

# '09 ANNUAL REPORT.

In a time of turbulence we maintained stability. In a time of uncertainty we were optimistic. When adversity reigned our **collective strength** prevailed.



Faisal Private Bank



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# Directors' Report

This is the 20th Annual Report of Faisal Private Bank (Switzerland) SA formerly Faisal Finance (Switzerland) SA, and the third year as a fully licensed Swiss bank based on Islamic values. Faisal Private Bank has a representation office in Malaysia

Faisal Private Bank was placed under a new Management team to facilitate the implementation of its business development strategy that focuses on Private Banking and Wealth Management in addition to developing sustainable Trade finance and Treasury activities. As part of this business plan it was decided to incorporate the Bank's investment banking division in charge of structuring real estate projects into a new independent Swiss company, since the Bank does not intend to launch new real estate projects in the foreseeable future.

Faisal Private Bank is wholly-owned by Ithmaar Bank, based in Bahrain. Ithmaar Bank's current equity is USD 937 million and capital raising initiatives are expected to strengthen

further its shareholders equity and its market position. Synergy and cooperation across the Ithmaar Group allows Faisal Private Bank to benefit from the increased equity base at the Group level as well as to leverage relationships to provide state-of-the-art Swiss banking services whilst applying Islamic values.

The Board of Directors extends its sincere gratitude and appreciation to the clients and shareholder for their confidence and loyalty, and to the Management and Staff of Faisal Private Bank for their efforts and contribution.

The Board of Directors recommends to the Shareholders to approve the submitted Financial Statements and to carry forward the retained earnings of CHF 9'086'000.- after the loss of the current year amounting to CHF 16'683'000.

Geneva, 3 May 2010



Report of the statutory auditor  
to the general meeting of  
Faisal Private Bank (Switzerland) SA  
Geneva

### **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of Faisal Private Bank (Switzerland) SA, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2009.

#### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.


In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Beresford Caloia  
Audit expert  
Auditor in charge



Ali Siddiqui

Geneva, 9 April 2010

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

# Financial Statements

# Balance Sheet

as at December 31,  
(expressed in thousands of Swiss Francs)

|  | Notes          | 2009           | 2008           |
|--|----------------|----------------|----------------|
| <b>ASSETS</b>  |                |                |                |
| Liquidities  |                | 4'691          | 440            |
| Due from Banks   | 3.5, 3.10      | 68'536         | 71'548         |
| Due from Customers   | 3.1, 3.10      | 18'505         | 48'628         |
| Financial Investments  | 3.2, 3.5, 3.10 | 5'784          | 26'689         |
| Interests In Associates and Related Parties                                    | 3.2, 3.3       | 2'442          | 2'442          |
| Fixed Assets   | 3.4            | 3'055          | 3'446          |
| Accrued Income and Prepaid Expenses  |                | 2'299          | 201            |
| Other Assets   |                | 1'806          | 3'965          |
| <b>Total Assets</b>  |                | <b>107'118</b> | <b>157'359</b> |
| Included in the above:   |                |                |                |
| Total Amounts Due from Group companies and Holders of Qualified Participations |                | 61'559         | 1'321          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                    |                |                |                |
| Due to Banks   | 3.10           | 51'364         | 51'989         |
| Due to Clients   | 3.10           | 19'419         | 45'425         |
| Accrued Expenses and Deferred Income   |                | 3'047          | 4'453          |
| Other Liabilities  |                | 102            | 0              |
| Valuation Adjustments and Provisions   | 3.7            | 0              | 5'623          |
| Share Capital  | 3.8, 3.9       | 20'000         | 20'000         |
| General Legal Reserve  | 3.9            | 4'100          | 4'100          |
| Retained Earnings  | 3.9            | 9'086          | 25'769         |
| <b>Total Liabilities and Shareholders' Equity</b>                              |                | <b>107'118</b> | <b>157'359</b> |
| Included in the above:   |                |                |                |
| Total Amounts Due to Group companies and Holders of Qualified Participations   |                | 51'324         | 51'941         |
| <b>Off-Balance Sheet Transactions</b>  |                |                |                |
| Contingent Liabilities   | 3.1, 3.5, 4.1  | 1'515          | 2'729          |
| Irrevocable Facilities Granted   |                | 100            | 100            |
| Derivative Financial Instruments:  |                |                |                |
| - Positive Replacement Values  | 4.2            | 0              | 42             |
| - Negative Replacement Values  | 4.2            | 102            | 0              |
| - Underlying Exposure  | 4.2            | 26'335         | 15'816         |
| Fiduciary Transactions   | 4.3            | 113'755        | 79'169         |

# Income Statement

as at December 31,  
(expressed in thousands of Swiss Francs)

|   | Notes | 2009            | 2008            |
|---|-------|-----------------|-----------------|
| <b>RESULTS FROM ISLAMIC FINANCING</b>   |       |                 |                 |
| Income from Parallel Purchase and Sales of Currencies and Commodities           |       | 5               | 139             |
| Results From Financing Activities   |       | 1'699           | 2'647           |
| Cost of Financings  |       | (3'554)         | (4'001)         |
|   |       | <b>(1'850)</b>  | <b>(1'215)</b>  |
| <b>NET RESULTS FROM FEE BUSINESSES</b>  |       |                 |                 |
| Fee Income from Investment Banking Real Estate Activities                       |       | 4'687           | 2'645           |
| Safe Custody Fees and Profit Participations on Clients' Assets Under Management |       | 1'498           | 1'545           |
| Commission Expenses   |       | (529)           | (496)           |
|   |       | <b>5'656</b>    | <b>3'694</b>    |
| <b>NET TRADING INCOME</b>   |       |                 |                 |
| Foreign Exchange Gain (Loss)  | 5.1   | 241             | (4'543)         |
| Trading Income  | 5.1   | 0               | 5'005           |
|   |       | <b>241</b>      | <b>462</b>      |
| <b>OTHER ORDINARY RESULTS</b>   |       |                 |                 |
| Results from Financial Investments  |       | (223)           | (100)           |
| Results from Interest In Associates   |       | 0               | 418             |
| Results from Real Estate  |       | 144             | 112             |
|   |       | <b>(79)</b>     | <b>430</b>      |
| <b>Total Income</b>   |       | <b>3'968</b>    | <b>3'371</b>    |
| <b>OPERATING EXPENSES</b>   |       |                 |                 |
| Personnel Expenses  | 5.2   | 9'277           | 8'748           |
| Other Operating Expenses  | 5.3   | 3'979           | 5'416           |
| <b>Total Operating Expenses</b>   |       | <b>13'256</b>   | <b>14'164</b>   |
| <b>Gross (Loss) / Profit</b>  |       | <b>(9'288)</b>  | <b>(10'793)</b> |
| Depreciation on Fixed Assets and Write-Offs                                     |       | (589)           | (537)           |
| Valuation Adjustments, Provisions and Losses                                    |       | (26'316)        | (3'539)         |
| <b>(Loss) / Profit Before Extraordinary Items and Taxes</b>                     |       | <b>(36'193)</b> | <b>(14'869)</b> |
| Extraordinary Income  | 5.4   | 23'925          | 6'758           |
| Extraordinary Expense   | 5.5   | (3'927)         | 0               |
| Taxes   |       | (488)           | (141)           |
| <b>Net (Loss) / Profit for The Year</b>   |       | <b>(16'683)</b> | <b>(8'252)</b>  |
| <b>Retained Earnings at Beginning of The Year</b>                               |       | <b>25'769</b>   | <b>34'021</b>   |
| <b>Retained Earnings at End of The Year</b>                                     |       | <b>9'086</b>    | <b>25'769</b>   |

## Proposed appropriation of retained earnings

as at December 31,  
(expressed in thousands of Swiss Francs)

|   | Notes | 2009  | 2008   |
|---|-------|-------|--------|
| Retained Earnings Available for Appropriation |       | 9'086 | 25'769 |
| Retained Earnings Carried Forward             |       | 9'086 | 25'769 |

# Notes to the Financial Statements

as at December 31,  
(expressed in thousands of Swiss Francs)

## 1. SUMMARY OF BUSINESS OPERATIONS

### 1.1 Introduction

Faisal Private Bank (Switzerland) SA ("the Bank"), formerly Faisal Finance (Switzerland) SA until October 3, 2006, was established in Geneva on February 20, 1980 under the name of Sharia Services SA and was restructured in March 1990 into a bank-like finance company offering financial services and financial products in accordance with the principles of the Islamic Sharia (laws derived from Holy Quran that Muslims observe in their social and economic life).

In April 2002, the former Faisal Finance (Switzerland) SA obtained a Securities' Dealer License under the terms of the Federal Law on Stock Exchanges and Trading in Securities. In October 2006, after having received a Swiss banking licence, the Bank was registered as a bank in the Commercial Register. The Bank is supervised by the Swiss Financial Market Supervisory Authority (FINMA).

The Bank does not outsource any significant business activities in the sense of the Swiss Financial Market Supervisory Authority Circular FINMA 08/7 "Outsourcing-banks".

At the end of 2009, the Bank employed 40 staff on a full time basis (2008: 50).

### 1.2 Business Activities

The Bank offers a range of Islamic financial services, which are conducted in accordance with the principles of the Islamic Sharia according to which the investments in various industries as well as dealing in interest are prohibited.

In principle, the Bank provides private banking services to private investors and related parties. The following is a summary of the main business activities of the Bank:

#### 1.2.1 Private Banking Operations

These operations are essentially related to clients' investments (including real estate, equity and leasing assets), fiduciary placements and security and foreign exchange trading.

#### 1.2.2 Financing Activity

Financings are extended as credits (Morabaha) and are generally collateralised by a variety of assets or by bank guarantees.

### 1.3 Risk Assessment

At its meetings of December 11, 2008, and March 10, 2010, the Board of Directors ('Board') reviewed the critical risks to which the Bank is exposed at present, i.e., credit, market, operational and legal risks. With regard to each of these risks, the Board analysed the mitigating measures that have been implemented by the Bank. In addition, with regard to credit risk, its review concentrated on evaluations of the investment projects to which the Bank has lent money. As the Bank's foreign exchange positions represent its major market risk, the management of that risk was subject to review and discussion. With regard to operational risk, the Board's monitoring tools include reports received from the Management Board as well as Internal Audit, in addition to a review of the financial results which would disclose details of any material losses. Finally, significant legal risks and litigations faced by the Bank, where they existed, would be presented to the Board.

### 1.4 Risk Management

The Bank's Board of Directors promotes a high standard of ethical behaviour at all levels of the Bank. The Risk-Management function ensures the Bank's risk appetite is consistent with the organisation in place to manage it.

The Board of Directors also determines and periodically re-examines the set of credit limits for the financing/investment activities of the Bank, as well as limits relating to market risks. Adherence to these limits is monitored on a continuous basis.

The responsibility for risk management is segregated from the investment and private banking front office activities and is divided under the following four main categories:

#### a) Credit Risk

The Bank restricts its exposure to Morabaha credit risk by performing detailed analysis of the borrower's business and credit worthiness, and by ensuring that, the Bank's portfolio of credits is diversified in the sense of the Swiss capital adequacy ordinance. The Bank also finances real estate investments on a case by case basis. Performance of those investments is monitored on a regular basis and management also obtains periodic valuations to assess the carrying value.

The Bank analyses all credit proposals, monitors performance of credits and collaterals, and provides for assets which are doubtful of recovery, if necessary.

# Notes to the Financial Statements

as at December 31,  
(expressed in thousands of Swiss Francs)

Credit is granted within limits set by the Board of Directors. All significant investments are submitted to the Management Board and the Board of Directors for approval.

## b) Market Risk

The Bank is exposed to market risks mainly through its investments in real estate investment products and through its exposure to foreign currencies. Performance of these investments is monitored on a regular basis and management also obtains periodic valuations to assess the carrying value.

During the reporting period, if the fair value of the investment is lower than the carrying value, a valuation adjustment is recorded. If, in a subsequent period, the fair value increases, the carrying value of the investment can be increased up to a maximum of the investment.

All significant investments are submitted to the Management Board and the Board of Directors for approval.

## c) Operational and Legal Risks

Operational risk is restricted by internal control procedures and guidelines which are defined in the internal rules of the Bank. The system of internal control is reviewed on a regular basis by the Management Board as well as the internal auditors who report directly to the Board of Directors. Legal risk is monitored by the Bank's in-house Legal Counsel and, where required, by external legal counsel under the responsibility of the Management Board.

## d) Non Compliance Risks

The Compliance function has the duty to ensure compliance with all applicable laws, regulations, codes of conduct and standards of good practice. The Compliance function is also the anti-money laundering office of the Bank.

## 2. SUMMARY OF ACCOUNTING, VALUATION AND PRESENTATION POLICIES

The following is a summary of the significant accounting valuation and presentation policies adopted by the Bank.

### 2.1 Accounting Records

The Bank's accounting records and accounting principles are set in accordance with the Swiss Code of Obligations, the Swiss Federal Act on Banks and Savings Institutions, the Swiss Federal Act on Stock Exchange and Security Dealers and their Ordinances, as well as the regulations and guidelines for the preparation of financial statements issued by the Swiss Financial Market Supervisory Authority Circular FINMA (FINMA Circular 08/2 Accounting-Banks).

All transactions are recorded on the date of the transaction and regularly valued thereafter.

### 2.2 Income Recognition

Profits, profit-shares, fees and commissions arising from the financing/investment activities of the Bank are recognised when earned on an accrual basis for all current, cash-generating investments. Income items relating to non-cash generating investments are recognised on a cash basis.

### 2.3 Foreign Currencies

Foreign currency transactions are translated in Swiss francs at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Swiss francs at the rate of exchange ruling at the balance sheet date. The resulting gains and losses are recorded in the income statement.

The following is an indication of the exchange rates of the important foreign currencies used by the Bank:

|                  | Rate in CHF |      |
|------------------|-------------|------|
|                  | USD         | EUR  |
| At 31.12.2008    | 1.05        | 1.49 |
| Average for 2009 | 1.08        | 1.51 |
| At 31.12.2009    | 1.03        | 1.48 |

### 2.4 Due from Banks and Customers

These are recorded at nominal amount invested and are subjected to systematic periodic reviews for default risk on an individual basis.

A valuation adjustment for impaired loans and amounts receivable, if necessary, is accounted for individually under "Valuation adjustments and provisions". Such valuation adjustment are computed on the basis of a set of internal criteria that cover a range of risk parameters including the debtor's financial standings, periodic

# Notes to the Financial Statements

as at December 31,  
(expressed in thousands of Swiss Francs)

external and internal valuations of investments in real estate, as well as the state and value of any existing collateral provided.

Amounts due from customers are stated in the balance sheet net of any valuation adjustments. This represents a change from previous accounting periods. Formerly, such amounts were included on a gross basis with the relevant valuation adjustment being disclosed under liabilities

## 2.5 Financial Investments

Financial investments are carried at the lower of cost and net realisable value on an individual basis.

Adjustments for the valuation of financial investments are recognised through "Other ordinary results".

Real estate owned and commodities acquired in foreclosing on a real estate investment products and destined for resale are valued at the lower of cost or market value.

## 2.6 Interests in Associates and Related Parties

Interests in associates and related parties are carried at cost less any necessary valuation adjustments.

## 2.7 Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Fixed assets are depreciated over their estimated useful lives using the straight line method.

The estimated useful lives of fixed asset categories are as follows:

|                               |           |
|-------------------------------|-----------|
| Building                      | 50 years  |
| Vehicles and office equipment | 5 years   |
| Leasehold improvements        | 4-5 years |
| Computer equipment            | 3years    |
| Computer software             | 5years    |

## 2.8 Income Taxes

The Bank provides for all Swiss taxes payable by the Bank on its income earned during the year which is included under accrued expenses and deferred income.

## 2.9 Pension Benefit Obligations

Pension benefit obligations are accounted for according to Swiss GAAP FER 16. Pension benefit obligations are all obligations from pension plans and pension institutions which provide benefits for retirement, death and disability. Pension coverage surplus and deficits result from the audited financial statements of the pension

institutions prepared according to Swiss GAAP FER 26 and whose balance sheet date is not older than 12 months. If there are indications that significant developments have taken place since the last annual closing, such impacts are considered.

Pension coverage surpluses are only recorded in the balance sheet to the extent that, by being used to reduce the employer's contributions, they constitute a financial advantage for the Bank. Pension coverage deficits are recognised as personnel expenses in the income statement and the charge gives rise to a corresponding provision in the balance sheet, if and when they are considered as economic obligations in the sense of Swiss GAAP FER 16.

## 2.10 Off-balance Sheet Transactions

Off-balance sheet transactions are presented at nominal value less any required valuation adjustments.

## 2.11 Derivative Financial Instruments

The Bank does not actively engage in trading activities with derivative financial instruments, all such contracts being for purposes of covering client transactions or hedging own risk exposures.

Derivative financial instruments are carried at fair value, the variations of which are recorded in the income statement as trading gain and loss.

## 2.12 Comparative Figures

When necessary, comparative figures have been adjusted to conform with the presentation adopted in the current year.

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
(expressed in thousands of Swiss Francs)

## 3. NOTES IN RESPECT OF THE BALANCE SHEET

### 3.1 Collateral Analysis

|                                  | Secured by<br>mortgage | With collateral<br>other than<br>mortgage | Without<br>collateral | Total         |
|----------------------------------|------------------------|---|-----------------------|---------------|
| <b>Due From Customers</b>        |                        |   |                       |               |
| Trade and Real Estate Financings | 0                      | 0   | 13'490                | 13'490        |
| Loans to Employees               | 0                      | 0   | 312                   | 312           |
| Other Debtors                    | 1'780                  | 992                                       | 1'931                 | 4'703         |
| <b>Total Due from Customers</b>  | <b>1'780</b>           | <b>992</b>                                | <b>15'733</b>         | <b>18'505</b> |
| Previous Year                    | 0                      | 29'054                                    | 19'574                | 48'628        |
| <b>Off-Balance Sheet</b>         |                        |   |                       |               |
| Contingent Liabilities           | 0                      | 0   | 1'515                 | 1'515         |
| Irrevocable Facilities Granted   | 0                      | 0   | 100                   | 100           |
| <b>Total Off-Balance Sheet</b>   | <b>0</b>               | <b>0</b>                                  | <b>1'615</b>          | <b>1'615</b>  |
| Previous Year                    | 0                      | 0   | 2'829                 | 2'829         |

|                                       | Total debt<br>outstanding | Estimated<br>liquidation value<br>of collateral | Net debt<br>outstanding | Sum of<br>individual value<br>adjustments |
|---------------------------------------|---------------------------|---|-------------------------|---|
| <b>Impaired Loans and Receivables</b> |                           |   |                         |   |
| Loans and Receivables                 | 13'632                    | 2'202   | 11'430                  | 11'430                                    |
| Previous Year                         | 2'012                     | 0   | 2'012                   | 2'012                                     |

### 3.2 Financial Investments and Interests in Associates and Related Parties

| Financial Investments   | Carrying Value |               | Fair Value   |               |
|---|----------------|---------------|--------------|---------------|
|   | 31/12/2009     | 31/12/2008    | 31/12/2009   | 31/12/2008    |
| Unlisted Equity Instruments   | 5'784          | 26'689        | 6'283        | 26'689        |
| <b>Total Financial Investments</b>  | <b>5'784</b>   | <b>26'689</b> | <b>6'283</b> | <b>26'689</b> |
| of which admitted under repurchase<br>agreement in accordance with liquidity<br>requirements. | 0              | 0             | 0            | 0             |

#### Interests in Associates and Related Parties

|  |              |              |              |              |
|--|--------------|--------------|--------------|--------------|
| Listed   | 2'127        | 2'127        | 1'418        | 1'742        |
| Unlisted   | 315          | 315          | 5'971        | 6'126        |
| <b>Total Interests in Associates and Related<br/>Parties</b> | <b>2'442</b> | <b>2'442</b> | <b>7'389</b> | <b>7'868</b> |

## Notes to the Financial Statements

as at December 31, 2009 and 2008  
(expressed in thousands of Swiss Francs)

### 3.3 Analysis of Significant Interests in Associates and Related Parties

| Bank Name                    | Location          | Original<br>Currency | Business<br>Activity | % of<br>Holding | CHF '000 |
|------------------------------|-------------------|----------------------|----------------------|-----------------|----------|
| Faysal Bank Limited          | Karachi, Pakistan | PKR 68'689           | Banking              | 2.14%           | 2'127    |
| Faisal Finance (Jersey) Ltd. | Jersey            | USD 249              | Finance              | 25.00%          | 315      |
|                              |                   |                      |                      |                 | 2'442    |
| Previous Year                |                   |                      |                      |                 | 2'442    |

### 3.4 Fixed Assets

|                        | 2009                                |   |   |                          |                                   | Book<br>Value at<br>the End of<br>the Year |
|------------------------|-------------------------------------|---|---|--------------------------|-----------------------------------|--|
|                        | Cost at<br>Beginning<br>of the Year | Accu. Depr.<br>at<br>Beginning<br>of the Year | Book<br>Value at<br>Beginning<br>of the<br>Year | Additions<br>(Disposals) | Deprecia-<br>tion for<br>the Year |  |
| Building               | 2'683                               | 844   | 1'839   | 0                        | 54                                | 1'785                                      |
| Other fixed assets     | 3'632                               | 2'410   | 1'222   | 124                      | 235                               | 1'111                                      |
| Software               | 912                                 | 551   | 361   | 10                       | 294                               | 77   |
| Leasehold improvements | 39                                  | 15  | 24  | 64                       | 6                                 | 82   |
| <b>Total</b>           | <b>7'266</b>                        | <b>3'820</b>                                  | <b>3'446</b>                                    | <b>198</b>               | <b>589</b>                        | <b>3'055</b>                               |

Fire insurance value of building. 2'783

### 3.5 Indication of Pledged or Assigned Assets to Secure Own Commitments and of Assets Subject to Reservation of Title

The Bank has not pledged or assigned any assets at year end 2009 (year end 2008: Nil).

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
(expressed in thousands of Swiss Francs)

## 3.6 Pension Benefit Obligations

All employees of the Bank are affiliated with the "Fondation de prévoyance en faveur du personnel de Dar al-Maal al-Islami (DMI) SA et des sociétés du Groupe", Meyrin, a Swiss pension institution organised in accordance with the Swiss Law on Pension Funds and providing retirement, disability and death coverages. The funding of the pension plan is in line with legal requirements and the rules applicable to Swiss pension schemes.

The pension scheme covers the following entities: DMI Administrative Services SA, Faisal Private Bank (Switzerland) SA, and Cantara (Switzerland) SA.

Employer's contributions vary between 6% and 22%. Employee contributions are fixed at 6%. Men retire at the age of 65 and women at 64.

The audited financial statements of the pension institution are established under Swiss GAAP FER 26 as at 31 December each year. The audited financial statements as at 31 December 2008 show a security ratio in the sense of art. 44 OPP2 amounting to 111 % (2007: 117%) or a CHF 4 million surplus. According to those financial statements, the fluctuation reserve is fully funded. The pension institutions' governing body, estimates, on the basis of unaudited financial statements, that the security ratio as at 31 December 2009 was 112 %.

|  | 31/12/2009                            | 31/12/2009                          | 31/12/2008 |
|--|---------------------------------------|-------------------------------------|------------|
| Economic Pension Plan Benefit/Commitment and Cost  | Yearly Adjusted Pension Contributions | Pension Costs in Personnel Expenses |            |
| Fondation de prévoyance en faveur du personnel de Dar al-Maal al-Islami (DMI) SA et des sociétés du Groupe | 1'068                                 | 1'068                               | 790        |

As at 31 december 2009, the Bank had no economical obligation towards its pension institution (2008: none). At that date, no economic benefit was recognized on the balance sheet (2008: none) and there was no employer's contribution reserve (2008: none).

## 3.7 Valuation Adjustments and Provisions

|   | Balance at beginning of year | Used conforming with purpose | Foreign currency movements, overdue profit | Provisions released to the income statement | Provisions charged to the income statement | Balance at end of year |
|---|------------------------------|------------------------------|--|---|--|------------------------|
| Valuation Adjustments and Provisions for Credit and Country Risk        | 5'623                        | 0                            | (121)                                      | 0   | 5'928                                      | 11'430                 |
| Other Provisions  | 0                            | 0                            | 0  | 0   | 0  | 0                      |
| <b>Total Valuation Adjustments and Provisions</b>                       | <b>5'623</b>                 | <b>0</b>                     | <b>(121)</b>                               | <b>0</b>                                    | <b>5'928</b>                               | <b>11'430</b>          |
| Less: amounts deducted directly from asset values                       | 0                            | 0                            | 0  | 0   | 0  | (11'430)               |
| <b>Total Valuation Adjustments and Provisions per the Balance Sheet</b> | <b>5'623</b>                 | <b>0</b>                     | <b>0</b>                                   | <b>0</b>                                    | <b>0</b>                                   | <b>0</b>               |

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
(expressed in thousands of Swiss Francs)

## 3.8 Share Capital and Major Shareholders

### Share Capital

| 31/12/2009          |                  | 31/12/2008          |                  |
|---------------------|------------------|---------------------|------------------|
| Total Nominal Value | Number of Shares | Total Nominal Value | Number of Shares |
| <b>20'000</b>       | <b>20'000</b>    | <b>20'000</b>       | <b>20'000</b>    |

All the Bank's shares are dividend bearing.

### Major Shareholders and Voting Rights

|                                | 31/12/2009        |                    | 31/12/2008        |                    |
|--------------------------------|-------------------|--------------------|-------------------|--------------------|
|                                | Nominal Value CHF | Participation in % | Nominal Value CHF | Participation in % |
| Shamil Finance (Luxembourg) SA | <b>20'000</b>     | <b>100</b>         | <b>20'000</b>     | <b>100</b>         |

Shamil Finance (Luxembourg) SA is wholly-owned by Shamil Bank of Bahrain which is, in turn, wholly-owned by Ithmaar Bank B.S.C.

## 3.9 Changes in Shareholders' Equity

|   | 31/12/2009      | 31/12/2008     |
|---|-----------------|----------------|
| <b>Shareholders' Equity at Beginning of Year</b>                                  |                 |                |
| Paid-up share capital   | 20'000          | 20'000         |
| General legal reserve   | 4'100           | 4'100          |
| Retained earnings   | 25'769          | 34'021         |
| <b>Total Shareholders' Equity at Beginning of Year before Profit Distribution</b> | <b>49'869</b>   | <b>58'121</b>  |
| Net (Loss) / Profit for the year  | <b>(16'683)</b> | <b>(8'252)</b> |
| <b>Total Shareholders' Equity at End of Year before Profit Distribution</b>       | <b>33'186</b>   | <b>49'869</b>  |
| <b>Represented by:</b>  |                 |                |
| Paid-up share capital   | 20'000          | 20'000         |
| General legal reserve   | 4'100           | 4'100          |
| Retained earnings   | 9'086           | 25'769         |
|   | <b>33'186</b>   | <b>49'869</b>  |

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
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## 3.10 Maturity Structure of Current Assets, Financial Investments and Third-Party Liabilities

|  | Maturities    |                 |                |                      |              | Total         |
|--|---------------|-----------------|----------------|----------------------|--------------|---------------|
|  | At Sight      | Within 3 months | 3 to 12 months | 12 months to 5 years | Over 5 Years |               |
| <b>Current Assets</b>  |               |                 |                |                      |              |               |
| Liquidities  | 4'691         |                 |                |                      |              | 4'691         |
| Due from Banks   | 6'977         | 23'628          | 0              | 37'931               | 0            | 68'536        |
| Due from Customers   | 21            | 778             | 1'298          | 16'408               | 0            | 18'505        |
| Financial Investments  | 0             | 431             | 0              | 5'353                | 0            | 5'784         |
| <b>Total Current Assets</b>                                  | <b>11'689</b> | <b>24'837</b>   | <b>1'298</b>   | <b>59'692</b>        | <b>0</b>     | <b>97'516</b> |
| <b>Third-Party Liabilities</b>                               |               |                 |                |                      |              |               |
| Due to Banks   | 40            | 51'324          | 0              | 0                    | 0            | 51'364        |
| Due to Clients   | 11'740        | 5'656           | 234            | 1'789                | 0            | 19'419        |
| <b>Total Third-Party Liabilities</b>                         | <b>11'780</b> | <b>56'980</b>   | <b>234</b>     | <b>1'789</b>         | <b>0</b>     | <b>70'783</b> |
| <b>Excess of Current Assets over Third-Party Liabilities</b> | <b>(91)</b>   | <b>(32'143)</b> | <b>1'064</b>   | <b>57'903</b>        | <b>0</b>     | <b>26'733</b> |
| Previous Year  | 4'669         | (15'285)        | 9'685          | 50'382               | 0            | 49'450        |

## 3.11 Due From / To Related Companies

|                            | 31/12/2009 | 31/12/2008 |
|----------------------------|------------|------------|
| Due from Related Companies | 168        | 845        |
| Due to Related Companies   | 1'378      | 4'177      |

The Bank has signed an advisory agreement with Faisal Finance (Jersey) Limited, a company in which it holds a 25% interest. According to the provisions of this agreement, the Bank provides financing and advice, foreign exchange and investment management services and investment follow-up assistance in return an advisory fee. The fee for such services for the year amounted to CHF 430'928 (2008: CHF 321'000) and is classified under Fee income from investment banking real estate activities.

On 3 December 2009 the Bank sold assets for a total amount of CHF 20.6 million to a related party at arms-length.

On 31 December 2009 the Bank sold assets for a total amount of CHF 37.9 million to a related party. The estimated difference between the carrying and the fair value of those assets was CHF 20.386 million. (Refer to note 5.6).

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
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## 4. NOTES IN RESPECT OF OFF-BALANCE SHEET TRANSACTIONS

### 4.1 Contingent Liabilities

|            | 31/12/2009 | 31/12/2008 |
|------------|------------|------------|
| Guarantees | 1'515      | 2'729      |

### 4.2 Derivative Financial Instruments

|                               | Trading Instruments         |                             |                  |
|-------------------------------|-----------------------------|-----------------------------|------------------|
|                               | Positive Replacement Values | Negative Replacement Values | Contract Volumes |
| Currencies: forward contracts | 0                           | 102                         | 26'335           |
| Prior Year                    | 42                          | 0                           | 15'816           |

There were no netting contracts.

### 4.3 Fiduciary Transactions

#### Fiduciary Placements

Parallel Purchase and Sale of Currencies and Commodities  
(Islamic Money-Market Fiduciary Deposits) with Third-Party Banks

|  | 31/12/2009     | 31/12/2008    |
|--|----------------|---------------|
|  | <b>113'755</b> | <b>79'169</b> |

### 4.4 Clients' Assets

#### Nature of Clients' Assets

Assets Managed on a Discretionary Basis

Other Clients' Assets

#### Total Clients' Assets

Custody-Only Clients' Assets

#### Total Clients' Assets including Custody-Only-Assets

Net Inflow / (Withdrawals) of Client Funds

|  | 31/12/2009     | 31/12/2008     |
|--|----------------|----------------|
| Assets Managed on a Discretionary Basis                    | 0              | 0              |
| Other Clients' Assets                                      | 496'365        | 450'185        |
| <b>Total Clients' Assets</b>                               | <b>496'365</b> | <b>450'185</b> |
| Custody-Only Clients' Assets                               | 40'669         | 84'917         |
| <b>Total Clients' Assets including Custody-Only-Assets</b> | <b>537'034</b> | <b>535'102</b> |
| Net Inflow / (Withdrawals) of Client Funds                 | 33'334         | (135'118)      |

Clients' assets held on a custody-only basis are defined as those for which no services other than custody are provided to clients.

# Notes to the Financial Statements

as at December 31, 2009 and 2008  
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## 5. NOTES IN RESPECT OF THE INCOME STATEMENT

### 5.1 Trading Income

|   | 31/12/2009 | 31/12/2008 |
|---|------------|------------|
| Foreign Exchange Gain / (Loss)            | 241        | (4'543)    |
| Profit from Sale of Investment Securities | 0          | 5'005      |
|   | <b>241</b> | <b>462</b> |

### 5.2 Details of Personnel Expenses

|                                 | 31/12/2009   | 31/12/2008   |
|---------------------------------|--------------|--------------|
| Salaries                        | 6'515        | 6'234        |
| Social Benefits                 | 1'258        | 1'344        |
| Pension Costs                   | 1'068        | 790          |
| Other Personnel Expenses        | 436          | 380          |
| <b>Total Personnel Expenses</b> | <b>9'277</b> | <b>8'748</b> |

### 5.3 Details of Other Operating Expenses

|                                  | 31/12/2009   | 31/12/2008   |
|----------------------------------|--------------|--------------|
| Premises Related Expenses        | 1'000        | 772          |
| Communication Expenses           | 199          | 106          |
| Computer Related Expenses        | 326          | 310          |
| Travel Expenses                  | 681          | 1'130        |
| Professional Fees                | 1'681        | 2'214        |
| Client Relations and Advertising | 30           | 573          |
| Stamp Taxes and Irrevocable VAT  | 62           | 70           |
| Other Operating Expenses         | 0            | 241          |
| <b>Total Operating Expenses</b>  | <b>3'979</b> | <b>5'416</b> |

### 5.4 Extraordinary Income

|   | 31/12/2009    | 31/12/2008   |
|---|---------------|--------------|
| Release of General Risks Provision            | 0             | 6'758        |
| Sunk Capital Distribution (refer to Note 5.6) | 20'386        | 0            |
| Other Extraordinary Income                    | 3'539         | 0            |
| <b>Total Extraordinary Income</b>             | <b>23'925</b> | <b>6'758</b> |

During the year the Bank reviewed a number of accounts opened by off shore entities involved in the real estate investment products as well as other accounts used for the investment banking activity. As part of that exercise, the Bank corrected a number of historical accounting entries. The recording of those corrections resulted in the recognising of extraordinary income amounting to CHF 3.5 million and Extraordinary expenses amounting to CHF 3.9 million.

# Notes to the Financial Statements

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## 5.5 Extraordinary Expense

Other Extraordinary Expenses (refer to Note 5.4 above)

| 31/12/2009   | 31/12/2008 |
|--------------|------------|
| <b>3'927</b> | <b>0</b>   |

## 5.6 Comment on Significant Losses

On 31 December 2009 the Bank sold assets for a total amount of CHF 37.9 million to a related party. The estimated difference between the carrying and the fair value of those assets was CHF 20.386 million. This amount has been included in the income statement within the amount disclosed as Valuation adjustments, provisions and losses. A corresponding gain has been included under Extraordinary income.

## 5.7 Regulatory Capital

|  | 31/12/2009    | 31/12/2008    |
|--|---------------|---------------|
| <b>Eligible Capital</b>                          |               |               |
| Tier 1 Capital                                   | 28'982        | 46'519        |
| Tier 2 Capital                                   | 0             | 0             |
| Tier 3 Capital                                   | 0             | 0             |
|  | <b>28'982</b> | <b>46'519</b> |
| <b>Required Capital</b>                          |               |               |
| Required Capital for Credit Risk                 | 9'136         | 20'629        |
| Required Capital for Risk Without Counterparties | 1'148         | 1'325         |
| Required Capital for Market Risk                 | 2'261         | 2'804         |
| Required Capital for Operational Risk            | 1'258         | 1'747         |
| <b>Total Required Capital</b>                    | <b>13'803</b> | <b>26'505</b> |
| <b>Surplus of Capital</b>                        | <b>15'179</b> | <b>20'014</b> |
| <b>Covering Ratio</b>                            | <b>210%</b>   | <b>176%</b>   |



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