

GLOBAL BANKING CORPORATION B.S.C. (c)

INTERIM FINANCIAL INFORMATION

31 MARCH 2011

| | |
|--------------------------|--|
| Commercial Registration: | 65708 |
| Central Bank License: | Wholesale Islamic Bank |
| Registered Office: | Building 1411, Road 4626, Manama / Sea front 346 Bahrain Financial Harbour District Kingdom of Bahrain Telephone + 973 17200200 |
| Directors: | Saleh Al Ali Al Rashed, <i>Chairman</i> A. Rahman M. Al-Jasmi, <i>Vice Chairman & Managing Director</i> Talal Al Mutawa Salah Saleh Asheer Khalid Al Ankary Fady Bakhos Terry A. Newendorp |
| Corporate Secretary: | Dr. Raid Al-Zude |
| Auditors: | KPMG |

INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011

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Independent auditor's report on review of interim financial information

To

The Board of Directors
Global Banking Corporation B.S.C. (c)
Kingdom of Bahrain

12 May 2011

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Global Banking Corporation BSC (c) (the "Bank") and its subsidiaries (together the "Group") as at 31 March 2011, and the related condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the three-month period then ended (the "interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

US\$ 000's

| | Note | 31 March 2011 (reviewed) | 31 December 2010 (audited) |
|--|------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and bank balances | | 53 | 45 |
| Placements with financial and other institutions | | 29,241 | 39,312 |
| Investment securities | 5 | 61,427 | 64,411 |
| Investment property | 6 | 48,739 | 49,052 |
| Investment in joint ventures | | 1,392 | 1,438 |
| Property and equipment | | 19,688 | 20,365 |
| Other assets | 7 | 6,673 | 6,765 |
| Total assets | | 167,213 | 181,388 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Investors' funds | | 3,127 | 7,479 |
| Bank financing | 8 | 13,264 | 16,584 |
| Accruals and other liabilities | | 2,336 | 2,076 |
| Total liabilities | | 18,727 | 26,139 |
| Equity | | | |
| Share capital | | 200,000 | 200,000 |
| Statutory reserve | | 5,801 | 5,801 |
| Accumulated losses | | (57,599) | (50,860) |
| Total equity attributable to shareholders of the Bank | | 148,202 | 154,941 |
| Non-controlling interest | | 284 | 308 |
| Total equity (page 4) | | 148,486 | 155,249 |
| Total liabilities and equity | | 167,213 | 181,388 |

The interim financial information, which consists of pages 2 to 11, was approved by the Board of Directors on 12 May 2011 and signed on its behalf by:

Saleh Al Ali Al Rashed
 Chairman

A. Rahman M. Al Jasmi
 Vice Chairman & Managing Director

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2011

US\$ 000's

| | Three months ended 31 March 2011 (reviewed) | Three months ended 31 March 2010 (reviewed) |
|--|--|--|
| Income from placements with financial and other institutions | 84 | 80 |
| (Loss) / income from investment securities | (281) | 522 |
| Rental income from investment property | 666 | 1,035 |
| Share of (loss) / profit from joint ventures | (46) | 49 |
| Other income | 260 | 161 |
| Total income | 683 | 1,847 |
| Staff cost | 1,877 | 2,134 |
| Professional and travel expenses | 536 | 329 |
| Marketing & corporate communication expenses | 94 | 155 |
| Finance expense | 164 | 297 |
| Depreciation and amortisation | 1,105 | 1,190 |
| Other operating expenses | 670 | 704 |
| Total expenses | 4,446 | 4,809 |
| Loss for the period before impairment allowances | (3,763) | (2,962) |
| Impairment allowances | 3,000 | - |
| Loss for the period | (6,763) | (2,962) |
| Attributable to: | | |
| Equity holders of the Bank | (6,739) | (2,957) |
| Non-controlling interest | (24) | (5) |
| | (6,763) | (2,962) |

The interim financial information consists of pages 2 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2011

US\$ 000's

| | Attributable to shareholders of the Bank | | | | Non-controlling interest | Total |
|---------------------|--|-------------------|--------------------|---------|--------------------------|---------|
| | Share capital | Statutory reserve | Accumulated losses | Total | | |
| 2011 (reviewed) | | | | | | |
| At 1 January 2011 | 200,000 | 5,801 | (50,860) | 154,941 | 308 | 155,249 |
| Loss for the period | - | - | (6,739) | (6,739) | (24) | (6,763) |
| At 31 March 2011 | 200,000 | 5,801 | (57,599) | 148,202 | 284 | 148,486 |

| | Attributable to shareholders of the Bank | | | | Non-controlling interest | Total |
|---------------------|--|-------------------|--------------------|---------|--------------------------|---------|
| | Share capital | Statutory reserve | Accumulated losses | Total | | |
| 2010 (reviewed) | | | | | | |
| At 1 January 2010 | 173,750 | 5,801 | (18,388) | 161,163 | 372 | 161,535 |
| Loss for the period | - | - | (2,957) | (2,957) | (5) | (2,962) |
| At 31 March 2010 | 173,750 | 5,801 | (21,345) | 158,206 | 367 | 158,573 |

The interim financial information consists of pages 2 to 11.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2011

US Dollars

| | 31 March 2011 (reviewed) | 31 March 2010 (reviewed) |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Investors' funds received | - | 204 |
| Investors' funds paid | (4,352) | - |
| Rental income from investment property received | 830 | 733 |
| Payments for expenses and project costs | (3,511) | (3,769) |
| Security deposit received | 68 | - |
| Other income received | 311 | - |
| Income from placements with financial institutions received | 84 | 91 |
| Cash flows from operating activities | (6,570) | (2,741) |
| INVESTING ACTIVITIES | | |
| Payments for acquisition of property and equipment | (9) | (246) |
| Advance for purchase of investment securities | - | (11,254) |
| Investment in an joint venture | - | (133) |
| Cash flows from investing activities | (9) | (11,633) |
| FINANCING ACTIVITIES | | |
| Bank financing repaid | (3,359) | (3,326) |
| Finance cost paid | (125) | (288) |
| Cash flows from financing activities | (3,484) | (3,614) |
| Decrease in cash and cash equivalents | (10,063) | (17,988) |
| Cash and cash equivalents at beginning of the period | 39,357 | 44,623 |
| Cash and cash equivalents at end of the period | 29,294 | 26,635 |
| Represented by: | | |
| Cash and bank balances | 53 | 33 |
| Placements with financial and other institutions | 29,241 | 26,602 |
| | 29,294 | 26,635 |

The interim financial information consists of pages 2 to 11.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2011

2011 (reviewed)

| Balance at 1 January 2011 | | | Movements during the period | | | | | Balance 31 March 2011 | | | |
|---------------------------|------------------------------|------------|-----------------------------|-------------------|---------------------|------------------------------|------------------------------|-----------------------|------------------------------|------------|-------------------|
| 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 |
| - | - | 190,000 | - | - | - | - | - | - | - | 190,000 | N/A |
| | | 190,000 | - | - | - | - | - | | | 190,000 | |

Makkah Hills – Cayman Islands

2010 (reviewed)

| Balance at 1 January 2010 | | | Movements during the period | | | | | Balance 31 March 2010 | | | |
|---------------------------|------------------------------|------------|-----------------------------|-------------------|---------------------|------------------------------|------------------------------|-----------------------|------------------------------|------------|-------------------|
| 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 |
| - | - | 190,000 | - | - | - | - | - | - | - | 190,000 | N/A |
| | | 190,000 | - | - | - | - | - | | | 190,000 | |

Makkah Hills – Cayman Islands

The interim financial information consists of pages 2 to 11.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011**

1 REPORTING ENTITY

The interim financial information for the three months ended 31 March 2011 comprise the financial information of Global Banking Corporation BSC (c) (the "Bank") and its subsidiaries (together referred to as "the Group").

2 BASIS OF PREPARATION

The interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the Central Bank of Bahrain ('CBB') Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standard. Accordingly, the interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'.

The interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended 31 December 2010.

Accounting policies

Except for changes resulting from the adoption of FAS 25 '*Investment in sukuk, shares and similar instruments*' and Statement of Financial Accounting No.1 '*Conceptual framework for the financial reporting by Islamic financial institutions*' (SFA 1) the accounting policies and methods of computation applied by the Group in the preparation of the interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2010. The Group's financial risk management objectives and policies are consistent with that disclosed in the audited consolidated financial statements and as at and for the year ended 31 December 2010.

a) SFA 1: Conceptual framework for the financial reporting by Islamic financial institutions

The revised conceptual framework for *Financial Reporting by Islamic Financial Institutions* was issued on 22 July 2010 and is effective from 1 January 2011 on a prospective basis and supersedes the previous SFA 1 and SFA 2. The conceptual framework has been amended to primarily reflect the following:

- Widening the scope of the framework to a broader spectrum of entities rather than limiting it to only Islamic financial institutions;
- Clarify elements of financial statements and definitions of investment accounts;
- Provide overall criteria and framework for determination of on and off balance sheet accounts; and
- Changes in terminology and editorial amendments to provide more consistency in understanding of key concepts.

The amended framework introduces and emphasises the generally accepted concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as legal form.

The revised conceptual framework has a pervasive impact on financial reporting. However, this has not resulted in any material changes to the accounting policies and the financial statements of the Group.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011**

2 *Basis of preparation (continued)*

b) *FAS 25 'Investment in sukuk, shares and similar instruments'*

FAS 25 was issued in July 2010 and replaced FAS 17 'Investments'. FAS 25 retains and simplifies the mixed measurement model and establishes two measurement categories for investments: amortised cost and fair value. The standard requires each investment to be first segregated as either debt-type or equity type instruments, and the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the investment. For equity-type investments, an irrevocable election can be made at initial recognition, to recognise unrealised fair value gains and losses through equity rather than through the income statement. Reclassification between categories is not permitted. The guidance in FAS 17 on 'investment in real estate' continues to apply. The new standard requires retroactive application.

The Group has adopted the revised FAS 25 on its required application date 1 January 2011. The retroactive adoption of this standard did not result in any impact on the income statement and equity of the previous period.

On the date of application, the classification and categorisation of investments has been reassessed based on the facts and circumstances on that date. The adoption of the standard resulted in similar measurement categorisation of investment securities (note 5) in the statement of financial position and hence there was no material impact on the consolidated financial statements.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2010.

- 3 The interim financial information is not audited but has been reviewed by KPMG. The corresponding figures for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2010. The corresponding figures for the condensed consolidated statements of income, comprehensive income, cash flows, changes in equity and changes in restricted investment accounts have been extracted from the reviewed interim financial information for the three months ended 31 March 2010.
- 4 Due to the nature of the Bank's business, the results reported in this interim financial information may not represent a proportionate share of the overall annual results.

5 **INVESTMENT SECURITIES**

| | 31 March 2011 (reviewed) US\$ 000's | 31 December 2010 (audited) US\$ 000's |
|---|--|--|
| Equity type instruments: | | |
| <i>Fair value through income statement:</i> | | |
| - Trading securities (listed) | 291 | 276 |
| - Investment in managed funds | 4,837 | 5,133 |
| <i>Fair value through equity:</i> | | |
| - Unquoted equity securities (cost) | 56,299 | 59,002 |
| | 61,427 | 64,411 |

Unquoted equity securities are carried at cost in the absence of reliable measure of fair value.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011

6 INVESTMENT PROPERTY

Investment property comprises the portion of land and building attributable to property that is let out under operating leases. Depreciation on the building component of the investment property is charged to the income statement on a straight line basis over its estimated useful life of 30 years. Land is not depreciated.

7 OTHER ASSETS

| | 31 March 2011 (reviewed) US\$ 000's | 31 December 2010 (audited) US\$ 000's |
|-------------------------------------|--|--|
| Prepayment for car park spaces | 4,598 | 4,736 |
| Computer software and licenses, net | 332 | 439 |
| Project costs recoverable | 491 | 420 |
| Prepayments and other receivables | 1,252 | 1,170 |
| | 6,673 | 6,765 |

8 BANK FINANCING

Bank financing comprise murabaha financing obtained from a financial institution in 2008 for the acquisition of a property (refer note 6). The financing carries a profit rate of 2.50% over the bench mark rate (BIBOR) and is repayable in quarterly instalments over 4 years. The financing is secured by mortgage on both land and building and assignment of rent from the property.

9 Appropriations of net profit, if any, are made only at the year end.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011

10 RELATED PARTY TRANSACTIONS

The significant related party balances and transactions (excluding compensation to key management personnel) included in these interim financial information are as follows:

| | Joint venture (US\$ 000's) | Significant shareholders / entities in which directors are interested (US\$ 000's) | Assets under management including special purpose entities (US\$ 000's) | Total (US\$ 000's) |
|--|-------------------------------|---|---|-----------------------|
| 31 March 2011 | | | | |
| Assets | | | | |
| Investment in joint ventures | 1,392 | - | - | 1,392 |
| Investment securities | - | - | 50,787 | 50,787 |
| Other assets | 164 | - | 190 | 354 |
| Liabilities | | | | |
| Investors' funds | - | - | 3,127 | 3,127 |
| Income | | | | |
| Rental income from investment property | 93 | - | 58 | 151 |
| Share of loss from joint ventures | (46) | - | - | (46) |
| Utility recovery | 9 | - | 6 | 15 |
| Expenses | | | | |
| Impairment allowances | - | - | 3,000 | 3,000 |

| | Joint venture (US\$ 000's) | Significant shareholders / entities in which directors are interested (US\$ 000's) | Assets under management including special purpose entities (US\$ 000's) | Total (US\$ 000's) |
|--|-------------------------------|---|---|-----------------------|
| 31 December 2010 (audited) | | | | |
| Assets | | | | |
| Investment in joint ventures | 1,438 | - | - | 1,438 |
| Investment securities | - | - | 55,491 | 55,491 |
| Other assets | 115 | - | 129 | 244 |
| Liabilities | | | | |
| Investors' funds | - | - | 7,479 | 7,479 |
| Accruals and other liabilities | - | - | 15 | 15 |
| 31 March 2010 (reviewed) | | | | |
| Income | | | | |
| Rental income from investment property | - | 218 | 58 | 276 |

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2011

11 OPERATING SEGMENT

The Group primarily operates as an investment bank and also undertakes real estate and property management activity whose revenue and results are reported separately to the 'chief operating decision maker' in order to assess performance and allocate resources.

The segment information provided to the 'chief operating decision maker' for the reportable segments for the three months ended 31 March 2011 is as follows:

| | Investment banking US\$ 000's | Property management US\$ 000's | Unallocated US\$ 000's | Total US\$ 000's |
|-------------------------------------|---|--|----------------------------------|----------------------------|
| 31 March 2011 (reviewed) | | | | |
| External revenue | (149) | 750 | 82 | 683 |
| Segment result | (5,864) | 89 | (988) | (6,763) |
| Segment assets | 63,309 | 54,037 | 49,867 | 167,213 |
| Segment liabilities | 3,358 | 13,440 | 1,929 | 18,727 |
| <u>Other material items:</u> | | | | |
| Finance income | - | - | 84 | 84 |
| Finance expenses | - | 158 | 6 | 164 |
| Depreciation and amortisation | - | 313 | 792 | 1,105 |
| Impairment allowance | 3,000 | - | - | 3,000 |
| Restricted investment accounts | 190,000 | - | - | 190,000 |

| | Investment banking US\$ 000's | Property management US\$ 000's | Unallocated US\$ 000's | Total US\$ 000's |
|-------------------------------------|---|--|----------------------------------|----------------------------|
| 31 March 2010 (reviewed) | | | | |
| External revenue | 522 | 967 | 358 | 1,847 |
| Segment result | (1,907) | (21) | (1,034) | (2,962) |
| 31 December 2010 (audited) | | | | |
| Segment assets | 66,268 | 49,755 | 65,365 | 181,388 |
| Segment liabilities | 7,603 | 16,763 | 1,773 | 26,139 |
| <u>Other material items:</u> | | | | |
| Finance income | - | - | 80 | 80 |
| Finance expense | - | 286 | 11 | 297 |
| Depreciation and amortisation | - | 313 | 877 | 1,190 |
| Restricted investment accounts | 190,000 | - | - | 190,000 |

12 Comparatives

The comparative figures for the previous period have been regrouped, where necessary in order to conform to the current period's preparation. Such regrouping has no impact on the Group's previously reported results or equity.