



# Global Vision

Global Banking Corporation's vision is to be the leading investment bank in the GCC with global reach and the ability to merge international investment excellence with local expertise and a commitment to deliver consistent returns to shareholders and investors alike.



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## Profile

Global Banking Corporation B.S.C.(c) (GBCORP) incorporated in June 2007, is committed to provide shari'a compliant investment banking services for high net worth individuals and families, corporate and government clients.

GBCORP pursues a dynamic business model primarily focusing on the core investment areas covering corporate finance, real estate and infrastructure development, private equity, structured finance and venture capital, fund management, asset and wealth management, investment placement and advisory services.

GBCORP's shareholders and members of the board are prominent personalities from the leading business families within the region and bring a wealth of liquidity and sectoral expertise to the organization.

GBCORP's strategy is aimed at capturing a significant share of the US\$ 500 billion global Islamic banking market and leverage on its regional experience and expertise to establish a strong presence at the global level, developing strategic investment bridges linking the region to global markets and actively facilitating global investment opportunities through building partnerships for mutual development.

## Vision

GBCORP's vision is to be the leading investment bank in the GCC with global reach and the ability to merge international investment excellence with local expertise and a commitment to deliver consistent returns to shareholders and investors alike.

## Mission

Our mission is to create long-term profitable growth and superior returns on investment for shareholders, partners and investors, and we envision being a leading investment bank providing banking services and operating to recognized international standards.

We will invest in the highest calibre banking professionals to grow the business through international ventures which utilise the expertise of our investment bankers, enabling GBCORP to achieve its financial goals by exploiting sound judgment, objective advice and excellence in personal service.



## New era of global islamic investment banking



A strong beginning

# Financial Highlights

GBCORP has registered significant growth, marking the end of a successful first six months of operations. The bank's robust financial performance is the result of strategic investment initiatives and operational measures backed by a high calibre management team. Total operating income for the period exceeded US\$ 49 million, while net profit was US\$ 35.9 million, representing an annualised return on equity of 55 per cent.

**236**million

Total Assets (USD \$)

**49**million

Total Income (USD \$)

**161**million

Total Equity (USD \$)

**35.9**million

Net Profit (USD \$)



Seated from right to left

A. Rahman Mohammed Al Jasmī, Vice Chairman & Managing Director,  
Saleh Al Ali Al Rashed, Chairman, Talal Mohammed Al Mutawa, Director

Standing from right to left

Khalid Abdullah Al-Ankary, Director, Salah Saleh Asheer, Director,  
Rashad Yousif Janahi, Director

Fady Jan Bakhos  
Director (New Appointment)

## Pillars of strength

# Board of Directors

## Saleh Al Ali Al Rashed Chairman

Mr. Al Rashed is a member of one of the most esteemed business families in Saudi Arabia. He has been recognized as one of the most successful businessmen in the region and has held many prestigious positions within financial institutions in the region and in Europe.

Currently he is the Chairman of a number of large corporations such as Trade Union Insurance Company, Universal Corporation for Trade and Industry, Saudi United Co., Saudi Activities Co., Saudi Logistics Support Installments Co., Animals Product & Feeds Pentagonal and Amlac Hotel Services Co.

He is a Board Member of Al Rayan Bank in Qatar and also serves as a Board Member of Abu Dhabi Investment House.

## A. Rahman Mohammed Al Jasmi Vice Chairman & Managing Director

Mr. Al Jasmi is the Managing Director of Global Banking Corporation and has over 20 years' experience in both commercial and investment banking.

Mr. Al Jasmi was previously the Deputy Chief Executive Officer of Gulf Finance House, where he was responsible for developing the company to its current position as a leading GCC investment and commercial banking corporation. He holds numerous senior executive positions.

He holds a BA (Honours) in Business Administration and an Advanced Diploma in Banking Studies from the University of Bahrain and continued his professional development at Cranfield Management School in the United Kingdom.

## Salah Saleh Asheer Director

Mr. Asheer is the Chief Executive Officer in a number of Bahrain-based privately held investment companies.

Mr. Asheer is an experienced investment banker and has served as a Director of several local, regional and international subsidiaries that own and manage a diversified range of investments in the financial services industry among others.

Mr. Asheer is a Certified Public Accountant and holds a BSc in Accounting.

## Talal Mohammed Al Mutawa Director

Mr. Al Mutawa is the Managing Director and CEO of Manafae Investment in Kuwait, a shareholding company specialised in asset management and investment services.

He has over 15 years experience in the stock exchange markets and financial transactions. He has been recognized for setting high benchmarks on profitability, introducing new clients, setting up a framework in the local services department and training dealers to improve their technical skills. Prior to joining Manafae Investment, Mr. Al Mutawa was the Manager of Trading and Portfolio Management in Kuwait Asset Management Company (KAMCO), which is a subsidiary of Kuwait Investment Project Company (KIPCO). He was responsible for several public subscriptions and private placements.

Mr. Al Mutawa holds a Bachelors Degree in Business Administration.

## Rashad Yousif Janahi Director

Mr. Janahi is the Chief Executive Officer of Abu Dhabi Investment House, the UAE based investment company that provides comprehensive investment products and services.

Prior to joining ADIH, Mr. Janahi was a manager in the Private Banking Department at HSBC in Dubai, UAE. He also served as a manager in the Investment Placement and Specialized Funds department at Al Baraka Islamic Bank, Bahrain where he contributed to the bank's profitability by marketing its products and services to corporate and high net worth individuals and by structuring and managing investment funds, direct investment, asset management and advisory services.

## Khalid Abdullah Al-Ankary Director

Mr. Al-Ankary is the Chief Operating Officer and Deputy General Manager of Bathel Al Khair Est. for Trading & Real Estate in Saudi Arabia. Mr. Al-Ankary started his career in 1990 as Internal Auditor, Saudi Industrial Development Fund (SIDF) - Internal Audit Department.

In an illustrious career spanning more than 17 years, Mr. Al-Ankary has gained in-depth experience across market sectors covering financial, oil and gas manufacturing, retail, insurance, aerospace, telecommunication, and the hotel and restaurant management industry. Prior to joining Bathel Al Khair Est., Mr. Al-Ankary was the Internal Auditor in the Internal Audit Division of Samba Financial Group where he participated in various audits across the group in addition to two audits in Citibank Jordan and Spain. He also attended several audit training courses organized by the Group in New York and London.

Mr. Al-Ankary holds a Bachelors Degree in Accounting from King Saud University in Saudi Arabia.

## Shari'a Supervisory Board



**Sheikh Dr. Mohammed Ali Elgari (Chairman)**

Sheikh Dr. Mohammed Ali Elgari is an acknowledged expert at the Islamic Jurisprudence Academies of the Organization of Islamic Countries and the Islamic World League. Sheikh Elgari holds a Ph.D. in economics from the University of California and is Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia. He is also Chairman of the Shariyah Review Bureau.

Dr. Elgari is a recognized Shari'a Scholar and a member of the Shari'a Boards of many Islamic banks and takaful companies including that of Dow Jones, International Islamic Fund Market, Citi Islamic Investment Bank, Merrill Lynch and Samba Financial Group.



**Sheikh Nizam Mohammed Yaquby (Member)**

Sheikh Nizam Mohammed Yaquby is an internationally acclaimed Shari'a scholar in the Islamic banking industry. Sheikh Nizam holds a Bachelors degree in Economics and Comparative Religion from the McGill University, Montreal, Canada and is pursuing a Ph.D. in Islamic Law at the University of Wales.



**Sheikh Osama Mohammed Saad Bahar (Member)**

Sheikh Osama Mohammed Saad Bahar is a recognised Shari'a scholar, specialised in Islamic finance. Sheikh Osama has extensive experience and expertise in structuring Islamic finance products and preparing Shari'a contracts as well as conducting research papers on Islamic banking and finance.

Sheikh Osama graduated with a Bachelor's Degree in Islamic Shari'a from Prince Abdul Qader University of Islamic Studies in Algeria and went on to become an officer at Bahrain's Ministry of Justice and Islamic Affairs. He is also a Librarian Secretary at the Ahmed Al Fateh Islamic Centre Library. Sheikh Osama is currently pursuing a Masters Degree with Al Imam Al Ouzai University in Beirut.



## The guiding factor

## Chairman's Message



Saleh Al Ali Al Rashed  
Chairman

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammed

On behalf of the Board of Directors, it is my privilege to present the first annual report of GBCORP for the year ended 31 December 2007. I am delighted to report that, since the Bank's inception on 25 June 2007, we have achieved a high level of performance and earned the shareholders' and the investors' confidence. The remarkable performance of GBCORP, in just six months of initial operations, was underlined by strong financial results, significant organisational developments, and early business success.

GBCORP financial performance was very impressive. Total operating income for the period amounted to US\$49.2 million, while net profit was US\$35.9 million, representing an annualised return on equity of 55 per cent. At the end of the year, total assets stood at US\$236.2 million. Based on these results, the Board of Directors is recommending a capitalisation of reserves amounting to US\$31.25 million, equivalent to a distribution of US\$0.125 per share, to increase the partly paid-up capital from US\$0.50 per share to US\$0.625 per share, equivalent to 25% of the paid-up capital.

A major achievement was the successful financing of our first transaction – the groundbreaking Makkah Hills project spread over 1.9 million square meters in the Kingdom of Saudi Arabia. The project will comprise state-of-the-art commercial, residential and mixed-use development areas. The project has a number of attractive features, including a substantial land price appreciation opportunity, a proximity of five kilometres from Al Haram Al Sharief, a panoramic view of Makkah City, and the planned subway railroad system linking Makkah and Medina through rail via Jeddah.

During this period, GBCORP developed a strong pipeline of future deals in private equity and real estate, which we expect to announce in the coming months. Based on GBCORP's excellent performance to date, our dynamic business model and clearly-defined strategic intent, the Board has every confidence in the management's ability to take advantage of these opportunities and ensure stronger growth and profitability for the Bank, while continuing to deliver on our promise to all stakeholders.

Such a successful start by GBCORP would not have been possible without the invaluable contributions from all our stakeholders. Accordingly, on behalf of the Board of Directors, I would like to express sincere appreciation to our shareholders for their confidence and commitment, our clients for their loyalty and trust, our strategic partners for their support and encouragement, and our management and staff for their hard work and dedication. In addition, I wish to thank the region's regulatory and supervisory authorities, especially the Central Bank of Bahrain, for their constructive assistance and advice.

**Saleh Al Ali Al Rashed**  
Chairman of the Board

## Managing Director's Report



A. Rahman Mohammed Al Jasmi  
Vice Chairman & Managing Director

I am pleased to report that GBCORP made excellent operational progress during its start-up phase in the second half of 2007. In this short period of time, we successfully established the Bank's organisational structure and achieved early success in our initial business activities. Encouragingly, these achievements received industry recognition in the form of the 'Best New Islamic Investment Bank Award 2007' from Islamic Finance News.

### Strong foundations

GBCORP has put in place an organisational structure that divides activities into three key areas, supported by relevant policies, processes and procedures. Corporate activities comprise strategic planning, internal audit, compliance, risk management and corporate communications. Support functions include human resources, information technology, administration, operations, financial control and treasury. Business areas cover private equity and venture capital, real estate and infrastructure development, asset management, corporate finance and capital market advisory services, and portfolio management.



## Milestone

## Managing Director's Report continued

During 2007, GBCORP was successful in recruiting a number of high calibre banking professionals to fill key positions. The Bank's team now numbers 52 managers and professionals, and is expected to double by the end of 2008 to meet the planned expansion of business activities. Also during the year, appropriate information and communications technology (ICT) systems were installed to support initial operations. Additional investment in GBCORP's ICT infrastructure will be made in 2008 to support the planned move to GBCORP's new headquarters building at Bahrain Financial Harbour.

### Business achievements

In 2007, GBCORP focused its initial business activities in the areas of private equity and real estate and infrastructure development. Key achievements during the year included the successful implementation of the Bank's first transaction – the Makkah Hills development project – and the development of a strong pipeline of future private equity and real estate deals in the GCC and Europe.

### Makkah Hills

GBCORP's inaugural deal provides a unique investment opportunity to finance the US\$ 190 million Makkah Hills real estate development project within the Emirate of Holy Makkah, in the Kingdom of Saudi Arabia, spread over an area of more than 1.9 million square metres in a prime location on the Jeddah-Makkah highway.

### Corporate Responsibility

GBCORP is committed to contributing to the growth and development of the Islamic banking industry, and to acting as an industry educator to partners and clients. As part of its corporate responsibility programme, in 2007 the Bank provided substantial financial support for the Waqf Fund for Research, Education and Training in Islamic Financial Services initiated by the Central Bank of Bahrain. GBCORP also sponsored key industry events, such as the MEED Capital Markets Conference in Dubai and the Global Investor Window 2007 event in London, UK.

### The Way Forward

GBCORP's 'Way Forward' strategy is to leverage on its regional experience and expertise to establish a strong presence at a global level. GBCORP aims to become an investment bridge for its clients by actively facilitating rewarding investment opportunities from within the GCC to emerging markets in the MENA region, Europe and Asia.

In pursuit of this, GBCORP has developed a dynamic business model primarily focusing on the core areas of corporate finance, real estate and infrastructure development, private equity, energy, structured finance and venture capital, fund management, asset and wealth management and investment placement and advisory services.

**A. Rahman Mohammed Al Jasmi**  
Vice Chairman & Managing Director



King Fahad Causeway

## Building Strategic Investment Bridges



Defining the future

## Executive Overview - Management Focus

GBCORP stands on the threshold of a new era of global Islamic investment banking, poised for significant expansion with an aggressive but structured growth strategy.

GBCORP has set itself the challenging vision to be the leading investment bank in the GCC with global reach, characterised by the ability to merge international investment excellence with local expertise, and with an underlying commitment to deliver consistent returns to shareholders and investors.

GBCORP will achieve its vision through a unique differentiation to other investment banks, distinguished primarily by its people, products and services, and geographic reach.

GBCORP's experienced board of directors and senior management professionals bring to bear a wealth of banking and finance expertise at a regional and international level, with the professionalism and strategic thinking to leverage the growing global demand for Shari'a-compliant investment banking services.

Acting with entrepreneurial flair and an innovative approach, the Bank's team is supported by a corporate culture that values transparency, professionalism and personalised service.

GBCORP was conceived with the aim of offering highly differentiated and quality value-driven investment products and services.

GBCORP will focus on the core business areas of private equity and venture capital, real estate and infrastructure development, asset management, advisory services in corporate finance and capital markets, and portfolio management services.

GBCORP's Shari'a-compliant product portfolio and investments will have a global appeal across religious distinctions, and will not be limited by geographic boundaries. As a leading Islamic investment bank, GBCORP aims to be at the forefront in shaping growing collaboration between Shari'a-compliant and conventional financial institutions.

GBCORP will grasp global investment opportunities and address the growing demand for Islamic investment instruments at both the regional and international level. The initial strategic focus will be to excel through its infrastructure development projects and deals. Based on the expertise of the Bank's team, GBCORP will achieve long term profitable growth and superior returns on investment for its shareholders, partners and investors.

While the Bank's initial business ventures will be in the GCC region, GBCORP's management possess the international banking experience, supported by the Board's strategic relationships, which are necessary to grow the business through strategic alliances across the globe. Europe, with its growing demand for Islamic banking; Asia, comprising Hong Kong, China, Singapore and Malaysia; and the Islamic countries and emerging markets of North Africa, are regions where GBCORP can achieve significant business success.

GBCORP's strategy is aimed at capturing a significant share of the US\$ 500 billion global Islamic banking market. GBCORP will use the booming GCC economies as a springboard for expansion into Asia, North Africa and Europe. With an innovative product portfolio designed to reach across geographic boundaries, the Bank will target clients including governments, public and private sector enterprises, wealthy family groups, and high net worth individuals.

A unique competitive advantage of GBCORP is its ability to source transactions not only in the GCC, but also in MENA and South Asia, offering investors and clients the ability to diversify their investment opportunities.

GBCORP's global team transcends geographic boundaries to serve as an economic accelerator for investment from within the GCC to markets in the MENA region, Europe, South Asia and the emerging markets of China and India.

## Chief Executive's Report



Mark Hanson  
Chief Executive

From a business point of view, GBCORP got off to a flying start in 2007. During the first six months of operations, we successfully launched our first transaction and built a strong pipeline of future business. Such a promising start, supported by the positive economic outlook for our target markets in the GCC, North Africa, Asia and Europe, augurs well for GBCORP's continued business success.

### New avenues for growth

This is a very exciting time for the GCC region, which is witnessing a period of massive economic change and development. In fact, we are seeing nothing less than the transformation of these economies into globally significant drivers of commercial growth. The combined GDP of the GCC member states reached approximately US\$ 957 billion in 2007, representing a growth of 100 per cent over the past five years. Economists predict that this rapid growth will continue in the GCC, and also across developing economies around the world.

GDP growth in developing economies is expected to outpace growth in more established Western economies by around four per cent in the next few years. The huge potential of China, India, and Malaysia has already been recognised. In addition, many countries in Central and Eastern Europe, and the Russian Federation, have emerged from long periods of economic repression in the last decade. They are now poised for steady, if not explosive, growth.

At the same time, GCC governments are actively developing the region's intellectual capital. They are allocating significant budgets for education, vocational training and professional development, and for recruiting top-flight people from outside the Middle East to live and work in the region. While much of the investment in these ambitious projects will come from the GCC governments, a great deal of funding – and the bulk of the work required to realise these initiatives – will be carried out by the private sector, fuelling the development of new businesses across the region.

In essence, the money invested in building homes, schools, hospitals, bridges, power stations, communications, water treatment, and even tourism, will spur the growth of a widely diversified economy across the GCC. The emergence of new industries resulting from these investments will help the region move beyond its reliance upon oil.

This economic expansion is driving increased demand for innovative investment opportunities and banking services – especially Islamic banking services. In fact, in 2006, 13 per cent of industrial projects in the region were financed from Islamic sources. This figure is expected to grow considerably as both government and private investments continue to expand. The GCC governments are also encouraging foreign investment in the Middle East, as well as investing in markets outside the region, with many leading companies from the West, Asia and Far East capitalising on these opportunities.

### Strategic initiative

As part of its 'Way Forward' strategy, GBCORP is positioning itself as an investment bridge, providing clients with value added products and services in different fields. Key clients will include governments, public and private sector enterprises, wealthy family groups, and high net worth individuals. Our strategic initiative is to build a diverse portfolio of investments, characterised by an ability to execute deals, not only in the Gulf, but also across MENA (Middle East and North Africa, Europe and South Asia), the Bank will leverage the strong GCC economies for expansion into Asia, North Africa and Europe.

GBCORP has developed a dynamic business model that will primarily focus on the core Investment Banking division in the first phase. This core area will include specialised departments covering corporate finance, real estate and infrastructure development, private equity, energy, structured finance and venture capital, fund management, asset and wealth management and investment placement, and advisory services.

The excellent achievements of GBCORP during the first six months of operations clearly illustrate the unique drive and energy that sets us apart from other investment banks. They also provide a strong platform for our continued growth and development in 2008 and beyond. A positive economic outlook and strong market fundamentals will provide new opportunities for GBCORP to transcend global boundaries and serve as a unique accelerator for investment from within the GCC to markets in the MENA region, Europe, and Asia.

**Mark Hanson**  
Chief Executive

## Investment Review

GBCORP's mission is to create long-term profitable growth and superior returns on investment for its shareholders, investors and strategic partners. The Bank will offer high-quality, differentiated and value-driven investment products and services, with a core focus on private equity and venture capital, real estate and infrastructure development, and asset management.

**Private equity and venture capital:** With an estimated US\$ 2 billion raised in private equity transactions in recent years, investors in the GCC have demonstrated their appetite for private equity investment. GBCORP's target market includes government, family-owned businesses and private mature companies seeking outside investors or major capital investment.

**Real estate and infrastructure development:** The GCC real estate market has an overall value of current and planned real estate developments worth at least US\$ 90 billion. GBCORP will participate in real estate ventures through special purpose vehicles and will target developers in the same field.

**Asset management:** The GCC asset management industry is experiencing high growth, and presents an opportunity for significant development and innovation. GBCORP will create innovative Shari'a-compliant funds for targetted clients in the GCC and Asia. The target market will include high net worth individuals and Takaful companies.

### Investment strategy

GBCORP will grasp global investment opportunities and address the growing demand for Islamic investment instruments at both a regional and international level. GBCORP's Shari'a-compliant portfolio of investments will have a global appeal across religious distinctions, and will not be limited by geographic boundaries. The initial strategic focus will be to excel through its infrastructure development projects and deals.

GBCORP's strategy is aimed at capturing a significant share of the US\$ 500 billion global Islamic banking market. GBCORP will use the booming GCC economies as a springboard for expansion into Asia, North Africa and Europe. With an innovative product portfolio designed to reach across geographic boundaries, the Bank will target clients including governments, public and private sector enterprises, wealthy family groups, and high net worth individuals.

A unique competitive advantage of GBCORP is its ability to source transactions not only in the GCC, but also in MENA and South Asia, offering investors and clients the ability to diversify their investment opportunities. GBCORP's global team transcends geographic boundaries to serve as an economic accelerator for investment from within the GCC to markets in the MENA region, Europe and the emerging markets of China and India.



## Discovering new opportunities

# Wealth Management and Investment Placement

Through its dedicated team of high-calibre professionals, GBCORP provides world class Wealth Management and Investment Placement services to institutional and individual clients.

Committed to the highest standards of personal integrity and professional ethics, and combining international experience with local knowledge, the team provides the Bank's clients with innovative and attractive investment opportunities that match their return objectives and risk profiles.

The team is able to draw upon the extensive personal relationships that it has developed with institutional investors and high net worth individuals in the GCC, and also the strategic business alliances that it has forged with leading financial institutions in the Middle East, Europe and Asia.

## Wealth Management

In line with its business plan, GBCORP will formally launch its portfolio of Wealth Management services in 2008. Through a dedicated Portfolio Manager, each client will benefit from a highly personalised and confidential relationship. They will receive the highest levels of professional advice to help them achieve their desired investment objectives through unique, value added opportunities that match their desired risk-reward profiles.

## Investment Placement

In October 2007, GBCORP launched its first investment offering – the groundbreaking Makkah Hills mixed-use development project in the Kingdom of Saudi Arabia.

By the end of the year, GBCORP had closed a US\$ 190 million private placement offering for Makkah Hills. This illustrates the professionalism and calibre of the Investment Placement team, and also underlines the unique drive and energy that sets GBCORP apart from other investment banks.

In addition, GBCORP successfully developed a strong pipeline of future private equity and real estate deals in the GCC and Europe, which are expected to be released during 2008.

# Wealth Management and Investment Placement Team



Amer Mohammed Arif  
Head of Wealth Management  
and Investment Placement



Ahmed Al Noaimi  
Market Head - Bahrain and  
Qatar



Mazin Al Ghareeb  
Market Head - Kuwait



Adnan Rahma  
Market Head - KSA



Osamah A. Ghaffar  
Market Head - UAE, Oman  
and Yemen



Ahmed Al Khalifa



Abdulla Bahzad



Abdulla Al Moayyed



Ahmed Al Gazzaz

Discovering new opportunities



Committed to excellence

# Operations Department

## Human Resources

The most important differentiator that distinguishes GBCORP from other investment banks is its people. The Bank's experienced board of directors and senior management professionals bring to bear a wealth of banking and finance expertise at a regional and international level, with the professionalism and strategic thinking to leverage the growing global demand for Sharia-compliant investment banking services.

The GBCORP team is characterised by the unique ability to merge international investment excellence and local expertise with an underlying commitment to deliver consistent returns to shareholders and investors. The team is supported by a corporate culture that places the highest value on leadership, professionalism, integrity and honesty, while recognising and rewarding performance.

During 2007, GBCORP was successful in recruiting a number of high-calibre banking professionals to fill key positions. The Bank's team now totals 52 people, and this number is expected to double by the end of 2008 to meet the planned expansion of business activities.

As well as the critical area of recruitment, a number of other important human resources developments took place during the year, reinforcing GBCORP's commitment to adopt internationally recognised HR best practice. These include:

- Approval of the Bank's comprehensive HR policy.
- Development of detailed job descriptions for senior staff.
- Establishing key performance indicators (KPIs) for senior roles.
- Identifying the core competencies required for managers.
- Introduction of an annual performance appraisal system.
- Analysing and prioritising key training needs across the organisation.
- Providing a training and development programme that incorporates in-house workshops and external courses.
- Finalising plans for the introduction of a psychometric assessment centre.

Attracting, developing and retaining the best people in the business will remain a top priority of the Bank. Above all else, it is the Bank's people who will enable GBCORP to achieve its challenging vision and mission, and ultimate business success.

# Corporate Governance

GBCORP is committed to adopting the highest international standards and global best practices in corporate governance. The Bank has put in place a strong corporate governance framework that is designed to protect the interests of all stakeholders, ensure compliance with regulatory requirements, and enhance organisational efficiency.

## Governance Structure

GBCORP has established a robust organisational structure that segregates functions and responsibilities, and reflects a division of roles and responsibilities of the Board of Directors and management. Clear mandates exist for the Board, Chairman of the Board, Board committees, Managing Director, Management committees, Chief Executive and the Management.

## Board of Directors

Details of the Board's constitution, role and responsibilities are included in the Board Charter.

In recognition of the importance of independence and objectivity in the decision making process, the Board shall initially have at least one independent non-executive director, and this number will be increased to one third within the next five years.

## Board Committees

### Nomination, Remuneration and Governance Committee

The Nomination, Remuneration and Governance Committee oversees matters related to the nomination of new directors, assessment of the Board, its committees and directors, as well as the remuneration of directors and senior management. It is also responsible for all corporate governance matters.

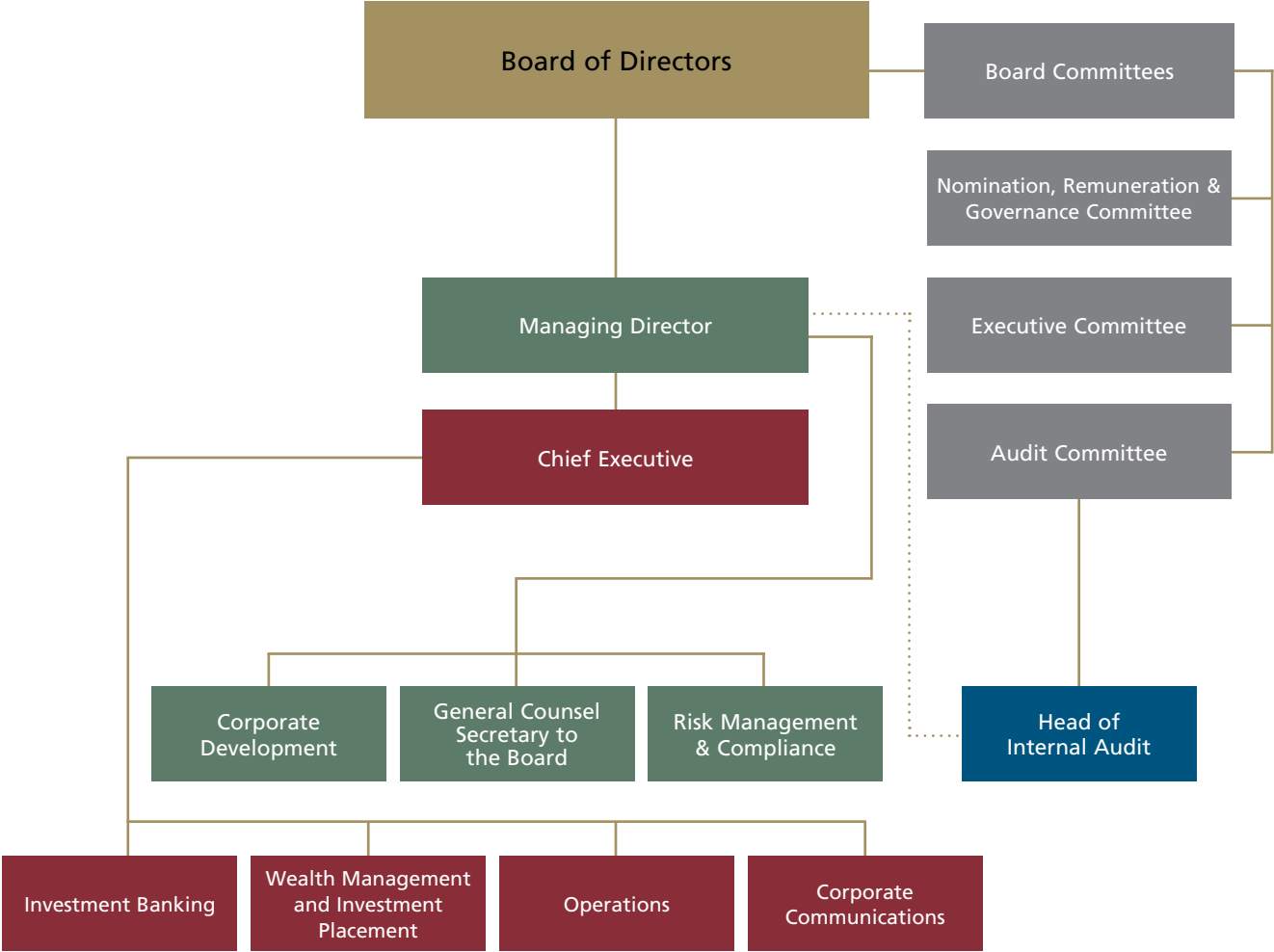
### Executive Committee

The Executive Committee is the principal sub committee of the Board tasked with oversight of the Executive Management, implementation of business plans, taking all important administrative and budgetary decisions, and also approval of all forms of risk, underwritings, direct investments, and new products of the Bank, including but not limited to: real estate, private equity, asset management, advisory services (corporate finance and capital markets), and portfolio management.

### Audit Committee

The Audit Committee is tasked with oversight responsibilities on financial reporting, internal control and risk management, internal audit, external audit, compliance, Shari'a rules and principles and other relevant matters.

# Organisation Chart



## Corporate Governance continued

### Shari'a Supervisory Board

The Shari'a Supervisory Board is responsible for directing, reviewing and supervising the activities of the Bank to ensure that they are in compliance with Islamic Shari'a Rules and Principles.

### Executive Management

Day-to-day management of the Bank is the responsibility of the Chief Executive. The Managing Director has oversight responsibilities over the Executive Management and will have primary responsibility for all control functions as set out in the management organisation chart (Page 27).

### Executive Management Committees

#### Management Committee (MANCOM)

MANCOM is the principal management committee, which is responsible for the day-to-day general oversight of the Bank's business, including but not limited to the following issues: budgetary, strategy, investment, personnel, audit, and compliance.

#### Asset & Liability Management Committee (ALCO)

The primary role of ALCO is to manage the Bank's balance sheet profile and, in the process, manage the liquidity and profit rate risks faced by the Bank. ALCO is chaired by the Chief Executive and comprises the Chief Operating Officer, Heads of Wealth Management and Investment Placement, Investment Banking and Risk Management and Compliance.

#### Risk Management Committee (RMC)

RMC shall act to ensure that GBCORP has an effective risk management framework in place, meets regulatory requirements, and is in line with best practice.

### Strategy

GBCORP's 'Way Forward' strategy is to leverage its regional experience and expertise to establish a strong presence at a global level. The Bank aims to be an investment bridge for its clients by actively facilitating rewarding investment opportunities from within the GCC to emerging markets in the MENA region, Europe and Asia.

### Code of Conduct

GBCORP has developed a Code of Business Conduct that governs the professional and personal behaviour of the directors, management and staff.



## Setting new standards



## The way forward

## Corporate Governance continued

### Compliance

Details of GBCORP's internal control framework are set out in the Compliance Manual. This is designed to ensure that all business is conducted in compliance with applicable laws and regulations as well as internal policies and procedures manuals. The Board of Directors has the overall responsibility for ensuring that all activities of GBCORP are conducted in accordance with, and in full compliance with, applicable laws and regulations. The Board approves and periodically reviews the compliance policies and strategies of the Bank. The pivotal role in this regard is exercised by the Audit Committee of the Board.

### Disclosures

A Disclosure Policy has been developed as part of Bank's commitment to adopt the highest standards of transparency and fairness in disclosing information for the benefit of all stakeholders. GBCORP is committed to disclosing information to the public in a manner consistent with guidelines provided by the Central Bank of Bahrain and in line with Basel II Pillar III requirements.

### Anti-Money Laundering and Combating Financing of Terrorist

GBCORP has adopted detailed policies and procedures in line with the Central Bank of Bahrain directives to combat Money Laundering, Financing of Terrorists and other financial crimes. All staff members are required to undergo training in Anti-Money Laundering and Combating Financing of Terrorist (AML/CFT) procedures at regular intervals. It is a firm policy of the Bank not to permit itself to be directly or indirectly used by any elements for unlawful activities.

### Corporate Communications Policy

GBCORP maintains an effective communications policy that enables both the Board and Management to communicate effectively with its shareholders, stakeholders and the public generally. Main communications channels include the annual general meeting, annual report and accounts, corporate website and corporate brochure, and regular announcements in the appropriate local press. It is the duty of the Board to ensure that the annual general meeting is conducted in an efficient manner and serves as a crucial mechanism in shareholder communications. Shareholders are supplied with comprehensive, timely information, and encouraged to participate actively in the AGM.

# Risk Management

## Introduction

The Board of Directors has overall responsibility for establishing the risk management culture and ensuring that an effective risk management framework exists. The Board has approved the risk management policies of the Bank.

The Board has established a Risk Management Committee (RMC), which is responsible for implementation of risk management policies and ensuring that the monitoring processes are in place. The RMC consists of the Managing Director, the Chief Executive, the Chief Operating Officer, Heads of Wealth Management and Investment Placement, Investment Banking, Financial Control and Risk Management. The RMC reports to the Audit Committee of the Board.

## Risk Management Policies

GBCORP's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The policies also identify approval authorities, reporting requirements and procedures for escalation of risk related issues to Executive Management, the RMC and the Board.

Policies exist to address investment and credit, liquidity, currency, profit rate, operational, legal and regulatory risks along with the capital adequacy requirements.

## Investment and Credit Risk

GBCORP's policy for investment and credit risk management embrace delegated authority limits, geographic concentration limits, sector concentration limits, maximum exposure and counterparty limits.

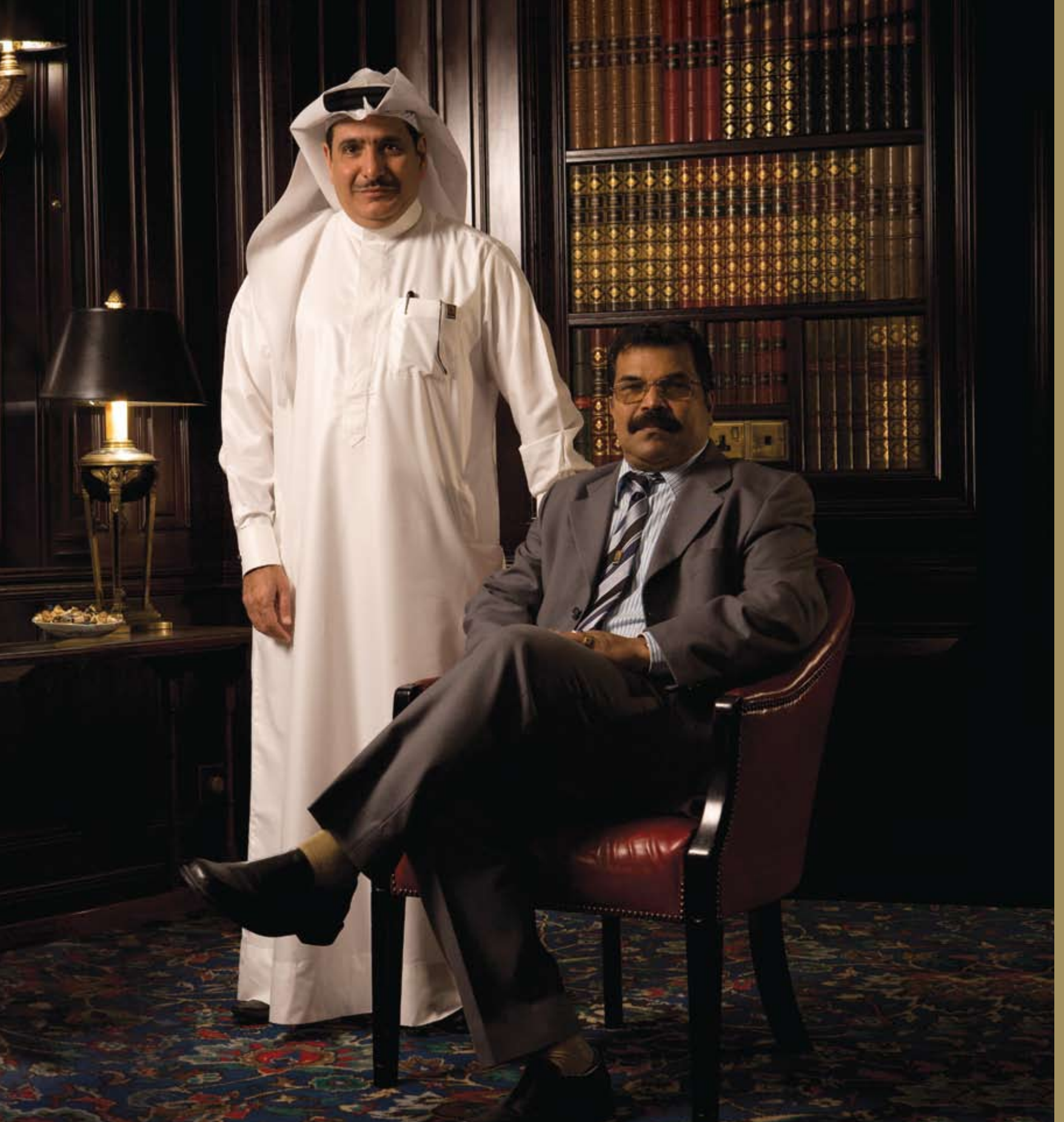
The RMC plays a vital role at all stages of investment by providing an independent review of events and transactions at various stages of the investment deal cycle.

## Liquidity Risk

The Asset and Liability Management Committee (ALCO) has the overall responsibility of managing the balance sheet and liquidity of GBCORP. It is the Bank's policy to manage the maturity of its assets and liabilities to ensure adequate liquidity to meet its obligations as they fall due.

## Currency Risk

GBCORP does not engage in foreign exchange trading. The Bank is not exposed to significant currency risk as it has limited exposure to foreign currencies which are pegged to the US dollar. GBCORP however seeks to manage currency risk by continually monitoring exchange rates.



## Successful measures



Looking beyond the horizon

## Risk Management continued

### Profit Rate Risk

GBCORP's profit rate sensitive assets are mainly balances due from financial institutions. The Bank's exposure to profit rate risk is limited due to the short-term nature of such amounts. The profit rate risk is managed by ALCO by continually monitoring market profit rates.

### Operational Risk

GBCORP seeks to minimise this risk through a framework of policies, procedures and internal controls, to identify, control and manage such risk. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

### Legal and Regulatory Risk

GBCORP manages legal risk through the effective use of legal advisors. The compliance department monitors regulatory compliance and is also responsible for the Bank's anti-money laundering procedures.

### Reputation Risk

The Executive and Senior Management together with the RMC examine issues that could potentially affect GBCORP's reputation and lead to a decline in the investor base or result in costly litigation that could adversely affect the liquidity or capital of the Bank.

### Capital Adequacy

GBCORP's capital adequacy ratio is calculated in accordance with guidelines published by the Central Bank of Bahrain (CBB). At 31 December 2007 there was significant capital adequacy buffer above the minimum capital requirements set by the CBB.

## Summary

GBCORP has made excellent progress during its first six months of operation in 2007. This was marked by strong financial results, significant organisational developments, and early business success.

GBCORP's financial performance was highly impressive for a new financial institution in start-up mode. Total operating income for the period exceeded US\$ 49 million, while net profit was US\$ 35.9 million, representing an annualised return on equity of 55 per cent.

Key organisational developments include the implementation of a strong corporate governance and risk management framework, the establishment of a high-calibre executive management team, and the development of a robust information and communications technology infrastructure.

Early business success was illustrated by the launch of the groundbreaking US\$ 190 million Makkah Hills real estate development project in the Kingdom of Saudi Arabia. This unique project underlines the Bank's core competencies in concept development, structuring and placement.

The excellent achievements of GBCORP in such a short space of time clearly illustrate the unique drive and energy that sets it apart from other investment banks. They also provide a perfect springboard for the Bank's continued growth and development.

A positive economic outlook and strong market fundamentals will provide new opportunities for GBCORP to transcend global boundaries and serve as a unique accelerator for investment from within the GCC to markets in the MENA region, Europe and Asia.

Poised for significant expansion, with an aggressive but structured growth strategy, GBCORP stands on the threshold of a new era in global Islamic investment banking.



Transcending global boundaries

## Report of the Shari'a Supervisory Board

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammed, His Comrades and Relatives.

The Shari'a Supervisory Board of GBCORP has reviewed the Bank's operations for the six months ended 31 December 2007 and found them to be in compliance with the fatwas and rulings issued during the financial year 2007 and compatible with all previously issued fatwas and rulings.

The Board believes that it has expressed its opinion in respect of the activities carried out by GBCORP and it is the responsibility of the management to ensure the implementation of such decisions as is found necessary based on the recommendations mentioned in the report. It is the duty of the Shari'a Supervisory Board to express an independent opinion on the basis of its review of the Bank's operations and to prepare a report about the Bank.

A representative of GBCORP's management has explained and clarified the contents of the balance sheet, income statement and attached notes for the six months financial period ended 31 December 2007 to our satisfaction. The report of the Board has been prepared based on the information provided by the Bank.

The Board is satisfied that the operations and services of the Bank are in compliance with the Glorious Islamic Shari'a.

Peace be to Allah, Lord of the Worlds.

Prayers be upon Prophet Mohammed {Peace Be Upon Him}, all His Family and Companions.

Sheikh Dr. Mohammed Ali Elgari  
Chairman

Sheikh Nizam Mohammed Yaquby  
Member

Sheikh Osama Mohammed Saad Bahar  
Member

# Audited Financial Statements



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# Auditors' Report



REPORT OF THE AUDITORS TO THE SHAREHOLDERS  
GLOBAL BANKING CORPORATION B.S.C. (c)  
Manama, Kingdom of Bahrain

## Report on the financial statements

We have audited the accompanying financial statements of Global Banking Corporation B.S.C.(c) ("the Bank"), which comprise the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity, the statement of cash flows and the statement of changes in restricted investment accounts for the six month period ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

## Responsibility of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are also responsible for the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with both the Auditing Standards for Islamic Financial Institutions and International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and of its financial performance, its cash flows, the changes in its equity and changes in restricted investment accounts for the six months period then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

In addition, in our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007 and of its financial performance and its cash flows for the six months period then ended in accordance with International Financial Reporting Standards.

## Report on other legal and regulatory requirements

In addition, in our opinion, the Bank has maintained proper accounting records and the financial statements are in agreement therewith. We have reviewed the accompanying report of the chairman and confirm that the information contained therein is consistent with the financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001, the Central Bank of Bahrain and Financial Institutions Law 2006, the terms of the Bank's license or its memorandum and articles of association having occurred during the six months period ended 31 December 2007 that might have had a material effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

2 March 2008

# Balance Sheet

as at 31 December 2007

(Expressed in US Dollars)

	Note	31 December 2007
<b>ASSETS</b>		
Cash and bank balances	3	44,785,629
Placements with financial institutions	4	94,239,497
Available-for-sale investment		12,000,000
Receivable from investment banking services		45,144,000
Advance for acquisition of a property	5	13,262,600
Other assets	6	23,472,947
Equipment and capital work-in-progress	7	3,285,348
<b>Total assets</b>		<b>236,190,021</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Investors' funds	8	66,499,932
Accruals and other liabilities	9	8,795,890
<b>Total liabilities</b>		<b>75,295,822</b>
<b>Equity</b>		
Share capital	10	125,000,000
Statutory reserve		3,589,420
Retained earnings		32,304,779
<b>Total equity</b>		<b>160,894,199</b>
<b>Total liabilities and equity</b>		<b>236,190,021</b>
<b>OFF-BALANCE SHEET ITEMS</b>		
Restricted investment accounts (page 45)		158,309,313

The financial statements, which consist of pages 41 to 60, were approved by the Board of Directors on 2 March 2008 and signed on its behalf by:

Saleh Al Ali Al Rashed  
Chairman

A. Rahman Mohammed Al Jasmi  
Vice Chairman & Managing Director

Mark Hanson  
Chief Executive

The accompanying notes 1 to 29 form an integral part of these financial statements.

# Income Statement

for the six months ended 31 December 2007

(Expressed in US Dollars)

	Note	Six months ended 31 December 2007
Income from investment banking services		45,144,000
Placement and arrangement fees		2,095,000
Income from placements with financial institutions		1,988,305
<b>Total income</b>		<b>49,227,305</b>
Staff costs	11	10,315,088
Premises costs		350,488
Marketing and corporate communication expenses		625,292
Pre-operating expenses	12	576,470
Other expenses		1,465,768
<b>Total expenses</b>		<b>13,333,106</b>
<b>Net profit for the period</b>		<b>35,894,199</b>
<b>Earnings per share (US cents)</b>		
Basic	19	28.72

The accompanying notes 1 to 29 form an integral part of these financial statements.

## Statement of Changes in Equity

for the six months ended 31 December 2007

(Expressed in US Dollars)

	Share capital	Statutory reserve	Retained earnings	Total
Share capital introduced	125,000,000	-	-	125,000,000
Net profit for the period	-	-	35,894,199	35,894,199
Total recognised income and expense	-	-	35,894,199	35,894,199
Transfer to statutory reserve	-	3,589,420	(3,589,420)	-
Balance at 31 December 2007	125,000,000	3,589,420	32,304,779	160,894,199

The accompanying notes 1 to 29 form an integral part of these financial statements.

# Statement of Cash Flows

for the six months ended 31 December 2007

(Expressed in US Dollars)

Six months ended  
31 December 2007

## OPERATING ACTIVITIES

Investors' funds received, net	66,499,932
Payments for expenses	(5,249,914)
Short term financing for a project	(10,357,989)
Placement and arrangement fees received	770,000
Income received from placements with financial institutions	1,844,436
Payments for project costs	(906,586)
<b>Cash flows from operating activities</b>	<b>52,599,879</b>

## INVESTING ACTIVITIES

Advance for acquisition of a property	(13,262,600)
Payment for purchase of equipment and capital work-in-progress	(3,312,153)
Purchase of available-for-sale investment	(12,000,000)
Advance for investment in a project promoted by the Bank	(10,000,000)
<b>Cash flows from investing activities</b>	<b>(38,574,753)</b>

## FINANCING ACTIVITIES

Proceeds from issue of ordinary shares	125,000,000
<b>Cash flows from financing activities</b>	<b>125,000,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>139,025,126</b>
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at 31 December 2007</b>	<b>139,025,126</b>

## Cash and cash equivalents comprise:

Cash and bank balances	44,785,629
Placements with financial institutions	94,239,497
	<b>139,025,126</b>

The accompanying notes 1 to 29 form an integral part of these financial statements.

# Statement of Changes in Restricted Investment Accounts

for the six months ended 31 December 2007

(Expressed in US Dollars)

	Balance at 25 June 2007			Movements during the period					Balance at 31 December 2007			
	No of units (000)	Average value per share US\$	Total US\$	Investment US\$	Gross income US\$	Dividends paid US\$	Bank's fees as an agent US\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$	Total % ownership
Makkah Hills' Cayman Islands	-	-	-	66,402,942	96,990	-	-	-	-	-	66,499,932	N/A
Funds accepted under restricted wakala contracts	-	-	-	90,000,000	1,809,381	-	-	-	-	-	91,809,381	N/A
				156,402,942	1,906,371						158,309,313	

The Bank has accepted funds under wakala contracts from financial institutions for short-term financing of the Makkah Hills project. These restricted investment accounts will be settled on full closure of subscriptions received by Makkah Hills - Cayman Islands.

The accompanying notes 1 to 29 form an integral part of these financial statements.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 1. INCORPORATION AND PRINCIPAL ACTIVITY

Global Banking Corporation B.S.C.(c), "the Bank", was incorporated on 25 June 2007 in the Kingdom of Bahrain under Commercial Registration No.65708. The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain.

The Bank's activities are regulated by the Central Bank of Bahrain and supervised by a Shari'a Supervisory Board whose role is defined in the Bank's Memorandum and Articles of Association.

The principal activities of the Bank include investment banking services which comply with Islamic rules and principles according to the opinion of the Bank's Shari'a Supervisory Board.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. This being the first financial reporting period of the Bank, no comparative information has been presented.

### (a) Statement of compliance

The financial statements have been prepared in accordance with both the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and International Financial Reporting Standards (IFRS).

### (b) Basis of preparation

The financial statements are presented in US dollars, being the principal currency of the Bank's operations. They are prepared on the historical cost basis except for the measurement at fair value of available-for-sale investments.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 20.

### (c) Foreign currency transactions

#### (i) Functional and presentation currency

Items included in the financial statements of the Bank are recorded using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in US dollars, which is the Bank's functional and presentation currency since a predominant portion of its transactions are denominated in US dollars.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items measured at fair values and classified as available-for-sale financial assets are included in the available-for-sale investments fair value reserve.

### (d) Available-for-sale investments

#### (i) Classification

Available-for-sale investments are financial assets that are not investments carried at fair value through the income statement or held to maturity. These include investments in unquoted equities.

#### (ii) Measurement

Available-for-sale investments are measured initially at fair value, which is the fair value of the consideration given (in the case of an asset) including transaction costs. Subsequent to initial recognition available-for-sale assets are re-measured to fair value. Available-for-sale investments which do not have a quoted market price or other appropriate methods from which to derive reliable fair values are stated at cost less impairment allowances.

# Notes to the Financial Statements

(Expressed in US Dollars)

## **(iii) Gains and losses on subsequent measurement**

Gains and losses arising from a change in the fair value of available-for-sale investments are recognised in a separate fair value reserve in equity and when the investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the fair value reserve is transferred to the income statement.

## **(iv) Impairment**

The Bank assesses at each balance sheet date whether there is objective evidence that an available-for-sale investment is impaired. A significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not subsequently reversed through the income statement.

## **(e) Placements with financial institutions**

These comprise placements in the form of international commodity murabaha and/or wakala contracts which are stated at cost less impairment allowances.

## **(f) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks with maturities of three months or less when acquired.

## **(g) Equipment**

Equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method to write off the cost of the assets over their estimated useful lives ranging from three to five years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## **(h) Capital work-in-progress**

Capital work-in-progress is carried at cost less impairment allowance, if any. On completion of construction, properties are classified as property and equipment or investment property based on intended usage.

## **(i) Impairment of other assets**

The carrying amount of the Bank's assets, other than available-for-sale investments (refer note 2 (d)), is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

## **(j) Statutory reserve**

The Bahrain Commercial Companies Law 2001 requires that 10 per cent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 per cent of the paid up share capital.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Revenue recognition

Income from investment banking services is recognised when the service is provided and income is earned. This is usually when the Bank has performed all significant acts in connection with the service being provided and it is highly probable that the economic benefits from the transaction will flow to the Bank.

Placement and arrangement fees are recognised as income when earned.

Income from placements with financial institutions is recognised on a time-apportioned basis over the period of the contract using the effective profit method.

Income from investment in sukuk is recognised on a time-apportioned basis over the term of the sukuk.

Income from investments (dividend income) is recognised when the right to receive is established.

### (l) Restricted investment accounts

Restricted investment accounts represent assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a mudaraba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders. The Bank charges a management fee to restricted investment account holders based on agreed contractual terms. Administrative expenses incurred in connection with the management of the funds are borne directly by the Bank and are not charged separately to the restricted investment accounts.

### (m) Earnings prohibited by Shari'a

The Bank is committed to avoiding recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account from which the Bank disburses those funds for charitable purposes.

### (n) Zakah

The Bank is not required to pay zakah on behalf of its shareholders on its undistributed profits. However, the Bank is required to calculate and notify, under a separate report, individual shareholders of their pro-rata share of the zakah payable by them on distributed profits. These calculations are approved by the Bank's Shari'a Supervisory Board.

### (o) Employee benefits

#### (i) Bahraini employees

Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme, which is a "defined contribution scheme" in nature under IAS 19 'Employee Benefits', and to which employees and employers contribute monthly on a fixed-percentage-of-salary basis.

#### (ii) Expatriate employees

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector of 1976, based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the balance sheet date.

### (p) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on trade date, i.e. the date that the Bank contracts to purchase or deliver the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 3. CASH AND BANK BALANCES

	31 December 2007
Cash	2,652
Balances with banks	44,782,977
	<u>44,785,629</u>

## 4. PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2007
Placements through wakala contracts	94,239,497
	<u>94,239,497</u>

## 5. ADVANCE FOR ACQUISITION OF A PROPERTY

Advance for acquisition of a property represents advance payments in respect of the acquisition of a building in the Bahrain Financial Harbour. A substantial portion of the building will be classified as investment property on completion of the acquisition.

## 6. OTHER ASSETS

	31 December 2007
Subscription for investment in a project promoted by the Bank	10,000,000
Short term financing	10,357,989
Placement and arrangement fees receivable	1,325,000
Project costs recoverable	1,047,111
Prepayments and other receivables	742,847
	<u>23,472,947</u>

# Notes to the Financial Statements

(Expressed in US Dollars)

## 7. EQUIPMENT AND CAPITAL WORK-IN-PROGRESS

	Fixtures and equipment	Furniture	Motor vehicles	Total
<b>Cost</b>				
Additions	136,377	12,953	96,540	245,870
At 31 December	136,377	12,953	96,540	245,870
<b>Depreciation</b>				
Charge for the period	19,012	1,051	6,742	26,805
At 31 December	19,012	1,051	6,742	26,805
Net book value	117,365	11,902	89,798	219,065
Capital work-in-progress	-	-	-	3,066,283
<b>Total</b>	<b>117,365</b>	<b>11,902</b>	<b>89,798</b>	<b>3,285,348</b>

## 8. INVESTORS' FUNDS

These represent funds received from investors (restricted investment account holders) in relation to a project promoted by the Bank. The funds are held by the Bank pending utilisation for project purposes.

## 9. ACCRUALS AND OTHER LIABILITIES

	31 December 2007
Employee-related accruals	7,994,323
Payables and other accruals	801,567
	<b>8,795,890</b>

## 10. SHARE CAPITAL

	31 December 2007
<b>Authorised:</b>	
500,000,000 ordinary shares of US\$ 1 each	500,000,000
<b>Issued and subscribed:</b>	
250,000,000 ordinary shares of US\$ 1 each	250,000,000
<b>Paid up:</b>	
250,000,000 ordinary shares partly paid US\$ 0.50 each	125,000,000

# Notes to the Financial Statements

(Expressed in US Dollars)

Details of the shareholders and the number of shares held are as follows:

	No. of shares	% holding
Financial institutions	55,000,000	22%
Corporate and other entities	145,950,000	58%
Individual shareholders	49,050,000	20%

## 11. STAFF COSTS

31 December 2007

Salaries and benefits	10,109,979
Social insurance expenses	75,206
Other staff expenses	129,903
	<u>10,315,088</u>

## 12. PRE-OPERATING EXPENSES

31 December 2007

Recruitment and staff costs	529,280
Professional fees	6,476
Business travel	30,381
Other expenses	10,333
	<u>576,470</u>

The above expenses incurred prior to the incorporation of the Bank were approved by the Board of Directors on 24 June 2007.

## 13. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties include entities over which the Bank exercises significant influence, major shareholders, directors and executive management of the Bank.

The Bank's income from investment banking services is from an entity over which the Bank exercises influence. Although the entity is considered a related party, the Bank administers and manages the entity on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investment.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 13. RELATED PARTY TRANSACTIONS (continued)

The related party transactions and balances included in these financial statements are as follows:

31 December 2007

### Assets

Receivable from investment banking services	45,144,000
Placements with financial institutions	20,285,276
Advance for acquisition of an investment property	13,262,600
Subscription for investment in a project promoted by the Bank	10,000,000
Short term financing	10,357,989
Project costs recoverable	1,047,111
Other receivables	196,926

### Income

Income from investment banking services	45,144,000
---	------------

Details of Directors' interests in the Bank's ordinary shares as at the end of the period were:

Categories*	Number of shares	Number of Directors
Less than 1%	-	-
1% up to less than 5%	-	-
5% up to less than 10%	12,500,000	1
Above 10%	-	-

\* Expressed as a percentage of total outstanding shares of the Bank.

Key management personnel of the Bank comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Bank. The key management personnel compensation is as follows:

31 December 2007

Board remuneration	135,000
Board member fees	54,920
Salaries and other short-term benefits	3,935,816

## 14. ZAKAH

Zakah is directly borne by the shareholders on distributed profits and investors in restricted investment accounts. The Bank does not collect or pay zakah on behalf of its shareholders and investors in restricted investment accounts. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed by the Bank's Shari'a Supervisory Board and notified to shareholders annually. During the period no zakah is payable by the shareholders as the Bank was in operation for a period of six months only.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 15. EARNINGS PROHIBITED BY SHARI'A

During the period, there were no earnings from non-Islamic transactions that are prohibited by Shari'a.

## 16. SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board consists of three Islamic scholars who review the Bank's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Bank to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

## 17. SOCIAL RESPONSIBILITY

The Bank discharges its social responsibilities through donations to charitable causes and organisations.

## 18. PROPOSED APPROPRIATIONS

The Board of Directors proposes the following appropriations subject to the approval of the shareholders at the annual general meeting:

- a) capitalisation of US\$ 31,250,000 (equivalent to US\$ 0.125 per share) to increase the partly paid-up capital from US\$0.50 per share to US\$ 0.625 per share.
- b) remuneration to the Board of Directors of US\$ 1,050,000.

## 19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of equity shares outstanding during the period ended 31 December 2007 as follows:

Profit for the period (US\$)	35,894,199
Weighted average number of equity shares	125,000,000
Basic earnings per share (in US cents)	28.72

## 20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

### (i) Impairment on available-for-sale investments

The Bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment.

### (ii) Special purpose entities

The Bank sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Bank does not consolidate SPE's that it does not have the power to control. In determining whether the Bank has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Bank's ability to make operational decisions for the SPE.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 21. MATURITY PROFILE

The maturity profile of assets and liabilities based on the remaining periods to contractual maturity dates was as follows:-

31 December 2007	Gross undiscounted cash flows					Total	Carrying amount
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years		
<b>Assets</b>							
Cash and bank balances	44,785,629	-	-	-	-	44,785,629	44,785,629
Placements with financial institutions	94,403,637	-	-	-	-	94,403,637	94,239,497
Available-for-sale investment	-	-	-	12,000,000	-	12,000,000	12,000,000
Receivable from investment banking services	-	45,144,000	-	-	-	45,144,000	45,144,000
Advance for acquisition of a property	-	-	-	-	13,262,600	13,262,600	13,262,600
Other assets	23,472,947	-	-	-	-	23,472,947	23,472,947
Equipment and capital work-in-progress	-	-	-	-	3,285,348	3,285,348	3,285,348
<b>Total assets</b>	<b>162,662,213</b>	<b>45,144,000</b>	<b>-</b>	<b>12,000,000</b>	<b>16,547,948</b>	<b>236,354,161</b>	<b>236,190,021</b>
<b>Liabilities</b>							
Investors' funds	66,499,932	-	-	-	-	66,499,932	66,499,932
Accruals and other liabilities	8,744,742	-	-	51,148	-	8,795,890	8,795,890
<b>Total liabilities</b>	<b>75,244,674</b>	<b>-</b>	<b>-</b>	<b>51,148</b>	<b>-</b>	<b>75,295,822</b>	<b>75,295,822</b>
<b>Off-balance sheet items</b>							
Restricted investment accounts	158,309,313	-	-	-	-	158,309,313	158,309,313
Capital commitments	54,176,496	-	-	-	-	54,176,496	54,176,496

Certain balances in the above table will not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 22. CONCENTRATION OF ASSETS, LIABILITIES, UNRESTRICTED AND RESTRICTED INVESTMENT ACCOUNTS

Industry sector

31 December 2007	Banks and financial institutions	Real Estate	Others	Total
<b>Assets</b>				
Cash and bank balances	44,782,977	-	2,652	44,785,629
Placements with financial institutions	94,239,497	-	-	94,239,497
Available-for-sale investment	-	12,000,000	-	12,000,000
Receivable from investment banking services	-	45,144,000	-	45,144,000
Advance for acquisition of a property	-	-	13,262,600	13,262,600
Other assets	-	21,405,100	2,067,847	23,472,947
Equipment and capital work-in-progress	-	-	3,285,348	3,285,348
<b>Total assets</b>	<b>139,022,474</b>	<b>78,549,100</b>	<b>18,618,447</b>	<b>236,190,021</b>
<b>Liabilities</b>				
Investors' funds	-	66,499,932	-	66,499,932
Accruals and other liabilities	-	-	8,795,890	8,795,890
<b>Total liabilities</b>	<b>-</b>	<b>66,499,932</b>	<b>8,795,890</b>	<b>75,295,822</b>
<b>Off-balance sheet items</b>				
Restricted investment accounts	158,309,313	-	-	158,309,313

## 23. COMMITMENTS AND CONTINGENCIES

Capital commitments contracted by the Bank in the normal course of business as at 31 December 2007 amounted to US\$ 54,176,496.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 24. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The classification of the financial instruments of the Bank is as given below:

31 December 2007	Available-for-sale	Loans and receivables	Others at amortised cost	Total
<b>Assets</b>				
Cash and bank balances	-	44,785,629	-	44,785,629
Placements with financial institutions	-	94,239,497	-	94,239,497
Available-for-sale investment	12,000,000	-	-	12,000,000
Receivable from investment banking services	-	45,144,000	-	45,144,000
Advance for acquisition of a property	-	13,262,600	-	13,262,600
Other assets	-	23,472,947	-	23,472,947
<b>Total financial assets</b>	<b>12,000,000</b>	<b>220,904,673</b>	<b>-</b>	<b>232,904,673</b>
<b>Liabilities</b>				
Investors' funds	-	-	66,499,932	66,499,932
Accruals and other liabilities	-	-	8,795,890	8,795,890
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>75,295,822</b>	<b>75,295,822</b>

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Other than the available-for-sale investment of US\$ 12,000,000 carried at cost, the estimated fair values of the Bank's other financial instruments are not significantly different from their book values.

The available-for-sale investment is carried at cost in the absence of a reliable measure of fair value.

## 26. FINANCIAL RISK MANAGEMENT

The principal risks associated with the Bank's business are credit risk, market risk, liquidity risk and operational risk. The Bank has a comprehensive risk management framework in place for managing these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments.

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO), which is responsible for developing and monitoring risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

# Notes to the Financial Statements

(Expressed in US Dollars)

The Risk Management Department is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The principal risks associated with the Bank's business and the related risk management processes are commented on as follows:-

## Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the placements with financial institutions, receivables and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

## Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the ALCO which is also responsible for oversight of the limits and guidelines set by the Board and ALCO.

The Risk Management Department (RMD) works alongside the Investment Department at all stages of the deal cycle, from pre-investment due diligence to exit, and conducts an independent review of every transaction. The Bank uses a risk grading system in determining where impairment provisions may be required against specific investment or credit exposures. The current risk grading framework consists of two broad grades "Unimpaired" and "Impaired", reflecting risk of default and the availability of collateral or other credit risk mitigation. Risk is assessed on an individual basis for each investment or receivable and is reviewed at least once a year. The Bank does not perform a collective assessment of impairment for its investment and credit exposures as the credit characteristics of each exposure is considered to be different. The responsibility for setting risk grades lies with the final approving authority as appropriate. Risk grades are subject to regular reviews by RMD.

## Maximum credit exposure

The maximum credit risk exposure has been disclosed below:

31 December 2007	Bank balances	Placements with financial institutions	Available -for-sale investment	Receivable from investment banking services	Advance for acquisition of a property	Other assets
Total carrying amount (all GCC countries)	44,782,977	94,239,497	12,000,000	45,144,000	13,262,600	23,472,947

The Bank's credit risk on bank balances and placements with financial institutions is limited as these are placed with banks in Bahrain having good credit ratings. The other credit exposures have been evaluated on a case-by-case basis and the management has assessed that the exposures are currently performing and not impaired. The Bank has not obtained collateral of any kind against its credit exposures and did not have any past due or impaired balances as at 31 December 2007.

## Market Risk

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The different types of risks with exposures, objectives, policies and processes to manage the risk have been detailed hereunder.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 26. FINANCIAL RISK MANAGEMENT (continued)

### Profit rate risk

Profit rate risk arises due to differences in timing of re-pricing of the Bank's assets and liabilities. The Bank's profit rate sensitive assets are mainly placements with financial institutions. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for re-pricing bands. The effective profit rate on the placements with financial institutions during the period was 5.13%.

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide. An analysis of the Bank's sensitivity to an increase or decrease in market financing rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	100 bps parallel increase / decrease
At 31 December 2007	± 430,512
Average for the period	± 490,479
Maximum for the period	± 575,084
Minimum for the period	± 430,512

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's major exposure is in GCC currencies, which are primarily pegged to the US dollar. The Bank does not have significant net exposures denominated in other foreign currencies as at 31 December 2007.

### Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk is the financial risk that a bank is exposed to if its credit rating falls; it experiences sudden and unexpected cash flows; its counterparties avoid trading or lending to it; and/or the markets on which it depends are subject to loss of liquidity.

### Management of liquidity risk

The Board of Directors approves significant policies and strategies related to the management of liquidity. The Management reviews the liquidity profile of the Bank on a regular basis and any material change in the Bank's current or prospective liquidity position is notified to the Board.

The ALCO supports the Board in managing liquidity by recommending policies, setting limits and guidelines and monitoring the risk and liquidity profile of the Bank on a regular basis. The ALCO provides guidance for day-to-day management of liquidity, oversees the establishment of effective internal controls and ensures that the Bank has adequate liquidity at all times.

The day-to-day management of the Bank's liquidity is the responsibility of the Liquidity Management Department. The Department ensures that adequate funds are available to meet the maturing obligations and growth in assets while cost is minimised. The Department ensures that all limits and guidelines set by the Board and ALCO are complied with and any adverse development is reported to the ALCO. The Department also obtains the required exceptional approvals when required as per this policy and manages the relationship with other banks and financial institutions.

The Risk Management Department reviews the limits set on an ongoing basis and ensures that the concerned department is complying with all limits set as per this policy. The Department ensures that any adverse development is reported to the people concerned. Whenever exceptional approvals are required, they are first subject to the review and approval of the Risk Management Department.

# Notes to the Financial Statements

(Expressed in US Dollars)

## Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk of liquid assets is assessment of the net funding requirements. For this purpose liquid assets include cash and cash equivalents and placements with financial institutions for which there is an active and liquid market. A similar, but not identical, calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's lead regulator, the Central Bank of Bahrain. Furthermore, the Bank ensures that it has obtained approved lines of credit from financial institutions prior to execution of transactions relating to financial commitments.

## Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human error which can result in financial and reputation loss, and legal and regulatory consequences. The Bank manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. In addition the Bank is committed to the training of its staff. The Bank is currently undertaking an operational risk assessment across all divisions in preparation for the implementation of the Basel II Capital Accord as mandated by the Central Bank of Bahrain.

## 27. CAPITAL MANAGEMENT

The Bank's regulator, the Central Bank of Bahrain (CBB), sets and monitors the capital requirements for the Bank.

In applying current capital requirements, the CBB requires the Bank to maintain a prescribed minimum ratio of total regulatory capital to total risk weighted assets. The CBB's minimum risk asset ratio is 12 per cent compared to the minimum ratio of 8 per cent prescribed by the Basel Committee on Banking Supervision. Under the CBB's guidelines, GCC governments and GCC government-owned companies are accorded preferential risk weightings of 0 per cent and 20 per cent respectively. For the purpose of calculating the capital adequacy ratio, the risk weighted assets of the Bank consist of the sum of the risk weighted assets financed by the Bank's own capital and liabilities and 50 per cent of the risk weighted assets financed by the Bank's Profit Sharing Investment Accounts (PSIAs). This applies to unrestricted PSIAs that are accounted for on the Bank's balance sheet and restricted PSIAs that are accounted for off the balance sheet of the Bank.

The Bank's regulatory capital is analysed into two tiers:-

### Tier 1 core capital consists of:

- permanent share capital and disclosed reserves in the form of legal, general and other reserves created by appropriations of retained earnings, share premium, capital redemption reserves and other surpluses (as shown in its balance sheet), but excluding revaluation reserves and prudential reserves (profit equalisation reserve and investment risk reserve);
- minority interests, arising on consolidation, in the equity of subsidiaries that are less than wholly owned; minus
- goodwill;
- current year's cumulative net losses which have been reviewed by the external auditors.

### Tier 2 supplementary capital consists of:

- interim retained profits reviewed by the external auditors;
- asset revaluation reserves;
- general provisions held against future, presently unidentified losses; and
- profit equalisation reserve and investment risk reserve up to a maximum amount equal to the capital charge (i.e. 12 per cent) pertaining to the 50 per cent risk weighted assets financed by unrestricted and restricted investment account holders.

The CBB applies various limits to elements of the capital base. The amount of innovative Tier 1 securities cannot exceed 15 per cent of total Tier 1 capital; qualifying Tier 2 capital cannot exceed Tier 1 capital; and qualifying subordinated term finance cannot exceed 50 per cent of Tier 1 capital. There are also restrictions on the amount of collective impairment provisions that may be included as part of Tier 2 capital. Collective impairment provisions cannot exceed 1.25 per cent of total risk weighted assets.

# Notes to the Financial Statements

(Expressed in US Dollars)

## 27. CAPITAL MANAGEMENT (continued)

The Bank's policy is to carry a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend payout, and the issue of new shares, subordinated term finance, and innovative Tier 1 capital securities.

The Bank has complied with all externally imposed capital requirements throughout the period ended 31 December 2007. There has been no material change in the Bank's management of capital during the period ended 31 December 2007.

## 28. CAPITAL ADEQUACY

The Bank's regulatory capital position as at 31 December 2007 was as follows:

Capital adequacy	31 December 2007
Total risk weighted assets	171,833,890
Tier 1 capital	
– Share capital	125,000,000
– Statutory reserve	3,589,420
– Retained earnings	32,304,779
Total Tier 1 capital	160,894,199
Tier 2 capital	-
Total regulatory capital	160,894,199
Total regulatory capital expressed as a percentage of total risk weighted assets	93.63%

## 29. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

During the period, the following new or amended IFRS standards and interpretations relevant to the activities of the Bank were issued which are not yet mandatory for adoption by the Bank:

- IAS 1 - Presentation of Financial Statements (effective for the annual period beginning on or after 1 January 2009);
- IAS 23 - Borrowing Costs (effective for the annual period beginning on or after 1 January 2009);
- IFRS 8 - Operating Segments (effective for the annual period beginning on or after 1 January 2009);
- IFRIC 11, IFRS 2 - Group and Treasury Shares Transactions (effective for the annual period beginning on or after 1 March 2007); and
- IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for the annual period beginning on or after 1 January 2009).

The adoption of these standards and interpretations are not expected to have a material impact on these financial statements.