

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

INTERIM FINANCIAL INFORMATION

30 SEPTEMBER 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</i> Talal Al Mutawa Salah Saleh Asheer Khalid Al Ankary Fady Bakhos Terry A. Newendorp
Chief Executive Officer:	Oscar Silva
Corporate Secretary:	Dr. Raid Al-Zude
Auditors:	KPMG Fakhro, Bahrain

INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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

24 November 2011

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Global Banking Corporation B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group") as at 30 September 2011, and the related condensed consolidated statements of income, changes in owners' equity, cash flows and changes in restricted investment accounts for the nine-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 30 September 2011

US\$ 000's

	Note	30 September 2011 (reviewed)	31 December 2010 (audited)
ASSETS			
Cash and bank balances		69	45
Placements with financial institutions		17,790	39,312
Investment securities	5	62,463	64,411
Investment property	6	48,113	49,052
Investment in joint ventures		1,169	1,438
Property and equipment		18,445	20,365
Other assets	7	6,202	6,765
Total assets		154,251	181,388
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Investors' funds		3,135	7,479
Bank financing	8	6,638	16,584
Accruals and other liabilities		5,869	2,076
Total liabilities		15,642	26,139
Owners' equity			
Share capital		200,000	200,000
Statutory reserve		5,801	5,801
Accumulated losses		(67,420)	(50,860)
Total equity attributable to shareholders of the Bank		138,381	154,941
Non-controlling interests		228	308
Total owners' equity (page 4)		138,609	155,249
Total liabilities and owners' equity		154,251	181,388

The interim financial information, which consists of pages 2 to 12, was approved by the Board of Directors on 27 October 2011 and signed on its behalf by:


 Saleh Al Ali Al Rashed
 Chairman


 A. Rahman M. Al Jasmi
 Vice Chairman

CONDENSED CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2011

US\$ 000's

	Nine months ended		Three months ended	
	30 September 2011 (reviewed)	30 September 2010 (reviewed)	30 September 2011 (reviewed)	30 September 2010 (reviewed)
Income from investment banking services	502	-	502	-
Income from placements with financial institutions	204	281	54	125
(Loss) / income from investment securities	(467)	659	(385)	927
Rental income from investment property	1,904	2,610	625	806
Share of (loss) / profit of joint ventures	(268)	400	(134)	138
Other income	775	1,012	248	417
Total income	2,650	4,962	910	2,413
Staff cost	5,900	6,031	1,846	1,973
Professional and travel expenses	1,782	1,496	474	366
Marketing & corporate communication expenses	276	502	47	125
Finance expense	399	796	102	238
Depreciation and amortisation	3,261	3,205	1,053	1,089
Other operating expenses	2,172	2,524	773	812
Total expenses	13,790	14,554	4,295	4,603
Loss for the period before impairment allowances	(11,140)	(9,592)	(3,385)	(2,190)
Impairment allowances	(5,500)	(3,500)	-	-
Loss for the period	(16,640)	(13,092)	(3,385)	(2,190)
Attributable to:				
Shareholders of the Bank	(16,560)	(13,058)	(3,361)	(2,174)
Non-controlling interests	(80)	(34)	(24)	(16)
	(16,640)	(13,092)	(3,385)	(2,190)

The interim financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

for the nine months ended 30 September 2011

US\$ 000's

2011 (reviewed)

	Attributable to shareholders of the Bank				Non-controlling interests	Total owners' equity
	Share capital	Statutory reserve	Accumulated losses	Total		
At 1 January 2011	200,000	5,801	(50,860)	154,941	308	155,249
Loss for the period (page 3)	-	-	(16,560)	(16,560)	(80)	(16,640)
At 30 September 2011	200,000	5,801	(67,420)	138,381	228	138,609

2010 (reviewed)

	Attributable to shareholders of the Bank				Non-controlling interests	Total owners' equity
	Share capital	Statutory reserve	Funds received towards capital calls	Accumulated losses		
Balance at 1 January 2010	173,750	5,801	-	(18,388)	372	161,535
Loss for the period (page 3)	-	-	-	(13,058)	(34)	(13,092)
Funds received towards capital calls	-	-	18,625	-	-	18,625
Balance at 30 September 2010	173,750	5,801	18,625	(31,446)	338	167,068

The interim financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2011

US\$ 000's

	Nine months ended 30 September 2011 (reviewed)	Nine months ended 30 September 2010 (reviewed)
OPERATING ACTIVITIES		
Income received from investment banking services	502	-
Investors' funds received	14	4,620
Investors' funds paid	(4,358)	-
Rental income from investment property received	1,867	2,364
Payments for expenses and project costs	(10,111)	(10,993)
Security deposit received	171	-
Other income received	759	-
Income received from placements with financial institutions	204	307
Cash flows used in operating activities	(10,952)	(3,702)
INVESTING ACTIVITIES		
Payments for acquisition of property and equipment	(83)	(462)
Dividends received	15	14
Investment in joint ventures	(133)	(1,185)
Purchase of investment securities	-	(11,642)
Cash flows used in investing activities	(201)	(13,275)
FINANCING ACTIVITIES		
Bank financing repaid	(9,961)	(9,845)
Finance cost paid	(384)	(869)
Funds received towards capital calls	-	18,625
Cash flows (used in) / generated from financing activities	(10,345)	7,911
Decrease in cash and cash equivalents	(21,498)	(9,066)
Cash and cash equivalents at beginning of the period	39,357	44,623
Cash and cash equivalents at end of the period	17,859	35,557
Represented by:		
Cash and bank balances	69	32
Placements with financial institutions	17,790	35,525
	17,859	35,557

The interim financial information consists of pages 2 to 12.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2011

Balance at 1 January 2011		Movements during the period					Balance 30 September 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

Balance at 1 January 2010		Movements during the period					Balance 30 September 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 12.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011**

1 REPORTING ENTITY

The interim financial information for the nine months ended 30 September 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 Group 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.

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, transactions 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 nine months ended 30 September 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 (other than impairment) through equity rather than through the income statement. Equity investments at fair value through equity are assessed for impairment if any. Impairment losses are recognised in the income statement. For debt-type investments, based on the cash flow characteristics of the investments, an election can be made at initial recognition to measure the instruments at either amortised cost or fair value. 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 condensed consolidated statement of financial position and hence there was no material impact on the interim financial information.

Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial information, except for the changes discussed in note 2 (b) above, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited financial statements for the year ended 31 December 2010.

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 comparatives 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 comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity and changes in restricted investment accounts have been extracted from the reviewed interim financial information for the nine months ended 30 September 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011

5 INVESTMENT SECURITIES

	30 September 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)	274	276
- Investment in managed funds	4,653	5,133
<i>Fair value through equity:</i>		
- Unquoted equity securities (at cost)	57,536	59,002
	62,463	64,411

Unquoted equity securities are carried at cost less impairment in the absence of reliable measure of fair value. During the period, the Group recognised impairment allowances of US\$ 5.5 million (2010: US\$ 3.5 million) on its unquoted equity securities carried at cost.

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 condensed consolidated income statement on a straight line basis over its estimated useful life of 30 years. Land is not depreciated. The investment property is mortgaged to a financial institution for the financing for acquisition of the property (note 8).

7 OTHER ASSETS

	30 September 2011 (reviewed) US\$ 000's	31 December 2010 (audited) US\$ 000's
Prepayment for car park spaces	4,322	4,736
Computer software and licenses, net	119	439
Project costs recoverable	594	420
Prepayments and other receivables	1,175	1,170
	6,210	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 with the last instalment in February 2012. The financing is secured by mortgage on both land and building and assignment of rent from the property.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 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:

30 September 2011 (reviewed)	Joint ventures (US\$ 000's)	Assets under management including special purpose entities (US\$ 000's)	Total (US\$ 000's)
Assets			
Investment in joint ventures	1,251	-	1,251
Investment securities	-	52,024	52,024
Other assets	184	222	406
Liabilities			
Accruals and other liabilities	-	15	15
Investors' funds	-	3,135	3,135
Income			
Rental income from investment property	133	175	308
Share of loss of joint ventures	(268)	-	(268)
Other income	9	38	47
Expenses			
Professional and travel expenses	-	857	857
Impairment allowances	-	5,500	5,500

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011

10 RELATED PARTY TRANSACTIONS (continued)

	Joint ventures (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
30 September 2010 (reviewed)			
Income			
Rental income from investment property	279	175	454
Share of loss of joint ventures	400	-	400
Other income	223	-	223

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 nine month periods ended 30 September 2011 is as follows:

	Investment banking US\$ 000's	Property management US\$ 000's	Unallocated US\$ 000's	Total US\$ 000's
30 September 2011 (reviewed)				
External revenue	254	2,178	218	2,650
Segment result	(13,261)	(245)	(3,134)	(16,640)
Segment assets	64,227	48,979	41,045	154,251
Segment liabilities	6,664	6,914	2,064	15,642
Other material items:				
Finance income	-	-	204	204
Finance expenses	-	385	14	399
Depreciation and amortisation	-	1,352	1,909	3,261
Impairment allowances	(5,500)	-	-	(5,500)
Restricted investment accounts	190,000	-	-	190,000

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2011

11 **OPERATING SEGMENT** (continued)

	Investment banking US\$ 000's	Property management US\$ 000's	Unallocated US\$ 000's	Total US\$ 000's
30 September 2010 (reviewed)				
External revenue	659	2,962	1,341	4,962
Segment result	(10,204)	73	(2,961)	(13,092)
<u>Other material items:</u>				
Finance income	-	-	281	281
Finance expense	-	770	26	796
Depreciation and amortisation	-	938	2,267	3,205
Impairment allowances	3,500	-	-	3,500
Restricted investment accounts	190,000	-	-	190,000
31 December 2010 (audited)				
Segment assets	66,268	49,755	65,365	181,388
Segment liabilities	7,603	16,763	1,773	26,139

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 owners' equity.