets with the fastest growth of HNWI and institutional investors globally. Given the demographics of the region, Arcapita believes that Southeast Asia is positioned as a natural market for its Shari'ah-compliant products and services. While the region was hit by the global financial crisis in 2008, 2009 has seen the Asia-Pacific region emerge ahead of most of the global economies. The region is home to three million HNWIs and accounts for almost 30 percent of the world's HNWIs. Eight of the ten fastest growing HNWI populations in the world are located in Southeast Asia.[20] Arcapita's placement efforts in this critical region provide access to one of the world's most promising wealth management markets.

The Alternative Investment Operating Environment

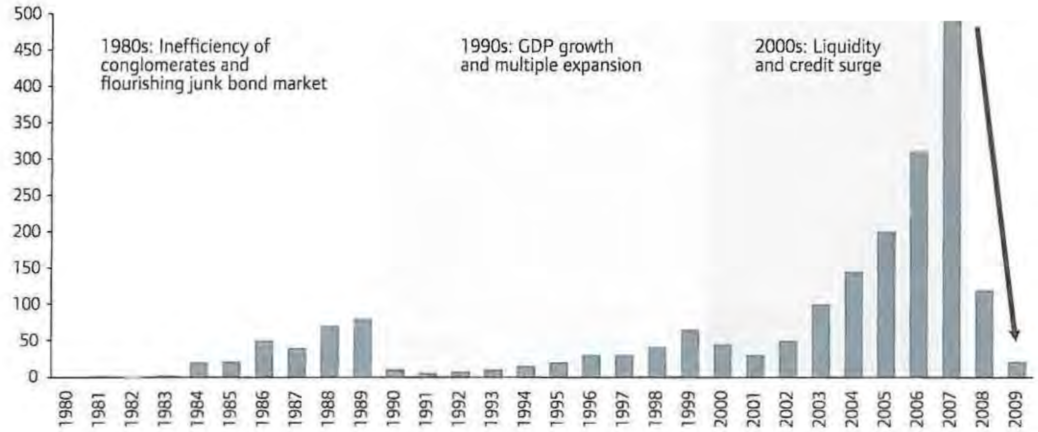
Over the last two years, largely driven by the global financial crisis, the alternative investment industry has faced significant headwinds. Since the onset of the global financial crisis in 2007, private equity, real estate and infrastructure transaction volumes dropped dramatically due in part to the challenged market for LBO financing. In numerical terms, global debt issuances for leveraged buyout transactions decreased by 96 percent from a peak issuance of $500 billion in 2007 to $20 billion in 2009.[21]

[19] Middle East Business Intelligence.
[20] As at 2009.
[21] Bain & Company, "Global Private Equity Report 2010."

Exhibit 17

US Leveraged Buyout Deal Value

($ billions)

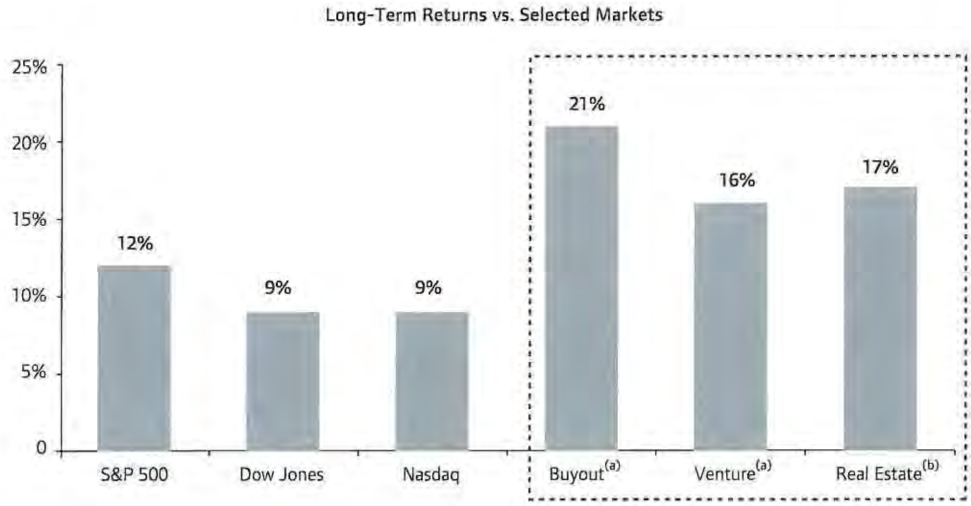


Sources: Bain & Company Global Private Equity Report, 2010; Preqin.

However, Arcapita believes that alternative investments operate in cycles, and history has shown the industry to be resilient. This resiliency is driven by the industry's ability to generate returns which exceed those offered by conventional public markets through value creation. Alternative investment firms enhance the value of the companies which they acquire by efficiently allocating capital, accelerating the growth of the business or assets that they own, providing strategic guidance, streamlining operations, properly incentivizing management and efficiently growing the investment. Arcapita believes that alternative investments are poised to rebound as investor risk appetites return and the industry generates outsized returns following the global financial crisis.

Exhibit 18

Alternative Investments' Track Record of Exceeding Returns Offered by Conventional Markets



Source: Preqin, Bloomberg.

Notes:
(a) 1980-2005.
(b) 1995-2005.
(c) Public markets measured from 1980-2009.

Increased Financing and Transaction Volumes

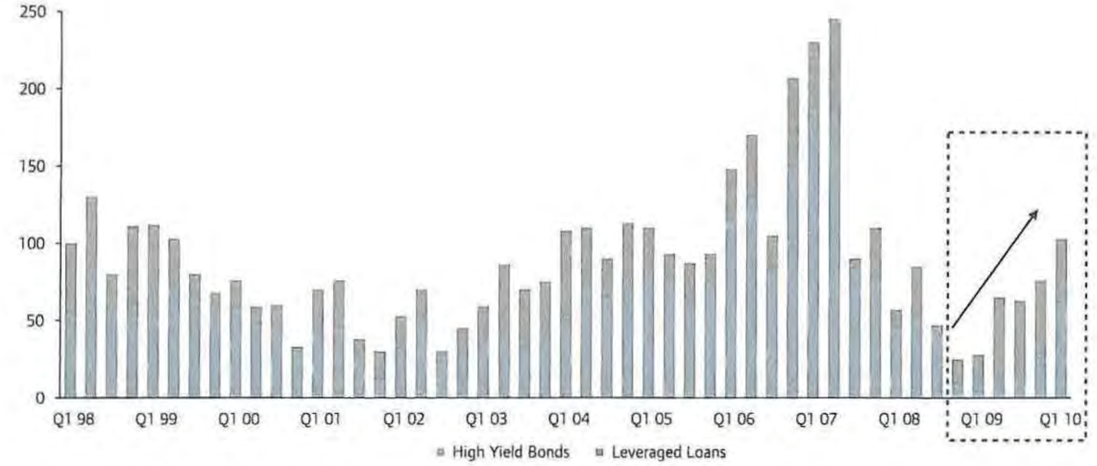
Further strengthening the case for a rebound in the alternative investment market is the increased availability of financing. While still nowhere near the levels seen immediately before the global financial crisis, banks have shown a renewed willingness to underwrite financing, with high-yield bonds and leveraged loans rising by in excess of 600 percent between Q4 2008 and Q1 2010.[22] These financings are supporting an increase in M&A activity by private equity firms.

[22] Barclay's Capital.

Exhibit 19

US High-Yield Bond and Leveraged Loan Issuance

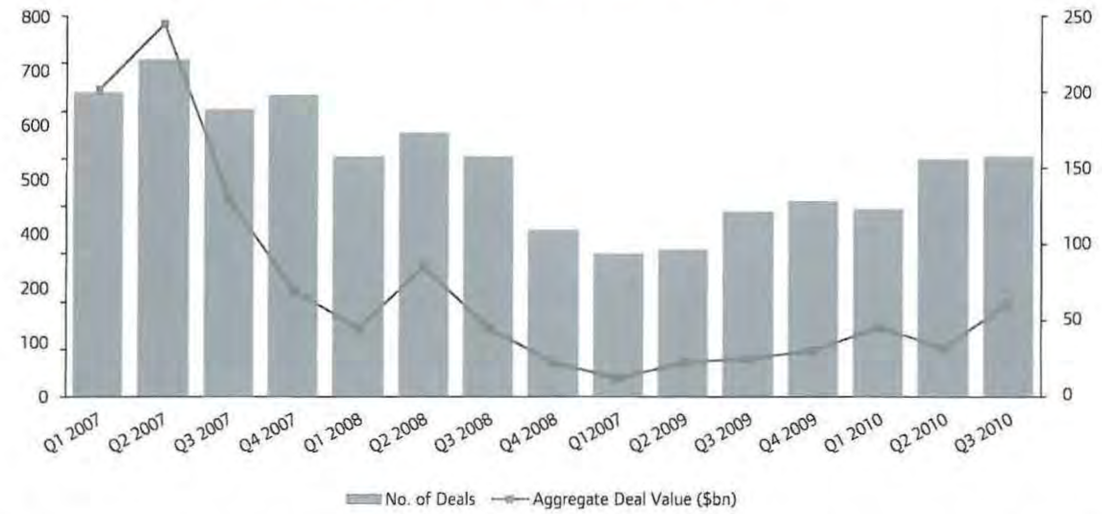
($ billions)



Source: Barclay's Capital.

Exhibit 20

Number and Value of Private Equity Deals Continue to Increase Globally



In private equity, the industry is also seeing a rebound in valuations as firms prepare a number of portfolio companies for exits. Following five negative quarters since March 2008, the Street Private Equity Index shows that global private equity funds had positive IRRs since the second quarter of 2009 through the latest reported results of the first quarter of 2010.[23] Arcapita expects that this recovery will positively impact the private equity industry (and similarly portend a favorable outcome for Arcapita's portfolio, as the Bank prepares many of its companies for profitable exit over the coming three years).

In sum, Arcapita fundamentally believes in the resiliency of the alternative investment industry. The Bank believes that investments made in today's post-recession market environment will generate outsized returns for investors.

Overview of Islamic Finance

In the last several decades, Islamic finance has emerged as a significant sector within the global financial markets. Currently, countries adjacent to the Arabian Gulf account for 80 percent of global Islamic finance assets, while only constituting six percent of Muslims globally. The untapped market for Islamic finance is vast, with one in two Muslims preferring Islamic finance alternatives when given a viable alternative.[24] Analysts estimate that global Shari'ah-compliant investable wealth totaled $480 billion in 2009, up 20 percent from $400 billion in 2008.[25] Of this total investable wealth, Ernst & Young reports that global Islamic asset management (including funds and Islamic investment accounts) reached $292 billion, or approximately 31 percent of the total industry's assets in 2009. Globally, analysts forecast that demand for Shari'ah-compliant investment products will continue to rise, with the market growing at 30 percent annually since 2000.[26]

The Islamic finance market is expanding with improved coverage across asset classes and geographies. The Islamic finance industry continues to evolve, innovate and create investment products that adhere to Shari'ah principles while replicating the returns and products of the majority of conventional portfolios. Analysts believe that the industry is in the early stages of its development and see established players in Islamic finance (such as Arcapita) having a significant advantage over established conventional (or non-Islamic) competitors that are now offering Islamic products and services. This advantage is due to the skepticism that surrounds the Islamic offerings of conventional institutions in the eyes of some customers.[27] As a result, Arcapita believes that established players have an opportunity to expand their product offerings and rapidly develop market share.

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23 State Street Press Release, July 2010.
24 Oliver Wyman, "The Next Chapter in Islamic Finance," 2009.
25 Ernst & Young, Islamic Funds & Investment Report, 2010.
26 Oliver Wyman, "The Next Chapter in Islamic Finance," 2009.
27 "The Islamic Funds & Investments Report." Ernst and Young, 2008.

Arcapita Overview

Introduction

Since commencing operations in 1997, Arcapita has evolved into a leading international investment firm that provides investors with quality alternative investment opportunities on a global basis. These investments target long-term returns at or exceeding those offered by conventional public equity markets. Arcapita is headquartered in the Kingdom of Bahrain ("Bahrain"), with offices in Atlanta, London and Singapore. Through its network of investor relationships and broad investment-sourcing capabilities, Arcapita seeks investment opportunities in economically attractive sectors and regions. Arcapita invests through four lines of business: private equity, real estate, infrastructure and venture capital. As the world's leading sponsor of Shari'ah-compliant alternative investments, Arcapita has established a track record of offering investors diversified investment opportunities that adhere to Islamic principles.[28] Arcapita embraces the values of originality, integrity, transparency, professional excellence and adherence to an ethical investment policy.

One of Arcapita's competitive advantages is its strong network of investors and shareholders in the GCC region. These relationships, which have been built at the highest levels for over 12 years, are difficult for competing firms to replicate. Since inception, Arcapita's Investment Placement Team has syndicated approximately $6.5 billion with over 1,800 individuals, family offices, institutional investors and SWFs, primarily in the GCC region and Southeast Asia. The Investment Placement Team is responsible for developing and maintaining relationships with the Bank's broad network of investors. The team consists of dedicated groups assigned to the following territories: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates ("UAE") and Southeast Asia. Investment Placement Team members are the main point of contact for investors, and ensure regular portfolio updates, presentation of new investment opportunities and accumulated insights into local and international investment markets. The Investment Placement Team consists of highly experienced investment professionals from leading financial institutions with extensive networks of relationships among HNWIs, family offices, institutional investors and SWFs.

Arcapita is one of the world's leading Shari'ah-compliant investment firms.[29] As at September 30, 2010, the Bank had completed in excess of 70 investments with a total transaction value in excess of $28 billion. Total AUM were approximately $7.9 billion.[30] As at September 30, 2010, Arcapita had a total balance sheet of approximately $3.6 billion, an equity capital base of approximately $1.1 billion, and employed 265 individuals across its four offices. See *Arcapita Lines of Business* for details on the track record of the respective lines of business.

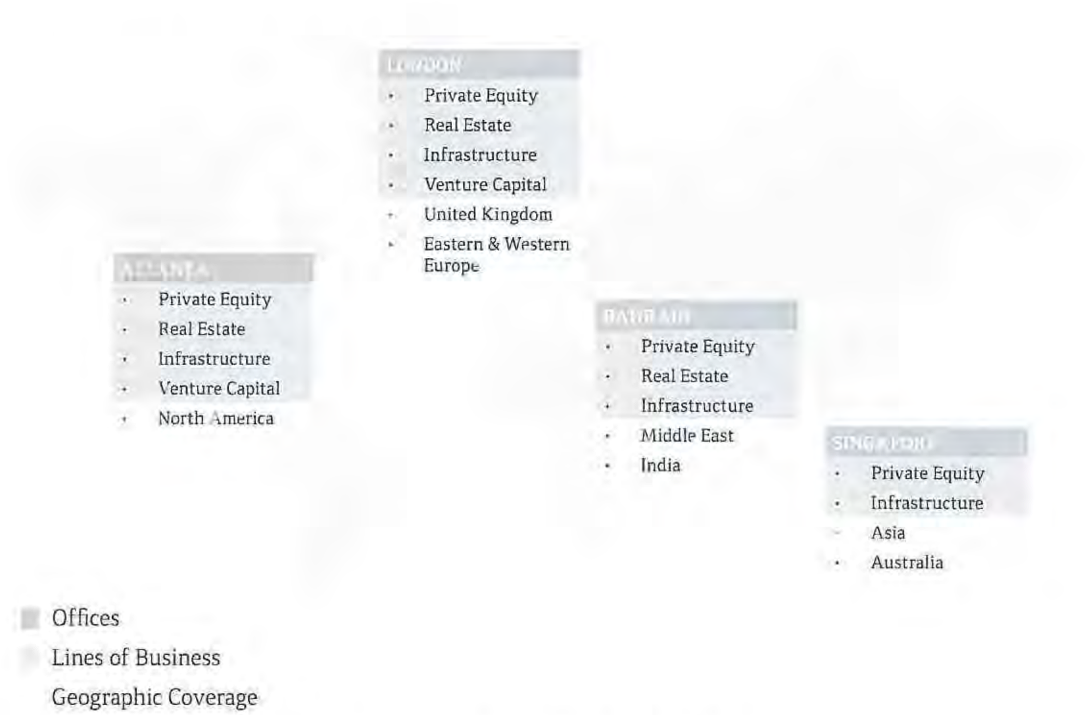
[28] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

[29] According to Private Equity International, 2010, Arcapita is the world's leading sponsor of Shari'ah-compliant alternative investments by capital raised over the last five years.

[30] AUM represents estimated total equity value of Arcapita's investments.

Exhibit 21

Global Perspective and International Reach



Total Employees Worldwide: 265

Arcapita History

Arcapita was founded in 1997 with the objective of satisfying demand from Middle East investors for quality alternative investment products structured according to Shari'ah pincipals. Headquartered in Bahrain, Arcapita began with a focus on offering its clients private equity investments out of its office in the United States. During the period through FY 2000, the Bank sought to expand its client base within the Middle East and refine its private equity product offering. Arcapita believes that the Bank was the only alternative investment firm offering clients Shari'ah-compliant private equity investments during this period.

From the outset, Arcapita understoood that its investors were seeking a diverisified investment portfolio and, as a result, the Bank sought to expand beyond its US-focused private equity offering. In 2001, the Bank introduced US real estate offerings, and in 2002, the Bank opened its London office to provide investors with access to investment opportunities in Europe. Two years later, the Bank introduced its third asset class, infrastructure, to meet client demand for lower risk, stable investments correlated to GDP growth. In 2006, the Bank met investor demand for higher risk investment opportunities by starting its venture capital line of business. This milestone also marked the Bank's evolution beyond a sole provider and manager of deal-by-deal investment products into a provider and manager of fund products.

As the Bank's investors looked to diversify their holdings further, Arcapita recognized the high-growth potential of emerging markets and focused attention on Asia, the Middle East and India. By 2008, with the opening of the Singapore office, the Bank had investment teams operating out of Singapore and Bahrain. In addition, the Singapore office offered a platform for the extension of the Bank's core investor base in the GCC region to Southeast Asia. As a result of its wealth and significant Muslim population, Management believed that Southeast Asia was a natural market for the Bank's Shari'ah-compliant investment products and services.

The Bank's global footprint has supported the establishment of far-reaching investment sourcing networks that the Bank uses to meet client demand for a diverse range of investment products. This footprint allows the Bank to target investment opportunities in multiple sectors and geographies, depending on prevailing economic conditions and client needs.

Exhibit 22

Expansion of Business Aspirations

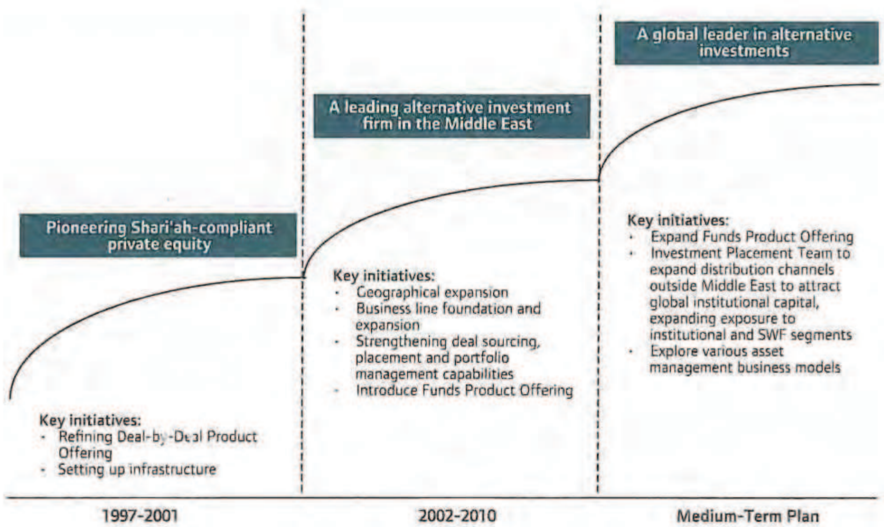


Exhibit 23

Rollout of Arcapita's Business Lines to Meet Investor Demand

	Bahrain	Atlanta	London	Singapore
Private Equity	2006	1998	2002	NA
Real Estate	2004	2001	2003	2008
Infrastructure	2007	2005	2008	2008
Venture Capital	NA	2006	2008	NA
Investment Placement	1998	NA	NA	2008

Moving forward, the Bank has developed a valuable network of investor relationships with key individuals and institutions in the GCC region and Southeast Asia. These relationships provide a solid foundation for Arcapita to continue its track record of meeting investor demand with new product innovation. Arcapita aims to deliver on this promise and position Arcapita as a global leader in alternative investments.

Strategy and Business Model

Leverage Strength of Arcapita Client Base

Arcapita sources capital from its cash-rich clientele and deploys it across the world. This exclusive and extensive network of investors typically exhibits loyalty towards Arcapita and its investment products. Arcapita enjoys relationships with the GCC region's top individuals and institutions, with many of these investors having long, established relationships with Arcapita as repeat investors and shareholders. Arcapita's HNWI and family office segments (approximately 1,100 investors) have total assets estimated to be in excess of $150 billion.[31] Arcapita's relationships with its investors provide an "evergreen" source of capital and, in some cases, accelerate the growth of its global portfolio companies into the GCC region.

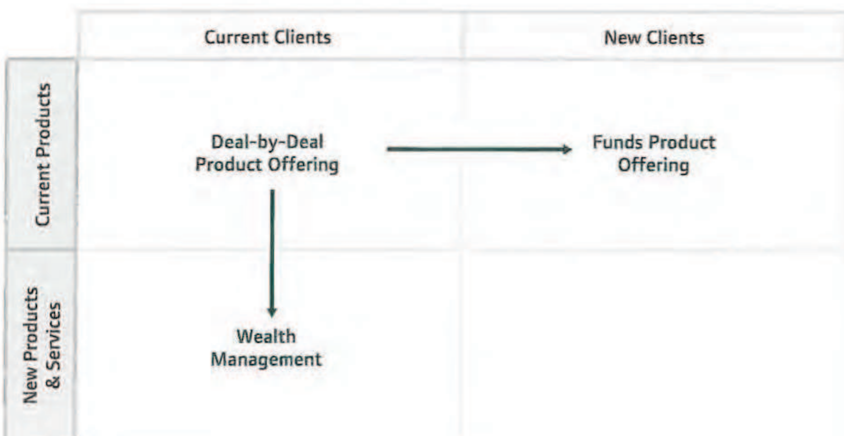
Post-global financial crisis, Arcapita is focused on refining its business model to:

- Continue to serve its core investor base with the high-quality investment products and services that it demands;
- Diversify its investor base to include more investors outside of the GCC region, and more institutional investors; and
- Diversify its product and service offering to increase recurring revenues and reduce income volatility.

[31] Investment Placement Team client data; Oliver Wyman analysis.

Exhibit 24

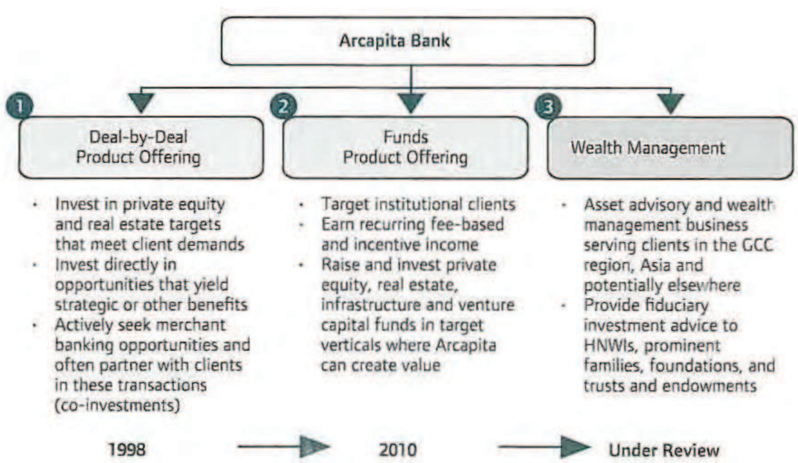
Product and Client Strategy Matrix



In sum, Arcapita seeks to develop products that leverage the strengths of the Bank's client base and meet investor demand. Over time Arcapita has evolved, offering new types of products, in response to this demand.

Exhibit 25

Leveraging Client Needs to Develop New Products and Services



Deal-by-Deal Product Offering

The Bank acts as a principal and arranger in alternative investments, offering investors the Deal-by-Deal Product Offering. Under the Deal-by-Deal Product Offering, Arcapita underwrites investments prior to placing a majority of the equity invested with its investor base. Arcapita typically maintains an equity position in each transaction, thus aligning its interests with investors. As an example, Arcapita may utilize its balance sheet to aquire a controlling interest in a single company or a portfolio of assets; after acquisition, Arcapita syndicates the equity of the company or assets to its investors. The Deal-by-Deal Product Offering, which has historically been favored by Arcapita's core base of investors (HNWIs and family offices in the GCC region), provides its clients with the ability to select from a range of unique investment offerings diversified by asset class and region. Additionally, it provides investors with a clear understanding of the underlying assets and uses of capital in any given investment, without the uncertainty of placing money in a "blind pool" private equity fund. Finally, the Deal-by-Deal Product Offering allows investors to customize their portfolio of private equity investments based on their specific asset allocation and concentration.

In addition, the Deal-by-Deal Product Offering gives Shari'ah-compliant investors (investors who will only invest in products that are Shari'ah compliant) the opportunity to participate in alternative investments which would not normally be available to them. Arcapita believes that it is a global leader in providing Shari'ah-compliant direct investment opportunities across a wide range of alternative investment products.

Exhibit 26

Deal-by-Deal Product Offering

Funds Product Offering

As part of Arcapita's long-term growth plan, the Bank has expanded its product offering to strengthen and bolster the resiliency of its business model. Consequently, alongside Arcapita's Deal-by-Deal Product Offering, Arcapita offers the Funds Product Offering, which allows it to diversify its investor base. These funds are and will be primarily marketed to international institutional investors. Arcapita is targeting instutional investors with this product offering because they typically favor investing in funds versus Arcapita's Deal-by-Deal Product Offering, which primarily caters to HNWIs and family offices. Arcapita expects that the Funds Product Offering will produce predictable, recurring revenue streams to balance the transaction-based revenues from the Bank's Deal-by-Deal Product Offering.

Arcapita believes that it has a strong foundation to expand its Funds Product Offering. This foundation is based on the Bank's close relationships with certain institutional investors and SWFs, extensive deal-sourcing capabilities, portfolio management expertise and investment track record. Arcapita believes that this product will allow the Bank to target the large pools of institutional capital in the GCC region and beyond. Arcapita's fund track record to date includes Arcapita Ventures I, a $200 million venture capital fund launched in 2006, focusing on growth-stage enterprises primarily in the United States. In addition, in July 2010, the Bank closed the AREIF at $260 million with Al Rajhi Capital, the investment banking subsidiary of Saudi Arabia's Al Rajhi Bank. The Bank is currently evaluating several other fund opportunities, which it expects to bring to market in FY 2011.

New Product Innovation

Arcapita has a track record of innovation in Shari'ah-compliant investment products and is currently exploring a number of new products and services that are recurring in nature, in line with the Bank's strategy to increase recurring revenues. During FY 2010, Arcapita dedicated significant resources to analyze the market opportunity for a Shari'ah-compliant wealth management offering. The move to explore wealth management services is market driven, in response to enquiries from several large investors to see if Arcapita could provide Shari'ah-compliant wealth management services. Arcapita believes this is a testament to the trust and strength of relationships that the Bank has built with its investors. Additionally, a wealth management offering would strengthen the Bank's ties with investors. During FY 2010, Management undertook extensive internal reviews and engaged an external advisor to evaluate the wealth management proposition for its existing investor base. Arcapita believes the results to date are promising. The Bank will continue to evaluate this opportunity. The Bank is exploring a number of other new products and services.

Increase Recurring Revenues

The common thread that links Arcapita's new product offerings, whether it is the Funds Product Offering or a potential wealth management offering, is a focus on recurring revenues. A significant portion of the revenues earned on Arcapita's core Deal-by-Deal Product Offering are subject to the cyclicality of the global M&A market (see "The Private Equity Operating Environment" in *Market Overview*). As a result, Arcapita is focused on increasing its recurring revenues, which are less susceptible to cyclical market swings. Through its Funds Product Offering and its potential wealth management offering, Arcapita aims to increase its recurring revenues and reduce transaction-based volatility inherent in its historical earnings.

Facilitating the International Growth of Portfolio Companies

Arcapita's international perspective, combined with its strong shareholder and investor base in the GCC region, provides it with the ability to evaluate and accelerate the growth of its portfolio companies in the Middle East. Arcapita's unique ability to facilitate business relationships among its portfolio companies and its network of investors, shareholders and other relationships in the GCC region differentiates it from typical private equity players. Arcapita and its investors view this as a mutually beneficial relationship, whereby portfolio companies benefit from increased exposure to the high-growth Middle Eastern market, and Arcapita's investors and shareholders benefit by becoming agents or franchisees in the region. The result is increased revenues at the portfolio company (thereby enhancing returns) and a stronger relationship between Arcapita and certain investors.

Exhibit 27

Selected Portfolio Companies Operating in the GCC Region

Company	Sector
Aspen Aerogels, Inc.	Technology
Bijoux Terner, LLC	Consumer
Caribou Coffee Company, Inc.	Consumer
Cirrus	Manufacturing
Church's Chicken	Consumer
Roxar AS	Energy
The Tensar Corporation, LLC	Manufacturing
Varel International Energy Services, Inc.	Energy

Note: Includes current and exited portfolio companies.

Investment Placement

Overview

The Investment Placement Team, with 20 team members, is responsible for developing and maintaining relationships with the Bank's broad network of investors, including HNWIs, family offices, institutional investors and SWFs. The team has dedicated groups assigned to the following territories: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE and Southeast Asia. The Investment Placement Team also serves a limited number of clients in the Levant and North Africa. Investment Placement Team members are the main point of contact for investors, and ensure regular portfolio updates, presentation of new investment opportunities and accumulated insights into local and international investment markets. The Investment Placement Team consists of highly experienced investment professionals from leading financial institutions with extensive networks of relationships among HNWIs, family offices, institutional investors and SWFs.

By conducting market soundings, the team is also a valuable resource in shaping the direction of Arcapita's investment flow, ensuring that Arcapita's product offering coincides with investor appetite. In this way, Arcapita is able to build a portfolio mixed by asset class, sector focus, geography and currency that matches investor demand.

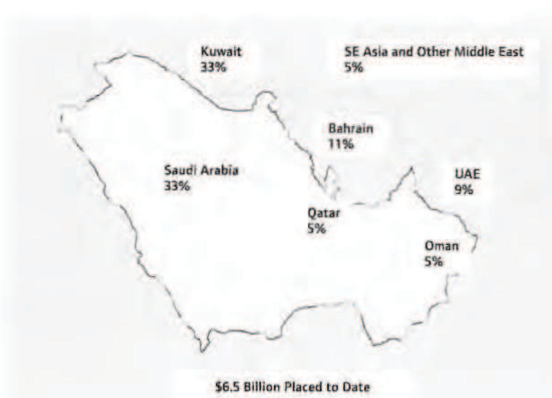
Track Record

As Arcapita's business has grown, the Bank has developed a valuable network of close relationships with key individuals and institutions in the GCC region and Southeast Asia. Through this network, the Investment Placement Team has placed in excess of 70 investments with a total equity value of approximately $6.5 billion. The Investment Placement Team serves an investor base over 1,800 HNWIs, family offices, institutional investors and SWFs.

See "Extensive and Exclusive Network of Investors" under *Key Investment Considerations* for details on Arcapita's placement track record.

Exhibit 28

Geographical Distribution of Placements



Investor Segments

Arcapita was established to satisfy the demand from Middle East investors for quality alternative investment products structured according to Shari'ah principles. Over time, Arcapita has produced investment returns that compare favorably with conventional alternative investments. As a result, the Bank's investor base currently consists of: (i) investors who will only invest in Islamically-oriented investments, (ii) investors who prefer Islamically oriented investments and (iii) investors who are indifferent to the Islamic or un-Islamic nature of a given investment.

Arcapita's investor base is composed primarily of investors from the following four segments:

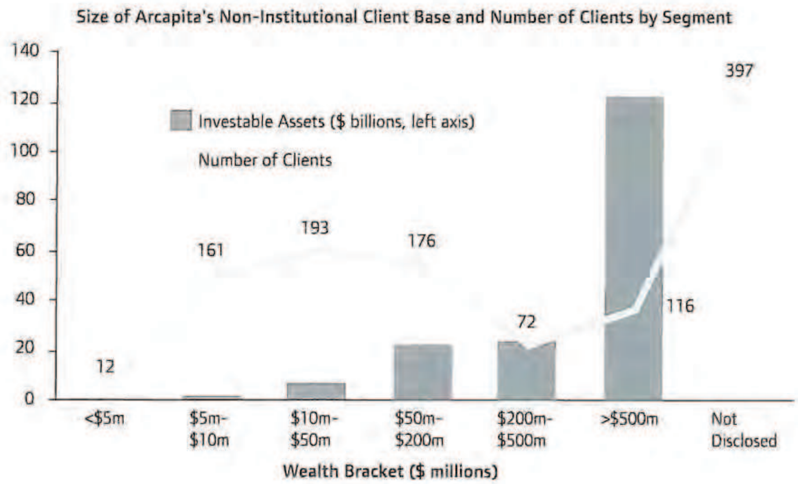
- HNWI: High net worth individuals with investable assets in excess of $1 million.
- **Family office**: Professional entity set-up to manage the investments, business affairs, and philanthropic interests of high net-worth families.
- **Institutions**: Large, sophisticated investment groups that include pension funds, university endowments, asset managers, and insurance companies.
- SWFs: State-owned investment funds composed of financial assets such as stocks, bonds, real estate, or other financial instruments funded by foreign exchange assets.

In the HNWI and family office market segments, Arcapita has approximately 1,100 investors. Management estimates that these investors control total assets estimated to be in excess of $150 billion.[32] Many of these investors are among the GCC region's leading family office conglomerates, including the Aljomaih, Al-Fozan, Alnafisi, and AlGhanim families, which are represented on Arcapita's Board of Directors. The businesses run by these families represent some of the GCC region's largest family-owned conglomerates, and include interests in the transportation, food & beverage, real estate, manfufacturing, power & infrastructure and logistics industries. Arcapita enjoys numerous relationships with other leading HNWI and family offices in the region, including those run by private individuals/families and royal families.

[32] Investment Placement Team client data; Oliver Wyman analysis.

Exhibit 29

Arcapita Has Access to Over $160 Billion in Investable Wealth



Source: Arcapita research.

Additionally, Arcapita enjoys relationships with many of the GCC's top institutions and SWFs globally. These relationships are apparent in the composition of Arcapita's Board of Directors, which includes directors affiliated with the Abu Dhabi Investment Council, Brunei Investment Agency, Qatar Islamic Bank, Qatar International Islamic Bank, Qatar Islamic Insurance Co., QInvest, Gulf Cement Co., British Islamic Insurance Holdings Limited, Karachi Electric Supply Company Ltd., National Bank of Abu Dhabi, Abu Dhabi National Insurance Co., International Petroleum Investment Company, and Mackeen Development & Real Estate Investment.

Market Overview

The global financial crisis slowed the international fundraising/investment placement environment, including in the Middle East. Investors responded to the global financial crisis by becoming more risk averse and increasing their allocation to cash. As global financial markets have begun to recover, Arcapita believes that investors are becoming less risk averse and beginning to allocate increased funds into alternative investments.

In addition, Arcapita believes that it will continue to derive benefits from its Middle East investor base. In the region, continued high oil prices (in excess of $70 per barrel) have contributed to high GDP growth rates and trade-driven surpluses. The GCC region's real GDP is projected to expand by 4.4 percent in 2010 and 4.7 percent in 2011, as compared with 0.3 percent growth in 2008. These factors drive significant wealth creation across the GCC region, and support Arcapita's strategy of sourcing capital from its cash-rich clientele and deploying it into attractive investments globally.

See *Market Overview* for details on Arcapita's expected market conditions.

Investor Services

Arcapita provides a number of investor services to its clients, principally designed to improve investor communications and provide investors with personalized and efficient service. Arcapita's back and middle office function comprises in excess of 80 individuals from the Corporate Management, Financial Management, IT and Investment Placement Groups, dedicated to high standards of investor communication, infrastructure, record keeping, reporting, and other investor support and services functions.

Investor Communications

Arcapita dedicates significant resources to investor communications. Investors receive semi-annual investment updates on each of their portfolio investments. These updates review portfolio company financial performance on a quarterly and year-to-date basis, present operational updates regarding the businesses, and provide projected investor returns. More detailed performance updates may be provided to investors through meetings with the Investment Placement Team, at the clients' discretion.

During FY 2009, Arcapita finished its implementation of its online portal, which allows investors to review their portfolio investments online and perform a range of analysis on their investments. Communication with investors has been further improved through the introduction of both real and virtual road shows.

Periodically, Arcapita hosts an investor conference, at which the Bank's major investors can meet with the senior management of the Bank's portfolio/operating companies and joint venture partners. Investor conferences have been held in Barcelona, Stockholm, Vienna, Marrakech and Lausanne, where keynote speakers have included Mr. Gerhard Schröder, former Chancellor of Germany; General Colin Powell, former US Secretary of State; Mr. John Bruton, former Irish Prime Minister; and the Rt. Hon John Major, former British Prime Minister.

The Bank also organizes periodic forums for the advisors and investment teams of its major clients, offering a range of speakers and topics for discussion, and the opportunity for senior investment professionals to gather and share ideas and best practices.

Information Infrastructure

Arcapita operates a sophisticated marketing system to plan, execute and monitor investment placement, providing investors with a personalized and efficient service. Arcapita also operates an integrated banking system that facilitates the production of portfolio and cash statements, which allows investors to remain informed about their various investments with Arcapita, and this banking system is fully integrated with the online investor portal.

Further investor support is provided through the investor support team, which is responsible for providing the Investment Placement Team with the support necessary to respond to investors' queries and requests in a timely and efficient manner.

Arcapita Lines of Business

Private Equity

Exhibit 30

Arcapita Private Equity

Investment Type	Primarily controlling
Target Sectors	Business services, consumer, healthcare, industrial and energy
Target Geographies	United States, Europe, India and the Middle East
Target Size	$50 to $200 million of equity

Overview

Since inception, Arcapita has completed 32 private equity investments in the United States, Europe and India with an aggregate investment value[33] of approximately $7.3 billion. As at September 30, 2010, there were 16 investments in the portfolio, with total AUM of approximately $2.1 billion. Today, Arcapita is considered to be one of the largest players in the leveraged buy-out market in the southeastern United States.

The Bank's private equity portfolio is diversified by geography and sector, consisting of companies in the United States (39 percent), Europe (52 percent) and India (9 percent) and in the following sectors: business services (34 percent), consumer (17 percent), healthcare (5 percent), industrial (39 percent), and energy (1 percent).[34]

The following is a summary of the portfolio as at September 30, 2010.

[33] Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition.

[34] Percent diversification by Arcapita exposure, including murabahas and other financings provided by Arcapita.

Exhibit 31

Current Private Equity Portfolio

Company	Sector	Location	Investment Value[a] ($ millions)	Investment Date
Compagnie Européenne de Prestations Logistiques ("CEPL")	Business Services	Europe	851.4	Sep 2008
PODS, Inc.	Business Services	United States	451.4	Dec 2007
Arcapita India Growth Capital I[b]	Consumer, Healthcare, Business Services and Industrial	India	68.5	Nov 2007
Varel International Energy Services, Inc.	Energy	United States	401.4	Nov 2007
Profine GmbH	Industrial	Europe	1,100.0	Oct 2007
3PD, Inc.	Business Services	United States	183.9	Nov 2006
FORBA Holdings, LLC	Healthcare	United States	460.7	Sep 2006
Meridian Surgical Partners, LLC	Healthcare	United States	76.1	May 2006
Bijoux Terner, LLC	Consumer	United States	97.5	Feb 2006
The Tensar Corporation, LLC	Industrial	United States	542.8	Oct 2005
Cypress Communications, Inc.	Business Services	United States	46.2	Jun 2005
Southland Log Homes, Inc.	Industrial	United States	61.8	Feb 2005
Cirrus Design Corporation	Industrial	United States	142.0	Aug 2001
Caribou Coffee Company, Inc.	Consumer	United States	83.8	Dec 2000

(a) Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition.

(b) Arcapita India Growth Capital is a portfolio of three companies that includes MedPlus Health Services Private Limited, Idhasoft Limited and Polygel Industries Private Limited.

Private Equity Exits

As at September 30, 2010, Arcapita had exited 16 private equity investments, generating returns shown in the following exhibit for the Bank's investors. Looking forward, with the Bank having built a substantial portfolio of mature investments, Arcapita's Private Equity Team is actively working on exiting a number of investments over the next two years.

The following is a summary of the portfolio exits and respective cash-on-cash returns for the Bank's investors as at September 30, 2010.

Exhibit 32

Private Equity Exits

Company	Sector	Location	Cash-on-Cash Return	Exit Date
Computer Generation Incorporated	Business Services	United States	1.3x	Dec 2000
Perception Group Inc	Consumer	United States	1.7x	Aug 2001
Medifax-EDI Inc (80 percent)	Business Services	United States	1.8x	Oct 2003
DVT Corporation	Industrial	United States	1.4x	May 2005
B.R. Lee Industries, Inc	Industrial	United States	1.2x	Jun 2006
Loehmann's Holidngs, Inc	Consumer	United States	1.5x	Jul 2006
Smart Document Solutions, LLC	Business Services	United States	1.8x	Jun 2007
Roxar AS	Energy	Europe	1.5x	Aug 2007
Transportation Safety Technologies, Inc	Industrial	United States	1.0x	Jul 2007
Working Rx, Inc (20 percent)	Business Services	United States	2.1x	Sep 2007
TLC Health Care Services, Inc	Healthcare	United States	1.7x	Mar 2008
Church's Chicken	Consumer	United States	1.7x	Jul 2009
Yakima Products, Inc	Consumer	United States	0.0x	Dec 2009
Paroc	Industrial	Europe	1.0x	Feb 2010
American Pad and Paper, LLC	Industrial	United States	0.0x	Jun 2010
VGC S.A. ("Vogica")	Consumer	Europe	0.4x	Sep 2010
Weighted Average			**1.4x**	

Note: Investor returns are net of fees to Arcapita, excluding Performance Fees.

Real Estate

Exhibit 33

Arcapita Real Estate

Investment Type	Developmental and stabilized assets, usually partnering with a joint venture partner or asset manager
Target Sectors	Warehousing / logistics, self-storage, senior living, residential, resort, mixed-use, business parks and retail
Target Geographies	North America, Europe, India, the Middle East and Asia
Target Size	$50 to $200 million in equity

Overview

Since inception, Arcapita has completed 30 real estate investments in the United States, Europe the Middle East and Asia. As at September 30, 2010, the current portfolio comprised 24 investments with total AUM of approximately $3.4 billion. Additionally, the real estate portfolio includes the AREIF, Arcapita's first real estate fund.

The Bank's real estate portfolio is diversified by investment type, geography and sector, consisting of developmental investments (75 percent) and yielding (25 percent) investments. The developmental portfolio is located in the United States (13 percent), Europe (46 percent) the Middle East (35 percent) and India (5 percent) and in the following sectors: industrial warehousing/logistics (29 percent), residential (57 percent), self storage (9 percent), and commercial (5 percent). The yielding portfolio is located in the United States (23 percent), Europe

(24 percent) and Asia (53 percent) and in the following sectors: industrial warehousing/logistics (60 percent), residential (including resorts) (13 percent), senior living (25 percent), and retail (2 percent).[35]

The following is a summary of the current portfolio as at September 30, 2010.

Exhibit 34

Current Deal-by-Deal Developmental

Company	Sector	Location		Investment Value[(a)] ($ millions)	Investment Date
Arcapita Qatar Residential Development I	Residential	Middle East		1,950.0	Nov 2008
Arcapita India Business Park Development II	Commercial	India		434.9	May 2008
Arcapita European Industrial Development II	Industrial / Warehousing	Europe		1,129.4	Apr 2008
Bahrain Bay Development B.S.C.(c)	Residential	Middle East	II	259.7	Apr 2008
			I	577.3	Dec 2005
Arcapita India Business Park Development I	Commercial	India		328.0	Sep 2007
Arcapita Central and Eastern European Residential Development I	Residential	Europe		427.8	Aug 2007
Arcapita International Luxury Residential Development I	Residential	United States and Europe		689.4	Aug 2006
Arcapita US Residential Development III	Residential	United States		435.1	Oct 2005
Arcapita European Industrial Development I	Industrial / Warehousing	Europe		41.0	Oct 2005
Arcapita US Residential Development II	Residential	United States		245.0	Jun 2005
Riffa Views B.S.C.(c)	Residential	Middle East		259.1	Dec 2004
Arcapita US Residential Development I	Residential	United States		182.0	Oct 2004
Victory Heights Golf Residential and Development Company LLC	Residential	Middle East		500.0	Sep 2004
Arcapita European Self-Storage Development	Self Storage	Europe	II	281.9	Jun 2003
			I	274.3	Jul 2004

(a) Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition.

[35] Percent diversification by Arcapita exposure, including murabahas and other financings provided by Arcapita.

Exhibit 35

Current Deal-by-Deal Yielding

Company	Sector	Location		Investment Value[(a)] ($ millions)	Investment Date
Arcapita Asian Industrial Yielding I[(b)]	Industrial / Warehousing	Asia		1,299.0	Jul 2008
Arcapita US Retail Yielding I	Retail	United States		150.0	Jul 2006
Arcapita Japan Residential Yielding I	Residential	Asia		473.8	May 2005
Arcapita US Senior Living Yielding	Senior Living	United States	IV	493.5	Jul 2005
			III	417.4	Sep 2003
Arcapita UK Senior Living Yielding	Senior Living	Europe		228.7	May 2003
Arcapita European Industrial Yielding I	Industrial / Warehousing	Europe		1,043.7	May 2004

(a) Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition.

(b) Arcapita Asian Industrial Yielding I has succesfully completed a SGD 1.2 billion public listing on October 21, 2010. Citigroup Inc., DBS Group Holdings Ltd., Goldman Sachs Group Inc. and Standard Chartered Plc underwrote the public offering. Arcapita and its investors received in excess of $435 million in proceeds from the sale of 100% of the holdings of Arcapita and its investors.

Exhibit 36

Current Funds

Company	Sector	Location	Capital Commitments ($ millions)	Closing Date
ARC Real Estate Income Fund	Industrial / Warehousing, Healthcare, Education	GCC region	258.6	July 2010

Real Estate Exits

Since inception, Arcapita has exited seven yielding investments, generating returns shown in the following exhibit for the Bank's investors. The Real Estate Team proactively focused on portfolio management during the financial downturn, seeking to position several assets for exit. The team is currently working on at least one near-term exit initiative that will generate positive returns for investors within the next six to twelve months.

The following is a summary of the portfolio exits and respective cash-on-cash returns for the Bank's investors as at September 30, 2010.

Exhibit 37

Real Estate Exits

Company		Sector	Location	Cash-on-Cash Return	Exit Date
Multifamily	II	Residential Yielding	United States	1.5x	Apr 2005
	I			1.4x	Mar 2005
ProLogis	III	Industrial / Warehousing Yielding	United States	1.3x	Jan 2006
	II			1.2x	
	I			1.4x	
Arcapita US Senior Living Yielding	II	Senior Living Yielding	United States	1.1x	Sep 2006
	I			1.1x	
Weighted Average				**1.4x**	

Note: Investor returns are net of fees to Arcapita, excluding Performance Fees.

Exhibit 38

Real Estate Return of Capital

Company	Sector	Location	Cash-on-Cash Returned to Date
Bainbridge	Residential Development	United States	0.6x
Bahrain Bay	Residential Development	Middle East	0.6x
Riffa Views	Residential Development	Middle East	0.2x
Victory Heights	Residential Development	Middle East	0.8x

Note: Returns are as of September 30, 2010. As these investments are real estate development transactions, Arcapita anticipates further distributions in future periods. Investor returns are net of fees to Arcapita, excluding Performance Fees.

Infrastructure

Exhibit 39

Arcapita Infrastructure

Investment Type	Developmental and stabilized assets, typically through acquisitions, strategic joint ventures and growth capital opportunities
Target Sectors	Energy, transportation and water
Target Geographies	North America, Europe, the Middle East and Asia
Target Size	$50 to $200 million in equity

Overview

Since inception, Arcapita has completed eight infrastructure investments with an aggregate investment value[36] of approximately $7 billion in the United States, Europe, the Middle East and Asia. As at September 30, 2010, there were six investments in the portfolio, with total AUM of approximately $2.1 billion.[37]

The Bank's infrastructure portfolio is diversified by geography and sector, consisting of companies the United States (47 percent), Europe (31 percent) the Middle East (1 percent) and Asia (21 percent) and in the following sectors: energy (88 percent), transportation (11 percent) and water (1 percent).[38]

The following is a summary of the current portfolio as at September 30, 2010.

Exhibit 40

Current Infrastructure Portfolio

Company	Sector	Location	Investment Value[a] ($ millions)	Investment Date
Honiton Energy Caymans Limited ("Honiton")	Energy	Asia	230.0	Jul 2008
Freightliner Group Limited	Transportation	Europe	688.5	Jul 2008
Arcapita North American Power Generation I ("Bosque")[b]	Energy	United States	694.8	Jan 2008
Arcapita GCC Utilities Development I	Water	Middle East	250.0	May 2007
Viridian Group plc	Energy	Europe	4,200.0	Dec 2006
Falcon Gas Storage Company, Inc.	Energy	United States	100.4	Jul 2005

(a) Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition. Figures shown for Honiton and Arcapita GCC Utilities Development I, which have development pipelines, only include investment value for assets under development as at September 30.

(b) In March 2010, Bosque filed for Chapter 11 bankruptcy protection. In October 2010, Bosque's senior financing group enforced their security through the Chapter 11 process and assumed equity ownership of Bosque in exchange for a warrants package.

[36] Represents the total value of the investment, including equity, financing and fees and any projected additions thereof at the time of acquisition.

[37] AUM represents estimated total equity value of Arcapita's investments.

[38] Percent diversification by Arcapita exposure, including murabahas and other financings provided by Arcapita.

Infrastructure Exits

As at September 30, 2010, Arcapita had exited two infrastructure investments. The following is a summary of the portfolio exits and respective cash-on-cash returns for the Bank's investors as at September 30, 2010.

Exhibit 41

Infrastructure Exits

Company	Sector	Location	Cash-on-Cash Return	Exit Date
South Staffordshire plc	Utilities	Europe	1.8x	Nov 2007
Zephyr Investments Limited	Energy	Europe	4.2x	Aug 2007
Weighted Average			2.1x	

Note: Investor returns are net of fees to Arcapita, excluding Performance Fees.

Venture Capital

Exhibit 42

Arcapita Venture Capital

Investment Type	Growth-stage enterprise, primarily as a lead investor
Target Sectors	Healthcare, information technology and industrial technology
Target Geographies	United States and Europe
Target Size	$5 to $12 million, with typically up to $30 million available for add-on funding

Overview

Arcapita launched Arcapita Ventures I, a $200 million venture capital fund focused on the healthcare, IT, and industrial technology sectors, in 2006. As at September 30, 2010, Arcapita Ventures I had completed eight investments for a total of $132.5 million in invested capital. As at September 30, 2010 there were seven investments in the portfolio. Currently, all of Arcapita Ventures I investments are located in the United States, and diversified by the following sectors: healthcare (31 percent), IT (30 percent) and industrial technology (37 percent).

Given the success of the fund to date, Arcapita is in the process of launching its second venture capital fund, Arcapita Ventures II. Arcapita Ventures II will leverage the expertise of the Venture Capital Team, combined with the global resources of Arcapita, to target high-growth venture capital opportunities in the United States and Europe.

The following is a summary of the current portfolio as at September 30, 2010.

Exhibit 43

Current Arcapita Ventures I Portfolio

Company	Co-Investors	Description	Total Investment ($ millions)	Initial Investment Date
FrameMax, Inc.	Cross Creek Capital, H.I.G. Ventures, and Nvestech	A leader in light gauge steel framing technology for the global construction industry	9.2	Aug 2008
Aspen Aerogels, Inc.	Argonaut Private Equity, Reservoir Capital Group, Rockport Capital Partners, and Tenaya Capital	Aspen Aerogels supplies reinforced, nanoporous aerogel insulation products that are up to eight times more effective than other insulation materials	18.1	Jun 2008
Fidelis SeniorCare, Inc.	CHL Medical Partners, Highland Capital Partners , and Versant Ventures	A leader in the development of Medicare Advantage Special Needs Plans for eligible individuals	11.4	Nov 2007
Intelleflex Corporation	Alloy Ventures Morgenthaler Ventures, Motorola Ventures, Selby Venture Partners, and Woodside Funds	A leading provider of extended capability radio frequency identification (RFID) solutions	15.1	Oct 2007
CardioMEMS, Inc.[a]	Boston Millennia, Easton Capital, Foundation Medical Partners, Medtronic, Johnson & Johnson	A medical device company that provides implantable wireless sensors that gather and transmit pressure information from inside the human body	29.1	Oct 2006
Alloptic, Inc.	Ritchie Capital	Alloptic delivers patent-protected communications access infrastructure solutions	26.9	Jun 2006
Prenova, Inc.	River Cities Capital Funds and Siemens Venture Capital	A leading energy management solution provider	9.9	May 2006

(a) In September 2010, St. Jude Medical Inc. acquired a 19% interest in CardioMEMS. St. Jude Medical Inc. also obtained the exclusive option to acquire 100% of CardioMEMS for $375 million after the completion of certain commercial milestones.

Venture Capital Exits

As at September 30, 2010, Arcapita had exited one Arcapita Ventures I investment, generating returns shown in the following exhibit for investors in Arcapita Ventures I.[39]

Exhibit 44

Venture Capital Exits

Company	Sector	Location	Cash-on-Cash Return	Exit Date
Navini Networks	Technology	United States	2.0x	Mar 2008

Note: Investor returns are net of fees to Arcapita, excluding Performance Fees.

[39] See footnote seven for details on the presentation of Arcapita's track record.

Investment Process

Arcapita's investment process has three stages: sourcing, portfolio management and exit, which are being enhanced continually.

Sourcing

Private Equity, Real Estate and Infrastructure

Arcapita receives well over 1,000 investment referrals from its extensive network each year. Arcapita's sources include proprietary relationships, direct Arcapita approach from partners/sellers, referrals from specialist intermediaries, dialogue with investment banks and follow-on transactions within the portfolio. Approximately 100 to 200 of these referrals meet Arcapita's investment criteria, which include:

- the fit with Arcapita's portfolio company preferred attributes;
- the fit with Arcapita's investors' preferences;
- the ability to generate the targeted IRR over the investment holding period;
- the ability to obtain sufficient financing from external financiers; and
- the compatibility of the investment with Arcapita's portfolio (i.e. diversified in terms of sector and geography, relevant to Arcapita expertise and track record).

Among the investment opportunities that meet Arcapita's investment criteria, the relevant investment teams undertake detailed due diligence on approximately 25 to 35 per business line, and aim to invest in three to four. During the due diligence stage, the investment team conducts extensive research into a number of areas, including the market opportunity, partner background and capabilities (as relevant, particularly important for the real estate and infrastructure investments), and investment fundamentals, drawing on expertise from Arcapita's internal investment teams, senior management and a network of third-party experts and advisors.

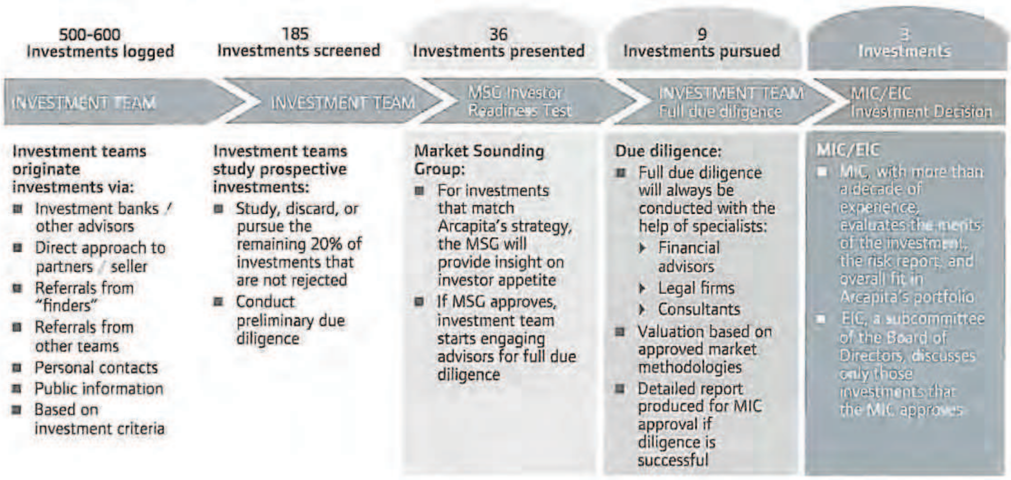
Exhibit 45

Representative Due Diligence Criteria

Attractive Industry	Strong Company	Right Situation
Porter's five forces	Experienced management	Good relative value
- Internal rivalry	Financial strength	Multiple exit alternatives
- Threat of substitutes	Market leader	Proper incentive structure for Management
- Customer concentration	Granularity of revenues	
- Supplier concentration	No 'red flags'	
- Barriers to entry		
Sustainable growth prospects		

Exhibit 46

Investment Screening Framework



Note: Infrastructure sourcing numbers are used as a case example, but the process is applicable for private equity, real estate and infrastructure investments.

In the early stage of the investment process, each new investment proposition is presented to the Market Sounding Group ("MSG"). The MSG takes an active role during the investment sourcing process to facilitate convergence between Arcapita's investment products and prevailing investor sentiment. During the MSG review, the relevant business line investment team discusses the opportunity with Arcapita's Investment Placement Team and other members of senior management so that Arcapita gains a preliminary understanding on how a potential investment product would be perceived by Arcapita's investor base. If the proposed investment gains MSG approval, the investment team continues to pursue the opportunity before presentation to the Bank's Management Investment Committee ("MIC"), and then it is approved by the Board's Executive Investment Committee ("EIC"), or the Board of Directors, depending on the size of the investment. Arcapita submits binding bids on investment opportunities only after MIC and EIC / Board of Directors' approval. The MIC and EIC / Board of Directors also approve investment exits (see *Corporate Governance* for details on the approval process).

Exhibit 47

Institutionalized Investment Process

STAGE	PROCESS
Initial screening of opportunities	Evaluation of opportunity with respect to investment criteria and philosophy Responsibility: Investment teams
Market Sounding Group	Investment team presents opportunity to the MSG which consists of Arcapita's Investment Placement Team members who test investors' appetite for the deal Responsibility: MSG and FMG
Valuation and Due Diligence	Extensive valuation and returns analyses; detailed financial, industry, commercial and legal due diligence (with external experts and advisors); and arranging financing Responsibility: Investment teams
Management / Executive Investment Committee	Investment team presents opportunity to MIC and EIC which comprise Arcapita's senior management and Board of Directors' members respectively Responsibility: Investment teams, FMG, MIC, EIC Investment Decision
Holding	Board oversight and active involvement in asset management Responsibility: Investment teams and PMG
Exit	Finding the right buyer and negotiating to increase value or evaluating suitable listing options for IPO exits MIC approval required for exit decisions Responsibility: Investment teams, FMG, MIC

Venture Capital

The Arcapita Ventures Team has built an extensive national network designed to source high-quality investment opportunities to the fund. The fund targets reviewing more than 750 business plans per year. The fund's deal flow process allows the Arcapita Ventures Team to quickly identify those companies which warrant additional diligence and investigation. For business plans that pass the initial screens, the Arcapita Ventures Team begins to devote significantly more time to evaluating the opportunity.

During the fund's preliminary due diligence phase, the Arcapita Ventures Team takes input from its own team members, the company's management team and outside parties to begin building a potential investment thesis for the company. The full due diligence phase is geared to test and refine the fund's proposed investment thesis. Key activities during the full due diligence phase include a full management assessment, a top-down and bottoms-up review of the company's financial model, interviewing current and potential customers, conversations with relevant industry analysts and technical due diligence conducted by consultants within the network.

The investment is then presented to the Arcapita Ventures I investment committee for approval. This committee approves each new investment and subsequent funding requests.

Portfolio Management

Private Equity and Infrastructure

Once an investment has been approved and completed, Arcapita initiates a series of actions to execute the planned strategy and to monitor performance against the investment thesis. PMG plays an important role in ensuring that investments achieve their full potential. A cross-functional team of professionals from PMG and the relevant investment team work with portfolio company management to plan business strategy and the successful rollout of this strategy. During the holding period, this portfolio management function helps portfolio companies with strategic and operational issues including recruitment of senior management, assistance with marketing, supply chain or sales issues and introducing additional financial and reporting disciplines. See *Portfolio Management Group* for details on the group.

Real Estate

After closing the investment, the joint venture partners, asset managers or corporate management teams are directly responsible for the execution of the business plan. Arcapita works closely with management to monitor investments and evaluate progress.

Venture Capital

The Arcapita Ventures Team actively monitors portfolio companies and provides board-level direction and assistance while maintaining regular contact with each portfolio company. The Arcapita Ventures Team has considerable involvement in the establishment of strategic direction, goals and performance objectives, and then closely monitors each company's ability to execute these goals and objectives. In addition, the Arcapita Ventures Team draws from the experience and expertise of limited partners and networks to assist portfolio companies.

Exit

Private Equity and Infrastructure

In most cases, Arcapita aims to exit an investment within five to seven years, and the relevant investment team builds a strategy to optimize equity value in the period prior to exit. Since the holding period is fully flexible, Arcapita is able to extend the holding period to avoid exiting at an inopportune time and, equally, Arcapita supports an earlier exit if an attractive opportunity for exit occurs. Exit may be by way of trade sale, IPO or recapitalization, depending on which route offers the greatest return.

Real Estate

The real estate team typically seeks to exit from investments within three to seven years, depending on the type of investment and the market. Partial or full exit may occur through trade sale, IPO or recapitalization.

Venture Capital

The Arcapita Ventures Team looks for portfolio companies with a clear and compelling fit with potential acquirers. Based on the size of the company's target market, the Arcapita Ventures Team expects that IPOs for some of the portfolio companies will be possible, although most exits are likely to be through trade sales.

Portfolio Management Group

Overview

PMG comprises seven professionals. In addition, PMG has also developed, through a rigorous selection process, a network of outside consultants and accomplished professionals in their chosen fields who dedicate time to Arcapita portfolio companies. This network can be called upon to provide specialized functional expertise and industry-specific knowledge on an "as needed" basis.

The role of Arcapita's PMG is to act as a strategic advisor to Arcapita's portfolio companies—bringing critical insights, strategic capabilities, and world-class best practices in delivering superior investor returns. PMG currently provides full support to all private equity and infrastructure businesses, and periodic support to the real estate and venture businesses as required.[40] To accomplish this, PMG comprises business leaders who have a combination of top-tier management consulting experience, and extensive hands-on operating experience with some of the world's most renowned companies, successfully leading at least one significant operating division or stand-alone business. All PMG team members have worked in a variety of different industries and, as a result, are able to bring cross-industry experiences and best practices to portfolio company chief executive officers, while at the same time being attuned to industry-specific challenges.

For many years, private equity firms were primarily focused on maximizing leverage and applying leading-edge financial expertise to derive value from their investments. The concept of portfolio management is not new, but has taken on heightened importance over the past two to three years. The global recession of recent years has been a sharp reminder of the value of operational strength. Over this time in particular, PMG has played a vital role within Arcapita and across its portfolio. Given the strength and experience of the group now in place, the robust processes instilled within the portfolio companies, and the opportunities identified for improvement, PMG will continue to be a compelling differentiator in Arcapita's performance among its peer group in the private equity industry.

PMG Process

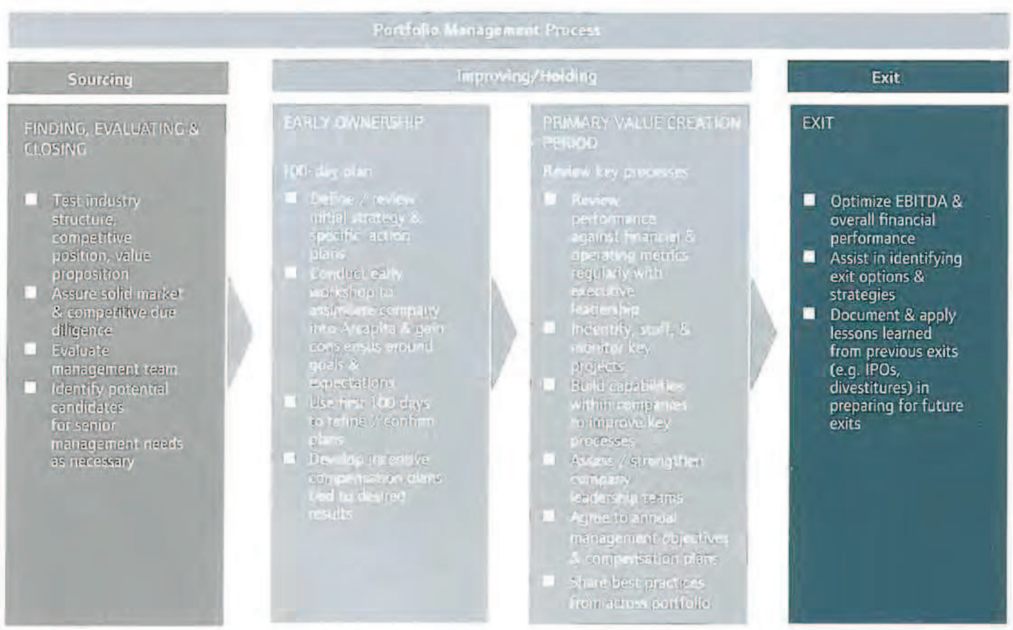
PMG is actively involved in each of the critical stages of a company and asset ownership process—including pre-acquisition and due diligence, early ownership, core ownership period, and the process leading to exit. Prior to the acquisition of a company or asset, PMG assists the investment team with market and operational due diligence, and in the assessment of the management team. Early in the deal process, a PMG executive is assigned to work closely with the portfolio company and with the relevant Arcapita investment team. During the critical early ownership period, a PMG executive confirms or acts to revise the company strategy, identifies the strengths and development needs of the management team, and introduces Arcapita's board governance and audit protocols. A PMG representative also works with management of a given portfolio company to identify the key industry and company-specific operating and financial measures that best reflect the performance levers for a particular business. Working alongside Arcapita's investment team, PMG professionals design incentive plans to encourage and motivate management teams to meet agreed-upon metrics. Through a rigorous process of formal monthly performance reviews and quarterly board meetings, a PMG executive works with the portfolio management teams to evaluate the company's performance, ensure early recognition of any deviations from expected performance, and to determine appropriate remedial action. More frequent discussions are undertaken as needed.

[40] Most real estate and venture capital investments are fully supported by Arcapita's internal investment teams in conjunction with any relevant joint venture or investment partner(s).

During the ownership period, a PMG executive serves as a member of the board of directors and seeks to increase the value of the investment in three primary ways: (i) assisting management in defining and continuously updating the optimal three to five year action-based strategy, (ii) identifying and driving initiatives in the company's annual operating plans that improve the near-term operating performance of the business and support achievement of ambitious financial objectives, and (iii) improving the company's human resource management and succession planning. PMG and portfolio company executives also regularly identify opportunities where PMG functional capabilities can be leveraged in support of marketing, sales, and growth-related initiatives. PMG also provides support and guidance on cost reduction, working capital reduction, process improvement, and supply chain initiatives. Lastly, PMG plays a critical role in evaluating, selecting, and developing chief executive officer candidates, and often assists the chief executive officer in the recruitment and selection of senior management team members.

Exhibit 48

Portfolio Management Process



Senior Management Team

Arcapita has assembled a highly experienced, diverse, and capable management team. Management includes individuals with backgrounds in principal investing, asset management, investment banking, consulting and industry. The Bank has been able to attract and retain top-tier management talent due to its consistent access to substantial investment funds, successful track record, prospects for profitable expansion, strong corporate culture and attractive compensation structure. Management, as a group, is Arcapita's single largest shareholder, giving executives a strong incentive to maximize value for shareholders.

Atif A. Abdulmalik
Chief Executive Officer
Bahrain

Atif is Chief Executive Officer ("CEO") and founder of Arcapita Bank, which he established in 1997. Previously, Mr. Abdulmalik was at Investcorp. He has a BBA in Accounting, Finance and Management from Saint Edward's University, Texas, and is a Certified Public Accountant from the State of Maryland. In 2007, he was awarded The Proficiency Medal First Class by His Majesty King Hamad bin Isa Al Khalifa, in recognition of his outstanding contribution to Bahrain. Mr. Abdulmalik serves as a member of the board of Bahrain's Economic Development Board. Atif is also a member of the Board, EIC, EAC, CCC, MIC and MAC.

Charles G. Ward, III
Chief Investment Officer, Executive Director and President, Private Equity & Infrastructure
Atlanta

Chuck is the Chief Investment Officer of Arcapita, Executive Director, and President of the Private Equity and Infrastructure lines of business. Chuck was previously with Lazard, where he was President since joining the firm in 2002, as well as Chairman of its Asset Management Group. He played a key strategic role as a partner to Bruce Wasserstein in running the firm out of New York and London. At Lazard, among other responsibilities, he was directly responsible for all of Lazard's business in Emerging Markets, including Asia, Latin America, the Middle East, and Eastern Europe. Prior to Lazard, Chuck spent eight years at Credit Suisse, where he was the Head of Global Investment Banking and Private Equity, and where he was appointed President of Credit Suisse First Boston in 2000. Prior to Credit Suisse, Chuck was one of four individuals who founded Wasserstein, Perella & Co in 1988. As President of the firm, he was responsible for all investment banking activities. In this capacity, he managed approximately 130 professionals in eight offices, including New York, Chicago, Los Angeles, Houston, London, Paris, Frankfurt, and Tokyo. Chuck has an MBA from Harvard Business School and BA in Economics from Trinity College, Hartford, CT. Chuck is also a member of the MIC.

Martin Tan
Executive Director and President, Real Estate
Singapore

Martin is the President of Arcapita's real estate line of business. Martin joined Arcapita in 2007 from CapitaLand in Singapore, where he was the Chief Executive Officer of CapitaLand Commercial & Integrated Development. Over the past 18 years, Martin has acquired extensive real estate operating experience across multiple geographies including Asia, Europe and the GCC. At CapitaLand, Martin was in charge of managing a SGD 10 billion portfolio with responsibility for more than 300 real estate professionals. He is a native of Singapore and obtained his MBA and Bachelor's degrees from Washington State University. Martin is also a member of the MIC.

Khalid A. Al Jassim
Executive Director, Investment Placement
Bahrain

Prior to joining Arcapita, Khalid served as a Senior Consultant with Arthur Andersen in Bahrain, responsible for multi-dimensional projects in the GCC market. Previously, he was head of Marketing at National Chemical Industries Corporation in Bahrain, a specialty petrochemical company which was majority owned by Saudi Basic Industries Corporation (SABIC). Khalid was also Marketing Coordinator at AST Research in the United States, operating out of Orange County, California. Khalid has a BS in Computer Science and Mathematics from California State University at Long Beach and an Executive MBA from Pepperdine University in California. Khalid is also a member of the MIC.

Hisham Abdulrahman Al-Raee
Executive Director, Investment Placement
Bahrain

Hisham is an Executive Director at Arcapita, and has been a member of the management team since the Bank's inception. With over 16 years of investment banking and finance experience, he currently heads placement and relationship management for Arcapita's clients in Bahrain, Saudi Arabia's Central and Eastern region, Oman and all regions beyond the Arabian Gulf. Prior to joining Arcapita, Hisham was the Senior Director of Business Development with Reuters Middle East in Saudi Arabia for five years and prior to that he worked in the finance department at Citibank N.A., Bahrain. Hisham holds a CSD in Business Administration from the University of Bahrain and a Masters in Business Administration from the University of Hull, United Kingdom. Hisham is also a member of the MIC, MAC and RMC.

Mohammed A. Muiz Chowdhury
Executive Director, Financial Management
Bahrain

Mohammed is the head of the FMG. Prior to joining Arcapita in 1998, he spent nine years in the accounting profession working for Ernst & Young in Bahrain and KPMG in London. Mohammed is a member of the Institute of Chartered Accountants in England and Wales, completing his training contract while working for KPMG in London. He is a graduate of the London School of Economics and has an MBA from the London Business School. Mohammed is also a member of the MIC, RMC and MAC.

E. Stockton Croft
Executive Director, Private Equity
Atlanta

Stockton is head of private equity in the United States. He focuses on acquisitions in the consumer and specialized manufacturing sectors and currently serves as Chairman of The Tensar Corporation, Varel International and Bijoux Holdings. He also sits on the Board of Directors of 3P Logistics, and was formerly Chairman of Church's Chicken and on the board of Loehmann's Inc., Yakima Inc. and Ampad LLC prior to their respective sales. Prior to joining Arcapita in 2004, Stockton was a co-founder and general partner with Argonne Capital Group, a private equity firm which acquired the largest franchisee of IHOP Corp. Prior to Argonne Capital, he co-founded and served as President and CFO of BSC Enterprises, a manufacturer of medical and paper-based products. Stockton holds a BS in Commerce from the University of Virginia and an MBA from the Wharton School where he was named a Palmer Scholar.

Simon Dudley
Executive Director, Global Capital Markets
London

Simon heads global capital markets at Arcapita and has over 25 years experience in financial services. Before joining Arcapita in 2009, Simon was with Citigroup in London for eight years, where he was a Managing Director in Fixed Income and advised on several of the United Kingdom's most high profile public-to-private transactions. Prior to Citigroup Simon was a major shareholder in his own structured finance advisory boutique, Atlas Capital. Previous to Atlas Capital, Simon held positions with subsidiaries of Svenska Handelsbanken and HSBC. Simon is registered with the Financial Services Authority in London and has a degree in Economic and Social Studies from the University of East Anglia in the United Kingdom.

Charles L. Griffith
Executive Director, Portfolio Management Group
Atlanta

Chuck is head of PMG at Arcapita. Previously, Chuck held senior positions with several Fortune 500 firms including as Executive Vice President and the second-ranked executive at the 150,000 employee EDS Corporation (software and IT outsourcing), Chief Executive Officer of Ingersoll-Dresser (industrial equipment), and President of Allied Signal's Fram/Autolite automotive business. Earlier, Chuck was a consultant with McKinsey and Company and a leader in that firm's strategy practice. Chuck enjoys working with senior executives to develop customer-centric organizations, and to drive transformational improvement in investor and employee satisfaction. Chuck serves on a number of public and private boards and is a Trustee of the Kent Denver School. He also serves as a visiting executive at the Darden, Wharton, Kellogg and Stanford Graduate Business Schools. He graduated from the University of Colorado and received an MBA from Stanford University. Chuck is also a member of the MIC.

John Huntz
Executive Director, Venture Capital
Atlanta

John Huntz is the global head of the venture capital line of business. With 26 years experience in the private equity business, John joined Arcapita in 2005 to launch and run Arcapita's Venture Capital line of business. For the prior 14 years, he was working with the Fuqua companies, most recently as managing director of Fuqua Ventures. He is the chairman of the board of Manhattan Associates, chairman of CardioMEMS, and serves on the board of Proficient Systems. He is the president and founder of the Atlanta Venture Forum, a widely recognized risk capital network in the Southeast. He served as a member of the board of the National Venture Capital Association and is a chairman or board member for a number of non-profit organizations. He has a BBA from Niagara University and an MBA from Sacred Heart University.

Peter Karacsonyi
Executive Director, Corporate Management
Bahrain

Peter is head of corporate management at Arcapita. Prior to joining Arcapita, Peter was with Bear Stearns in New York, where he was a Managing Director and Chief Operating Officer. Prior to joining Bear Stearns, Peter was with JP Morgan and before that, Goldman Sachs and General Electric, and has over 18 years of experience. Peter has a BBA from the University of Oklahoma and, during his time at GE, completed the GE Finance Management Program and GE Managers Development Course. Peter is also a member of the MAC.

C. MacLaine Kenan
Executive Director, Real Estate
Atlanta

Laine is head of real estate in the United States. Prior to joining Arcapita in 2001, Laine spent 13 years at the investment banking firm of Robinson-Humphrey where he focused on equity capital raising and mergers & acquisitions in the real estate and technology sectors. Laine is a graduate of the University of North Carolina at Chapel Hill and holds an MBA from the Kellogg School at Northwestern University. Laine is a Chartered Financial Analyst and a member of the Board of Directors of the Association of Foreign Investors in Real Estate.

Nael Mustafa
Executive Director, Real Estate
Bahrain

Nael is head of real estate in the Middle East and India. Prior to joining Arcapita in 2003, Nael spent 13 years with various investment banks in Bahrain and covering the GCC region through a wide range of investment sectors and asset classes including capital markets, corporate finance and advisory services. Nael worked with TAIB Bank E.C., where his last assignment was General Manager of TAIB Securities, TAIB Bank's capital markets arm and at Securities & Investment Co. in Bahrain, where he was head of corporate finance. Nael has an MBA from Edinburgh University, Scotland and is a CFA Charterholder.

PeterPaul Pardi
Executive Director, Investment Placement
Bahrain

PeterPaul oversees the development of the institutional funds business for institutional and sovereign wealth relationships. Prior to joining Arcapita in 2008, PeterPaul was at Lehman Brothers Investment Management in London for two years, where he was a Managing Director and Head of Distribution and Client Services for Europe, the Middle East & Asia. At Lehman Brothers he was a member of the EMEA Executive Committee responsible for forecasting investment management acquisition synergies. Previously, PeterPaul was Executive Vice President and Head of Institutional Remarketing for Europe at Pacific Investment Management Company (PIMCO) where he worked for four years. Prior to that, PeterPaul was responsible for the Southern European Institutional Business at Barclays Global Investors and a Merchant Banker with Security Pacific. PeterPaul has 19 years of investment experience and has a BA from Tufts University, an MBA from the American Graduate School of International Management, and an MSc in quantitative investment management from the University of Southern California.

Henry A. Thompson
Executive Director, Legal
London

Henry is Arcapita's General Counsel, responsible for administering the Bank's legal affairs, corporate governance and developing the legal aspects of the Islamic financial instruments utilized by the Bank. Prior to joining Arcapita, Henry was with US law firms, Gibson, Dunn & Crutcher LLP and Hogan & Hartson LLP, specializing in cross-border investments as well as financing on both conventional and Islamic lines. Henry has a BS in Foreign Service from Georgetown University in Washington, D.C., and JD (Cum Laude) from Georgetown University Law Center in Washington, D.C. Henry is a Member of the District of Columbia Bar. Henry is also a member of the MIC and MAC.

Asim Zafar
Executive Director, Chief Strategy Officer
Bahrain

Asim is Arcapita's Chief Strategy Officer, responsible for developing new business partnerships at the corporate level and supporting Arcapita's funding requirements and relationships, including sourcing strategic equity investments. Prior to joining Arcapita he was with Coopers & Lybrand, corporate finance group, focusing on the transport, energy and telecommunications sectors. Prior to Coopers & Lybrand, Asim was with Touche Ross, where he was involved in a broad range of product lines with a focus on insurance and banking. Asim is a Member of the Institute of Chartered Accountants of England and Wales (ACA) and a Member of the Chartered Institute of Management Accountants, UK (ACMA). Asim is also a member of the MIC.

Essa A. Zainal
Executive Director, Financial Control
Bahrain

Essa is head of financial control. Prior to joining Arcapita, Essa was with Al Baraka Banking Group in Bahrain for three years as financial controller responsible for the consolidation of Al Baraka's financial institutions. Previously, he was with Arthur Andersen in Bahrain for more than 15 years, during which he headed the assurance advisory services division. Essa has a BS in Accounting from the University of Bahrain and is a Certified Public Accountant (CPA) from Georgia, USA. Essa is also a member of the MIC, RMC and MAC.

Liquidity and Exit Analysis

Dividend Policy

Since inception, Arcapita has returned $342 million in dividend proceeds to its shareholders. In FY 2008 and FY 2007, prior to the global financial crisis, the dividend payout ratio was 25 percent and 39 percent, respectively. As Arcapita returns to profitability, Management anticipates that the Bank will resume dividend distributions to its shareholders.

Exhibit 49

Dividend Payout Ratio

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005	FY 2004
Dividend Payout Ratio	-	-	24.9%	39.2%	29.6%	43.7%

Market for Arcapita Shares

In order to provide liquidity for Arcapita shareholders, Arcapita established a liquidity mechanism, the ASLP, which allows Arcapita shareholders to buy and sell the Bank's shares at a predetermined price. In the ASLP, the program administrator matches buyers and sellers of Arcapita shares based on demand.

Following is a summary of the key terms of the ASLP:

- Arcapita and its advisors have established an objective methodology for determining the fair value of Arcapita's shares ("Arcapita Share Value"). See Appendix B "Valuation Methodology."
- An independent third party, the Bank's auditors and valuation advisor Ernst & Young, calculates the Arcapita Share Value.
- Arcapita disseminates information to shareholders and certain qualified third parties as to the Arcapita Share Value and the ASLP details on a specific date prior to the commencement of the ASLP ("Announcement Date").
- For one month from the Announcement Date, Arcapita (or an independent party) builds a book of buy/ sell orders at the Arcapita Share Value. Arcapita then facilitates trades at the fixed price between willing buyers and sellers. In certain cases, Arcapita may buy a percentage of the shares as treasury stock. Arcapita allocates shares among the buyers and sellers in its sole discretion.
- After the settlement of the orders has been determined, Arcapita's Board of Directors meets to approve or disapprove any transfers.
- During the year, shareholders are permitted to transfer shares outside the ASLP at a price determined by the buyer and seller.
- The next ASLP is scheduled to occur in October 2011 and on an annual basis thereafter.

Trade Sale

Arcapita believes that the Bank is an attractive strategic acquisition candidate for certain buyers. Arcapita believes that a number of firms would be interested in acquiring the Bank due to: (1) its exclusive and extensive network of investors in the GCC market, which is difficult to access, (2) the expertise and reputation that the Bank has developed as the world's leading sponsor of Shari'ah-compliant alternative investments, and (3) Arcapita's global investment and asset management capabilities.

Listing of Arcapita Shares

Arcapita believes that the Bank is poised to become an attractive candidate for a public offering following the successful execution of its five-year business plan. This plan is predicated on increasing the Bank's recurring revenues and reducing earnings volatility inherent in its transaction-based product offering.

Summary

Arcapita believes that the Bank's extensive and exclusive network of investors, Shari'ah-compliant investing expertise, global investment capabilities, investment track record and sustainable business model position the Bank well for the liquidity events discussed above. Arcapita believes the prospects for these liquidity events will be further enhanced by the successful implementation of the Bank's business plan.

Financial Overview

Arcapita's Financial Drivers

Arcapita derives its revenue from its activities as a principal, arranger and manager of alternative investments. By making profitable investments and increasing its assets under management, Arcapita is able to increase its revenues. The Bank categorizes its revenue as either investment banking revenue or recurring revenue.

Investment banking revenue includes:

- Acquisition income related to M&A and arrangement fees earned usually at the time of acquisition;
- Placement income consisting of fees earned on syndication of investments to investors;
- Exit income, consisting of performance fees, earned at the time of divestment from an investment.

Recurring revenue includes:

- Management fees earned in Arcapita's capacity as asset manager over the investment portfolio;
- Income from investee companies, which consists of profit earned on Islamic financing facilities provided to portfolio companies;
- Yield or dividends earned from investments held by Arcapita (typically from the infrastructure and real estate lines of business).

The Bank's strategy is to grow its recurring revenues in order to reduce income volatility and mitigate the impact of cyclical downturns.

In addition, Arcapita incurs non-cash, unrealized gains (or losses) arising from fair value adjustments to the investment portfolio held on Arcapita's balance sheet. Following initial recognition at cost, investments at "fair value through statement of income" are re-measured to fair value. The unrealized gains and losses arising from the re-measurement to fair value are included in the consolidated income statement and are appropriated to a fair value reserve, if determined not to be impaired, in accordance with Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") standards. For more details, see *Arcapita's Accounting Policy for Investments*.

Arcapita primarily incurs expenses from three sources: funding costs, staff compensation and benefits, and general and administrative expenses.

Arcapita Performance Overview

Exhibit 50

Key Financial Highlights (FY 2005 – FY 2010)

	FY 2013P	FY 2012P	FY 2011P	FY 2010	FY 2009	FY 2008	FY 2007[a]	FY 2005
Operating Income ($ millions)	595	535	280	82	338	619	373	246
Net Income ($ millions)	310	255	50	(559)	(88)	362	190	104
Return on average equity (ROE)[b] (percent)	17	15	3	(42)	(6)	32	28	29
Return on average assets (ROA)[c] (percent)	9	7	1	(14)	(2)	8	7	7
Efficiency ratio (total income/operating costs)	2.9	2.6	0.5	0.3	1.2	2.1	1.7	3.2
Total assets ($ millions)	3,300	3,680	3,740	3,457	4,372	5,137	3,805	1,865
Leverage (total liabilities/total equity)	0.6	1.0	1.3	2.3	1.7	2.8	3.0	3.7

(a) FY 2007 was a transitional 18-month period. Income figures and certain ratios are annualized for purposes of comparison.
(b) ROE calculated as: net income / average equity. Average equity is calculated as the sum of the current and previous years equity divided by two. For the purpose of this calculation Arcapita excludes proposed dividends from equity.
(c) ROA calculated as: net income / average total assets. Average total assets is calculated as the sum of the current and previous years assets divided by two.

Arcapita's performance since inception is best understood in the context of the private equity industry. Private equity has experienced three periods of significant expansion since its rise to prominence in the 1980s (see "Private Equity Operating Environment" in *Market Overview*). These periods of growth coincided with economic expansions in the world economy. Private equity's ability to rebound from periods of economic slowdown through the decades is a testament to the innovative and adaptable nature of the industry.[41]

Performance Prior to the Global Financial Crisis

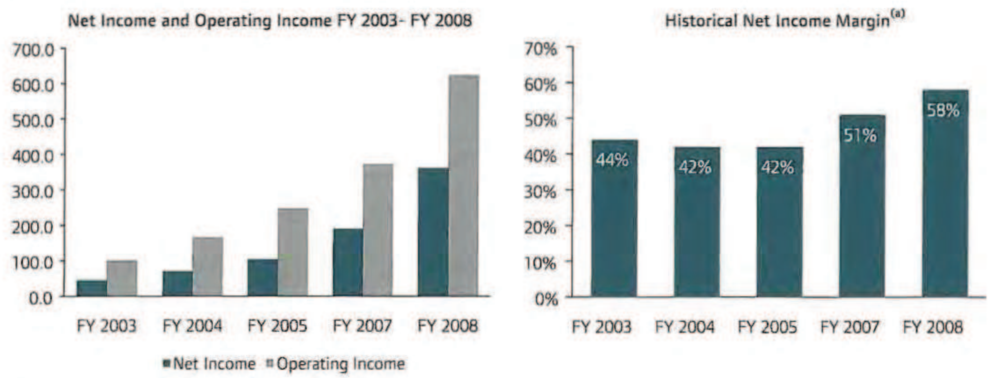
Prior to the global financial crisis, Arcapita enjoyed a sustained period of prosperity and growth, driven by the momentum of the private equity industry and Arcapita's unique competitive advantages. This period saw Arcapita achieve profitability in every year prior to the onset of the global financial crisis. The Bank grew its revenue and net income through numerous economic slumps, including following the collapse of the IT bubble in 2000, the post-9/11 economic slowdown, and fallout from the Iraq War in 2003. Relative to other international alternative investment firms, the Bank's margins have been consistently high. ROE reached 32 percent in 2008, up from 29 percent in FY 2005, while net income margin grew from 45 percent in FY 2005 to 56 percent in FY 2008. In addition, Arcapita built a track record of delivering returns to its shareholders. As shown in Exhibit 52, a $100 investment in Arcapita stock in 1997 yielded a return of $779 (inclusive of book value and cumulative dividends) by 2008.

[41] Bain & Company, "Global Private Equity Report 2010."

Exhibit 51

Track Record of Resilience: Pre-Global Financial Crisis

($ millions)

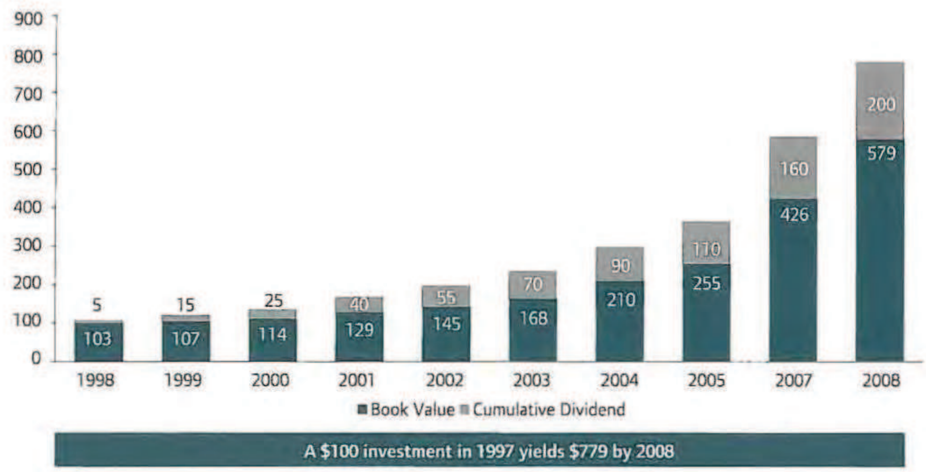


(a) Calculated as: net income / operating income.

Exhibit 52

Arcapita Delivers Shareholder Profitability

($ millions)

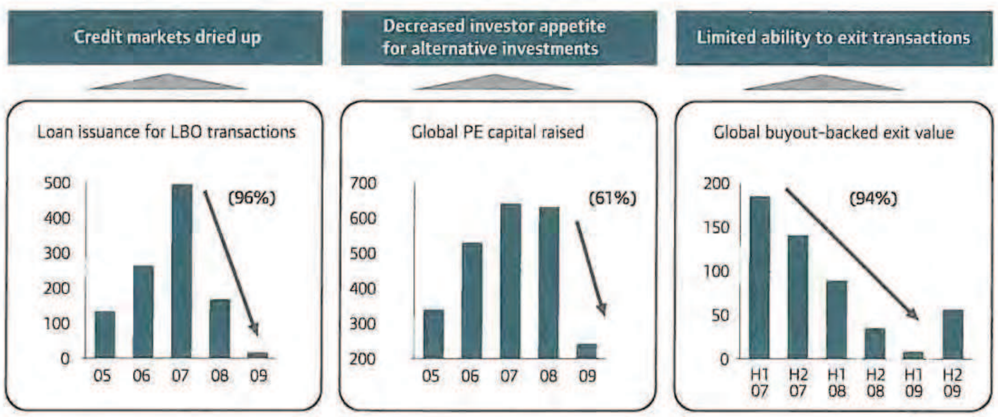


Performance During the Global Financial Crisis

Following a period of significant expansion, the global financial crisis caused the private equity industry to experience a severe downturn. Since the onset of the global financial crisis in 2007, global private equity transaction volumes dropped dramatically, financing for leveraged buyouts contracted, and fundraising became extremely challenging (see "Private Equity Operating Environment" in *Market Overview* for more details). Even though many leading indicators in the financial markets improved in late 2009 and early 2010, the private equity sector continued to face headwinds as a result of (i) global deleveraging, (ii) lower levels of credit available for acquisitions, and (iii) focus on the needs of existing portfolio investments.

Exhibit 53

Global Financial Crisis Presented Significant Industry-Wide Challenges



Source: Bain & Company, "Global Private Equity Report 2010."

Similar to its peers in the private equity industry, Arcapita was significantly impacted by the global financial crisis. Throughout the downturn, Arcapita sought to strengthen its balance sheet. Since November 2008, Arcapita raised in excess of $2.4 billion in support of its balance sheet through the following:

- $620 million strategic investors facility and other strategic facilities with board members and strategic relationships;
- $220 million equity raise;
- $300 million sale-and-leaseback of the Arcapita headquarters building;
- $750 million in placement;
- $240 million through portfolio exits and refinancings;
- $200 million facility with Standard Chartered Bank; and
- $100 million Sukuk managed by Societe Generale.

These initiatives, combined with Arcapita's cash reserves prior to the global financial crisis, allowed Arcapita to repay in excess of $2 billion in financings and fund in excess of $500 million to support its investment portfolio.

As a result of its focus on the balance sheet, Arcapita did not commit significant funds to new investments during this period. In addition, the Bank delayed or abandoned a number of planned exits due to unfavorable market conditions. These factors resulted in a dramatic reduction in investment banking income in FY 2009 and FY 2010 relative to periods prior to the global financial crisis. As a result of difficult market conditions, the Bank wrote down its investment portfolio extensively, by approximately $517 million (including fair value adjustments and provisions) since the onset of the global financial crisis. The combined effect of limited new investment activity, a sparse market for exits, adverse currency movements and negative fair value adjustments within the portfolio contributed to a $559 million loss for FY 2010.

Lessons Learned During the Global Financial Crisis

The global financial crisis impacted all financial institutions severely, almost without exception. Institutions were forced to reassess their strategies and adapt to the new landscape. For Arcapita, business strategies that were set in place prior to the global financial crisis were slowed. Chief among these was Arcapita's push to build out its Funds Product Offering, designed to enhance recurring revenue streams and protect the Bank against potential market turbulence. Now that the global financial crisis has subsided, Arcapita is moving forward with confidence on its value-enhancing business strategies.

Coming out of the global financial crisis, Arcapita is seeking to:

- Build and maintain a sizeable equity capital base to protect against severe market downturns;
- Increase recurring revenues such that they match or exceed Arcapita's cost base to protect net income in down years; and
- Extend the maturity profile of liabilities to match Arcapita's long-term assets.

Arcapita believes that the outlook for FY 2011 and beyond is positive. This outlook is underpinned by the recent Q1 2011 results, in which Arcapita posted a net profit of $29.1 million.

Five-Year Historical Analysis: FY 2005 to FY 2010

When viewed in its entirety, the period FY 2005 to FY 2010 demonstrates both the income-generating capabilities of the Bank, as well as the negative effects of its transaction-based revenue during a severe market shock. While the results for FY 2009 and FY 2010 are disappointing, it is important to note that during this period Arcapita was able to raise in excess of $2.4 billion to support its balance sheet, which is a favorable reflection of the deep relationships that Arcapita has developed since inception.

Exhibit 54

Summarized Income Statement (FY 2005 – FY 2010)

($ millions)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Operating income	82	338	619	373	246
Net funding cost	(114)	(135)	(80)	(57)	(27)
Net operating income	(32)	203	539	316	219
Operating expenses	(142)	(130)	(211)	(145)	(83)
Net (loss) income, before:	(174)	73	328	171	136
Fair value adjustments	(147)	(236)	29	34	(16)
Net foreign exchange movements	(170)	85	5	8	(16)
Allowance for doubtful commodity receivables	(68)	(10)	-	(23)	-
Net income (loss)	(559)	(88)	362	190	104

Note: FY 2007 was a transitional 18-month period. Income figures and certain ratios are annualized for purposes of comparison.

The period spanning FY 2005 to FY 2008 represented a period of strength and growth for Arcapita, as discussed in the Arcapita Performance Overview section. During this period Arcapita grew operating income by 152 percent from $246 million in FY 2005 to $619 million in FY 2008, and net income by 248 percent from $104 million in FY 2005 to $362 million in FY 2008. Over the period, Arcapita completed in excess of 30 transactions, building a reputation globally as a leader in alternative investments.

As a result of the global financial crisis, Arcapita experienced losses in FY 2009 and FY 2010. These losses are comparable to losses booked by the Bank's peer group, including Investcorp, 3i and Blackstone Group. Over the last 18 months nearly all financial institutions, both internationally and within the GCC region, have taken substantial losses. Importantly, Arcapita's balance sheet was able to absorb the losses due to its cash cushion and sizable equity position prior to the onset of the global financial crisis.

Operating Income

Arcapita's operating income consists of income generated on investment banking revenues and recurring revenues.

Exhibit 55

Operating Income (FY 2005 – FY 2010)

($ millions)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Investment banking (loss) income	(78)	64	453	271	191
Recurring income	183	189	161	102	54
Other	(23)	85	5	-	1
Operating income	82	338	619	373	246

Note: FY 2007 was a transitional 18-month period. Income figures are annualized for purposes of comparison. Other income includes certain non-recurring items which do not fall into the main income classifications such as disposals of fixed assets. The figure for FY 2009 included a $74 million gain from sale of the headquarters building.

Investment banking income consists of acquisition, placement and exit income/losses. In the periods FY 2005 to FY 2008, Arcapita carried out over 35 investments, the majority of which were placed with investors within three to four months of commencing marketing activities. In addition, before the global financial crisis, the portfolio was beginning to mature, which produced several successful exits in FY 2007 and FY 2008. In FY 2009 and FY 2010, however, limited investment activity and unfavorable exits and dispositions depressed investment banking income. The negative contribution of investment banking income in FY 2010 reflects the full impact of the global financial crisis. As a result of the crisis, investors became risk averse and reduced their commitments to new investments.

Exhibit 56

Investment Banking Income (FY 2005 – FY 2010)

($ millions)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Acquisition and placement fees	2	62	270	190	184
Exit income (loss)	(80)	2	183	81	7
Investment banking income (loss)	**(78)**	**64**	**453**	**271**	**191**

Note: FY 2007 was a transitional 18-month period. Income figures are annualized for purposes of comparison.

Recurring income consists of management fees, income from investee companies (profit income from financing provided to the investment portfolio) and yields (or dividends) from the investment portfolio. These sources of income have historically proven to be stable and less susceptible to cyclical swings in the M&A market. As noted previously, Arcapita is focused on maintaining and growing its recurring income base (see "Strategy and Business Model" in *The Offering*). Since FY 2005, recurring income has grown from $54 million to $183 million in FY 2010.

Exhibit 57

Recurring Income (FY 2005 – FY 2010)

($ millions)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Management fees	75	100	87	43	21
Income from investee companies	72	56	39	21	16
Yield from investments	36	33	35	38	17
Recurring income	**183**	**189**	**161**	**102**	**54**

Note: FY 2007 was a transitional 18-month period. Income figures are annualized for purposes of comparison.

Expenses

Arcapita's expenses consist of net financing costs related to financing liabilities on its balance sheet, staff compensation and benefits, and general and administrative expenses.

Exhibit 58

Arcapita Expenses (FY 2005 – FY 2010)

($ millions)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Net funding costs	(114)	(135)	(80)	(57)	(27)
Staff and compensation benefits	(78)	(75)	(150)	(96)	(49)
General and administrative expenses	(64)	(55)	(61)	(48)	(34)
Arcapita Expenses	**(256)**	**(265)**	**(291)**	**(201)**	**(110)**

Note: FY 2007 was a transitional 18-month period. Income figures are annualized for purposes of comparison.

Driven by profit earned on cash balances, net funding costs ranged between $27 million to $80 million from FY 2005 to FY 2008. During the early stages of the crisis, Arcapita utilized a significant portion of its cash reserves to meet maturing financing liabilities, reducing net funding income. At the same time, Arcapita raised several new facilities which were at higher rates prevailing at that time. As a result, net funding cost increased substantially in FY 2009. As the Bank began a process of reducing and re-pricing its financing liabilities, net funding costs declined to $114 million in FY 2010. Management expects further reductions in net funding costs as Arcapita refinances expensive financing liabilities and increases its cash balance.

Driven by the demands of the Bank's growth, Arcapita's headcount increased from 172 in FY 2005 to 341 in FY 2009. As a result of the Bank's performance during the global financial crisis, Arcapita reduced headcount globally in FY 2010. As at September 30, 2010, headcount was 265. Although some benefit from headcount reduction was realized in FY 2010, Arcapita expects to see further benefits accruing from this activity in FY 2011.

In the periods FY 2005 to FY 2008, the Bank's general and administrative expenses grew from $34 million to $61 million. During this period, the Bank expanded its product offering to include new asset classes (venture capital) and opened its office in Singapore to capitalize on the growing investor demand for Asian investment opportunities. In FY 2009, Arcapita began a broad program of cost reduction. Since that time, excluding the sale-and-leaseback costs of the headquarters building, general and administrative expenses have fallen from $61 million to $47 million. Arcapita expects further impact of these cost reduction measures to be fully manifested in FY 2011.[42]

Balance Sheet

Exhibit 59

Key Balance Sheet Metrics (FY 2005 – FY 2010)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Total assets ($ million)	3,457	4,372	5,137	3,805	1,865
Total liabilities and URIA ($ millions)	2,397	2,774	3,707	2,738	1,441
Equity ($ millions)	1,060	1,598	1,430	1,067	424
Leverage (x)	2.3	1.7	2.8	3.0	3.7
Capital adequacy ratio (percent) (Basel II)	12.7	17.1	18.6	20.7	NA

Note: FY 2005 capital adequacy was calculated using the older Basel I methodology which is not comparable.

[42] In FY 2010, Arcapita completed the sale-and-leaseback of its headquarters building. In the Bank's audited financial statements, the expense of this sale-and-leaseback, $17 million, is contained in general and administrative expenses.

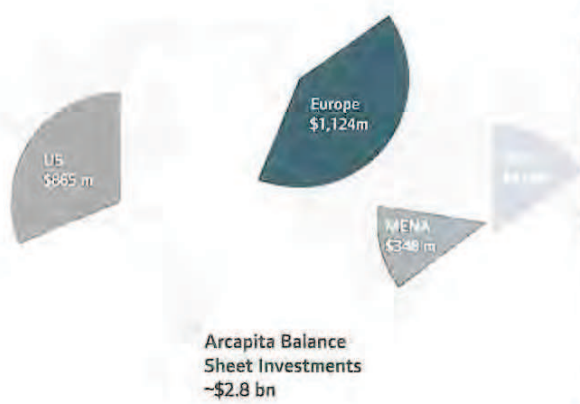
From FY 2005 to FY 2010, Arcapita grew total assets by approximately $1.6 billion to $3.5 billion. In addition, equity grew by more than $500 million to $1.1 billion. During this period, and in accordance with its strategy of building a diversified portfolio, the Bank made 35 investments across its private equity, real estate, infrastructure and venture capital business lines globally. Despite the reduction in assets and equity since FY 2008, Arcapita believes its balance sheet remains sound as a result of the investment portfolio which is well positioned following the downturn.

Investment Portfolio

Arcapita's diverse portfolio of balance sheet investments consists of more than 50 different investments globally across multiple asset classes in 22 countries. The depth of this diversification is purposeful and represents a key differentiator for Arcapita.

Exhibit 60

Large and Diversified Investment Portfolio



Sector	
Energy	22%
Residential	21%
Industrial / Warehousing	17%
Industrial	12%
Business Services	10%
Consumer	5%
Self Storage	3%
Senior Living	3%
Transportation	3%
Commercial	2%
Healthcare	1%
Venture Capital	1%
Specialized Manufacturing	1%
Water	0.4%
Retail	0.2%

Note: Includes portfolio financing.

In FY 2009 and FY 2010, Arcapita made negative, unrealized fair value adjustments totalling $236 million and $147 million respectively. These adjustments were driven by challenges that the portfolio faced and overall negative market sentiment during the crisis. These adjustments should be viewed in the context of the private equity industry as whole, where numerous firms made unrealized negative fair value adjustments. Arcapita believes that the outlook for FY 2011 and beyond is considerably brighter. As a result, Arcapita expects some of the unrealized losses will move back in its favor as operating environments improve.

Liabilities

During the period FY 2008 through Q1 2011, Arcapita reduced its total liabilities by $1.3 billion from $3.7 billion to $2.5 billion; the Bank's leverage ratio fell from 2.8 times to 2.3 times. This reduction in liabilities was driven by the effect of the global financial crisis on the short-term interbank market. At FY 2008, Arcapita had $1.2 billion in short-term interbank liabilities.

As at Q1 2011, the Bank's liability profile was as follows:

- Short-term interbank financing: $14.9 million
- Global relationship banks: $312.6 million
- Strategic financings from board members and other strategic entities: $622.2 million
- Medium-term murabaha facility: $1,095.7 million
- Due to deal companies and special programs: $287.9 million
- Unrestricted investment accounts ("URIA"): $148.8 million
- Other liabilities: $45.5 million

The medium-term sukuk is due in April 2012. Arcapita believes that this equity raise will enable the Bank to refinance some or all of this sukuk. In the event the sukuk is not refinanced in its entirety, Management anticipates that Arcapita will have sufficient liquidity to meet its obligations under this sukuk.

Exhibit 61

Leverage Ratios (FY 2005 – FY 2010)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2005
Leverage Ratio[(a)]	2.3x	1.7x	2.8x	3.0x	3.7x
Investment Leverage Ratio[(b)]	2.0x	1.6x	1.8x	1.4x	1.9x

(a) Leverage Ratio: financing commitments divided by total equity.
(b) Investment Leverage Ratio: equity investments divided by total equity.

Q1 2011 Results
During Q1 2011, Arcapita posted a net profit of $29.1 million. A majority of the operating income ($54.5 million) was due to management fees and recurring and other income. The Bank saw reduced levels of investment banking income due to seasonality (summer months are typically slow periods as many GCC-based investors travel during this period). In addition, Ramadan fell during Q1 2011, which also had the affect of slowing investment banking activity. Contributing to the net profit was a foreign exchange gain of $99.3 million which was driven primarily by the strengthening of Euro relative to the US dollar. Since the closing of the quarter, Arcapita has engaged in a series of *wa'ad* (Islamic hedging mechanisms) to lock in a certain amount of currency gains.

Exhibit 62

Quarterly Summarized Income Statement (FY 2009 – FY 2011)

($ millions)

	Q1 2011	Q1 2010	Q1 2009
Operating income	56	62	54
Net funding cost	(19)	(29)	(29)
Net operating income	(28)	32	25
Operating expenses	(52)	(31)	(42)
Net (loss) income, before:	(15)	2	(17)
Fair value adjustments	(8)	(13)	29
Net foreign exchange movements	99	30	-
Allowance for doubtful commodity receivables	(47)	(50)	-
Net income (loss)	29	(31)	12

As at September 30, 2010, total assets stood at $3.6 billion, and total equity was $1.1 billion. The Bank had a leverage ratio of 2.3 times and capital adequacy ratio of 12.3 percent.

Five-Year Projections

The five-year projections contained herein are dependent on the ability of Management to effectively execute on its business plans. Failure to achieve certain targets, as well as complete certain operational and growth initiatives, could negatively impact operating results and may result in lower than anticipated revenue and margins. Any projection of future performance or exit conditions reflects various assumptions, which may or may not prove to be correct. The actual results will vary from the anticipated results and such variations may be material. Management five-year projections for the Bank (as at October 2010) are as follows.

Arcapita Financial Projections

Arcapita remains a leading international investment firm that provides investors with quality alternative investment opportunities on a global basis. Through its network of investor relationships and broad investment-sourcing capabilities, Arcapita seeks investment opportunities in economically attractive sectors and regions. Arcapita invests through four lines of business: private equity, real estate, infrastructure and venture capital. Arcapita's competitive advantage is its strong network of investors and shareholders in the GCC region. These factors, which were the foundation for Arcapita's success prior to the global financial crisis, will form the foundation for Arcapita's growth in future periods.

Exhibit 63

Key Financial Highlights (FY 2011 – FY 2015)

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Investment banking revenue ($ millions)	210	165	90	65	55
Recurring revenue ($ millions)	255	230	216	200	175
Operating income ($ millions)	656	615	595	535	280
Net income ($ millions)	416	348	310	255	50
Return on average equity (ROE)[a] (percent)	18	17	17	15	3
Return on average assets (ROA)[b] (percent)	12	10	9	7	1
Net income margin (percent)	64	58	56	35	18
Efficiency ratio	2.9	2.9	2.9	2.6	0.5
Total assets ($ millions)	3,160	3,550	3,300	3,680	3,740
Leverage (total liabilities / total equity)	0.2x	0.5x	0.6x	1.0x	1.3x

(a) ROE calculated as: net income / average equity. Average equity is calculated as the sum of the current and previous years equity divided by two. For the purpose of this calculation Arcapita excludes proposed dividends from equity.
(b) ROA calculated as: net income / average total assets. Average total assets is calculated as the sum of the current and previous years assets divided by two.

Management projects that Arcapita will return to profitable growth in FY 2011 and beyond, driven by:

- Divesting Arcapita's investment portfolio to generate capital gains and liquidity for reinvestment;
- Increased underwriting activity relative to FY 2010;
- Development of new funds to provide recurring revenue; and
- Continued reduction in expenses, most notably net funding cost, which is expected to decline as Arcapita reduces its financing liabilities.

Assumptions to Financial Projections

The financial projections are derived from the assumptions outlined in the table below. Arcapita believes that these assumptions are conservative when compared to the Bank's performance in FY 2008. By way of comparison, total underwriting in FY 2008 was $2.2 billion and total placement in FY 2008 was $1.6 billion. The financial projections do not assume any revenues or costs associated with wealth management, which Arcapita views as potential upside for the projection set.

Exhibit 64

Key Financial Assumptions (FY 2011 – FY 2015)

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Deal-by-Deal Underwriting ($ million)	1,700	1,200	900	500	570
Deal-by-Deal Placement[a] ($ million)	1,500	1,230	685	550	470
New Funds (number)	2	2	2	1	2
Fund Placement ($ millions)	1,000	1,000	1,000	550	1,150
Exits (number)	3	9	15	11	6
Capital Gains ($ million)	190	195	235	180	(165)
Fair Market Value Adjustment ($ million)	2	16	40	80	137

(a) Deal-by-deal placement does not match deal-by-deal underwriting due to the placement cycle. The projection set assumes that it takes between four and six months to fully place an investment after closing.

Arcapita's Accounting Policy for Investments

Investments

Investments comprise the Bank's retained share in private equity, real estate, infrastructure and venture capital investments. These also include investments for strategic and relationship reasons and investments underwritten for placement with clients in the near term. The venture capital line of business has been aggregated within private equity investments due to its relative size.

Investments are classified as "fair value through statement of income." In accordance with the requirements of AAOIFI, such investments would classify as "available for sale investments."

Initial Recognition

Investments are initially recognized at cost, being the fair value of the consideration paid.

Adjustments to Fair Value

Following initial recognition, investments at "fair value through statement of income" are re-measured to fair value. The unrealized gains and losses arising from the re-measurement to fair value are included in the consolidated statement of income and are appropriated to a fair value reserve, if determined not to be impaired, in accordance with AAOIFI standards. Upon realization of these gains and losses, these are transferred to retained earnings. The determination of fair value is made for each investment individually in accordance with the valuation policies set out below.

Valuations

Private equity, infrastructure, venture capital and strategic investments

Arcapita establishes fair value by using an appropriate valuation technique. Valuation techniques include using current market price for listed equity instruments, reference to recent arm's length market transactions between knowledgeable willing parties, if available, reference to recent valuation multiples of other comparable entities that are substantially the same and which include earnings before interest, tax, depreciation and amortization multiples and the use of discounted cash flow valuation models.

Real estate investments

Real estate investments are re-measured based on the capitalization of future cash streams of the underlying real estate assets using prevailing capitalization rates or an appropriate discount rate for similar properties in the same geographical area.

Corporate Governance

Overview

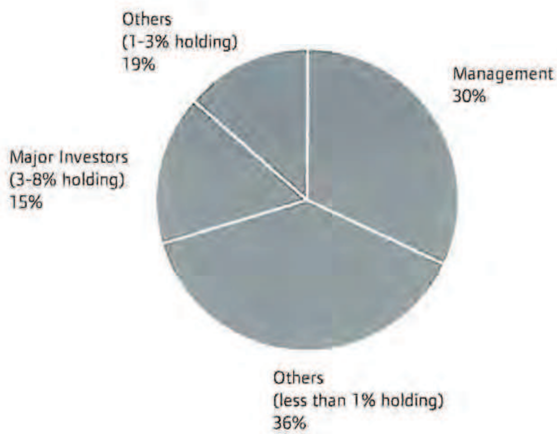
Arcapita's corporate governance – the system of procedures and principles governing how the Bank organizes its leadership, its management and its operations – is fundamental to Arcapita's success and that of its stakeholders. Arcapita has designed its corporate governance to produce an efficient, entrepreneurial decision-making structure that is fair, transparent and accountable, and that aligns the interests of investors, management and employees with those of its shareholders, financiers and investors. In addition, the structure oversees Arcapita's adherence to Shari'ah principles in the conduct of its business.

Ownership Structure

Arcapita's shareholders include HNWIs, family offices, institutional investors and SWFs in the GCC region and Southeast Asia, and Management. The ownership structure forms an alignment of interests between Arcapita and its shareholders and provides Arcapita with flexibility and independence in pursuing its business strategies. The shareholder base is well diversified with no one shareholder having a majority stake.

Exhibit 65

Shareholder Base



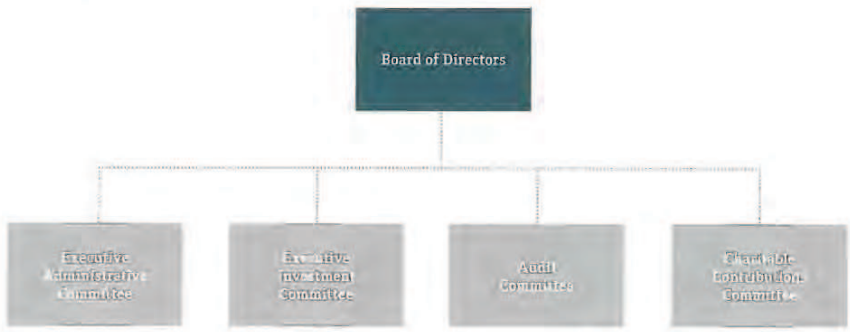
Board of Directors

Arcapita's Board of Directors takes responsibility for the strategy of the Bank and for the supervision and oversight of its senior management, who have been entrusted with implementing day-to-day management policies. Arcapita's Board of Directors consists of eleven members, including non-executive members, and the Bank's CEO, representing Management. The Board of Directors meets as often as business requires, and a minimum of four times a year. Since Arcapita's inception, the functions of Chairman of the Board of Directors and the CEO have been carried out by separate individuals, thus providing a separation of powers. Arcapita's Management works closely with the Board of Directors both directly and through its various committees. Management regularly provides investment and financial updates and strategic forecasts to the Board of Directors, as well as openly discussing all investment decisions and any other major decisions or issues facing the Bank. By facilitating this free flow of information, Arcapita seeks to encourage transparency and accountability at all levels and to provide effective oversight by the Board of Directors.

Board structure. Arcapita's Board of Directors is assisted in its monitoring and oversight responsibilities by the EIC, the Executive Administrative Committee ("EAC"), the Audit Committee and the Charitable Contributions Committee ("CCC").

Exhibit 66

Board Structure



Executive Investment Committee. The EIC's primary duties and responsibilities are to:

- Establish operating guidelines for the Bank's investment activities;
- Approve new investment transactions or additional funding relating to existing investments up to certain limits;
- Monitor the performance of the Bank's investment portfolio;
- Approve the raising of financing and issuing of securities for the Bank's balance sheet, and establishment of banking relationships; and
- Approve full or partial divestitures up to certain limits on behalf of the Board of Directors.

Executive Administrative Committee. The EAC's primary duties and responsibilities are to:

- Approve and recommend corporate and administrative policies and procedures including organization structure, staff compensation programs, share incentive plans, capital expenditures and other administrative matters; and
- Approve policies with respect to the management of all categories of risks.

Audit Committee. The Audit Committee's primary duties and responsibilities are to:

- Approve and recommend for further approval by the Board of Directors:
  - the annual financial statements
  - the annual budget of the Bank
  - the appointment of external auditors

- Serve as an independent party to monitor the Bank's financial reporting process and internal control system;
- Review and appraise the activities of the internal and external auditors; and
- Provide an open avenue of communication among the external and internal auditors, senior management, and the Board of Directors.

The Bank's internal audit function reports to the Audit Committee. In order to ensure that the internal audit function implements best practice methodologies and uses expert resources for specialist tasks, the Audit Committee has authorized the internal audit function to engage outside professional consultants to undertake specific assignments.

Charitable Contributions Committee. The CCC's primary duties and responsibilities are to apply proceeds of the Charitable Contributions Fund (which represents any sum from profits of Arcapita approved by the shareholders to be set aside for charitable contributions) to charitable organizations and charitable causes.

Board of Directors incentive structure. The remuneration of the Board of Directors is set as a fixed amount and is not linked to the performance of the Bank.

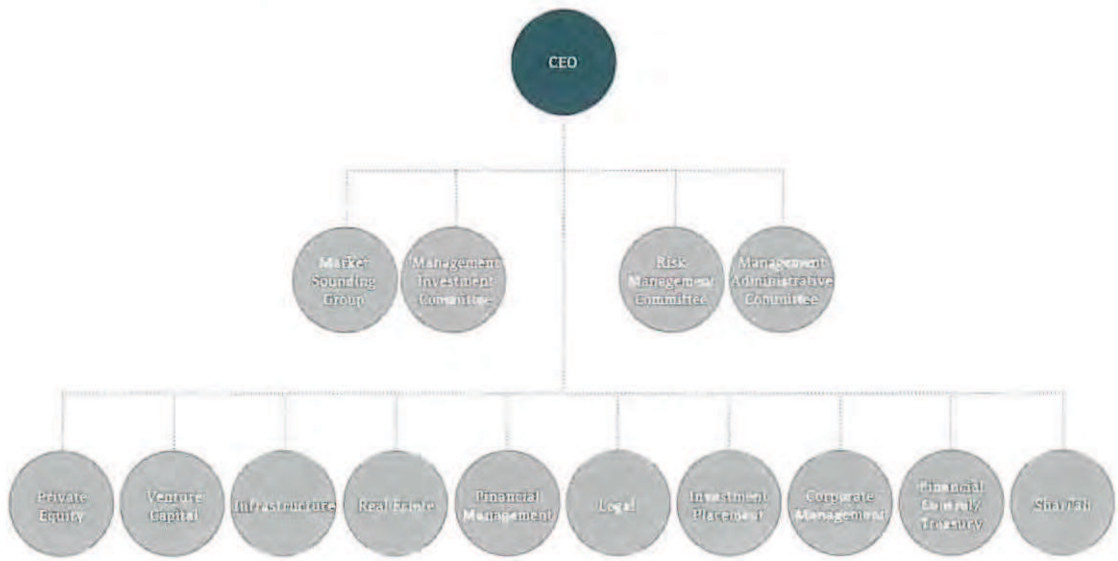
Shari'ah Supervisory Board incentive structure. The remuneration of the Shari'ah Supervisory Board is linked to the knowledge, experience and prominence of the members as well as to the level of their advisory role in reviewing Arcapita's contracts, transactions and investments in compliance with Shari'ah rules and principles. The Shari'ah Supervisory Board remuneration is neither driven by the performance of the Bank nor the success of the investment.

Management

Arcapita maintains a flat, participatory management structure with the aim of maximizing commitment, resourcefulness and teamwork, and encouraging integrated and timely decision making across business units and between its four offices. Arcapita expects each employee to conform to its Code of Conduct and to act ethically and with honesty and integrity in corporate actions and with respect to the reputation of the Bank.

Exhibit 67

Organizational Structure



Management compensation. Arcapita's compensation policy for its senior management aims to provide competitive compensation packages that will enable the Bank to continue to attract, motivate and retain the high-caliber employees who are key to future success. The Bank also seeks to foster an entrepreneurial culture through a compensation policy that closely aligns and partners the interests of its senior management and employees with those of its shareholders, clients and financiers. Senior management compensation programs are monitored and approved by the Board of Directors through the EAC.

A major part of each member of senior management's compensation is a performance-based bonus that is based both on the financial performance of the Bank and the individual contribution of the employee. In addition, through its various incentive programs, the compensation of senior management is closely linked with the long-term value of the Bank and the success of its investments. Arcapita has an employee stock incentive program through which eligible employees are given the opportunity to acquire shares in the Bank and to participate in the long-term success of the Bank. In addition, through its employee investment participation program, eligible employees co-invest in the Bank's investment portfolio alongside its shareholders and its clients, thereby sharing in the risks and performance of the investments.

Cross-Functional Management Committees

Arcapita utilizes four cross-functional management committees: the Management Administrative Committee ("MAC"), the MSG, the MIC and the Risk Management Committee ("RMC").

Management Administrative Committee. The MAC is responsible for the following:

- Setting global strategy for Arcapita;
- Reviewing and approving of business plans, budgets and control systems;

- Providing oversight and guidance to new product development;
- Management of human capital, including determining compensation and benefits plans and overseeing human resource development;
- Setting corporate governance, internal and external communication standards to promote company values with employees, board members, investors and other stakeholders; and
- Establishing and overseeing company policies.

The MAC members are appointed by the CEO, and consist of the CEO, as chairman of the MAC, and senior management from the following groups at Arcapita: investment placement, legal, financial management, financial control, and corporate management.

Market Sounding Group. The MSG takes an active role during the investment-sourcing process to facilitate convergence between Arcapita's investment products and prevailing investor sentiment. In the early stage of the investment process, each new investment proposition is presented to the MSG, which consists of senior management from the Investment Placement Team, with input from the financial management group ("FMG"). During the MSG review, the relevant business line investment team presents the potential investment product, and gains preliminary understanding on how a potential investment product would be perceived by Arcapita's investor base. Specific items considered for each investment include:

- Industry sector;
- Geography;
- Placement size;
- Placement currency; and
- Projected returns.

Each investment product must gain approval from the MSG prior to its presentation to the MIC.

Management Investment Committee. Prior to making a commitment to sign definitive agreements relating to investments (equity and financing), each new investment has to undergo the following approval process:

- Consensus within the business line investment team;
- Review and recommendation by the MIC;
- Approval by the CEO; and
- Approval by the EIC, or by the Board of Directors if the investment exceeds the approval limit of the EIC.

The MIC members consist of the CEO, as chairman of the MIC, and senior management from the following groups at Arcapita: private equity, real estate, infrastructure, investment placement, legal, financial management and portfolio management. The MIC reviews each new investment proposal, as well as any subsequent funding request. It makes recommendations for further approval by the CEO and the EIC.

To assist the MIC in its decision making, the investment team prepares memoranda detailing the investment rationale and the risk factors associated with each new investment or new funding request. In addition, the FMG, with the risk management group, submits a detailed risk management memorandum to the MIC, to assist members in analyzing the risk factors associated with new investments or new funding requests. The final stage of the investment approval process involves obtaining the approval of the EIC if the investment exceeds the

CEO's approval limits. To assist the EIC in its decision making, the CEO and Management prepare a memorandum detailing the investment rationale and the risk factors associated with each new investment.

The MIC and EIC also approve investment exits.

- **Risk Management Committee.** The RMC comprises the CEO and senior management from the following groups at Arcapita: financial management, financial control, risk management and treasury. The RMC's mission is to establish and maintain a risk management framework throughout the Bank to best manage Arcapita's shareholder and client interests. Its mandate is to identify, assess and measure risks arising from the Bank's activities, and to define the appropriate course of action to mitigate or manage them. The RMC meets at least four times a year, and meets on an ad hoc basis when necessary. It has three main areas of focus:
- **Corporate Risk Management.** The RMC monitors adherence to balance sheet limits and financial risk management policies and procedures, establishes organizational measures to strengthen the Bank's corporate governance and increase the financial efficiency and the risk return profile of the Bank, establishes and maintains the Bank's frameworks relating to operational risks and reputational risks and promotes an enterprise-wide risk management culture. The RMC assists the Board of Directors through the Audit Committee, ensuring adequate monitoring and reporting of risk management processes.
- **Investment Risk Management.** The RMC reviews strategic asset allocation, manages economic and regulatory capital, and approves the limit of the Bank in terms of exposure to individual and portfolio investments.
- **Treasury Risk Management.** The RMC evaluates and manages the Bank's liquidity and funding profile, currency, profit rate and credit risks, and approves the Bank's limits for liquidity risk, currency risk, credit risk, and profit rate risk. The RMC composition and risk management assessment are described in *Risk Management.*

Other Governance Functions

Shari'ah. The Bank's compliance with Shari'ah principles is overseen by an external and independent Shari'ah Supervisory Board, fully supported by the Bank's internal Shari'ah department and other Arcapita departments. The Shari'ah department is responsible for ensuring that there is an ongoing process of reviewing and auditing for Shari'ah compliance in accordance with AAOIFI standards for existing and new investments, combined with regular portfolio company visits by Shari'ah Supervisory Board members and Shari'ah department members. The Shari'ah Supervisory Board ensures that all investments undertaken by the lines of business are structured in a manner that complies with Shari'ah principles.

Investors. Arcapita has a client base of over 1,800 investors from the Arabian Gulf region and Southeast Asia, who participate in its investments. The Investment Placement Team is only able to open accounts for new investors after conducting comprehensive Know-Your-Customer procedures in full compliance of globally accepted standards to combat fraud, money laundering and terrorist activities. These procedures require investment professionals to obtain detailed information that allows the Bank to identify the investors and their sources of income. The Bank applies the Know-Your-Customer regulations that have been issued by the CBB as the basis for customer identification, verification of sources of funds and ongoing monitoring and reporting to the regulatory authorities. Bahrain is a member of the GCC, which in turn is a full member of the inter-governmental Financial Action Task Force, which develops and promotes policies, both at national and international levels, to combat money laundering and terrorist financing. The Bank also undertakes additional customer due diligence procedures to ensure full compliance with the requirements of other jurisdictions such as the Cayman Islands, the United States and the European Union.

Investor Administration. As part of Arcapita's commitment to high levels of service for its clients, each investor is assigned to an individual member of the Investment Placement Team, and also has access to a team of professionals who provide additional investor services. Investors receive regular reports and analysis on the performance of their investments with Arcapita, as well as the performance of the portfolio overall and relevant market updates. In addition, the investor services team keeps investors notified about transactions in their URIA and is available to respond to individual requests, questions and for other customer services as required. All communications with investors are logged and reviewed on a regular basis.

Corporate Communications. The Bank is committed to a policy of open and accurate reporting of material and relevant activities relating to the Bank, such as the organization, the performance and the business activities of the Bank. The most effective way of ensuring that this information is quickly and widely available is in the maintenance of a regularly updated public website, where all such information is made fully available, including historical financial performance data.

Information Technology. To improve the governance of IT, Arcapita has formed the Information Technology Steering Committee ("ITSC"). The ITSC is chaired by the Bank's CEO, has a senior membership representing all business lines and all office locations and oversees all major IT projects. The ITSC meets at least three times a year and on an ad hoc basis as necessary.

Regulation

As a Bahrain-based bank, Arcapita is licensed by the CBB as a wholesale Islamic bank, and all of Arcapita's activities are subject to comprehensive regulation by the CBB.

Risk Management

The Board of Directors has overall responsibility for establishing the Bank's approach to risk and ensuring that an effective risk management framework is in place. The Board of Directors approves and periodically reviews the risk management policies and strategies of the Bank.

The RMC is responsible for implementing risk management policies, guidelines and limits, and for ensuring that monitoring processes are in place. Risk Management, together with Internal Audit, provides independent assurance that all types of risk are being measured and managed in accordance with the policies and guidelines set by the Board.

Arcapita takes an enterprise-wide approach to risk management, taking a proactive approach to identify and then mitigate the risks embedded in the Bank's balance sheet. The role of the RMC is to oversee the management of such risks and ensure that adequate and timely action is taken as required. The RMC meets on a frequent basis, and conducts regular quarterly reviews.

Investment Risk Management

Investment risk is a major component of Arcapita's overall risk profile. The Bank seeks to manage its investment risks through each stage of the investment process, including investment sourcing, acquisition, investment holding period and divestiture. Day-to-day management of the Bank's investments is overseen by the investment teams and PMG, which together focus on managing the investment from an operational perspective. Additionally, the FMG reviews all investments from the perspective of the Arcapita balance sheet and client base. Prior to funding an investment, and regardless of its size, PMG and the FMG provide an independent assessment of the opportunity, highlighting key risks prior to commitment.

Arcapita uses a private equity risk model to manage its investment portfolio across all business lines. The RMC ensures that Arcapita maintains appropriate asset diversification by geography, industry and investment type.

Arcapita's strategic and other investments are classified as "available for sale" as per AAOIFI and are initially recorded at cost. Following initial recognition, these are re-measured to fair value.

Investment Risk Modeling. As part of the Bank's efforts to measure investment risks at pre- and post-acquisition stages, the risk management department at Arcapita has developed an internal risk model. The model is derived from risk characteristics of publicly listed equity indices and their constituents. The model evaluates the sensitivity of public stock returns to certain company and industry factors such as market capitalizations, leverage ratios, and industry nature. Such a methodology allows for identifying drivers of stock market performance and enables the quantification of investment and equity risk.

Investment risk is based on a Value-at-Risk ("VaR") model. VaR is the estimated loss that would arise on the portfolio over a specified time (holding period) from adverse events with a specified probability (confidence level). The model, approved by the EIC, measures VaR over a one-year holding period with a 98.5 percent confidence level and accordingly assesses economic capital required.

The model is developed through a regression analysis between public stock returns and selected factors of the model. By determining the Bank's various investment exposures to these factors, the model quantifies the risk in each investment. The model is developed in a manner that accounts for correlation and diversification benefits between investments when aggregating all investment risks in a single portfolio.

The risk model's primary purpose is to ensure balance sheet solvency, ensuring the allocation of a sufficient level of capital to support investments against unexpected potential losses. As opposed to regulatory models for capital requirements, the internally developed model assesses capital requirements on an economical basis and takes into account the effects of diversification benefits and concentration risk, aggregated across the portfolio.

The risk management department regularly monitors the level of risk within the investment portfolio to monitor the appropriate level of economic capital. Through monthly economic capital reporting, the RMC reviews balance sheet investment exposures, economic capital required for individual investments and the overall portfolio, as well as investment allocation across asset classes, geography, and sectors. This process seeks to ensure that the Bank has an equity cushion available should there be unexpected future losses in the investment portfolio. It also optimizes the allocation of capital to various business lines based on each business line's risk-adjusted performance. The resulting equity cushion indicates the Bank's capacity to pursue growth plans across all business lines, thus facilitating informed strategic decision making by senior management.

The risk model is also used by the MIC to assess the balance sheet impact of potential new investments, including the effect of underwriting.

Treasury Risk Management

The primary function of the treasury department at Arcapita is to manage cash flows and to optimize liquidity to support investment funding. Arcapita maintains a conservative approach to treasury activity and takes steps to minimize the associated risks.

Liquidity Risk. The RMC closely monitors liquidity risk on a day-to-day basis through extensive scenario and sensitivity analysis of cash forecasts. The Bank implemented a number of initiatives over the past year to provide the Bank with liquidity. Some of the cash proceeds from these initiatives have been reflected in the accounts of the past financial year, while the remainder is expected to be received and accounted for in the following months, improving short-term liquidity.

The Bank manages its assets with liquidity in mind, by maintaining an adequate balance of cash and cash equivalents at all times.

The yielding infrastructure and real estate investments retained on the balance sheet provide recurring income throughout the year, allowing the Bank to cover its financing and operating expenses. Arcapita does not maintain any current accounts or restricted investment accounts, other than the URIA.

Currency Risk. Arcapita does not engage in proprietary foreign exchange trading, hence currency risk primarily arises from its non-US dollar investments. The Bank seeks to mitigate currency risk by match-funding assets with liabilities of the same currency. Where necessary, Shari'ah-compliant short-term currency swaps and forwards, or other Islamically acceptable instruments are used.

Exposures are monitored weekly and overall currency risk is measured using VaR methodology for economic capital purposes. The current major foreign currencies in the Bank's portfolio are active currencies, including the Euro, Pound Sterling and Singapore dollars.

Credit Risk. Arcapita does not engage in commercial or retail banking. Credit risk arises largely through short-term placements of excess cash through murabahas in a conservative manner, with highly rated financial institutions. The Board sets counterparty limits once a year as a percentage of equity based on an internally defined Arcapita rating. Accordingly, as the rating is adjusted, the limits are increased or decreased with the RMC's approval. In addition, the Bank monitors the credit ratings of its financial counterparties through Standard & Poor's, Moody's, Fitch and Capital Intelligence on a weekly basis, to ensure that the Bank is not exposed to counterparty risks associated with the repayment of funds. Receivables from investment companies are monitored within limits set by the EIC.

Arcapita has not required collateral for its murabaha financing portfolio. Upon placement of investments to customers and to the Arcapita Investment Participation plan, the underlying investment assets are held until payment is completed. Arcapita measures and monitors the economic capital required to account for interbank credit risk using VaR methodology. The internally developed credit VaR model used by the Bank is currently based upon a 98.5 percent confidence level and assumes the credit maturity as the holding period.

As opposed to regulatory risk assessment, the model allows a more complete risk assessment by incorporating rating granularity, internal rating for non-rated financial institutions, investment maturity and concentration and diversification risks. The adverse loss is computed based on historical probabilities of default of financial institutions, which are linked to external ratings. For placements in foreign currency, currency volatility is also accounted for in the computation of risk. The exposures and credit VaR are monitored and reported to the RMC and relevant departments on a daily basis. The model used by the Bank has been reviewed by an external consulting firm in order to validate its assumptions.

In order to avoid excessive concentration, Arcapita monitors credit exposures by geographical region, country and rating.

Murabahas include placements in US dollars and foreign currency. The credit risk on account of Shari'ah-compliant currency swaps and forwards is also evaluated, and the right of set-off helps in mitigating the credit risk.

Profit Rate Risk. Arcapita's profit rate risk results in the Bank's funding and excess cash placement exposure to changes in the level of profit rates. Arcapita's policy is to maintain a funding profile that is benchmarked against the London Interbank Offered Rate. This is driven by two factors: (i) on average, the yield curves of the markets invested in have a positive slope, which makes it statistically advantageous to fund with a floating rate benchmark rather than a fixed rate; and (ii) on average, profit rates and the performance of the Bank's investments tend to be positively correlated with the performance of the economy. Therefore, the floating rate benchmark is intended to provide a natural macroeconomic hedge against under-performing investments.

Operational Risk Management

During the last financial year, the Bank implemented the Operational Risk IT platform to support the management and reporting of operational risks throughout the Bank.

The Bank has developed a comprehensive framework for operational risk management, where all of the Bank's processes and activities are analyzed and major risks are identified, measured and reported in a central database. Arcapita believes that the framework is a key tool to improve operational risk assessment, awareness, understanding and accountability across the Bank.

Under the supervision of the Bank of International Settlement, the Basel II Capital Accord ("Accord") requires banks worldwide to include a specific measure of operational risk in their regulatory risk capital requirements. The CBB requires the application of the Accord for all banks in Bahrain. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk and Shari'ah non-compliance risk, but excludes strategic and reputational risk.

The management of operational risk in the Bank is the responsibility of every employee. Operational risk is managed through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Additionally, at least once a year, each department, together with the risk management department, goes through a risk control self-assessment, where the probability and potential severity of all major operational risks are assessed, existing controls are evaluated and action plans to reduce or mitigate risk where necessary are set. Where appropriate, key risk indicators have been set to alert senior management to potential increased operational risk. Each department has an operational risk reporting officer whose role is to report occurrences of operational risk events. The overall self-assessment and combined event reporting is reviewed by the RMC, which determines the action to be taken. This framework supports improved operational risk assessment, awareness and accountability.

In calculating operational risk, the Bank uses the Basel II Basic Indicator Approach, which calculates operational risk-weighted assets as a proportion of the average annual gross income over the preceding three years.

Corporate Risk Management

In addition to investment, treasury and operational risk management, the Bank carries out a comprehensive corporate risk assessment, which includes, but is not limited to, strategic risk, reputational risk, legal risk and Shari'ah non-compliance risk. Detailed and comprehensive risk management policies and procedures are maintained, with the aim of explicitly defining roles and responsibilities, ensuring proper segregation of duties and raising risk awareness among all employees.

The overall risk management of the Bank requires that each asset on the balance sheet has a minimum amount of capital reserved to protect against potential adverse outcomes.

The Bank aims at maintaining an overall target risk capital cushion of greater than $100 million to provide flexibility to support potential transitory risk increase and, more generally, to support future growth plans across all lines of business.

Basel II

As part of the requirements of the CBB, Arcapita is subject to the application of the Basel II capital adequacy framework. The most important implications of Basel II, which have been implemented, are as follows:

Pillar 1: Risk Measurement and Capital Adequacy. The risk weights used to measure the investment exposure risk on the balance sheet range between 100 percent and 200 percent depending upon the type and tenure of each investment.

Pillar 2: Supervision, Policies & Procedures. Arcapita has a process for assessing overall capital adequacy in relation to its risk profile and a strategy for maintaining capital levels. The Board and senior management oversee the risk profile of the Bank. Internal audit reviews are conducted regularly. Policies and procedures, including those related to risk and iCAAP, are in place and the increasing requirements of risk systems/software are adhered to. Monitoring and controlling risks includes the establishment of limits/cushion, risk valuations and ongoing due diligence, which are reported to the RMC on a periodic basis. The limits reflect the business strategy, risk appetite and market environment in which the Bank operates and its overall risk capacity in relation to capital and regulatory exposure limits set by the CBB. The risks within the Bank are measured and quantified using statistical methods supported by qualitative assessments. Potential losses are calculated using assumptions based on consideration of the economic environment in which the Bank operates.

Pillar 3: Public Disclosure. In addition to applicable AAOFI standards and International Financial Reporting Standards, Pillar 3 disclosures, as applicable, are included in Arcapita's annual report.

Board of Directors

Mohammed Abdulaziz Aljomaih
Chairman
Chairman and President of Aljomaih Holding Co.,[43] a major industrial and business enterprise in the Saudi Arabia representing General Motors, Pepsi Cola, Shell, Yokohama, and Fiat-IVECO, MAN, MTU, Lurgi, New Holland and other American, European and Japanese international companies.

Abdulaziz Hamad Aljomaih
Vice Chairman
Assistant Vice President: Aljomaih Holding Co.,[44] Saudi Arabia. Head of International Investments: Aljomaih Holding Co., Saudi Arabia. Chairman: British Islamic Insurance Holdings Limited, United Kingdom; Karachi Electric Supply Company Ltd., Pakistan. Member of the Board of Directors: Al Bilad Bank, Saudi Arabia; Ittihad Etisalat (Mobily), Saudi Arabia; Danagas, UAE; The International Investor, Kuwait. Mr. Aljomaih is also a member of Arcapita's EIC and EAC.

Ghazi Fahad Alnafisi
Co-Founder and Chairman and Managing Director: Salhia Real Estate Company K.S.C., Kuwait. Chairman: Kuwait Hotel Owners Association, Kuwait. Vice Chairman: Azzad Trading Group K.S.C., Kuwait. Co-Founder and Vice Chairman: Independent Petroleum Group s.a.k., Kuwait. Co-Founder and Member of the Board of Directors: Gulf International Properties, Bahrain. Mr. Alnafisi is also a member of Arcapita's Board Audit Committee.

H.E. Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani
Chairman: Qatar Islamic Bank, Qatar; QInvest, the first Islamic investment bank founded in Qatar and authorized by the Qatar Financial Centre Regulatory Authority; European Finance House, an investment bank founded by Qatar Islamic Bank in London, United Kingdom; Al Jazeera Islamic Company, Qatar. Additionally, Sheikh Jassim participates in the organization and management of a number of companies specializing in investment and real estate activities.

Khalifa Mohamed Al Kindi
Managing Director: Abu Dhabi Investment Council. Chairman: National Bank of Abu Dhabi; Abu Dhabi National Insurance Co.; Abu Dhabi Investment Company. Member of the Board of Directors: Abu Dhabi Aviation; Abu Dhabi Fund; International Petroleum Investment Company.

Abdurrahman Abdulaziz Al-Muhanna
Managing Director of Almarai Company, Saudi Arabia. Member of the Board of Directors: Almarai Company; ARASCO; Saudi Fisheries Company; and Member of Al Jazirah for Press Printing and Publishing and various commercial establishments in Riyadh, Saudi Arabia. Mr. Al-Muhanna is also a member of Arcapita's EIC and EAC.

Abdulla Abdullatif Al-Fozan
Chairman: Al-Fozan Holding; Madar Holding; United Electronics "eXtra". Vice Chairman: Al-Oula Group of Companies; Injaz Projects; Amwal Al-Khaleej; Midad Holding. Managing Director: AbdulLatif & Mohammed Al-Fozan Group; Arnon Plastic Industries; United Transformers Electrical Co. "UTEC." Member of the Board of Directors: Emaar Middle East; Paris Gallery Group; Gulf Union Insurance; Damas; Gulf Farabi Petrochemical Co.; Arab Paper Manufacturing Co. Mr. Al-Fozan is also a member of Arcapita's EIC and CCC.

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[43] Also known as Aljomaih Group.
[44] Also known as Aljomaih Group.

Dr. Khalid Thani A. Al-Thani
Vice Chairman & Managing Director: Tadawul Holding Group. Chairman & Managing Director: Qatar International Islamic Bank. CEO & Board Director: Qatar Islamic Insurance Co. Vice Chairman: Gulf Cement Co. Board Director: Medicare Group (Al Ahli Hospital). Chairman: Islamic Financial Securities Co. Managing Director: Dar-Al-Sharq Printing Publishing & Distribution (Al-Sharq/Peninsula newspapers); Al Arab Newspaper. Chairman: Mackeen Development & Real Estate Investment; Zenon Trading & Contracting Co. Dr. Al-Thani is also a member of Arcapita's Audit Committee.

Hajah Hartini Binti Haji Abdullah
Acting Managing Director: Brunei Investment Agency. Prior to holding this position she was Assistant Managing Director, responsible for Brunei Investment Agency's global exposure invested in the publicly listed equity and fixed income markets which comprised portfolios of various investment mandates outsourced to external fund managers and those managed internally by in-house managers. She has been with the Brunei Investment Agency since 1984 in various capacities, including head of an internal portfolio team managing a North American regional portfolio at the Brunei Investment Agency's London Office for over three years. She obtained her BSc and MBA from the United Kingdom.

Ibrahim Yusuf Alghanim
Chairman and CEO: Alam Al Mesila Trading Co. W.L.L. Vice-Chairman: The Securities House (SECH.KSE); Harf Information Technology Co. K.S.C. Board Member: Taazur – Takaful Insurance Co. Previously, Mr. Alghanim served as Chairman: Al Aman Investment Company, Kuwait (ALAMAN.KSE); Chairman and CEO: YIACO Medical Company, Kuwait; and CEO: Alghanim Holding K.S.C.C., Kuwait. Mr. Alghanim is also a member of Arcapita's Audit Committee.

Atif A. Abdulmalik
See *Senior Management Team*.

Arcapita Shari'ah Supervisory Board

Arcapita's external Shari'ah Supervisory Board consists of four scholars who review the Bank's activities to ensure that they are in accordance with Islamic principles. The Shari'ah Supervisory Board is consulted on all key aspects of each new investment and approves each investment by issuing a Shari'ah certificate which is attached to the offering memorandum for each investment. After each investment is completed, the investment is monitored to ensure ongoing compliance with Islamic principles, which includes reviewing financing documentation and periodic site visits where necessary.

The Shari'ah Supervisory Board has a broad geographical mix and a proven track record in the practical implementation of Shari'ah law. The Shari'ah Supervisory Board is composed of the following prominent scholars:

Shaikh Abdullah Sulaiman Al Meneea (Chairman)
Member of Grand Scholars Panel, Kingdom of Saudi Arabia; Expert of the Islamic Fiqh Academy; Retired Judge, Supreme Court in Makkah Al-Mukarramah, Kingdom of Saudi Arabia. Member of the Shari'ah Supervisory Boards of a number of Islamic banks and financial institutions.

Dr. Abdul Sattar Abdul Kareem Abu Ghuddah
Consultant, Dallah Al-Baraka Investment and Development Co., Jeddah, Saudi Arabia; Member of the Islamic Fiqh Academy; Member of AAOIFI, Bahrain; Member of the Shari'ah Supervisory Boards of a number of Islamic banks and financial institutions.

Justice Muhammed Taqi Usmani
Vice President, Darul-Uloom University, Karachi, Pakistan; Member of the Islamic Fiqh Academy; Ex-Member of the Shari'ah Appellate Bench of the Supreme Court, Karachi, Pakistan; Chairman of the Shari'ah Council, AAOIFI, Bahrain; Member of the Shari'ah Supervisory Boards of a number of Islamic banks and financial institutions.

Shaikh Esam Mohamed Ishaq
Chairman of the Board, Muslim Educational Society, Bahrain; Director & Shari'ah Advisor, Discover Islam, Bahrain; Member of Board of Trustees, Al Iman Islamic School, Bahrain; Member, AAOIFI, Bahrain; Member of the Shari'ah Supervisory Boards of a number of Islamic banks and financial institutions.

Unay, Sevil

From: Khalid Baeshen <khalid@baeshen.com>
Sent: Sunday, July 21, 2013 4:40 AM
To: Griffin, Regina L.
Cc: Hussain, Mustafa (M.Hussain@taylorwessing.com)
Subject: Arcapita - Private Placement Memorandum - 02
Attachments: Arcapita - Private Placement Memorandum - 02.pdf

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Risk Factors

This Private Placement Memorandum contains forward-looking statements that involve risks and uncertainties. Actual results may differ from those described in the forward-looking statements. This could occur because of the risks described below and elsewhere in this Private Placement Memorandum. Before making an investment decision, shareholders should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Private Placement Memorandum. An investment in the Rights Shares involves risk. Shareholders should carefully consider the risks and uncertainties described below before making an investment decision. These risks and uncertainties are not the only ones facing Arcapita or which may adversely affect the investment. If any of the following risks or uncertainties actually occurs, the business, financial condition or results of Arcapita could be materially adversely affected.

- Arcapita attempts to structure its investments in a manner that is generally tax efficient. There is no assurance that such investments will be tax efficient or that any particular tax result will be achieved. Furthermore the applicable tax rules and their interpretation may change, with adverse consequences for Arcapita, resulting in increased costs and decreased returns on its investments. However, Arcapita consults professional legal, tax and financial advisors prior to making any such investments in order to minimize its tax liability.
- The ability of Arcapita to continue to source and structure attractive investment opportunities depends, to some extent, on its ability to employ and retain highly experienced and qualified professionals. Although Arcapita provides a competitive compensation structure to attract and retain such professionals, there can be no assurances that Arcapita will continue to be able to employ and retain such experienced and qualified professionals and this may have a material adverse effect on its business.
- Arcapita's activities are subject to the laws of the Kingdom of Bahrain, including the regulations issued by the CBB and its subsidiaries are subject to the laws of other jurisdictions, including the United States, United Kingdom, Singapore and the Cayman Islands. Laws and regulations that are applied in Bahrain and other jurisdictions may change from time to time, and such changes could result in, for example, unanticipated costs. This may have a materially adverse effect on Arcapita's business, financial condition and results of operations.
- Arcapita diversifies its investments in a variety of countries that results in exposure to a range of currencies other than the currency of its share capital. Fluctuations in foreign currency exchanges may have a materially adverse effect on Arcapita's business, financial condition and results of operations.
- Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorizations, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems or equipment and external systems (for example, those of Arcapita's counterparties). Although Arcapita has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate any of the operations risks. Any lapse in legal and/or operational controls in the future could have a materially adverse effect on Arcapita's business, financial condition, results of operations or prospects.
- Arcapita is exposed to market risks, including currency exchange rate risk, profit rate risk and fluctuations in the prices of financial products. Although Arcapita sets limits and performs certain other measures aimed at reducing these risks, such as hedging against these risks, no assurance can be given that these measures will be effectively implemented or that they will allow Arcapita to minimize the impact of currency exchange rate and profit rate volatility. If Arcapita's risk management procedures and limits do not minimize the impact

of market risks on Arcapita, its business, financial condition and results of operations may be materially adversely affected.

- Liquidity risks could arise from Arcapita's inability to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on Arcapita's ability to meet its obligations when they fall due. To address these risks, Arcapita monitors its liquidity position on a daily basis and maintains liquid assets at prudent levels to ensure that cash can quickly be made available to honor its obligations. However, currently some of the assets held for sale may not be sold due to adverse market conditions, and investments made by Arcapita thus far include some high-risk components, and such investments will have medium- to long-term maturities and will be illiquid prior to maturity. Accordingly, there is no assurance that Arcapita will not experience liquidity constraints in the future and any such constraints could have a materially adverse effect on Arcapita's business, financial condition, results of operations or prospects.

- The global financial crisis and recent events in the global capital markets illustrate that the current environment is one of extraordinary uncertainty for financial services companies and other market participants and that such uncertainty has had, and could continue to have, a material adverse effect on the global economy, the functioning of capital markets, and on the business and operations of financial services companies and other market participants worldwide. The duration and ultimate effect of current market conditions cannot be predicted, nor is it known the degree to which such conditions may continue to worsen or what the eventual impact will be on the slowdown amid market turmoil. The continuation of current market conditions, uncertainty or further deterioration in the markets and/or economic conditions may have a material adverse effect on financial position and results of operations.

- Arcapita makes private equity investments. Private equity investments in general involve risks and uncertainties including, among other things, the competitive business environment, the ability to retain quality management, reliance on suppliers and customers and Arcapita's ability to identify and select attractive corporate investment acquisition targets. Furthermore, Arcapita makes real estate and infrastructure investments, which also have inherent risks and the expected returns from such investments are subject to, among other things, the condition of the real estate markets in general, the overall global economic conditions, declines in the value of the underlying assets, increases in the cost of funding, the availability of potential acquirers and currency exposures. Arcapita will also make venture capital investments, which involve general risks and uncertainties associated with venture capital investing, including, amongst other things, the risks of investing in companies at an early stage of development and with a need for substantial additional capital to support expansion, Arcapita's ability to identify and select portfolio company opportunities, the competitive venture capital business environment, the dependence on the portfolio companies' management teams, and the risks associated with holding a non-controlling position in certain portfolio companies. Arcapita attempts to minimize such risks by, among other things, adhering to strict investment criteria, careful selection of joint venture partners and diversification of portfolio assets.

- Arcapita makes investments globally, including investments in emerging market countries. Such investments may involve a number of additional risks such as political and economic risks, currency risks, the risk of restriction on capital movements, risks relating to regulations governing foreign direct investments, and other regulatory risks. In addition, there is a risk that the laws and regulations in certain jurisdictions may change, adversely impacting the value of Arcapita's investments. Accordingly, investments in emerging market countries involves a higher degree of risk than investing in more developed markets.

- Arcapita's ability to maintain liquidity depends on its ability to sell investments to its clients and to divest investments. Arcapita's ability to continue to do both depend on factors that include global economic conditions and geo-political factors in the countries in which it invests and sells investments. Furthermore, if Arcapita's investment portfolio under-performs or if it fails to divest its existing investment portfolio, its investors could reduce the amount of investments purchased from Arcapita and new investors may be reluctant to invest with Arcapita.
- Arcapita operates in accordance with Shari'ah principles. Compliance with such principles may result in added costs and increased operational risk or require the divestment of certain assets. Therefore, Shari'ah restrictions may, under certain circumstances, have an adverse effect on the financial performance of the investments Arcapita makes. However, Arcapita's investment criteria provides for careful selection of Shari'ah-compliant investments under the supervision of its Shari'ah Supervisory Board in order to reduce such risks. However, any failure to comply with principles of Shari'ah may adversely affect Arcapita's reputation which may in turn damage its ability to attract and retain clients which may consequently have a material adverse effect on Arcapita's business, financial condition and results.
- Arcapita is increasingly dependent on IT systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in Arcapita's risk management or investment systems. Although Arcapita has developed back-up systems and may continue its operations, the occurrence of any failure or interruption or breach in security of Arcapita's information technology may have a material adverse effect on its business, financial condition and results.
- Arcapita may use, without any consent or sanction of the shareholders, the proceeds from the Rights Issue for any corporate purposes as it deems necessary.

Additional Information

Taxation

The following is a brief discussion of the Bahrain tax consequences with respect to the purchase, ownership and sale of the Rights Shares based on the tax laws of Bahrain in effect on the date hereof. This section does not purport to discuss all the tax consequences that may result from an investment in the Rights Shares and the following discussion is not intended as a substitute for careful tax planning. Accordingly, persons interested in purchasing Rights Shares should inform themselves of and, where appropriate, seek advice on, the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding or disposition of, the Rights Shares in the countries of their citizenship, residence and domicile. Under current law, Arcapita will not be subject to tax in Bahrain on its profit, income, gains or appreciations arising in Bahrain or elsewhere. No stamp duty will be levied in Bahrain on the issue or transfer of shares. A shareholder will not be subject to Bahrain tax with respect to any dividend received on the Rights Shares (including distributions received upon liquidation of Arcapita) or with respect to any gains realized upon the sale or redemption of the Rights Shares. Bahrain does not impose any withholding taxes. Accordingly, withholding by Arcapita is not required on account of any Bahrain tax with respect to any dividend distributions made to a shareholder or any gains realized by such shareholder upon the sale, redemption or exchange of the Rights Shares. Individual shareholders who are not resident in Bahrain are not subject to any Bahrain gift, estate, inheritance or similar taxes solely by reason of the ownership of the Rights Shares.

Licensing & Regulation

Arcapita is a US Dollar capitalized closed joint stock company incorporated under the laws of Bahrain (Commercial Registration Number 36403) and is licensed as an Islamic wholesale bank and regulated by the CBB.

Description of Shares

Rights Shares will be, when issued, fully paid and non-assessable. Shares have one vote per share and have no conversion, exchange, redemption, or other rights or privileges, except as described in this Private Placement Memorandum, under the Memorandum of Association, under the Articles of Association and any rights required by applicable law. The personal liability of the shareholders for Arcapita's debts or obligations is limited to the amounts they have subscribed, or agreed to subscribe, to the capital of Arcapita. In consideration for the issuance of shares, all shareholders will share economic rights and obligations derived from their shareholding with each other. Upon any liquidation of Arcapita after the closing of this Invitation, after payment of liquidation expenses, liabilities to creditors, and return of the aggregate par value of the shares, any remaining assets of Arcapita will be distributed to holders of shares pro rata in relation to their respective shareholdings.

Transferability

Transfers of shares in Arcapita are subject to certain restrictions including, without limitation, the right of the Board of Directors to approve or disapprove of such transfers. Shareholders should review the Memorandum of Association and the Articles of Association of Arcapita for a complete statement of the rights, privileges and obligations of the shareholders and restriction on the shares of the Bank, including the Rights Shares. Copies of the Memorandum of Association and the Articles of Association of Arcapita are available for inspection from Management.

Fiscal Year

The fiscal year of Arcapita begins on July 1 and ends on June 30 of each year.

Independent Auditors

The independent auditors for the company are Ernst & Young, P.O. Box 40, 4th Floor, Sheraton Tower, Manama, Kingdom of Bahrain.

Principal Address

Arcapita's principal address is P.O. Box 1406, Manama, Kingdom of Bahrain.

Arcapita Bank B.S.C.(c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2010 (UNAUDITED)

ERNST & YOUNG

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C.R. No. 6700

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE DIRECTORS OF ARCAPITA BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arcapita Bank B.S.C. (c) ('the Bank') and its subsidiaries ('the Group') as at 30 September 2010, comprising of the interim consolidated balance sheet as at 30 September 2010 and the related interim consolidated statements of income, changes in equity, cash flows and sources and uses of charity funds for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with note 2.

Ernst + Young

7 October 2010
Manama, Kingdom of Bahrain

Arcapita Bank B.S.C.(c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the three months ended 30 September 2010 (Unaudited)

	Note	*Three month period from 1 July to 30 September* (Unaudited) 2010 US$ '000	(Unaudited) 2009 US$ '000
Management fees		**27,519**	25,319
Recurring and other income		**26,941**	24,706
Investment banking income		**1,429**	11,689
OPERATING INCOME	4	**55,889**	61,714
Net funding cost		**(27,438)**	(28,782)
NET OPERATING INCOME		**28,451**	32,932
Staff compensation and benefits		**(16,884)**	(19,710)
General and administration expenses		**(17,980)**	(11,355)
Headquarter Ijara rental		**(8,750)**	-
		(43,614)	(31,065)
NET (LOSS) INCOME BEFORE FAIR VALUE CHANGES, FOREIGN EXCHANGE MOVEMENTS AND ALLOWANCES		**(15,163)**	1,867
Fair value changes		**(7,803)**	(12,854)
Net foreign exchange gain		**99,333**	29,791
Allowance for doubtful receivables		**(47,263)**	(50,000)
NET INCOME (LOSS) FOR THE PERIOD		**29,104**	(31,196)

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

Arcapita Bank B.S.C. (c)

INTERIM CONSOLIDATED BALANCE SHEET

At 30 September 2010 (Unaudited)

	Note	*Unaudited 30 September 2010 US$ '000*	*Audited 30 June 2010 US$ '000*
ASSETS			
Cash and short-term funds		131,927	143,334
Receivables		1,123,200	1,073,959
Investments	5	2,173,439	2,074,420
Other assets		177,062	165,423
TOTAL ASSETS		3,605,628	3,457,136
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
LIABILITIES			
Due to financial and other institutions		1,237,681	1,084,104
Medium-term financing		1,095,717	1,094,031
Other liabilities		45,468	36,372
Total liabilities excluding unrestricted investment accounts		2,378,866	2,214,507
Unrestricted investment accounts		148,830	182,469
Total liabilities including unrestricted investment accounts		2,527,696	2,396,976
EQUITY			
Share capital and premium	6	1,067,422	1,077,262
Reserves		10,510	(17,102)
		1,077,932	1,060,160
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		3,605,628	3,457,136

Atif A. Abdulmalik
Chief Executive Officer and Director

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

Arcapita Bank B.S.C.(c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2010 (Unaudited)

	Share Capital and Premium				*Reserves*				
	Share capital US$ '000	*Share premium US$ '000*	*Unallocated shares under Employee Incentive Program US$ '000*	*Total share capital & premium US$ '000*	*Statutory US$ '000*	*Accumulated deficit / Retained earnings US$ '000*	*Total reserves US$ '000*	*Share Subscription pending allotment US$ '000*	*Total equity US$ '000*
Balance at 1 July 2010	311,323	954,175	(188,236)	1,077,262	98,492	(115,594)	(17,102)	-	1,060,160
Net income for the period	-	-	-	-	-	29,104	29,104		29,104
Total comprehensive income	-	-	-	-	-	29,104	29,104		29,104
Reversal of share-based compensation expense	-	-	-	-	-	(1,492)	(1,492)	-	(1,492)
Repurchase of shares (treasury shares)	(66)	(188)	-	(254)		-	-	-	(254)
Net movement in unallocated employee shares	-	-	(9,586)	(9,586)	-	-	-	-	(9,586)
	(66)	(188)	(9,586)	(9,840)	-	(1,492)	(1,492)	-	(11,332)
Balance at 30 September 2010	**311,257**	**953,987**	**(197,822)**	**1,067,422**	**98,492**	**(87,982)**	**10,510**	**-**	**1,077,932**
Balance at 1 July 2009	282,243	765,155	(168,221)	879,177	98,492	435,717	534,209	185,209	1,598,595
Net loss for the period	-	-	-	-	-	(31,196)	(31,196)		(31,196)
Total comprehensive loss	-	-	-	-	-	(31,196)	(31,196)		(31,196)
Share subscription received	-	-	-	-	-	-	-	32,891	32,891
Issue of shares	28,438	184,848	-	213,286		-	-	(213,286)	-
Share-based compensation expense	-	-	-	-	-	2,917	2,917	-	2,917
Net movement in unallocated employee shares	-	-	(5,552)	(5,552)	-	-	-	-	(5,552)
	28,438	184,848	(5,552)	207,734	-	2,917	2,917	(180,395)	30,256
Balance at 30 September 2009	310,681	950,003	(173,773)	1,086,911	98,492	407,438	505,930	4,814	1,597,655

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

4

Arcapita Bank B.S.C.(c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 30 September 2010 (Unaudited)

	Three month period from 1 July to 30 September 2010 (Unaudited) US$ '000	*Three month period from 1 July to 30 September 2009 (Unaudited) US$ '000*
OPERATING ACTIVITIES		
Net income (loss) for the period	**29,104**	(31,196)
Adjustments for non-cash items:		
(Reversal of) Share-based compensation expense	**(1,492)**	2,917
Allowance for doubtful receivables	**47,263**	50,000
Changes in fair value of investments carried at fair value through statement of income	**7,803**	12,854
Operating profit before changes in operating assets and liabilities	**82,678**	34,575
Changes in operating assets and liabilities:		
Receivables	**(106,090)**	70,148
Investments	**(106,822)**	(40,019)
Due to financial and other institutions	**102,688**	1,568
Other assets	**(11,639)**	(1,278)
Other liabilities	**10,782**	(39,001)
Net cash (used in) from operating activities	**(28,403)**	25,993
FINANCING ACTIVITIES		
Purchase of treasury shares	**(254)**	-
Share subscription received	**-**	32,891
Movement in unrestricted investment accounts	**17,250**	(60,589)
Net cash from (used in) financing activities	**16,996**	(27,698)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	**(11,407)**	(1,705)
Cash and cash equivalents at beginning of the period	**143,334**	191,199
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**131,927**	189,494
Cash and cash equivalents comprise:		
Cash and balances with banks	**79,395**	27,979
Due from financial institutions	**52,532**	170
Transitory funds	**-**	161,345
	131,927	189,494

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

Arcapita Bank B.S.C.(c)

INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUNDS

For the three months ended 30 September 2010 (Unaudited)

	Three month period from 1 July to 30 September 2010	*Three month period from 1 July to 30 September 2009*
	(Unaudited)	*(Unaudited)*
	US$ '000	*US$ '000*
Undistributed charity funds at beginning of period	**1,498**	1,498
Funds utilized for charity	-	-
Undistributed charity funds at end of period	**1,498**	1,498

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

Arcapita Bank B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

1 INCORPORATION AND ACTIVITIES

a) Incorporation

Arcapita Bank B.S.C. (c) (the "Bank") was incorporated in November 1996 in the Kingdom of Bahrain, where its registered office is based, under commercial registration number 36403. The Bank operates under an Islamic wholesale banking license issued by the Central Bank of Bahrain ("CBB").

b) Activities

The activities of the Bank and its wholly owned subsidiaries (together referred to as the "Group") include investing on own account and providing investment banking services in conformity with Islamic Shari'ah rules and principles.

2 ACCOUNTING POLICIES

These interim condensed consolidated financial statements have been prepared in conformity with International Accounting Standard 34 - "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 30 June 2010 (with the exception of new accounting Standards adopted after 30 June 2010), which financial statements were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, International Financial Reporting Standards, and the Shari'ah rules and principles as determined by the Shari'ah Supervisory Board of the Group. These interim condensed consolidated financial statements are presented in US dollars, which is the functional currency of the Group. All values are rounded to US dollar thousands unless otherwise indicated.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards or Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. In addition, results for the three months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the whole of the financial period.

Following are the relevant IFRS and IFRIC interpretations that have been adopted since the date of the last audited financial statements of 30 June 2010.

- IAS 32 - Amendment - classification of rights issue;
- IFRIC 19 – Extinguishing financial liabilities with equity instruments, 1 July 2010;
- IFRS 2 Amendment – Group cash settled share based payment transactions, 1 January 2010; and
- 2009 Annual Improvements to IFRS, 1 January 2010.

The interim condensed consolidated financial statements were approved on 7 October 2010.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the consolidated financial statements in the period of initial application.

3 CYCLICALITY OF OPERATIONS

Operations of the Group follow the investment cycle, commencing from investment sourcing to acquisition and ultimately exit. Reported results of the Group are affected by the cyclicality of its operations, and hence acquisition, placement and exit income, management fee and some of the staff benefits for the interim period is not indicative of the Group's financial performance for the whole of the financial period.

Arcapita Bank B.S.C.(c)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2010 (Unaudited)

4 OPERATING INCOME

	(Unaudited) Three months ended 30 September 2010 US$ '000	*(Unaudited) Three months ended 30 September 2009 US$ '000*
Management fees	**27,519**	25,319
Income from investee companies	**16,479**	17,822
Yield from investments	**10,456**	6,878
Acquisition and placement fees	**3,423**	12,062
Others	**(1,988)**	(367)
	55,889	61,714

5 INVESTMENTS

	Unaudited 30 September 2010 US$ '000	*Audited 30 June 2010 US$ '000*
Private Equity	**669,094**	644,150
Real Estate	**1,017,515**	955,682
Infrastructure	**486,830**	474,588
	2,173,439	2,074,420

Investment commitments amounted to US$ 104.5 million (30 June 2010: US$ 95.6 million). Investment commitments represent contractual commitments to fund certain deals. These commitments may expire without being drawn upon and do not necessarily represent future cash requirements.

IFRS 7 - Financial Instruments: Disclosures, requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three level hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). (e.g. quoted prices in an inactive market).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). (e.g. valuation methodology using EV/EBITDA multiples or discounted cash flows).

The following table categorizes the Group's investments using the hierarchy explained in the preceding paragraphs:

	Unaudited 30 September 2010 US$ '000	*Audited 30 June 2010 US$ '000*
Level 1	**13,361**	12,500
Level 3	**2,160,078**	2,061,920
	2,173,439	2,074,420

5 INVESTMENTS (continued)

The following table categorizes the movements within Level 3 investments from 1 July 2010 to 30 September 2010.

	US$ '000
As at 1 July 2010	2,061,920
Net funding movements for investments	9,185
Net fair value adjustments	(8,664)
Foreign exchange movements	97,637
As at 30 September 2010	**2,160,078**

6 SHARE CAPITAL

	Unaudited 30 September 2010 US$ '000	*Audited 30 June 2010 US$ '000*
Authorized :		
800,000,000 (30 June 2009: 800,000,000) ordinary shares of US$ 1 each	**800,000**	800,000
Issued and fully paid up :		
At beginning of the period : 311,323,217 (1 July 2009: 282,243,170) ordinary shares of US$ 1 each	**311,323**	282,243
Issued during the period : Nil (30 June 2010: 29,080,047) ordinary shares of US$ 1 each	-	29,080
Less: Treasury Shares: 66,666 (30 June 2010: Nil) ordinary shares of US$ 1 each	**(66)**	-
At end of the period : 311,256,551 (30 June 2010: 311,323,217) ordinary shares of US$ 1 each	**311,257**	311,323

7 RELATED PARTY TRANSACTIONS

Related parties include the Group's major shareholders, directors and key management officers, their immediate families and entities controlled, jointly controlled or significantly influenced by them; and other related parties which comprises shareholders not included under 'Major Shareholders', the Shari'ah supervisory board, investee companies and companies that hold clients' investments.

Income earned from related parties is as follows:

	(Unaudited) Three months ended 30 September 2010 US$ '000	*(Unaudited) Three months ended 30 September 2009 US$ '000*
Management fees	**27,519**	25,319
Income from investee companies	**16,479**	17,822
Yield from investments	**10,456**	6,878
Acquisition and placement income	**3,134**	10,798
	57,588	60,817

7 RELATED PARTY TRANSACTIONS (continued)

Acquisition and placement income was earned on the Group's transactions with such related parties. Management fees and income from investee companies arises from investee companies in respect of the Group's management and administrative services and financing support.

Expenses pertaining to related parties are as follows:

	(Unaudited) Three months ended 30 September 2010 US$ '000	*(Unaudited) Three months ended 30 September 2009 US$ '000*
Net funding cost	**11,036**	10,423
Headquarters' lease rentals	**8,750**	-
	19,786	10,423

The related party balances included in these interim condensed consolidated financial statements are as follows:

	30 September 2010 - Unaudited				*Audited*
	Major shareholders US$ '000	*Directors and key management US$ '000*	*Others US$ '000*	*Total US$ '000*	*30 June 2010 Total US$ '000*
Assets					
Short-term funds	**51,486**	**-**	**-**	**51,486**	45,213
Receivables and other assets	**10,960**	**3,995**	**1,057,898**	**1,072,853**	1,032,808
Liabilities and unrestricted investment accounts					
Due to financial, other and other liabilities	**155,166**	**-**	**616,678**	**771,844**	729,026
Unrestricted investment accounts	**55,025**	**1,288**	**63,714**	**120,027**	156,696
Commitments					
Financial guarantees	**-**	**-**	**279,725**	**279,725**	209,357

The Group's transactions with related parties arise from the ordinary course of business and are on terms and conditions approved by the Group's management. Outstanding balances at period end are unsecured and settled in cash.

8 SEGMENT INFORMATION

The following table presents revenue and segment results information regarding the Group's operating segments for the three month period ended **30 September 2010** and 2009, respectively.

	Private Equity US$ '000	*Real Estate US$ '000*	*Infrastructure US$ '000*	*Total US$ '000*
30 September 2010 (Unaudited)				
Segmental revenue	**7,311**	**26,791**	**21,531**	**55,633**
Unallocated operating income				**256**
Total operating income				**55,889**
Segmental results	**(50,164)**	**19,540**	**17,751**	**(12,873)**
Unallocated expenses				**(57,356)**
Net foreign exchange gain				**99,333**
Net income				**29,104**
30 September 2009 (Unaudited)				
Segmental revenue	19,860	11,098	30,501	61,459
Unallocated operating income				255
Total operating income				61,714
Segmental results	(46,277)	(2,086)	33,055	(15,308)
Unallocated expenses				(45,679)
Net foreign exchange gain				29,791
Net loss				(31,196)

The following table presents asset and liability information regarding the Group's operating segments as at **30 September 2010** and as at the date of last audited financial statements (30 June 2010).

	Private Equity US$ '000	*Real Estate US$ '000*	*Infrastructure US$ '000*	*Total US$ '000*
As at 30 September 2010				
Segment assets	**971,356**	**1,422,737**	**807,709**	**3,201,802**
Unallocated assets				**403,826**
				3,605,628
Segment liabilities	**24,119**	**254,453**	**90,572**	**369,144**
Unallocated liabilities and URIA				**2,158,552**
				2,527,696

Arcapita Bank B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2010 (Unaudited)

8 SEGMENT INFORMATION (continued)

	Private Equity US$ '000	*Real Estate US$ '000*	*Infrastructure US$ '000*	*Total US$ '000*
As at 30 June 2010				
Segment assets	995,460	1,358,409	789,159	3,143,028
Unallocated assets				314,108
				3,457,136
Segment liabilities	18,861	234,717	119,219	372,797
Unallocated liabilities and URIA				2,024,179
				2,396,976

9 RESTRICTED CASH

As at 30 September 2010, cash and short term funds included US$ 26.7 million (30 June 2010 : US$ 25.5 million) of restricted cash.

10 COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not affect previously reported net income or shareholders' equity.

ERNST & YOUNG

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PRIVATE AND CONFIDENTIAL

4 November 2010

Mr Essa Zainal
Executive Director, Head of Financial Control
Arcapita Bank B.S.C. (c)
P.O. Box 1406
Manama
Kingdom of Bahrain

Arcapita Bank B.S.C. (c) Agreed-Upon Procedures Report Relating to the Valuation Methodology and Inputs

Dear Sir

We have completed our agreed upon procedures in relation to the valuation methodology, and the inputs used by Arcapita Bank B.S.C. (c) ("Arcapita") in its share valuation as at 30 September 2010.

The USD 4.43 per share fair value calculation for Arcapita shares has been addressed by our procedures outlined below and is based on normalized level of fees and expenses calculated on the basis of the projected financial statements.

We have performed the procedures agreed with you and enumerated below with respect to Arcapita's valuation methodology, and the inputs used therein, in the fair value calculation of the shares of Arcapita on 30 September 2010. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants. The procedures were performed solely to assist you in evaluating the validity of your valuation methodology and the inputs used in your valuation computation, and are summarised as follows:

1. We held discussions with the Arcapita team to understand the fair value calculation methodology used by Arcapita and obtained sources of information and other documents necessary to carry out our work.

2. We obtained a copy of the valuation and business report prepared by Arcapita titled "Valuation Report: Arcapita Bank" dated 4 November 2010.

3. We checked the calculation of the fair value of each of the income group components for arithmetical accuracy.

4. We checked the inputs, being Arcapita's historical and projected financial data, with its historical audited financial statements including reviewed financial statement for the quarter ended 30 September 2010 and projected financial statements for the period from FY11 to FY15.

ERNST & YOUNG

4 November 2010 2

We report our findings below:

a) With respect to item 1, the valuation methodology used is reasonable for the nature of the entity/interest being valued and the business, industry and environment in which the entity operates.

b) With respect to item 2, we found that the details of the calculation were consistent with the underlying methodology as provided by Arcapita.

c) With respect to item 3, we found that the calculations were arithmetically accurate.

d) With respect to item 4, the historical and projected inputs are consistent with the historical audited financial statements including reviewed financial statements for the quarter ended 30 September 2010 and projected financial statements for the period from FY11 to FY15 respectively.

As the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the valuation report of Arcapita as of 30 September 2010.

Our report is solely for the purpose set forth in the first page of this report. Apart from Arcapita, this report or extracts from it should not be used for any other purpose or be distributed to any other parties except with our prior consent in writing.

This report should be read in conjunction with the material considerations as outlined under limitations section on the next page.

Yours faithfully

Ernst & Young

Manama, Kingdom of Bahrain

Limitations

Our findings of the Agreed Upon Procedures on the valuation methodology and inputs are contingent on the following limiting conditions and assumptions:

- Information provided to Ernst & Young from the management of the Arcapita forms the basis upon which the valuation review is conducted. Omission of any material information provided to Ernst & Young would have a significant impact on the findings of our agreed procedures;
- Our scope does not constitute an audit of the historical financial statements nor do they constitute an examination or review of prospective financial statements in accordance with the International Standard on Related Services ("ISRS") 4400 "Engagement to perform Agreed Upon Procedures Regarding Financial Information", issued by International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC");
- The Valuation (as presented in the attached valuation report) is contingent upon Arcapita achieving its targets in terms of revenue, net profit and cash flows during the projection period;
- The estimated value contained herein is intended only to represent the value of the ordinary shares of Arcapita as of the date stated in the valuation report. Subsequent material changes in market conditions could result in a substantially different valuation than that computed;
- The prospective financial information provided to us is based on expectations of competitive and economic environments as they may impact the future operations of Arcapita. We understand that management have applied consistent key assumptions during the projection period and have not omitted any factors that may be relevant;
- The prospective financial information provided to us by the management has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are expected but not necessarily certain to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results may still be different from the projections included in the prospective financial information since anticipated events frequently do not occur exactly as expected and variations can be material;
- The value is based on the assumption that the financial structure of the company as of the date of valuation will continue unless otherwise stated;
- Our report assumes that the company has an unrestricted title to all property and other assets unless otherwise stated;
- Our report assumes that the Arcapita complies fully with local laws and regulations, unless otherwise stated, and that it will be managed in a competent and responsible manner;
- Our procedures do not constitute a fairness opinion and this report should not be considered as an investment advice; and
- Our services do not include any procedures to test compliance with laws and regulations in any jurisdiction and we will not be required to give any expert testimony to any court by virtue of submitting this report.

ARCAPITA

Valuation Report

VALUATION AS AT 30 SEPTEMBER 2010

4 November 2010

Table of contents

1. Executive summary

Arcapita Bank B.S.C.(c) ("Arcapita" or "the Bank") is a leading international investment bank providing high quality alternative investment products sourced in North America, Europe, the Middle East and Asia to its clients, who are predominantly in the GCC region and Southeast Asia. Arcapita generates fee income from executing asset management deals and also co-invests in those deals, generating value for its shareholders and clients. As a result, the most apposite valuation approach is to value components separately using suitable valuation methodologies and then sum those valuations to arrive at a fair market value of the Bank.

The most commonly used valuation approach for such a hybrid firm is to value the identifiable components separately using suitable valuation methodologies and add them up to arrive at the firm value.

The total value of Arcapita is a sum of two parts:

i) the fee income from asset management and deal acquisition and placement activities; and

ii) the investment income from co-investing alongside clients.

The fee business of the Bank has been valued based on a multiples approach. The fair value of the investing business is the Net Asset Value ("NAV") of that business segment as at 30 September 2010, based on the reviewed financial statements of Arcapita as at that date.

Arcapita's equity value as at 30 September 2010 is USD 1.33 billion, representing a value per ordinary share of USD 4.93. In order to arrive at a fair market value, a liquidity discount of 10% has been applied to the value determined by the valuation methodology, resulting in fair market value per ordinary share of USD 4.43.

2. Company profile

Arcapita began operations in 1997 with a vision of building a leading international investment bank, capable of providing innovative Shari'ah-compliant high quality alternative investments from across the globe.

As at 30 September 2010, Arcapita has paid-in capital of USD 311.3 million, of which approximately 70% is held by over 330 prominent individuals and institutions, mostly from the Arabian Gulf region, the remainder is beneficially held by Arcapita's management.

Arcapita acts as a principal, using its own funds to complete investment transactions, with the ultimate objective of placing a majority of the equity with its investor base. The Bank has offices in Bahrain, Atlanta, London and Singapore.

As at 30 September 2010, Arcapita has 265 employees. Arcapita focuses on four main lines of business:

- **Private Equity,** primarily in the United States, Europe and the Middle East;
- **Real Estate,** primarily in the United States, Europe, the Middle East and Asia;
- **Infrastructure,** primarily in the United States, Europe, the Middle East and Asia;
- **Venture Capital,** primarily in the United States.

Arcapita's strategy focuses on achieving superior risk-adjusted returns for all stakeholders over the medium term. While the recent global economic downturn has had a market effect on all financial institutions, not just Arcapita, net income had increased at a compounded annual growth rate of more than 40% until then.

In the past two fiscal years, Arcapita has recorded losses, mainly due to fair valuation losses on its investment portfolio and lower level of business activity. Since 2009, Arcapita's management has directed its focus towards initiatives aimed at protecting and deleveraging the Bank's balance sheet. In the process it has succeeded in its dual objectives of realigning its liabilities to more closely match the maturity profile of its assets and support the financing needs of the portfolio.

A. PRIVATE EQUITY

Arcapita works closely with the management of its portfolio companies to establish a clearly defined business plan for creating equity value, while crafting management equity incentives to foster growth and profitability. Arcapita's aim is to nurture and grow its investments through the holding period and to exit at the right time and price in order to maximize returns. This strategy has been successful in delivering superior risk-adjusted returns to stakeholders.

Since inception, Arcapita has completed 32 private equity investments, with a total transaction value in excess of USD 7.3 billion. Building on its reputation in the United States and Europe, the Middle East and India have been added as a regional focus for private equity deal sourcing. A deal team based in Bahrain is actively considering potential acquisitions in both these regions.

As at 30 September, Arcapita achieved a gross IRR of 18% on its private equity investments exited since inception.

B. REAL ESTATE

Acting as a financial investor, Arcapita structures joint ventures to acquire stabilized properties that generate current income and some capital gains or to undertake development projects which offer the prospect of capital gains. These two distinct investment strategies have generated strong annualized returns for Arcapita's investors.

To date, Arcapita has completed 31 real estate transactions (including one fund) totalling USD 13.3 billion in the United States, Europe, the Middle East and Asia. Arcapita's current real estate portfolio is wide-ranging, including industrial warehousing, senior living, self-storage, construction, conversion and residential projects.

As at 30 September, Arcapita has achieved a gross IRR of 19% on its real estate investments exited since inception.

C. INFRASTRUCTURE

Arcapita concentrates on sectors which are typically resilient to economic cyclicality and offer investors the opportunity to diversify their portfolio into cash yielding investments.

Since inception, Arcapita has completed eight infrastructure investments totalling USD 7.4 billion in the United States, Europe and the Middle East. Arcapita's infrastructure portfolio consists of investments in the renewable energy, water, utilities and gas storage sectors. The average cash yield on infrastructure investments has been approximately 10%.

As at 30 September, the Bank has achieved a gross IRR of 49% on its infrastructure deals exited since inception.

D. VENTURE CAPITAL

Arcapita's venture capital line of business operates through its office in Atlanta. The Bank established a USD 200 million venture capital fund named Arcapita Ventures I Limited (the "Fund") to make equity investments in growth and expansion stage businesses throughout the United States. The fund targets companies with annual revenues between USD 2 million and USD 25 million in the healthcare, information technology and industrial technology sectors.

As at 30 September, Arcapita has completed eight investments, of which one has been successfully exited with a gross IRR of 165%.

3. Our approach

A. SUM-OF-THE-PARTS VALUATION METHODOLOGY

The most commonly used valuation approach for a hybrid firm like Arcapita is to value the identifiable components separately using suitable valuation methodologies and add them up to arrive at a total value. Arcapita's market value is the sum of the fee business value (using a suitable multiple on fee income and related expenses of the business) and the investing business value (using NAV of the investing business as at 30 September 2010). The investing business includes proprietary co-investments in Private Equity, Real Estate, Infrastructure and Venture Capital.

Arcapita earns fee income from activities, as an intermediary, during all stages of the product life cycle. Management fees are earned from products in all asset classes and are considered as recurring and/or predictable income. Acquisition and placement fees are contingent on the execution of transactions. Performance fees are earned if a minimum hurdle rate of return for the investors is exceeded.

The value of the fee business is calculated by applying appropriate multiples to normalized fee levels and operational expenses. Normalized fee streams are based on conservatively planned levels of performance.

The fair value of the investing business has been based on the NAV of that business segment as at 30 September 2010, based on the reviewed financial statements of Arcapita as at that date.

This can be illustrated as follows:

Bank's total equity value =		
Investing business equity value **(Based on NAV)**	+	**Fee business equity value** **(Based on multiples approach)**

B. LIQUIDITY DISCOUNT

Due to the illiquid, non-publicly traded nature of the Bank's shares, a liquidity discount of 10% has been applied to demonstrate its fair market valuation. Arcapita formally initiated the Arcapita Share Liquidity Program in 2007 to create liquidity options for its shareholders. In this valuation, the discount rate is kept at 10% in order to be conservative.

C. ARCAPITA'S VALUATION PRINCIPLES

The following principles underpin Arcapita's valuation and its methodology:

- The valuation methodology should provide a robust framework for valuing Arcapita;
- The framework should be transparent to Arcapita's shareholders and other stakeholders;

- The framework should allow valuations to be performed at any time based on normalized performance levels, so long as there is no change in the business plan or a change in the business environment that warrants using a different methodology; and
- The valuation should be subject to independent review and verification.

D. ALLOCATION OF EQUITY BETWEEN THE FEE AND INVESTMENT BUSINESSES

Equity has been allocated between the fee business and the investing business:

- In case of the fee business the capital required to underwrite new Private Equity, Real Estate, Infrastructure and Venture Capital investments for placement with clients on a deal by deal or fund basis;
- In case of the investing business the capital requirements for the proprietary co-investments; and
- An assessment of capital requirements to cover the economic and operational risks.

The equity split between the two businesses as at 30 September 2010 is provided in the table below. A higher proportion of common equity has been attributed to the investing business to reflect the long term nature of the proprietary co-investments which make up a majority of its assets.

Common equity	USD million	Percentage
Fee business	260	24.1%
Investing business	818	75.9%
Total Balance sheet equity as at 30 September 2010	**1,078**	**100.0%**

The common equity allocated to the fee business as at 30 September 2010 is USD 259.9 million. This equity allocation of USD 259.9 million which will be deployed along with debt financing to meet the fee business working capital requirements (resulting in an opening cash balance of USD 95.3 million).

4. Equity value of Arcapita's fee business

The value of fee business, using the multiples approach, has been determined by applying suitable earning multiples to each of the Bank's normalized fee income streams and a blended multiple of fee income to its operating expenses.

The normalized net fee income has been calculated as an average of the five year forecast of fee business and is representative of fee levels that could be sustained on average over the foreseeable future. The forecasted net income reflects management's business plan and their best estimate of expected market conditions over the projected period. Historically, during FY07 to FY08, Arcapita had a net fee income of USD 128.6m and USD 204.9m respectively. The figures for FY09 and FY10 were low due to the financial crisis. Going forward however, the Bank expects the business to moderately pick up, although it is still expected to be lower than historical numbers in foreseeable future.

1. Management fees

Management fee, which is recurring income arising primarily from asset management activity, attract a higher multiple, due to its less volatile and highly predictable nature.

Management fees have ranged from USD 75 million to USD 100 million over the last three fiscal years. Arcapita's management aims to increase the fee levels to USD 129 million by 2015, giving a projected five year average arithmetic mean of USD 107 million.

Price to earnings multiple of comparable businesses that predominantly generate management fee have an average multiple of 14x as shown below:

Price/Earnings multiple	30-Jun-10
Partners Group Holding	11.52
Invesco	10.71
Schroders	14.81
The Blackstone Group	N/A
Henderson Group	19.20
Man Group	13.83
Average	**14.01**
Median	**13.83**

At the lower end of this range, an 11x multiple represents a 9.1% net discount rate (discount rate adjusted for the terminal growth rate) on normalized cash flows to perpetuity, whilst, an average of 14x multiple represents a 7.1% net discount rate.

In Arcapita's valuation, a multiple of **10x** has been used to be conservative in valuing management fee income, representing a 10.0% net discount rate on normalized cash flows to perpetuity. This income multiple is used for all management fees from all assets classes.

2. Acquisition and placement fees

Acquisition and placement fees, which is highly volatile and less predictable arising up-front from acquisition and placement activity, attract a lesser multiple than the management fee, to reflect the relative riskiness of this revenue stream.

Due to a substantial decrease in deal-size and volume of transactions, the current year's income levels do not accurately reflect longer term acquisition and placement fees. Historically, average annual up-front fee levels based on last four fiscal years ending FY10, have been USD 131 million including a peak of USD 270 million in 2008. The management is confident that deal-size and volume of transactions will recover going forward. The up-front fee level is projected in the range of USD 56 million to USD 206 million, with an average of USD 116 million for the period from FY11 to FY15.

For Arcapita's valuation, being conservative a **6x** multiple (a net discount rate of 16.7%) for up-front income has been used for all assets classes. A lower multiple for this revenue stream compensates for additional risk associated with the up-front fee.

3. Performance fees

Performance fees are the fee earned if, upon exit, the realized return exceeds a certain pre-determined rate of return, called the hurdle rate. The realization of returns above the hurdle rate depends on a number of factors. While this type of income is linked to investment activity, it is also dependent on investment performance and therefore attracts a lower multiple than that used for up-front income or the management fee.

In the audited historical financial statements, performance fees have been included as a part of acquisition and placement fees. However, to improve financial disclosures to investors the performance fees have been forecasted separately. During the projected five year period, average performance fees per year is expected to be USD 8.3 million.

Due to the increased risk related to this fee and recent exits and being conservative, a **3x** multiple has been used across all lines of assets classes in the valuation which translates into a discount rate of 33.3%.

4. Operating expenses

Operating expenses mainly comprise of staff costs and general and administrative expenses and do not include interest expenses and one off items. As operating expenses are related to all types of fee income, a blended multiple based on weights and respective multiples of each fee income line has been used to determine the perpetual value of operating expenses. Operating expenses related to Arcapita's fee business have been determined in the ratio of Arcapita's co-investments in the deals and the assets managed for third parties. Arcapita's total assets under management were USD 7.87 billion as at 30 September 2010 of which 28% was Arcapita's own investment carried on its balance sheet. This ratio has been used to allocate expenses.

The blended multiple for operating expenses has been estimated using a weighted average of multiples applied to different fee streams. In Arcapita's case, the weighted average multiple is **7.74x**.

5. Equity value of Arcapita's fee business

Amounts in USD millions

Equity value of Arcapita's fee business	Normalized income	Multiple	Value
Fee business			
Recurring fee income			
Private Equity	41.0	10.0	410.4
Real Estate	26.8	10.0	268.1
Infrastructure	39.1	10.0	391.4
Total recurring fee income	107.0		1,069.9
Acquisition and placement income			
Private Equity	57.4	6.0	344.6
Real Estate	33.1	6.0	198.7
Infrastructure	25.7	6.0	154.1
Total acquisition and placement income	116.2		697.3
Performance fees			
Private Equity	5.0	3.0	15.1
Real Estate	2.6	3.0	7.7
Infrastructure	0.7	3.0	2.1
Total performance fees	8.3		25.0
Operating expenses	(133.8)	7.7	(1,035.5)
Enterprise value of Arcapita's fee business			**756.7**
Less: outstanding debt			148.8
Less: Notional adjustment to reflect additional cash requirements of Arcapita's fee business			100.0
Equity value of Arcapita's fee business			**507.9**

The value of fee business using the multiples approach has been determined by applying suitable earnings multiples to each of the Bank's normalized fee income streams and a blended multiple of fee income to its operating expenses. This translates into a fee business enterprise value of USD 756.7m, implying a blended earnings multiple of **7.74x**. The outstanding debt attributable to fee business as of the valuation date amounted to USD 148.8m which was subtracted from the enterprise value; moreover a notional adjustment of USD 100m reflecting additional cash requirements for fee business was made to the enterprise value to arrive at the fee business equity value as of 30 September 2010 of USD 507.9m before liquidity discount. The exhibit below summarizes the calculation of fee business equity value.

5. Equity value of Arcapita's investing business

Arcapita reports its assets and liabilities at fair value in the balance sheet, in accordance with International Financial Reporting Standards. Considering the rationale that book value is a true representative of the current market value of investments and assets, the NAV has been considered a true representative of the fair market value.

The assets and liabilities attributable to Arcapita's investing business as at 30 September 2010 is shown in the table below:

Net assets value as on 30 September 2010	USD million
Total assets	3,164.0
Total liabilities	2,346.0
Net assets value	**818.0**

The net asset value of Arcapita's investing business is the investing business assets less liabilities, which comes to USD 818.0 million as at 30 September 2010.

A higher than 1 multiple is usually used to capture the risk-adjusted premium an investor would pay in expectation of above average returns from the invested assets. The valuation considers a multiple of 1 as being more appropriate in the current market conditions.

6. Arcapita's fair value as at 30 September 2010

Arcapita's fair values from its investing and fee businesses have been estimated separately. Its investing business has been valued using NAV while the value of the fee business has been estimated by applying appropriate earnings multiples to Arcapita's normalized fee levels. The table below summarizes the Bank's equity value:

Total equity value	Amounts in USD millions
Fee business value of equity	507.9
Investing business value of equity	818.0
Total value of equity	**1,325.9**
Number of shares outstanding (million)	269.1

Due to the illiquid, non-publically traded nature of the Bank's shares, a liquidity discount of 10% has been applied to arrive at Arcapita's fair market valuation. In 2007, the Bank formally initiated the Arcapita Share Liquidity Program to create liquidity options for its shareholders. In the valuation, the discount rate is kept at 10% in order to be conservative.

	Total value	**Value per share**
Total value of equity	1,325.9	4.93
Liquidity discount (10%)	132.6	0.49
Equity value after discount	1,193.3	4.43

Arcapita's equity value as at 30 September 2010 is USD 1.33 billion, representing a value per ordinary share of USD 4.93. In order to arrive at a fair market value, a liquidity discount of 10% has been applied to the value determined by the valuation methodology, resulting in fair market value per ordinary share of USD 4.43.

Appendices

Appendix 1: Historical financial statements

A. CONSOLIDATED INCOME STATEMENT (AUDITED)

Historic consolidated income statements — Amounts in USD million

	FY07	FY08	FY09	FY10	1Q10
Total operating income					
Fee business					
Management fees	64.7	87.1	99.8	75.0	27.5
Acquisition and placement fees	285.2	270.2	62.0	2.2	3.4
Total fee business income	349.9	357.3	161.8	77.2	30.9
Investing business					
Income from investee companies	31.0	39.4	56.7	72.1	16.5
Yield from investments	56.6	34.8	33.3	36.4	10.5
Loss on Istisna contracts	-	-	-	(17.0)	-
Capital (loss) gain on exits	122.0	182.9	1.6	(80.4)	-
Gain from sale of building	-	-	74.5	-	-
Others	0.6	5.0	10.6	(6.2)	(2.0)
Total investing business income	210.2	262.2	176.7	4.8	24.9
Total operating income	**560.1**	**619.4**	**338.5**	**82.0**	**55.9**
Total operating expenses					
Fee business	157.0	152.4	93.6	90.1	25.2
Investing business	60.4	58.7	36.0	34.7	9.7
Total operating expenses	217.4	211.1	129.7	124.8	34.9
Net operating income/(loss)					
Fee business	192.9	204.9	68.2	(12.9)	5.8
Investing business	149.8	203.5	140.6	(29.8)	15.3
Total operating income/(loss)	342.7	408.4	208.8	(42.8)	21.0
Income from other activates					
Foreign exchange gain/loss	12.1	5.0	85.2	(169.9)	99.3
Net fair value changes	51.1	29.1	(236.4)	(147.1)	(7.8)
Allowance for doubtful receivables	(35.0)	-	(10.0)	(68.2)	(47.3)
	28.2	34.1	(161.2)	(385.2)	44.3
Net funding cost	(85.2)	(80.3)	(135.6)	(131.4)	(36.2)
Net profit/(loss)	**285.68**	**362.22**	**(87.94)**	**(559.38)**	**29.10**

B. CONSOLIDATED BALANCE SHEET (AUDITED)

Historic consolidated balance sheet	Jun-07	Jun-08	Jun-09	Jun-10	1Q10
					Amounts in USD million
Assets					
Cash and short term funds	1,465.4	1,304.6	191.2	143.3	131.9
Receivables	614.7	986.2	1,562.5	1,074.0	1,123.2
Investments	1,501.6	2,568.4	2,562.9	2,074.4	2,173.4
Other assets	223.8	278.2	55.7	165.4	177.1
Total assets	**3,805.5**	**5,137.4**	**4,372.3**	**3,457.1**	**3,605.6**
Liabilities					
Due to financial and other institutions	1,223.5	2,254.8	1,338.9	1,084.1	1,237.7
Medium-term financing facility	1,091.7	1,090.2	1,091.1	1,094.0	1,095.7
Other liabilities	105.6	126.0	111.3	36.4	45.5
Total liabilities excluding URIA	**2,420.7**	**3,471.1**	**2,541.4**	**2,214.5**	**2,378.9**
Unrestricted investment accounts	317.6	236.5	232.3	182.5	148.8
Total liabilities	**2,738.4**	**3,707.5**	**2,773.7**	**2,397.0**	**2,527.7**
Equity					
Share capital and premium	607.2	625.6	879.2	1,077.3	1,067.4
Reserves	347.7	614.1	534.2	(17.1)	10.5
Share subscription pending allotment	-	100.0	185.2	-	-
Proposed dividend	112.1	90.2	-	-	-
Total equity	**1,067.1**	**1,429.8**	**1,598.6**	**1,060.2**	**1,077.9**
Total equity and liabilities	**3,805.5**	**5,137.4**	**4,372.3**	**3,457.1**	**3,605.6**

C. CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

Historic consolidated cash flow statement				Amounts in USD million	
	Jun-07	Jun-08	Jun-09	Jun-10	Sep-10
Net profit/(loss) for the year	285.7	362.2	(87.9)	(559.4)	29.1
Adjustments for non-cash items:					
Share-based compensation expense	3.3	4.5	8.1	8.1	(1.5)
Allowance for doubtful commodity Murabaha receivables	(51.1)	-	10.0	68.2	47.3
Changes in fair value of investments	35.0	(29.1)	236.4	147.1	7.8
Operating profit/(loss) before changes in operating assets and liabilities	272.9	337.7	166.5	(336.0)	82.7
Changes in operating assets and liabilities:					
Receivables	(74.4)	(369.2)	(448.9)	400.3	(106.1)
Investments	(656.9)	(1,037.8)	(230.8)	341.4	(106.8)
Due to financial and other institutions	279.1	1,031.3	(915.9)	(254.8)	102.7
Other assets	(159.1)	(54.4)	222.5	(109.7)	(11.6)
Other liabilities	46.2	8.8	(13.8)	(72.1)	10.8
Net cash used in operating activities	(292.3)	(83.6)	(1,220.4)	(30.9)	(28.4)
Financing activities					
Dividends paid	(30.8)	(112.1)	(90.2)	-	-
Issue of shares	423.5	-	16.2	-	-
Purchase of treasury shares	(35.2)	(157.7)	-	-	(0.3)
Sale of treasury shares	23.0	173.8	-	-	-
Share subscription received	-	100.0	185.2	32.9	-
Movements in unrestricted investment accounts	248.6	(81.2)	(4.2)	(49.8)	17.3
Medium term financing settled	(384.9)	-	-	-	-
Medium term financing raised	1,100.0	-	-	-	-
Net cash (used in) from financing activities	1,344.1	(77.2)	107.0	(16.9)	17.0
Net movement in cash and cash equivalents	1,051.8	(160.8)	(1,113.4)	(47.9)	(11.4)
Cash and cash equivalents at the beginning of the year	413.5	1,465.4	1,304.6	191.2	143.3
Cash and cash equivalents at the end of the year	**1,465.4**	**1,304.6**	**191.2**	**143.3**	**131.9**

Appendix 2: Financial projections

Arcapita's income statements and balance sheets, along with a summary of key assumptions for the projected five year period from 2011 to 2015, are noted below.

In projected financial statements, management fees are expected in the range from 1.4% to 2.2%. During projected years the acquisition and placement is expected to increase due to increase in the economic activity.

Assets under management (AUM)				Amounts in USD million
	2008	2009	2010	1Q11
Assets under management by sector				
Private Equity	1,103.0	1,314.0	1,513.0	1,506.0
Real Estate	2,150.0	2,661.0	2,352.0	2,494.0
Infrastructure	1,497.0	1,184.0	1,460.0	1,610.0
Venture Capital	200.0	63.0	74.0	88.0
Total assets under management	4,950.0	5,222.0	5,399.0	5,698.0
Management fees	87.11	99.76	75.00	108.00
Management fees (a percentage of AUM)	1.76%	1.91%	1.39%	1.90%
Total transactions	70	72	73	73
Total transaction value	26,800.0	28,300.0	28,200.0	28,200.0

Fees business

Arcapita derives fee income at three stages of the activity lifecycle:

- Management fees
- Acquisition and placement fees
- Performance fees

In addition to these fees, Arcapita also earns ancillary fees in some cases.

Management fees

Fundraising and client AUM are the main drivers of commitment and management fees. Forecasted fund raising and realization levels for the period of FY11 – FY15 have been presented as follows:

Fund raising

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Fund raising								
Deal by deal								
Private Equity	851.4	464.0	-	300.0	200.0	500.0	600.0	700.0
Real Estate	505.7	214.5	-	200.0	150.0	200.0	300.0	500.0
Infrastructure	863.4	67.6	-	70.0	150.0	200.0	300.0	500.0
	2,220.5	746.1	-	570.0	500.0	900.0	1,200.0	1,700.0
Funds	-	-	-	136.3	344.7	536.3	850.0	591.7
Total fund raising	**2,220.5**	**746.1**	**-**	**706.3**	**844.7**	**1,436.3**	**2,050.0**	**2,291.7**
Realization								
Deal by deal								
Private Equity	527.0	-	244.0	78.2	236.7	272.9	501.9	160.6
Real Estate	-	-	12.0	220.7	319.6	599.6	180.1	379.5
Infrastructure	540.0	-	-	90.0	90.0	107.8	175.4	80.7
	1,067.0	-	256.0	388.9	646.3	980.3	857.4	620.8
Funds	-	-	-	-	-	-	-	-
Total realization	**1,067.0**	**-**	**256.0**	**388.9**	**646.3**	**980.3**	**857.4**	**620.8**

Management fees are mainly derived from two factors: additional funds raised during the year and existing assets under management. Historically Arcapita has achieved management fee levels of 1.8% using a deal-by-deal basis. With the introduction of funds, it is expected that higher level of management fees would be earned. The following table highlights the AUM and management fees during the projection period:

Assets Under Management & Management fee calculation

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Assets Under Management (AUM)								
Deal by deal								
Private Equity	1,303.0	1,377.0	1,587.0	2,103.9	1,997.0	1,720.2	1,487.7	2,219.4
Real Estate	2,150.0	2,661.0	2,352.0	2,214.5	1,994.0	1,364.1	1,193.3	1,304.9
Infrastructure	1,497.0	1,184.0	1,460.0	1,782.9	1,713.3	1,785.4	2,018.7	1,862.8
	4,950.0	5,222.0	5,399.0	6,101.3	5,704.3	4,869.7	4,699.7	5,387.1
Funds	-	-	-	136.3	481.0	1,017.3	1,867.3	2,459.0
Total assets under management	**4,950.0**	**5,222.0**	**5,399.0**	**6,237.6**	**6,185.3**	**5,887.0**	**6,567.0**	**7,846.1**
Management fee %	1.8%	1.8%	1.4%	1.5%	1.6%	1.7%	1.8%	1.6%
Management fee	**87.1**	**91.6**	**75.0**	**90.7**	**97.8**	**100.4**	**117.5**	**128.6**

Acquisition and placement fee

Acquisition and placement fees are based on the equity deployed by the Bank in different investment opportunities. Fees are dependent on new investment opportunities and Arcapita's available capital.

Acquisition fee calculation

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Equity deployed								
Deal by deal								
Private Equity	851.4	464.0	-	300.0	200.0	500.0	600.0	700.0
Real Estate	505.7	214.5	-	200.0	150.0	200.0	300.0	500.0
Infrastructure	863.4	67.6	-	70.0	150.0	200.0	300.0	500.0
	2,220.5	746.1	-	570.0	500.0	900.0	1,200.0	1,700.0
Funds	-	-	-	136.3	344.7	536.3	850.0	591.7
Total equity deployed	**2,220.5**	**746.1**	**-**	**706.3**	**844.7**	**1,436.3**	**2,050.0**	**2,291.7**
Acquisition fee %	12.2%	8.3%	12.6%	8.0%	7.8%	6.1%	8.1%	9.0%
Acquisition fee	**270.9**	**61.9**	**-**	**56.5**	**65.9**	**87.6**	**166.1**	**206.3**

Placement fee calculation

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Equity deployed								
Deal by deal								
Private Equity	518.8	157.7	79.9	232.8	269.4	268.1	613.9	835.1
Real Estate	532.8	33.0	17.2	151.9	183.7	207.1	294.8	450.3
Infrastructure	522.4	193.0	111.8	84.0	96.8	210.9	326.1	245.6
	1,574.0	383.7	208.9	468.7	549.9	686.1	1,234.8	1,531.0
Funds	-	-	-	122.7	310.2	482.7	765.0	532.5
Total equity deployed	**1,574.0**	**383.7**	**208.9**	**591.4**	**860.1**	**1,168.8**	**1,999.8**	**2,063.5**
Placement fee %	17.17%	16.16%	1.05%	9.54%	7.62%	7.49%	8.26%	10.01%
Placement fee	**270.2**	**62.0**	**2.2**	**56.4**	**65.5**	**87.6**	**165.2**	**206.5**

Historically average placement fee levels have been as high as 17%. To be conservative, a lower level of placement fee income has been assumed going forward. The management expect placement fee in the range of 7% to 10% during the projected years.

Performance fees

Arcapita earns performance fees on the investments it manages on behalf of clients. These fees are dependent on the performance of the underlying investments and are usually calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle rate.

Performance fee calculation

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Average AUM size								
Deal by deal								
Private Equity	1,303.0	1,377.0	1,587.0	2,103.9	1,997.0	1,720.2	1,487.7	2,219.4
Real Estate	2,150.0	2,661.0	2,352.0	2,214.5	1,994.0	1,364.1	1,193.3	1,304.9
Infrastructure	1,497.0	1,184.0	1,460.0	1,782.9	1,713.3	1,785.4	2,018.7	1,862.8
	4,950.0	5,222.0	5,399.0	6,101.3	5,704.3	4,869.7	4,699.7	5,387.1
Funds	-	-	-	136.3	344.7	536.3	850.0	591.7
Total equity deployed	**4,950.0**	**5,222.0**	**5,399.0**	**6,237.6**	**6,049.0**	**5,406.0**	**5,549.7**	**5,978.8**
Performance fee %	1.11%	0.01%	0.00%	0.03%	0.21%	0.29%	0.12%	0.08%
Performance fee	**55.1**	**0.7**	**-**	**1.6**	**13.0**	**15.5**	**6.9**	**4.7**

Operating expenses

Staff costs are expected to increase due to an increased focus on the asset management business. Funding costs will decrease due to a deleveraging of the balance sheet.

Operating expenses — Amounts in USD million

	FY11	FY12	FY13	FY14	FY15
SG&A expenses					
Staff costs	85.6	126.1	140.6	152.6	172.3
General and admin expenses	45.0	47.3	49.6	52.1	54.7
	130.6	173.3	190.2	204.6	227.0
Funding costs	99.4	105.7	94.1	61.0	13.1
Total operating costs	**230.0**	**279.0**	**284.3**	**265.7**	**240.2**

B. SEGMENTED PROJECTED INCOME STATEMENT

Projected income statements (fee business)

Amounts in USD million

	FY11	FY12	FY13	FY14	FY15
Fee income					
Management fees					
Corporate investments	36.7	42.4	39.2	44.1	42.7
Real Estate	23.3	22.5	25.1	29.1	34.0
Infrastructure	30.7	32.9	36.1	44.2	51.8
	90.7	97.8	100.4	117.5	128.6
Acquisition and placement fees					
Corporate investments	25.6	31.9	34.4	82.6	112.6
Real Estate	16.9	21.8	26.5	39.8	60.7
Infrastructure	14.0	11.8	26.7	42.8	33.1
	56.4	65.5	87.6	165.2	206.5
Performance fees					
Corporate investments	-	13.0	4.2	3.3	4.7
Real Estate	1.6	-	11.3	-	-
Infrastructure	-	-	-	3.5	-
	1.6	13.0	15.5	6.9	4.7
Total recurring fee income	**148.7**	**176.3**	**203.5**	**289.5**	**339.8**
SG&A expenses					
Staff cost	61.9	91.1	101.6	110.2	124.5
G&A expenses	32.5	34.1	35.8	37.6	39.5
	94.4	125.2	137.4	147.8	164.0
Funding costs	-	-	-	-	-
Net profit from the fee business	**54.4**	**51.0**	**66.0**	**141.6**	**175.7**

Projected income statements (investing business)

Amounts in USD million

	FY11	FY12	FY13	FY14	FY15
Investing fee income					
Income from yielding investments	16.1	20.0	30.0	60.0	85.0
Income from investee companies	68.0	81.6	85.4	51.6	39.8
Capital gain s					
Corporate investments	(52.4)	73.1	83.5	139.6	71.9
Real Estate	29.7	63.5	156.6	27.8	83.0
Infrastructure	(141.7)	41.9	(4.0)	28.7	35.2
	(164.3)	178.5	236.1	196.1	190.1
Fair value adjustment					
Corporate investments	58.9	34.5	21.5	4.8	-
Real Estate	57.3	36.1	10.0	6.9	-
Infrastructure	20.9	6.9	7.6	4.4	1.5
	137.0	77.5	39.1	16.1	1.5
Foreign exchange gains and others	75.0				
Total investing income	**131.8**	**357.6**	**390.6**	**323.9**	**316.3**
SG&A expenses					
Staff cost	23.8	35.0	39.0	42.3	47.8
G&A expenses	12.5	13.1	13.8	14.5	15.2
	36.2	48.1	52.8	56.8	63.0
Funding costs	99.4	105.7	94.1	61.0	13.1
Net profit from the investing business	**(3.8)**	**203.8**	**243.8**	**206.1**	**240.2**

C. PROJECTED CONSOLIDATED BALANCE SHEETS

Projected balance sheet	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
					Amounts in USD million
Assets					
Cash and balances with banks	50.0	50.0	50.0	50.0	50.0
Due from financial institutions	416.6	633.9	724.2	1,356.2	926.0
Receivables - Deal related	449.3	536.9	582.2	718.8	789.0
Receivables - Murabahas to investee	587.2	615.1	321.3	190.6	255.6
Receivables - SPP/IPP	195.0	163.0	131.0	99.0	67.0
Investments	1,873.2	1,517.7	1,329.0	971.4	905.6
Other assets	165.4	165.4	165.4	165.4	165.4
Total assets	**3,736.8**	**3,682.1**	**3,303.1**	**3,551.4**	**3,158.7**
Liabilities					
Due to financial institution's and other institutions	575.7	424.8	317.1	317.1	317.1
Strategic investor's facility I	76.6	5.1	5.1	5.1	5.1
Bank bi-laterals	196.3	5.8	5.8	5.8	5.8
Medium-term financing facility	1,094.0	1,200.0	700.0	700.0	-
Other liabilities	36.4	36.4	36.4	36.4	36.4
Unrestricted investment accounts (URIAs)	132.5	132.5	132.5	132.5	132.5
Total liabilities	**2,111.4**	**1,804.4**	**1,196.8**	**1,196.8**	**496.8**
Equity					
Share capital	1,592.0	1,609.6	1,630.4	1,654.9	1,685.4
Reserves	13.2	166.1	352.0	560.6	810.2
Proposed dividend	20.2	101.9	123.9	139.1	166.4
Total equity	**1,625.4**	**1,877.6**	**2,106.4**	**2,354.6**	**2,661.9**
Total liabilities and equity	**3,736.8**	**3,682.1**	**3,303.1**	**3,551.4**	**3,158.7**

D. PROJECTED CONSOLIDATED CASH FLOW STATEMENT

Consolidated projected cash flow statement	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
					Amount in USD million
Operating activities					
Net income (loss) for the year	50.55	254.83	309.80	347.69	415.91
Adjustments for non-cash items:					
Share-based compensation expense	14.69	17.62	20.87	24.46	30.47
Non-cash portion of revenue (recurring income)	(147.33)	(157.39)	(162.41)	(151.30)	(146.38)
Changes in fair value of investments carried through income statement	(137.03)	(77.54)	(39.11)	(16.12)	(1.48)
Operating profit before changes in operating assets and liabilities	(219.12)	37.52	129.15	204.74	298.52
Changes in operating assets and liabilities:					
Receivables	112.58	101.87	149.08	46.73	108.15
Investments	215.34	405.18	521.58	504.45	2.29
Due to financial and other institutions	(21.33)	(150.92)	(107.66)	-	-
Net cash used in operating activities	87.47	393.66	692.16	755.92	408.95
Financing activities					
Dividends paid	-	(20.22)	(101.93)	(123.92)	(139.07)
Issue of shares					
Financing raised/(settled)	(214.23)	(156.08)	(500.00)	-	(700.00)
Sale of treasury shares					
Share subscription received	500.00				
Movement in unrestricted investment accounts	(50.00)	-	-	-	-
Net cash from (used in) financing activities	235.77	(176.30)	(601.93)	(123.92)	(839.07)
Net cash					
Net movement in cash and cash equivalents	**323.25**	**217.36**	**90.23**	**631.99**	**(430.12)**
Cash and cash equivalents at the beginning of the year	143.38	466.63	683.99	774.21	1,406.21
Cash and cash equivalents at the end of the year	**466.63**	**683.99**	**774.21**	**1,406.21**	**976.09**

بسم الله الرحمن الرحيم

November 2, 2010

Arcapita Bank B.S.C.(c)
P. O. Box 1406
Manama
Kingdom of Bahrain

Gentlemen:

The management of Arcapita Bank B.S.C.(c) ("Arcapita" or the "Bank") has presented to the Shari'ah Executive Committee, the Private Placement Memorandum dated November 2010 (the "PPM") relating to the $500 million Rights Issue. After a review of the PPM and consultation with the Bank's management, we are of the opinion that the Rights Issue described in the PPM is in accordance with Islamic Shari'ah principles and rules if executed in accordance with the PPM and directives of the Shari'ah Executive Committee with respect to such matters.

We will monitor the activities of Arcapita to ensure conformity to Shari'ah.

Sincerely,

Shari'ah Executive Committee:

Shaikh Muhammad Taqi Usmani, Member

Muhammad Taqi

Dr. Abdul Sattar A. K. Abu Ghuddah, Member

Shaikh Esam Mohamed Ishaq, Member

Restrictions on Offers of Securities in Certain Jurisdictions

For Residents of Australia only

Not a Prospectus under the Corporations Act
THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE A DISCLOSURE DOCUMENT OR A PRODUCT DISCLOSURE STATEMENT FOR THE PURPOSES OF THE CORPORATIONS ACT 2001 OF THE COMMONWEALTH OF AUSTRALIA (THE "ACT") AND HAS NOT BEEN, AND WILL NOT BE, LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN AUSTRALIA HAS REVIEWED OR IN ANY WAY PASSED UPON THIS DOCUMENT OR THE MERITS OF THESE SECURITIES, AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

THE SHARES WILL BE OFFERED TO PERSONS WHO RECEIVE OFFERS IN AUSTRALIA ONLY TO THE EXTENT THAT (A) THOSE PERSONS ARE "WHOLESALE CLIENTS" FOR THE PURPOSES OF CHAPTER 7 OF THE ACT; AND (B) SUCH OFFER OF THE SHARES FOR ISSUE OR SALE DOES NOT NEED DISCLOSURE TO INVESTORS UNDER PART 6D.2 OF THE ACT.

ANY OFFER OF THE SHARES RECEIVED IN AUSTRALIA IS VOID TO THE EXTENT THAT IT NEEDS DISCLOSURE TO INVESTORS UNDER THE ACT.

Secondary Sale Restriction
AS THE OFFER FOR THE SHARES WILL BE MADE IN AUSTRALIA WITHOUT DISCLOSURE UNDER THE ACT, THE OFFER OF THE SHARES FOR SALE IN AUSTRALIA WITHIN 12 MONTHS OF THEIR ISSUE OR SALE MAY, UNDER SECTION 707 OF THE ACT, REQUIRE DISCLOSURE TO INVESTORS UNDER THE ACT IF NONE OF THE EXEMPTIONS UNDER THE ACT APPLY. ACCORDINGLY, ANY PERSON TO WHOM THE SHARES ARE ISSUED OR SOLD PURSUANT TO THIS DOCUMENT MUST NOT, WITHIN 12 MONTHS AFTER THE ISSUE, OFFER (OR TRANSFER, ASSIGN OR OTHERWISE ALIENATE) THOSE SHARES TO INVESTORS IN AUSTRALIA EXCEPT IN CIRCUMSTANCES WHERE DISCLOSURE TO INVESTORS IS NOT REQUIRED UNDER THE ACT OR UNLESS A COMPLIANT DISCLOSURE DOCUMENT OR PRODUCT DISCLOSURE STATEMENT IS PREPARED AND LODGED WITH THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION. THE RELEVANT PROVISIONS OF THE ACT ARE COMPLEX, AND IF IN ANY DOUBT, YOU SHOULD CONFER WITH YOUR PROFESSIONAL ADVISORS REGARDING THE POSITION.

For Residents of Bahrain only
THIS OFFER IS A PRIVATE PLACEMENT. IT IS NOT SUBJECT TO THE REGULATIONS OF THE CENTRAL BANK OF BAHRAIN THAT APPLY TO PUBLIC OFFERINGS OF SECURITIES, AND THE DISCLOSURE REQUIREMENTS AND OTHER PROTECTIONS THAT THESE REGULATIONS CONTAIN. THIS MEMORANDUM IS THEREFORE INTENDED ONLY FOR "ACCREDITED INVESTORS". AN ACCREDITED INVESTOR IS DEFINED AS:

A. INDIVIDUALS HOLDING FINANCIAL ASSETS (EITHER SINGLY OR JOINTLY WITH THEIR SPOUSE) OF $1,000,000 OR MORE;

B. COMPANIES, PARTNERSHIPS, TRUSTS OR OTHER COMMERCIAL UNDERTAKINGS, WHICH HAVE FINANCIAL ASSETS AVAILABLE FOR INVESTMENT OF NOT LESS THAN $1,000,000; OR

C. GOVERNMENTS, SUPRANATIONAL ORGANIZATIONS, CENTRAL BANKS OR OTHER NATIONAL MONETARY AUTHORITIES, AND STATE ORGANIZATIONS WHOSE MAIN ACTIVITY IS TO INVEST IN FINANCIAL INSTRUMENTS (SUCH AS STATE PENSION FUNDS).

THE FINANCIAL INSTRUMENTS OFFERED BY WAY OF PRIVATE PLACEMENT MAY ONLY BE OFFERED IN MINIMUM SUBSCRIPTIONS OF $100,000 (OR EQUIVALENT IN OTHER CURRENCIES).

THE CENTRAL BANK OF BAHRAIN ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT.

THE BOARD OF DIRECTORS AND THE MANAGEMENT OF ARCAPITA ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE RELIABILITY OF SUCH INFORMATION.

For Residents of Belgium only

THE SHARES MAY NOT BE DISTRIBUTED IN BELGIUM BY WAY OF AN OFFER OF SECURITIES TO THE PUBLIC, AS DEFINED IN ARTICLE 3 §1 OF THE BELGIAN LAW OF JUNE 16, 2006 ON PUBLIC OFFERINGS OF INVESTMENT INSTRUMENTS AND THE ADMISSION OF INVESTMENT INSTRUMENTS TO TRADING ON REGULATED MARKETS (THE "PROSPECTUS LAW"), SAVE IN THOSE CIRCUMSTANCES SET OUT IN ARTICLE 3 §2 OF THE PROSPECTUS LAW.

THE OFFER IS EXCLUSIVELY CONDUCTED UNDER APPLICABLE PRIVATE PLACEMENT EXEMPTIONS AND THEREFORE IT HAS NOT BEEN AND WILL NOT BE NOTIFIED TO, AND THE PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES HAS NOT BEEN AND WILL NOT BE APPROVED BY, THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION ("COMMISSION BANCAIRE, FINANCIÈRE ET DES ASSURANCES/COMMISSIE VOOR HET BANK-, FINANCIE- EN ASSURANTIEWEZEN").

ACCORDINGLY, THE OFFER MAY NOT BE ADVERTISED AND THE SHARES HAVE NOT BEEN AND WILL NOT BE OFFERED, SOLD OR RESOLD, TRANSFERRED OR DELIVERED, AND NO MEMORANDUM, INFORMATION CIRCULAR, BROCHURE OR ANY SIMILAR DOCUMENTS, HAS BEEN OR WILL BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY INDIVIDUAL OR LEGAL ENTITY IN BELGIUM OTHER THAN:

(A) QUALIFIED INVESTORS, AS DEFINED IN ARTICLE 10 OF THE PROSPECTUS LAW;

(B) INVESTORS REQUIRED TO INVEST A MINIMUM OF €50,000 (PER INVESTOR AND PER TRANSACTION); AND

(C) IN ANY OTHER CIRCUMSTANCES SET OUT IN ARTICLE 3 §2 OF THE PROSPECTUS LAW.

THIS PRIVATE PLACEMENT MEMORANDUM HAS BEEN ISSUED ONLY FOR THE PERSONAL USE OF THE ABOVE-QUALIFIED INVESTORS AND EXCLUSIVELY FOR THE PURPOSE OF THE PLACEMENT OF SHARES. ACCORDINGLY, THE INFORMATION CONTAINED HEREIN MAY NOT BE USED FOR ANY OTHER PURPOSE NOR DISCLOSED TO ANY OTHER PERSON IN BELGIUM.

For Residents of Brunei only

THIS PRIVATE PLACEMENT MEMORANDUM IS PURELY FOR INFORMATIONAL PURPOSES AND IT HAS NOT BEEN LODGED WITH THE REGISTRAR OF COMPANIES PURSUANT TO SECTION 308(1) OF THE COMPANIES ACT, CAP 39. AS SUCH, IT MUST NOT BE DISTRIBUTED OR CIRCULATED TO ANY PERSON IN BRUNEI DARUSSALAM OTHER THAN TO A PERSON WHOSE ORDINARY BUSINESS OR PART OF WHOSE ORDINARY

BUSINESS IS BUYING AND SELLING SHARES AS DEFINED IN SECTION 308(4) OF THE COMPANIES ACT, CAP 39. FURTHER, THIS DOCUMENT HAS NOT BEEN DELIVERED TO, PERMITTED OR LICENSED BY THE AUTHORITY PURSUANT TO THE MUTUAL FUNDS ORDER, 2001.

For Residents of China only

THE SHARES ARE NOT BEING OFFERED OR SOLD AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE PEOPLE'S REPUBLIC OF CHINA (FOR SUCH PURPOSES, NOT INCLUDING THE HONG KONG AND MACAU SPECIAL ADMINISTRATIVE REGIONS OR TAIWAN), EXCEPT AS PERMITTED BY THE SECURITIES LAWS OF THE PEOPLE'S REPUBLIC OF CHINA.

For Residents of Denmark only

THIS PRIVATE PLACEMENT MEMORANDUM HAS NOT BEEN FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY OR ANY OTHER REGULATORY AUTHORITY IN THE KINGDOM OF DENMARK. THE SHARES HAVE NOT BEEN OFFERED OR SOLD AND MAY NOT BE OFFERED, SOLD OR DELIVERED DIRECTLY OR INDIRECTLY IN THE KINGDOM OF DENMARK, UNLESS IN COMPLIANCE WITH CHAPTER 6 OR CHAPTER 12 OF THE DANISH ACT ON TRADING IN SECURITIES AND EXECUTIVE ORDERS ISSUED PURSUANT THERETO AS AMENDED FROM TIME TO TIME.

For Residents of European Economic Area only

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE 2003/71/EC (EACH, A "RELEVANT MEMBER STATE"), AN OFFER OF ANY SHARES TO THE PUBLIC MAY NOT BE MADE IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF THE PRIVATE PLACEMENT MEMORANDUM IN RELATION TO THE SHARES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THE RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, OTHER THAN THE OFFERS CONTEMPLATED IN THE PRIVATE PLACEMENT MEMORANDUM IN A RELEVANT MEMBER STATE AFTER THE DATE OF SUCH PUBLICATION OR NOTIFICATION, AND EXCEPT THAT IT MAY MAKE AN OFFER OF ANY SHARES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME UNDER THE FOLLOWING EXEMPTIONS UNDER THE PROSPECTUS DIRECTIVE, IF THEY HAVE BEEN IMPLEMENTED IN THAT RELEVANT MEMBER STATE:

(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;

(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (I) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (II) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000; AND (III) AN ANNUAL TURNOVER OF MORE THAN €50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; AND

(C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE, SUBJECT TO OBTAINING THE PRIOR CONSENT OF ARCAPITA FOR ANY SUCH OFFER, PROVIDED THAT NO SUCH OFFER OF SHARES SHALL RESULT IN A REQUIREMENT FOR THE PUBLICATION BY ARCAPITA OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION "AN OFFER OF ANY SHARES TO THE PUBLIC" IN RELATION TO ANY SHARES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND ANY

SHARES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO ACQUIRE ANY SHARES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE.

IN THE CASE OF ANY SHARES BEING OFFERED TO A FINANCIAL INTERMEDIARY, AS THAT TERM IS USED IN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE, ARCAPITA HAS AGREED TO USE ITS REASONABLE ENDEAVORS BY THE INCLUSION OF APPROPRIATE LANGUAGE IN THE PRIVATE PLACEMENT MEMORANDUM, TO PROCURE THAT SUCH FINANCIAL INTERMEDIARY WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT THE SHARES ACQUIRED BY IT IN THE OFFER HAVE NOT BEEN ACQUIRED ON A NON-DISCRETIONARY BASIS ON BEHALF OF, NOR HAVE THEY BEEN ACQUIRED WITH A VIEW TO THEIR OFFER OR RESALE TO, PERSONS IN CIRCUMSTANCES WHICH MAY GIVE RISE TO AN OFFER OF ANY SHARES TO THE PUBLIC OTHER THAN THEIR OFFER OR RESALE IN A RELEVANT MEMBER STATE TO QUALIFIED INVESTORS AS SO DEFINED WHO ARE NOT FINANCIAL INTERMEDIARIES OR IN CIRCUMSTANCES IN WHICH THE PRIOR CONSENT OF ARCAPITA HAS BEEN OBTAINED TO EACH SUCH PROPOSED OFFER OR RESALE.

For Residents of Finland only

THE SHARES ARE OFFERED IN FINLAND SOLELY IN CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION OF A PROSPECTUS UNDER THE FINNISH SECURITIES MARKET ACT (495/1989, AS AMENDED) OR THE FINNISH INVESTMENT FUNDS ACT (48/1999, AS AMENDED). THIS PRIVATE PLACEMENT MEMORANDUM HAS NEITHER BEEN FILED WITH NOR APPROVED BY THE FINNISH FINANCIAL SUPERVISION AUTHORITY AND IT DOES NOT CONSTITUTE A PROSPECTUS UNDER THE FINNISH SECURITIES MARKET ACT, THE FINNISH INVESTMENT FUNDS ACT OR THE PROSPECTUS DIRECTIVE (2003/71/EC).

For Residents of France only

NEITHER THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES IS BEING DISTRIBUTED PURSUANT TO A PUBLIC OFFER IN FRANCE WITHIN THE MEANING OF ARTICLE L.411-1 OF THE FRENCH MONETARY AND FINANCIAL CODE (CODE MONÊTAIRE ET FINANCIER) AND AS A RESULT, NEITHER THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES HAS BEEN OR WILL BE SUBMITTED TO THE CLEARANCE PROCEDURES OF THE AUTORITÉ DES MARCHÉS FINANCIERS FOR APPROVAL IN FRANCE.

THE SHARES HAVE NOT BEEN OFFERED OR SOLD AND WILL NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, TO THE PUBLIC IN FRANCE. NEITHER THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES HAS BEEN OR WILL BE (I) RELEASED, ISSUED, DISTRIBUTED OR CAUSED TO BE RELEASED, ISSUED OR DISTRIBUTED TO THE PUBLIC IN FRANCE OR (II) USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE SHARES TO THE PUBLIC IN FRANCE.

SUCH OFFERS, SALES AND DISTRIBUTIONS WILL BE MADE IN FRANCE ONLY TO (I) PERSONS PROVIDING INVESTMENT SERVICES RELATING TO PORTFOLIO MANAGEMENT FOR THE ACCOUNT OF THIRD PARTIES AND/OR TO (II) QUALIFIED INVESTORS (INVESTISSEURS QUALIFIÊS), ALL AS DEFINED IN AND IN ACCORDANCE WITH ARTICLES L.411-1, L.411-2, AND D.411-1 TO D.411-3 OF THE FRENCH CODE MONÊTAIRE ET FINANCIER.

INVESTORS IN FRANCE AND PERSONS WHO COME INTO POSSESSION OF THIS PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER OFFERING MATERIAL RELATING TO THE SHARES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH RESTRICTIONS.

For Residents of Germany only

THIS DOCUMENT DOES NOT CONSTITUTE A PUBLIC OFFER TO PURCHASE ANY SECURITIES DESCRIBED HEREIN. THE SHARES ARE ONLY OFFERED TO AND MAY BE PURCHASED BY QUALIFIED INVESTORS IN COMPLIANCE WITH SECTION 3 (2) 1 OF THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ). THE SHARES MAY NOT BE OFFERED OR SOLD TO THE PUBLIC IN THE FEDERAL REPUBLIC OF GERMANY EITHER DIRECTLY OR INDIRECTLY, EXCEPT FOR OFFERS MADE UNDER AN EXEMPTION FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS PURSUANT TO THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ), THE GERMAN SALES PROSPECTUS ACT (WERTPAPIERVERKAUFSPROSPEKTGESETZ) AND ANY OTHER APPLICABLE LAWS IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, SALE AND OFFERING OF SECURITIES, OR OTHERWISE IN COMPLIANCE THEREWITH. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE A PROSPECTUS IN ACCORDANCE WITH THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ) OR A SALES PROSPECTUS IN ACCORDANCE WITH THE GERMAN SALES PROSPECTUS ACT (WERTPAPIERVERKAUFSPROSPEKTGESETZ) AND NO SUCH DOCUMENT WILL BE PREPARED AND PUBLISHED IN RELATION TO THE OFFER OF THE SHARES.

NEITHER THIS DOCUMENT NOR ANY OTHER DOCUMENT ISSUED IN CONNECTION WITH THE OFFER OF THE SHARES MAY BE ISSUED OR DISTRIBUTED TO ANY PERSON IN THE FEDERAL REPUBLIC OF GERMANY EXCEPT UNDER CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC PURSUANT TO THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ) OR THE GERMAN SALES PROSPECTUS ACT (WERTPAPIERVERKAUFSPROSPEKTGESETZ), RESPECTIVELY.

EACH PROSPECTIVE INVESTOR MUST REPRESENT AND AGREE THAT IT WILL NOT (RE)OFFER OR (RE)SELL THE SHARES IN THE FEDERAL REPUBLIC OF GERMANY OTHER THAN IN ACCORDANCE WITH THE GERMAN SECURITIES PROSPECTUS ACT (WERTPAPIERPROSPEKTGESETZ), THE GERMAN SALES PROSPECTUS ACT (WERTPAPIERVERKAUFSPROSPEKTGESETZ) AND ALL APPLICABLE LAWS IN THE FEDERAL REPUBLIC OF GERMANY GOVERNING THE ISSUE, SALE AND OFFERING OF THE SHARES.

For Residents of Hong Kong only

THE CONTENTS OF THIS PRIVATE PLACEMENT MEMORANDUM HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

EACH RECIPIENT HAS REPRESENTED, WARRANTED AND AGREED THAT:

(I) IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL IN HONG KONG, BY MEANS OF ANY DOCUMENT, ANY SHARES OTHER THAN (A) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571) OF HONG KONG AND ANY RULES MADE UNDER THAT ORDINANCE; OR (B) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES ORDINANCE (CAP. 32) OF HONG KONG OR WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THAT ORDINANCE; AND

(II) IT HAS NOT ISSUED OR HAD IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, AND WILL NOT ISSUE OR HAVE IN ITS POSSESSION FOR THE PURPOSES OF ISSUE, WHETHER IN HONG KONG OR ELSEWHERE, ANY ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE SHARES, WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN

WITH RESPECT TO SHARES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE UNDER THAT ORDINANCE.

For Residents of Hungary only

THIS PRIVATE PLACEMENT MEMORANDUM HAS NOT BEEN AND WILL NOT BE SUBMITTED FOR APPROVAL TO THE HUNGARIAN FINANCIAL SUPERVISORY AUTHORITY, IT WILL NOT BE TRANSLATED INTO HUNGARIAN AND THE SHARES WILL NOT BE OFFERED IN THE REPUBLIC OF HUNGARY IN A PUBLIC OFFER AS DEFINED IN THE ACT CXX OF 2001 ON THE CAPITAL MARKETS (THE "CAPITAL MARKETS ACT"). THE SHARES WILL NOT BE OFFERED OR SOLD IN THE REPUBLIC OF HUNGARY IN A PUBLIC OFFER AND WILL NOT BE OFFERED FOR SALE TO INVESTORS IN THE REPUBLIC OF HUNGARY OTHER THAN IN ACCORDANCE WITH ALL APPLICABLE PROVISIONS OF THE CAPITAL MARKETS ACT.

For Residents of Indonesia only

THE OFFERING OF THE SHARES IS NOT REGISTERED UNDER THE INDONESIAN CAPITAL MARKETS LAWS AND REGULATIONS, AND IS NOT INTENDED TO BECOME A PUBLIC OFFERING OF SECURITIES UNDER THE INDONESIAN CAPITAL MARKETS LAWS AND REGULATIONS. ACCORDINGLY, (I) THE SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF INDONESIA OR TO INDONESIAN CITIZENS (WHEREVER LOCATED) OR ENTITIES OR RESIDENTS IN INDONESIA IN A MANNER CONSTITUTING A PUBLIC OFFERING UNDER THE LAWS AND REGULATIONS OF THE REPUBLIC OF INDONESIA; AND (II) THE OFFER MUST BE TREATED AS A PERSONAL OFFER TO EACH INVESTOR AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON, AND BY ACCEPTING THE OFFER, THE RELEVANT INVESTOR AGREES NOT TO MAKE ANY PHOTOCOPIES OR REPRODUCTIONS OF OR FORWARD THE OFFERING DOCUMENTS AND WILL DESTROY THEM IF THE INVESTOR DOES NOT WISH TO PURSUE THE OFFER.

For Residents of Ireland only

THIS DOCUMENT AND ANY OTHER MATERIALS IN CONNECTION WITH THE PLACEMENT RELATING TO IRELAND DO NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF PART 5 OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND. NO OFFER OF SECURITIES TO THE PUBLIC IS MADE, OR WILL BE MADE, THAT REQUIRES THE PUBLICATION OF A PROSPECTUS PURSUANT TO IRISH LAW (WITHIN THE MEANING OF PART 5 OF THE INVESTMENT FUNDS, COMPANIES AND MISCELLANEOUS PROVISIONS ACT 2005 OF IRELAND) IN GENERAL, OR IN PARTICULAR PURSUANT TO THE PROSPECTUS (DIRECTIVE 2003/71/EC) REGULATIONS 2005 OF IRELAND. NO PERSON IN IRELAND RECEIVING A COPY OF THIS DOCUMENT AND ANY OTHER MATERIALS IN CONNECTION WITH THE OFFER RELATING TO IRELAND MAY TREAT THE SAME AS CONSTITUTING AN OFFER OR INVITATION TO HIM TO ACQUIRE, SUBSCRIBE FOR OR PURCHASE SHARES NOR SHOULD HE IN ANY EVENT ACQUIRE, SUBSCRIBE FOR OR PURCHASE SHARES UNLESS HE IS A QUALIFIED INVESTOR WITHIN THE MEANING OF THE PROSPECTUS (DIRECTIVE 2003/71/EC) REGULATIONS 2005 OF IRELAND. THIS DOCUMENT HAS NOT BEEN APPROVED, REVIEWED OR REGISTERED WITH THE CENTRAL BANK AND FINANCIAL SERVICES AUTHORITY OF IRELAND.

THIS DOCUMENT DOES NOT CONSTITUTE INVESTMENT ADVICE OR THE PROVISION OF INVESTMENT SERVICES WITHIN THE MEANING OF THE EUROPEAN COMMUNITIES (MARKETS IN FINANCIAL INSTRUMENTS) REGULATIONS 2007 OF IRELAND (AS AMENDED) OR OTHERWISE. ARCAPITA IS NOT AN AUTHORIZED INVESTMENT FIRM WITHIN THE MEANING OF THE EUROPEAN COMMUNITIES (MARKETS IN FINANCIAL INSTRUMENTS) REGULATIONS 2007 OF IRELAND (AS AMENDED) AND THE RECIPIENTS OF

THIS DOCUMENT SHOULD SEEK INDEPENDENT LEGAL AND FINANCIAL ADVICE IN DETERMINING THEIR ACTIONS IN RESPECT OF OR PURSUANT TO THIS DOCUMENT.

For Residents of Republic of Italy only

THE OFFERING OF THE SHARES HAS NOT BEEN REGISTERED PURSUANT TO ITALIAN SECURITIES LEGISLATION AND, ACCORDINGLY, NO SHARES MAY BE OFFERED, SOLD OR DELIVERED, NOR MAY COPIES OF THIS PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER DOCUMENT RELATING TO THE INVESTMENT BE DISTRIBUTED IN THE REPUBLIC OF ITALY, EXCEPT: (A) TO QUALIFIED INVESTORS (INVESTITORI QUALIFICATI), PURSUANT TO ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, AS AMENDED (THE "FINANCIAL SERVICES ACT") AND THE IMPLEMENTING CONSOB REGULATION AND ARTICLE 2, PAR. 1, LETT. (E), OF DIRECTIVE 2003/71/CE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL; OR (B) IN CIRCUMSTANCES WHICH ARE EXEMPTED FROM THE RULES ON OFFERS OF SECURITIES TO BE MADE TO THE PUBLIC PURSUANT TO ARTICLE 100 OF THE FINANCIAL SERVICES ACT AND ARTICLE 33 OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED.

ANY OFFER, SALE OR DELIVERY OF THE SHARES IN THE REPUBLIC OF ITALY OR DISTRIBUTION OF COPIES OF THIS PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER DOCUMENT RELATING TO THE INVESTMENT IN THE REPUBLIC OF ITALY UNDER (A) AND (B) ABOVE MUST BE: (I) MADE BY AN INVESTMENT FIRM, BANK OR FINANCIAL INTERMEDIARY PERMITTED TO CONDUCT SUCH ACTIVITIES IN THE REPUBLIC OF ITALY IN ACCORDANCE WITH THE FINANCIAL SERVICES ACT, CONSOB REGULATION NO. 16190 OF OCTOBER 29, 2007 AND LEGISLATIVE DECREE NO. 385 OF SEPTEMBER 1, 1993, AS AMENDED; AND (II) IN COMPLIANCE WITH ANY OTHER APPLICABLE LAWS AND REGULATIONS AND ANY LIMITATION OR REQUIREMENT THAT MAY BE IMPOSED, inter alia, BY CONSOB OR THE BANK OF ITALY.

ANY INVESTOR PURCHASING THE SHARES WILL BE SOLELY RESPONSIBLE TO ENSURE THAT ANY SUBSEQUENT OFFER OR RESALE OF THE SHARES IN THE REPUBLIC OF ITALY OCCURS IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS

For Residents of Japan only

THE SHARES OFFERED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW OF JAPAN (THE "FINANCIAL INSTRUMENTS AND EXCHANGE LAW"). ACCORDINGLY, THE SHARES MAY NOT BE OFFERED OR SOLD IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN (WHICH TERM AS USED HEREIN MEANS ANY PERSON RESIDENT IN JAPAN, INCLUDING ANY CORPORATION OR OTHER ENTITY ORGANIZED UNDER THE LAWS OF JAPAN) OR TO OTHERS FOR RE-OFFERING OR RE-SALE, DIRECTLY OR INDIRECTLY, IN JAPAN OR TO, OR FOR THE BENEFIT OF, ANY RESIDENT OF JAPAN, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF, AND OTHERWISE IN COMPLIANCE WITH, THE FINANCIAL INSTRUMENTS AND EXCHANGE LAW AND OTHER RELEVANT LAWS AND REGULATIONS OF JAPAN.

For Residents of Jersey only

THE OFFER OF SHARES TO INVESTORS IN JERSEY, CHANNEL ISLANDS, MAY ONLY BE MADE IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN "OFFER TO THE PUBLIC" FOR THE PURPOSES OF ARTICLE 8 OF THE CONTROL OF BORROWING (JERSEY) ORDER 1958. IN PARTICULAR, THE NUMBER OF PERSONS IN JERSEY TO WHOM THE OFFER IS COMMUNICATED SHALL NOT EXCEED 50. NO ADVICE ON THE MERITS OF THE PURCHASE, SALE, SUBSCRIPTION FOR OR UNDERWRITING OF THE SHARES REFERRED TO OR DESCRIBED IN THIS PRIVATE PLACEMENT MEMORANDUM OR THE EXERCISE OF ANY RIGHTS CONFERRED BY SUCH SHARES IS BEING GIVEN BY ARCAPITA.

For Residents of Korea only

THE COMPANY IS NOT MAKING ANY REPRESENTATION WITH RESPECT TO THE ELIGIBILITY OF ANY RECIPIENTS OF THIS PRIVATE PLACEMENT MEMORANDUM TO ACQUIRE THE SHARES UNDER THE LAWS OF KOREA, INCLUDING BUT WITHOUT LIMITATION THE FOREIGN EXCHANGE TRANSACTION ACT AND REGULATIONS THEREUNDER. THE SHARES HAVE NOT BEEN REGISTERED WITH THE FINANCIAL SERVICES COMMISSION OF KOREA FOR A PUBLIC OFFERING IN KOREA UNDER THE SECURITIES AND EXCHANGE ACT, AND NONE OF THE SHARES MAY BE OFFERED, SOLD OR DELIVERED, OR OFFERED OR SOLD TO ANY PERSON FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENT OF KOREA EXCEPT PURSUANT TO APPLICABLE LAWS AND REGULATIONS OF KOREA. FURTHERMORE, SHARES MAY NOT BE RE-SOLD TO KOREAN RESIDENTS UNLESS THE PURCHASER OF THE SHARES COMPLIES WITH ALL APPLICABLE REGULATORY REQUIREMENTS (INCLUDING BUT NOT LIMITED TO GOVERNMENTAL APPROVAL REQUIREMENTS UNDER THE FOREIGN EXCHANGE TRANSACTION ACT AND ITS SUBORDINATE DECREES AND REGULATIONS) IN CONNECTION WITH PURCHASE OF THE SHARES.

For Residents of Netherlands only

IT IS NOT CERTAIN WHETHER ARCAPITA QUALIFIES AS AN INVESTMENT COMPANY (BELEGGINGSINSTELLINGEN) UNDER DUTCH LAW. THE SHARES MAY THEREFORE NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE NETHERLANDS, OTHER THAN FOR A MINIMUM TOTAL CONSIDERATION OF €50,000 PER INVESTOR OR THE EQUIVALENT IN ANOTHER CURRENCY. FURTHER, THE FOLLOWING ADDITIONAL REQUIREMENTS APPLY:

(A) THE FIRST DRAWDOWN AMOUNT PER INVESTOR MUST BE AT LEAST €50,000 OR THE EQUIVALENT IN ANOTHER CURRENCY (EXCLUSIVE OF ANY COSTS), PAYABLE AS A LUMP SUM;

(B) ANY SUBSEQUENT DRAWDOWN MAY BE IN AN AMOUNT LESS THAN €50,000 OR THE EQUIVALENT IN ANOTHER CURRENCY;

(C) THE AMOUNT INVESTED BY EACH INVESTOR MAY NEVER BE LESS THAN €50,000 OR THE EQUIVALENT IN ANOTHER CURRENCY (EXCLUSIVE OF A DECREASE OF THE VALUE OF THE AMOUNT INVESTED), ALL IN ACCORDANCE WITH THE INTERPRETATION OF THE NETHERLANDS AUTHORITY FOR THE FINANCIAL MARKETS (AUTORITEIT FINANCIËLE MARKTEN) DATED JANUARY 11, 2007 ON THE DENOMINATION AND TOTAL CONSIDERATION EXCEPTIONS/EXEMPTIONS (COUPURE EN PAKKET UITZONDERINGEN/VRIJSTELLINGEN AANBIEDEN EFFECTEN AAN HET PUBLIEK EN AANBIEDEN DEELNEMINGSRECHTEN IN BELEGGINGSINSTELLINGEN).

IN RESPECT OF THE OFFERING, ARCAPITA IS, AS LONG AS THE ABOVE RESTRICTIONS ARE COMPLIED WITH, NOT REQUIRED TO OBTAIN A LICENCE AS AN INVESTMENT COMPANY PURSUANT TO THE FINANCIAL SUPERVISION ACT (WET OP HET FINANCIEEL TOEZICHT) AND ARE NOT SUBJECT TO MARKET CONDUCT SUPERVISION OF THE NETHERLANDS AUTHORITY FOR THE FINANCIAL MARKETS AND PRUDENTIAL SUPERVISION OF THE DUTCH CENTRAL BANK (DE NEDERLANDSCHE BANK N.V.).

For Residents of Norway only

THE SHARES FALL OUTSIDE THE SCOPE OF THE NORWEGIAN INVESTMENT FUND ACT OF 1981. NEITHER ARCAPITA NOR THE SHARES HAVE BEEN REGISTERED FOR MARKETING IN NORWAY WITH THE FINANCIAL SUPERVISORY AUTHORITY OF NORWAY. THE OFFERING OF SHARES FALLS OUTSIDE THE PUBLIC OFFER RULES OF THE SECURITIES TRADING ACT AS THE MINIMUM SUBSCRIPTION AMOUNT PER INVESTOR EXCEEDS €50,000. THE PRIVATE PLACEMENT MEMORANDUM HAS THEREFORE NOT BEEN REGISTERED WITH NOR APPROVED BY ANY PUBLIC AUTHORITY IN NORWAY.

For Residents of Poland only

NO PROSPECTUS HAS BEEN APPROVED BY AND NO NOTIFICATION DOCUMENT CONFIRMING THE APPROVAL OF ANY PROSPECTUS HAS BEEN PROVIDED TO THE POLISH FINANCIAL SUPERVISION COMMISSION IN ORDER TO PUBLICLY OFFER FOR SALE, PURCHASE OR BARTER THE SHARES IN POLAND IN COMPLIANCE WITH THE ACT DATED JULY 29, 2005 ON PUBLIC OFFERING, CONDITIONS GOVERNING THE INTRODUCTION OF FINANCIAL INSTRUMENTS TO ORGANIZED TRADING, AND PUBLIC COMPANIES. THE SHARES MAY NOT BE PUBLICLY OFFERED FOR SALE, BE PURCHASED OR BARTERED IN POLAND BEFORE ARCAPITA PUBLISHES THE PROSPECTUS IN POLAND IN COMPLIANCE WITH THE ABOVEMENTIONED ACT. NO PUBLIC OFFER OF THE SHARES IS BEING MADE IN POLAND.

THIS DOCUMENT MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON IN POLAND OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE IN ANY FORM IN POLAND. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF APPLICABLE POLISH SECURITIES LAWS.

For Residents of Philippines only

THE SECURITIES BEING OFFERED OR SOLD HAVE NOT BEEN REGISTERED WITH THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE. ANY FUTURE OFFER OR SALE THEREOF IS SUBJECT TO REGISTRATION REQUIREMENTS UNDER THE CODE UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

For Residents of Portugal only

NO OFFER OR SALE OF SHARES MAY BE MADE IN PORTUGAL EXCEPT IN CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH THE RULES CONCERNING MARKETING OF SECURITIES AND THE LAWS OF PORTUGAL GENERALLY.

THIS PRIVATE PLACEMENT MEMORANDUM HAS NOT BEEN NOR WILL BE SUBJECT TO THE APPROVAL OF THE PORTUGUESE SECURITIES MARKET COMMISSION (THE "CMVM").

NO APPROVAL HAS BEEN OR WILL BE REQUESTED FROM THE CMVM THAT WOULD PERMIT A PUBLIC OFFERING OF ANY OF THE SHARES REFERRED TO IN THIS PRIVATE PLACEMENT MEMORANDUM; THEREFORE THE SAME CANNOT BE OFFERED TO THE PUBLIC IN PORTUGAL. ACCORDINGLY, NO SHARES HAVE BEEN OR MAY BE OFFERED OR SOLD TO 100 OR MORE ADDRESSEES WHO ARE NOT PORTUGUESE QUALIFIED INVESTORS AND NO OFFER HAS BEEN PRECEDED OR FOLLOWED BY PROMOTION OR SOLICITATION TO UNIDENTIFIED INVESTORS, PUBLIC ADVERTISEMENT OR PUBLICATION OF ANY PROMOTIONAL MATERIAL. IN PARTICULAR, THIS PRIVATE PLACEMENT MEMORANDUM AND THE OFFER OF THE SHARES IS ONLY INTENDED FOR QUALIFIED INVESTORS. QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 30 OF THE SECURITIES CODE ("CÓDIGO DOS VALORES MOBILIÁRIOS") INCLUDES CREDIT INSTITUTIONS, INVESTMENT FIRMS, INSURANCE COMPANIES, COLLECTIVE INVESTMENT INSTITUTIONS AND THEIR RESPECTIVE MANAGING COMPANIES, PENSION FUNDS AND THEIR RESPECTIVE PENSION FUND-MANAGING COMPANIES, OTHER AUTHORIZED OR REGULATED FINANCIAL INSTITUTIONS, NOTABLY SECURITIZATION FUNDS AND THEIR RESPECTIVE MANAGEMENT COMPANIES, ALL OTHER FINANCIAL COMPANIES, SECURITIZATION COMPANIES, VENTURE CAPITAL COMPANIES, VENTURE CAPITAL FUNDS AND THEIR RESPECTIVE MANAGEMENT COMPANIES, FINANCIAL INSTITUTIONS INCORPORATED IN A STATE THAT IS NOT A MEMBER STATE OF THE EU THAT CARRY OUT ACTIVITIES SIMILAR TO THOSE PREVIOUSLY MENTIONED, ENTITIES TRADING IN FINANCIAL INSTRUMENTS RELATED TO COMMODITIES AND REGIONAL AND NATIONAL GOVERNMENTS, CENTRAL BANKS AND PUBLIC BODIES THAT MANAGE DEBT, SUPRANATIONAL OR INTERNATIONAL INSTITUTIONS,

NAMELY THE EUROPEAN CENTRAL BANK, THE EUROPEAN INVESTMENT BANK, THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK, AS WELL AS ENTITIES WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES AND ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000 AND (3) AN ANNUAL NET TURNOVER OF MORE THAN €50,000,000, ALL AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS. IT MAY ALSO INCLUDE HIGH NET WORTH INDIVIDUALS WHO REQUEST TO BE CLASSIFIED AS SUCH, WHERE THEY ALSO COMPLY WITH CERTAIN REQUIREMENTS AND SUBSEQUENTLY WITH THE REGISTRATION WITH THE CMVM WITHIN THE TERMS OF A CMVM REGULATION.

For Residents of Saudi Arabia only

THIS DOCUMENT MAY NOT BE DISTRIBUTED IN THE KINGDOM OF SAUDI ARABIA EXCEPT TO SUCH PERSONS AS ARE PERMITTED UNDER THE OFFERS OF SECURITIES ISSUED BY THE CAPITAL MARKET AUTHORITY. THE CAPITAL MARKET AUTHORITY OF SAUDI ARABIA DOES NOT MAKE ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS. IT DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS PRIVATE PLACEMENT MEMORANDUM. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED HEREBY SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE ACCURACY OF THE INFORMATION RELATING TO THE SECURITIES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISOR.

For Residents of Singapore only

EACH INVESTOR HAS ACKNOWLEDGED THAT THIS PRIVATE PLACEMENT MEMORANDUM HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE MONETARY AUTHORITY OF SINGAPORE. ACCORDINGLY, EACH INVESTOR HAS REPRESENTED AND AGREED THAT IT HAS NOT OFFERED OR SOLD ANY SHARES OR CAUSED SUCH SHARES TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE AND WILL NOT OFFER OR SELL SUCH SHARES OR CAUSE SUCH SHARES TO BE MADE THE SUBJECT OF AN INVITATION FOR SUBSCRIPTION OR PURCHASE, AND HAS NOT CIRCULATED OR DISTRIBUTED, NOR WILL IT CIRCULATE OR DISTRIBUTE, THIS PRIVATE PLACEMENT MEMORANDUM OR ANY OTHER DOCUMENT OR MATERIAL IN CONNECTION WITH THE OFFER OR SALE, OR INVITATION FOR SUBSCRIPTION OR PURCHASE, OF SUCH SHARES, WHETHER DIRECTLY OR INDIRECTLY, TO PERSONS IN SINGAPORE OTHER THAN (I) TO AN INSTITUTIONAL INVESTOR UNDER SECTION 274 OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE "SFA"), (II) TO A RELEVANT PERSON PURSUANT TO SECTION 275(1), OR ANY PERSON PURSUANT TO SECTION 275(1A), AND IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA OR (III) OTHERWISE PURSUANT TO, AND IN ACCORDANCE WITH THE CONDITIONS OF, ANY OTHER APPLICABLE PROVISION OF THE SFA.

NOTE:

WHERE SHARES ARE SUBSCRIBED OR PURCHASED UNDER SECTION 275 BY A RELEVANT PERSON WHICH IS:

(A) A CORPORATION (WHICH IS NOT AN ACCREDITED INVESTOR) (AS DEFINED IN SECTION 4A OF THE SFA) THE SOLE BUSINESS OF WHICH IS TO HOLD INVESTMENTS AND THE ENTIRE SHARE CAPITAL OF WHICH IS OWNED BY ONE OR MORE INDIVIDUALS, EACH OF WHOM IS AN ACCREDITED INVESTOR; OR

(B) A TRUST (WHERE THE TRUSTEE IS NOT AN ACCREDITED INVESTOR) WHOSE SOLE PURPOSE IS TO HOLD INVESTMENTS AND EACH BENEFICIARY OF THE TRUST IS AN INDIVIDUAL WHO IS AN

ACCREDITED INVESTOR, SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR THE BENEFICIARIES' RIGHTS AND INTEREST (HOWSOEVER DESCRIBED) IN THAT TRUST SHALL NOT BE TRANSFERRED WITHIN 6 MONTHS AFTER THAT CORPORATION OR THAT TRUST HAS ACQUIRED THE SHARES PURSUANT TO AN OFFER MADE UNDER SECTION 275 EXCEPT:

(I) TO AN INSTITUTIONAL INVESTOR (FOR CORPORATIONS, UNDER SECTION 274 OF THE SFA) OR TO A RELEVANT PERSON DEFINED IN SECTION 275(2) OF THE SFA, OR TO ANY PERSON PURSUANT TO AN OFFER THAT IS MADE ON TERMS THAT SUCH SHARES, DEBENTURES AND UNITS OF SHARES AND DEBENTURES OF THAT CORPORATION OR SUCH RIGHTS AND INTEREST IN THAT TRUST ARE ACQUIRED AT A CONSIDERATION OF NOT LESS THAN S$200,000 (OR ITS EQUIVALENT IN A FOREIGN CURRENCY) FOR EACH TRANSACTION, WHETHER SUCH AMOUNT IS TO BE PAID FOR IN CASH OR BY EXCHANGE OF SECURITIES OR OTHER ASSETS, AND FURTHER FOR CORPORATIONS, IN ACCORDANCE WITH THE CONDITIONS SPECIFIED IN SECTION 275 OF THE SFA;

(II) WHERE NO CONSIDERATION IS OR WILL BE GIVEN FOR THE TRANSFER; OR

(III) WHERE THE TRANSFER IS BY OPERATION OF LAW.

For Residents of Slovak Republic only

NO APPROVAL OF THIS PRIVATE PLACEMENT MEMORANDUM OR OF A PROSPECTUS HAS BEEN SOUGHT OR OBTAINED FROM THE NATIONAL BANK OF THE SLOVAK REPUBLIC IN ACCORDANCE WITH THE SLOVAK SECURITIES ACT (NO. 566/2001 COLL.) IN RESPECT OF THE SHARES. NO APPLICATION HAS BEEN FILED NOR HAS ANY PERMISSION BEEN OBTAINED FOR ACCEPTING, NOR HAS ANY OTHER ARRANGEMENT BEEN MADE FOR TRADING THE SHARES ON ANY PUBLIC MARKET IN THE SLOVAK REPUBLIC. ACCORDINGLY, NO OFFER, SALE OR ANY OTHER ARRANGEMENT WILL BE MADE, IN RESPECT OF THE SHARES FOR THEIR TRADING IN THE SLOVAK REPUBLIC, IN A MANNER THAT WOULD REQUIRE THE APPROVAL OF THIS PRIVATE PLACEMENT MEMORANDUM OR A PROSPECTUS BY THE NATIONAL BANK OF THE SLOVAK REPUBLIC UNDER THE APPLICABLE LAWS OF THE SLOVAK REPUBLIC.

For Residents of Spain only

THE OFFER OF SHARES HAS NOT BEEN REGISTERED WITH THE COMISIÓN NACIONAL DEL MERCADO DE VALORES ("CNMV"). ACCORDINGLY, THE SHARES MAY ONLY BE OFFERED IN SPAIN TO QUALIFIED INVESTORS PURSUANT TO AND IN COMPLIANCE WITH LAW 24/1988, AS AMENDED, ROYAL DECREE 1310/2005 AND ANY REGULATION ISSUED THEREUNDER.

For Residents of Sweden only

THE SHARES ARE BEING OFFERED TO QUALIFIED INVESTORS ONLY AND THEREFORE THIS PRIVATE PLACEMENT MEMORANDUM HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY UNDER THE SWEDISH FINANCIAL INSTRUMENTS TRADING ACT (1991:980). ACCORDINGLY THIS PRIVATE PLACEMENT MEMORANDUM MAY NOT BE MADE AVAILABLE, NOR MAY THE SHARES OTHERWISE BE MARKETED AND OFFERED FOR SALE IN SWEDEN, OTHER THAN IN CIRCUMSTANCES WHICH ARE DEEMED NOT TO BE AN OFFER TO THE PUBLIC IN SWEDEN UNDER THE FINANCIAL INSTRUMENTS TRADING ACT.

For Residents of Switzerland only

THIS PRIVATE PLACEMENT MEMORANDUM IS BEING COMMUNICATED IN OR FROM SWITZERLAND TO A SMALL NUMBER OF SELECTED INVESTORS ONLY. EACH COPY OF THIS DOCUMENT IS ADDRESSED TO A SPECIFICALLY NAMED RECIPIENT AND MAY NOT BE PASSED ON TO THIRD PARTIES. THE SHARES

ARE NOT BEING OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND AND, NEITHER THIS PRIVATE PLACEMENT MEMORANDUM, NOR ANY OTHER OFFERING MATERIALS RELATING TO THE SHARES MAY BE DISTRIBUTED IN CONNECTION WITH ANY SUCH PUBLIC OFFERING.

For Residents of Taiwan only

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA, PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS AND MAY NOT BE OFFERED OR SOLD IN TAIWAN, THE REPUBLIC OF CHINA, THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCE WHICH CONSTITUTES AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN, THE REPUBLIC OF CHINA, THAT REQUIRES A REGISTRATION OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN, THE REPUBLIC OF CHINA. NO PERSON OR ENTITY IN TAIWAN, THE REPUBLIC OF CHINA, HAS BEEN AUTHORIZED TO OFFER OR SELL THE SHARES IN TAIWAN, THE REPUBLIC OF CHINA.

PURSUANT TO THE ACT GOVERNING RELATIONS BETWEEN PEOPLE OF THE TAIWAN AREA AND THE MAINLAND CHINA AREA (THE "MAINLAND CHINA INVESTMENT ACT"), TAIWANESE INDIVIDUALS AND COMPANIES MAY NOT INVEST IN CERTAIN BUSINESSES AND PRODUCTS IN THE PEOPLE'S REPUBLIC OF CHINA. THE INVESTMENT COMMISSION OF THE MINISTRY OF ECONOMIC AFFAIRS HAS ANNOUNCED A LIST OF PROHIBITED PRODUCTS AND BUSINESS ITEMS, INCLUDING BUT NOT LIMITED TO CERTAIN INFRASTRUCTURE ITEMS. ARCAPITA DOES NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE LEGALITY OF AN INVESTMENT BY THE PROSPECTIVE INVESTORS IN THE SHARES UNDER THE MAINLAND CHINA INVESTMENT ACT. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN LEGAL ADVISORS.

For Residents of Thailand only

THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES AND EXCHANGE ACT B.E.2535, AS AMENDED, (THE "SEC ACT") AND MAY NOT BE OFFERED OR SOLD WITHIN THAILAND OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY RESIDENT OF THAILAND EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE APPROVAL AND/OR REGISTRATION REQUIREMENTS OF THE SEC ACT. THE SHARES MAY NOT BE OFFERED OR SOLD IN THAILAND OR TO ANY RESIDENT OF THAILAND EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE THAI SECURITIES AND EXCHANGE COMMISSION AND/OR IN COMPLIANCE WITH CLAUSE 6 OF THE SEC ACT'S NOTIFICATION NO. KOR. JOR. 12/2543 DATED MARCH 22, 2000, AS AMENDED, AND OTHER APPLICABLE REGULATIONS OF THE THAI SECURITIES AND EXCHANGE COMMISSION. THIS PRIVATE PLACEMENT MEMORANDUM IS FOR DISTRIBUTION ONLY TO AND UPON REQUEST BY PERSONS WHO ARE PERSONS FALLING WITHIN CLAUSE 6 OF THE SEC ACT'S NOTIFICATION NO. KOR. JOR. 12/2543 DATED MARCH 22, 2000, AS AMENDED. ANY SUBSCRIPTION OR SUBSCRIPTION ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS BY THEIR OWN INTENTION AND WITHOUT GENERAL OR SPECIFIC RECOMMENDATION.

For Residents of United Kingdom only

NO INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA")) IN RELATION TO THE SHARES MAY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED TO PERSONS IN THE UNITED

KINGDOM, EXCEPT TO PERSONS WHO ARE INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 OR IN CIRCUMSTANCES WHERE SECTION 21(1) OF FSMA DOES NOT APPLY TO ARCAPITA. ALL APPLICABLE PROVISIONS OF FSMA MUST BE COMPLIED WITH IN RESPECT OF ANYTHING DONE IN RELATION TO THE SHARES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

For Residents of Vietnam only

FOR THE PURPOSES OF THE LAWS OF VIETNAM, THE OFFER CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE A PUBLIC OFFER AND THE SHARES DO NOT CONSTITUTE SECURITIES REGULATED BY VIETNAMESE SECURITIES LAW. THIS PRIVATE PLACEMENT MEMORANDUM: (A) IS STRICTLY CONFIDENTIAL; (B) HAS NOT BEEN MADE AVAILABLE VIA ANY MASS MEDIA, INCLUDING THE INTERNET; (C) HAS BEEN PROVIDED TO LESS THAN 100 POTENTIAL INVESTORS, NOT BEING INSTITUTIONAL INVESTORS, WORLDWIDE; AND (D) HAS BEEN PROVIDED ONLY TO A SELECTED GROUP OF SOPHISTICATED INVESTORS, BEING PRIMARILY INSTITUTIONAL INVESTORS.

THE PURCHASE OF SHARES BY A VIETNAMESE ENTITY OR INDIVIDUAL CONSTITUTES OFFSHORE "INDIRECT INVESTMENT" FOR THE PURPOSES OF THE VIETNAMESE LAW ON INVESTMENT. ARTICLE 16.2 OF DECREE 160/2006/ND-CP DATED DECEMBER 28, 2006 PROVIDING GUIDELINES FOR THE IMPLEMENTATION OF ORDINANCE NO. 28/2005/PL-UBTVQH11 DATED DECEMBER 13, 2005 ON FOREIGN EXCHANGE (ORDINANCE ON FOREIGN EXCHANGE CONTROL) PROVIDES THAT "A RESIDENT BEING AN ORGANIZATION OR INDIVIDUAL SHALL BE PERMITTED TO CONDUCT OFFSHORE INVESTMENT IN THE FORM OF AN INDIRECT INVESTMENT IF SUCH RESIDENT FULLY SATISFIES THE CONDITIONS STIPULATED BY THE STATE BANK OF VIETNAM (THE SBV). THE GOVERNOR OF THE SBV SHALL PROVIDE SPECIFIC REGULATIONS ON THE CONDITIONS, ORDER, PROCEDURES AND USE OF FOREIGN EXCHANGE IN ORDER TO CONDUCT OFFSHORE INDIRECT INVESTMENT".

ACCORDINGLY, VIETNAM-BASED INVESTORS SHOULD BE AWARE THAT BEFORE THEY CAN TRANSFER FUNDS OUT OF VIETNAM FOR THE PURPOSES OF ACQUIRING SHARES, THEY MUST OBTAIN THE APPROVAL OF THE SBV, WHICH APPROVAL THE SBV MAY GIVE OR WITHHOLD IN ITS DISCRETION.

FURTHERMORE, ACCORDING TO ARTICLE 14.2 OF THE ORDINANCE ON FOREIGN EXCHANGE CONTROL, ANY RESIDENT BEING AN ECONOMIC INSTITUTION, AN INDIVIDUAL OR ANOTHER ENTITY PERMITTED TO CONDUCT OFFSHORE INVESTMENT MUST OPEN A FOREIGN CURRENCY ACCOUNT AT AN AUTHORIZED CREDIT INSTITUTION IN VIETNAM AND REGISTER SUCH ACCOUNT WITH THE SBV. ANY REMITTANCE OF FOREIGN CURRENCY ABROAD FOR OFFSHORE INVESTMENT MUST BE EFFECTED VIA SUCH ACCOUNT.

Subscription Agreement

$500,000,000 Rights Issue

November 2010

Subscription Agreement

The Directors
Arcapita Bank B.S.C.(c)
Batelco Commercial Centre
Building 4, Block 04,
Al Khalifa Avenue, P.O. Box 1406
Manama, Kingdom of Bahrain

Dear Sirs:

1. I/We hereby agree to subscribe for the number of shares (the "Rights Shares") in Arcapita Bank B.S.C.(c) (the "Bank") as stated below at $3.00 per share on the terms set forth in the Private Placement Memorandum relating to the Invitation to exercise pre emptive right over 166,666,666 shares of the Bank dated November 2010 (the "PPM") subject to the Bank's Memorandum of Association (the "Memorandum") and Articles of Association (the "Articles"). I/We understand that capitalized terms used and not otherwise defined herein have the respective meanings ascribed thereto in the PPM.

2. I/We understand that this subscription represents an irrevocable offer to subscribe for Rights Shares to a value set forth below, or such lesser value for which this subscription may be accepted, and may not be withdrawn. I/We understand that the subscription for Rights Shares hereby made, if accepted, will constitute a binding agreement between me/us and the Bank concerning the subject matter of this Subscription Agreement. I/We agree that the following are continuous representations and that all further subscriptions for Rights Shares will be governed by them; I/we further agree to advise you promptly of any changes to the representations herein.

3. In connection with this subscription, I/we represent and confirm to the Bank as follows: (a) I/we acknowledge receipt of a copy of the PPM; (b) I/we have, prior to any sale to me/us, been given access and the opportunity to examine the Memorandum and Articles and other principal documents and the opportunity to ask questions of, and to receive answers from, the Bank's management concerning the terms and conditions of the PPM or any other matter set forth in the PPM, and to obtain any additional information (to the extent the Bank possesses such information or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of the information set forth in the PPM; (c) I/we have read and understood the PPM and that it is not intended to provide investment, tax, legal or accounting advice; (d) I/we have reviewed the PPM and the subject investment, with such financial, business, legal and tax advisors as I/we deemed necessary, and have determined that the subject investment is suitable in light of my/ our financial condition and risk preferences; (e) I/we intend to acquire the Rights Shares for investment and not for resale and understand that there currently is no established secondary market for the Rights Shares; and (f) I/we have requisite power and authority, and, if subscriber is a corporation, partnership, trust, estate or other entity, have been duly organized, are validly existing and in good standing in the relevant jurisdiction of its organization, and have received all requisite corporate or other authorization, in each case if applicable, to make this subscription and to purchase and hold the Rights Shares in accordance with the terms of the PPM (and, if applicable, a true, correct and complete copy of corporate resolutions or other evidence of such authorization is attached hereto).

4. I/We hereby certify that (a) I/we understand and agree that the Rights Shares have not been registered or listed in any jurisdiction and no securities regulatory commission or other governmental authority of any country or jurisdiction has reviewed or passed upon the adequate or accuracy of the PPM; (b) I/ we am/ are not a Non-Qualified Person as defined in paragraph 6 below; (c) I/we understand that the Rights Shares may not be offered, sold, transferred or delivered, directly or indirectly, to Non-Qualified Persons; (d) I/ we have obtained all necessary authorizations and licenses required in order to subscribe for the Rights

Shares; (e) I/we acknowledge and agree that the issuance, ownership and transfer of, and other rights and obligations pertaining to the Rights Shares are and will be governed by the Memorandum and Articles and the restrictions contained therein, as from time to time amended; (f) I/we understand and agree that a Non-Qualified Person holding shares of Arcapita, including those held by an otherwise qualified person for the benefit of a Non-Qualified Person will not be entitled to exercise any voting rights in relation to or derive any economic benefits from such shares; and (g) to the best of my/our knowledge, neither this subscription nor the purchase of the Rights Shares by me/us will violate any securities or other laws of any jurisdiction.

5. A Non-Qualified Person is (i) a person or entity who or which is designated as a terrorist or terrorist organization or whose assets are blocked or frozen, in each case, by any Gulf Cooperation Council member country, or by any country in the European Union or Asia or by the United States of America, (ii) a person acting on behalf of, or an entity owned or controlled by, any government against whom any Gulf Cooperation Council member country, or any country in the European Union or the United States of America maintains economic sanctions or embargoes, (iii) a person or entity, the ownership of shares by whom or which, may have a negative tax or corporate impact on the Bank or its investments, (iv) a person or entity who does not meet US regulatory and money laundering rules or (v) a person or entity who does not meet any existing and future anti-terrorism and/or anti-money laundering and/or know-your-customer or similar laws, rules or regulations in any jurisdiction which are applicable to Arcapita, any of its affiliates or subsidiaries, or any shareholders. The decision of the Board of Directors of the Bank shall be final as to assessing whether a person is a Non-Qualified Person for the purposes of the issuance of the Rights Shares.

6. I/We understand that any certificate or other confirmation of ownership of the Rights Shares shall contain a legend referring to the foregoing restrictions on ownership and transfer of the Rights Shares and that any attempted transfer in violation of such restrictions will be void and will not be recognized by the Bank.

7. I/We understand and agree that transfers of the shares may be made only to the extent permitted by the Memorandum and Articles. I/We understand and agree that the shares may not be transferred except to a transferee who has duly completed and executed a transfer agreement in form and substance satisfactory to the Bank containing representations, warranties and agreements similar to those contained in this Subscription Agreement. I/We understand and agree that the Bank has the right to disapprove any transfer of Rights Shares for any reason set forth in the PPM or the Memorandum and Articles.

8. I/We agree to indemnify the Bank and its affiliates including their respective directors, officers, employees, agents, representative and professional advisors ("Indemnified Parties") against any liability or expenses incurred by any of the Indemnified Parties in connection with any action, suit or proceeding resulting from, arising out of, or relating to any statement or any other action made by me/us in this Subscription Agreement or otherwise in connection with my/our subscription for Rights Shares hereunder.

9. I/We acknowledge that I/we will be solely liable and responsible for the payment of any stamp duties, transfer and other similar taxes imposed in connection with the purchase or transfer of the Rights Shares.

10. I/we agree that I/we wave my/our preemptive rights, if any, over any Rights Shares that are not offered to be subscribed for by me/us under this Subscription Agreement.

11. I/We acknowledge that the issuance, ownership and transfer of, and other rights and obligations pertaining to, the Rights Shares, are and will be governed by the Memorandum and Articles, as from time to time amended, copies of which are available on request from the Bank and are on file at the Bank's principal office: Batelco Commercial Centre, Al Khalifa Avenue, P.O. Box 1406, Manama, Bahrain.

12. This Subscription Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain.

Account Number with Arcapita:		
Name(s) of Subscriber(s):		
Nationality:	Occupation:	
Address:		
Telephone:	Facsimile:	E-Mail:
Payment Arrangement:		
(i) Number of Rights Shares subscribed for		
(ii) Price Per Rights Share		$3.00
(iii) TOTAL FUNDS TO BE REMITTED [(i) multiplied by (ii)]:		$

Please tick one of the two following boxes as to payment of the above sum:*

☐ PAYMENT for Shares has been arranged in US Dollars by wire transfer or other reasonable means to an investment account in my/our name at Arcapita which Arcapita may debit for the above sum. The details of the account to which payment is to be made are set out below:

Bank:	JP Morgan Chase Bank, New York
SWIFT Code:	CHASUS33
For account of:	Arcapita Bank B.S.C.(c), Bahrain
SWIFT Code:	FIIVBHBM
Account No:	000400806991

- Please include Subscriber(s) Name, Address and Account Number with Arcapita.
- Prior to transferring the payment, I/we will also arrange for my/our bank to send to Arcapita an authenticated SWIFT message.

☐ In PAYMENT for my/our Shares, please debit my/our investment account with Arcapita for the sum above.

Provided below are the details of my/our normal bank account. I/We confirm my/our understanding that any dividends or other payments made with respect to this investment will be paid to my/our investment account with Arcapita awaiting my/our written instructions and that the adherence to such written instructions may be delayed by insufficient bank details provided by me/us to Arcapita.

All periodical payments (including dividends) payable to me/us should: (TICK ONE BOX)

☐ Remain in my Investment Account with Arcapita.

☐ Be transferred to my normal bank account, details of which are below.

Correspondent Bank Name:	
SWIFT Code:	Country:
Investor's Local Bank Name:	
SWIFT Code:	Country:
Investors' Account Name:	
Investors' Account Number:	

** IMPORTANT NOTICE: When transferring funds to Arcapita, please always advise the remitter bank to state the full name and address of the orderor. This is required by international banking laws and failure to comply may result in the transfer of funds being delayed or rejected. If the orderor is not the Subscriber(s), please also advise the remitter bank to state the full name, address and account number with Arcapita of the Subscriber(s). Failure to comply may result in the funds being returned to the remitter bank. Additionally, any changes to the information provided on this form must be notified to Arcapita in writing.*

Definitions

The following definitions apply throughout this Private Placement Memorandum:

$	United States Dollars
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
Accord	Basel II Capital Accord
Announcement Date	Announcement date for the commencement of the ASLP
Arcapita or the Bank	Arcapita Bank B.S.C.(c) and where applicable its subsidiaries and affilliates
Arcapita Share Value	Fair value of Arcapita's shares
Arcapita Ventures I	Arcapita Ventures I Limited
Arcapita Ventures Team	Arcapita Ventures I management team
AREIF	ARC Real Estate Income Fund
ASLP	Arcapita Share Liquidity Program
AUM	Assets under management
Bahrain	Kingdom of Bahrain
Bosque	Arcapita North American Power Generation I
CBB	Central Bank of Bahrain
CCC	Charitable Contributions Committee
CEO	Arcapita's Chief Executive Officer
CEPL	Compagnie Européenne de Prestations Logistiques
Deal-by-Deal Product Offering	See "Deal-by-Deal Product Offering" in the Executive Summary
EAC	Executive Administrative Committee
EGA	Extraordinary General Assembly
EIC	Executive Investment Committee
FMG	Financial Management Group
Funds Product Offering	See "Funds Product Offering" in the Executive Summary
GCC	Gulf Cooperation Council
GDP	Gross domestic product
Honiton	Honiton Energy Caymans Limited
Infrastructure Team	Arcapita's infrastructure team

Investment Placement Team	Arcapita's investment placement team
Invitation or Rights Issue	Opportunity to exercise preemptive rights over 166,666,666 Rights Shares
Invitation Period	November 8, 2010 to December 9, 2010
IPO	Initial public offering
IRR	Internal rate of return
Issue Price	$3.00
IT	Information technology
ITSC	Information Technology Steering Committee
LBO	Leveraged buyout
MAC	Management Administrative Committee
Management	Arcapita's management team
MIC	Management Investment Committee
MSG	Market Sounding Group
PMG	Arcapita's portfolio management group
Private Equity Team	Arcapita's private equity team
Q1 2011	First quarter end of FY 2011
Real Estate Team	Arcapita's real estate team
Record Date	November 4, 2010
Rights Shares or Shares	166,666,666 new shares being offered of $1.00 nominal value each of Arcapita pursuant to this Private Placement Memorandum
RMC	Risk Management Committee
SOP	Sum-of-the-parts
SWF	Sovereign wealth fund
Third Party Issue	Offer and issue of Third Party Shares
Third Party Shares	Any Rights Shares not subscribed for by the shareholders in the Rights Issue that will be available for offer and issuance to third parties
UAE	United Arab Emirates
URIA	Unrestricted investment accounts
VaR	Value-at-Risk
Vogica	VGC S.A.