

**Global Banking Corporation B.S.C. (c)**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**30 SEPTEMBER 2016 (Reviewed)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GLOBAL BANKING CORPORATION B.S.C. (c)**

### *Introduction*

We have reviewed the accompanying interim 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 2016, and the related interim condensed consolidated statements of income, cash flows and changes in owners' equity for the nine months period then ended and explanatory notes. The Board of Directors and management are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with 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 enquiries, 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, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.

### *Emphasis of matters*

Without qualifying our conclusion, we draw attention to:

- a) Note 2 to the interim condensed consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern; and
- b) Note 3.1 to the interim condensed consolidated financial statements which indicates the existence of a material uncertainty regarding the full recovery of the Bank's investment in one of its investee Company.



6 November 2016  
Manama, Kingdom of Bahrain

**Global Banking Corporation B.S.C. (c)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2016 (Reviewed)

	<i>Reviewed</i> <b>30 September</b> 2016	<i>Audited</i> <b>31 December</b> 2015
<i>Notes</i>	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>ASSETS</b>		
Cash and bank balances	152	131
Placements with financial institutions	25,003	24,401
Investment securities	3 41,747	41,767
Investment property	51,341	52,333
Property and equipment	3,169	3,417
Other assets	4 4,477	4,826
<b>TOTAL ASSETS</b>	<b>125,889</b>	<b>126,875</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accruals and other liabilities	6,986	6,954
<b>TOTAL LIABILITIES</b>	<b>6,986</b>	<b>6,954</b>
<b>EQUITY</b>		
Share capital	200,000	200,000
Statutory reserve	7,284	7,284
Accumulated losses	(88,520)	(87,511)
Equity and reserves attributable to shareholders of the Bank	118,764	119,773
Non-controlling stakeholders	139	148
<b>TOTAL EQUITY</b>	<b>118,903</b>	<b>119,921</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>125,889</b>	<b>126,875</b>

  
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 Hisham Saleh Al Saie  
 Chairman

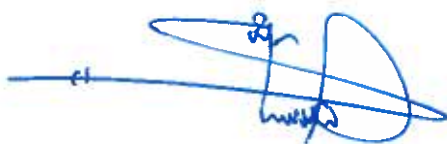
  
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 Jamal Ali Al Hazem  
 Vice Chairman

Global Banking Corporation B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**

For the nine months ended 30 September 2016 (Reviewed)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>INCOME</b>				
Income from investment property	1,125	1,176	3,388	3,328
Income from placements with financial institutions	88	89	253	205
Income from investment securities	12	(58)	(9)	(7)
Other income	4	2	6	6
<b>Total income</b>	<b>1,229</b>	<b>1,209</b>	<b>3,638</b>	<b>3,532</b>
<b>EXPENSES</b>				
Staff cost	493	448	1,310	1,340
Legal and professional expenses	135	48	435	276
Premises costs	334	311	794	779
Depreciation and amortisation	485	483	1,433	1,493
Other operating expenses	190	507	684	996
<b>Total expenses</b>	<b>1,637</b>	<b>1,797</b>	<b>4,656</b>	<b>4,884</b>
Provision for impairment	-	(98)	-	(98)
<b>NET LOSS FOR THE PERIOD</b>	<b>(408)</b>	<b>(686)</b>	<b>(1,018)</b>	<b>(1,450)</b>
<b>Attributable to:</b>				
Shareholders of the Bank	(406)	(684)	(1,009)	(1,442)
Non-controlling stakeholders	(2)	(2)	(9)	(8)
<b>Total</b>	<b>(408)</b>	<b>(686)</b>	<b>(1,018)</b>	<b>(1,450)</b>



Hisham Saleh Al Saie  
Chairman



Jamal Ali Al Hazem  
Vice Chairman

**Global Banking Corporation B.S.C. (c)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine months ended 30 September 2016 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<b>2016</b>	<b>2015</b>
	<b>US\$ 000</b>	<b>US\$ 000</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(1,018)	(1,450)
Adjustments for:		
Depreciation and amortisation	1,433	1,493
Dividend income	(11)	(28)
Provision for impairment	-	98
Net unrealised loss on investment securities	20	35
Operating income before changes in operating assets and liabilities	<u>424</u>	<u>148</u>
Changes in operating assets and liabilities:		
Other assets	349	354
Accruals and other liabilities	32	513
Net cash flows from operating activities	<u>805</u>	<u>1,015</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(193)	(22)
Dividend income	11	28
Net cash (used in) / from investing activities	<u>(182)</u>	<u>6</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>623</b>	<b>1,021</b>
Cash and cash equivalents at 1 January	<u>24,532</u>	<u>24,056</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b><u>25,155</u></b>	<b><u>25,077</u></b>
Cash and cash equivalents comprise of:		
Cash and bank balances	152	148
Placements with financial and other institutions	25,003	24,929
	<u>25,155</u>	<u>25,077</u>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

Global Banking Corporation B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 2016 (Reviewed)

	<i>Attributable to shareholders</i>			<i>Total</i> <i>US\$ 000</i>	<i>Non-controlling stakeholders</i> <i>US\$ 000</i>	<i>Total equity</i> <i>US\$ 000</i>
	<i>Share capital</i> <i>US\$ 000</i>	<i>Statutory reserve</i> <i>US\$ 000</i>	<i>Accumulated losses</i> <i>US\$ 000</i>			
Balance at 1 January 2016	200,000	7,284	(87,511)	119,773	148	119,921
Income (loss) for the period	-	-	(1,009)	(1,009)	(9)	(1,018)
<b>As at 30 September 2016</b>	<b>200,000</b>	<b>7,284</b>	<b>(88,520)</b>	<b>118,764</b>	<b>139</b>	<b>118,903</b>
Balance at 1 January 2015	200,000	7,284	(85,437)	121,847	156	122,003
Loss for the period	-	-	(1,442)	(1,442)	(8)	(1,450)
<b>As at 30 September 2015</b>	<b>200,000</b>	<b>7,284</b>	<b>(86,879)</b>	<b>120,405</b>	<b>148</b>	<b>120,553</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 September 2016 (Reviewed)

**1 INCORPORATION AND ACTIVITIES**

Global Banking Corporation B.S.C. (c) (the "Bank") is a closed joint stock company incorporated in the Kingdom of Bahrain on 25 June 2007 under the Bahrain Commercial Companies Law and is registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 65708. The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain (the "CBB").

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board comprising of one Islamic scholar. The principal activities of the Bank include investment banking services that comply with Islamic Shari'a rules and principles as determined by the Bank's Shari'a Supervisory Board.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors passed on 6 November 2016.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These interim condensed consolidated financial statements of the Bank and its subsidiaries (together "the Group") have been prepared in accordance with the guidance given by International Accounting Standard - 34 "Interim Financial Reporting". These interim condensed consolidated financial statements have been prepared using accounting policies which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015. The annual consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by FAS, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards ("IFRS") issued by International Accounting Standard Board ("IASB").

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. In addition, results for the nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

**Going concern assumption**

In May 2014, the Board of Directors of the Bank had resolved not to pursue new business. As a result of this resolution, certain key functions of the Bank became redundant. Therefore, number of employees of the Bank reduced to 10 employees. As part of this downsizing process, the positions of Chief Operating Officer, Head of Risk, Head of Compliance and the entire investment function had been made redundant. In spite of these circumstances and events, the Board of Directors concluded that the Bank has adequate resources to continue its operations as a going concern for at least next twelve months from the interim consolidated statement of financial position date. Furthermore, as of the date of approval of these interim condensed consolidated financial statements the Board of Directors intend to continue with the operations of the Bank for the foreseeable future.

**3 INVESTMENT SECURITIES**

	<i>Note</i>	<i>Reviewed</i> <b>30 September</b> <b>2016</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>US\$ 000</b>
Fair value through statement of income (listed)		<b>223</b>	243
Fair value through equity *	3.1	<b>41,524</b>	41,524
		<b>41,747</b>	41,767

\* These unquoted equity securities are carried at cost less impairment allowance in the absence of reliable measure of fair value.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 September 2016 (Reviewed)

**3 INVESTMENT SECURITIES (continued)**

- 3.1 These comprises of Bank's share of investment in Marsa Al Seef Investment Company Limited amount to US\$ 33,422 thousand (31 December 2015: US\$ 33,422 thousand) and Boulevard Al Areen Real Estate Development Company ("Boulevard") amounting to US\$ 8,102 thousand (31 December 2015: US\$ 8,102 thousand). Both of these projects are real estate development projects with participation from investors (note 9).

Subsequent to the Boulevard's subscription period, the legal title of the subject real estate properties were not transferred to project company by project developer and other owners of the subject real estate properties (collectively "Property Owners"). As a result legal dispute arose between Boulevard and Property Owners. The matter was referred to Bahrain Chamber of Dispute Resolution ("BCDR"). On 19 January 2012, the BCDR decided the matter in favour of Boulevard. During 2014, after going through rigorous legal procedures, the matter was referred to the Execution Court to implement the decision of BCDR for the recovery of the dues from the Property Owners. During 2015, the implementation of BCDR decision was put on hold in order to proceed with out of court settlement between the Boulevard and Property Owners. As of 30 September 2016, the out of court settlement was in progress. Since the ultimate outcome of this recovery is still uncertain at the statement of financial position date, therefore, this casts a significant doubt on full recovery of this investment.

**4 OTHER ASSETS**

		<i>Reviewed</i> <b>30 September</b> <b>2016</b> <b>US\$ 000</b>	<i>Audited</i> <b>31 December</b> <b>2015</b> <b>US\$ 000</b>
	Note		
Prepayment for car park spaces		1,563	1,977
Receivable from tenants	4.1	2,011	2,170
Prepayments and other receivables		604	530
Project costs recoverable, net	4.1	299	149
		<u>4,477</u>	<u>4,826</u>

- 4.1 Receivable from tenants are net of impairment provisions of US\$ 91 thousand (2015: US\$ 583 thousand). Project costs recoverable are net of impairment provisions of US\$ 4,690 thousand (2015: US\$ 4,690 thousand).

Movement in impairment provisions relating to receivables from tenants and other assets.

	<i>Reviewed</i> <b>30 September</b> <b>2016</b> <b>US\$ 000</b>	<i>Reviewed</i> <b>30 September</b> <b>2015</b> <b>US\$ 000</b>
At 1 January	583	307
Charge during the period	-	98
Recoveries during the period	(43)	-
Written-off during	(449)	-
<b>At 30 September</b>	<u>91</u>	<u>405</u>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 September 2016 (Reviewed)

**5 RELATED PARTY TRANSACTIONS AND BALANCES**

The significant related party balances and transactions included in these interim condensed consolidated financial statements are as follows:

	<i>Assets under management including special purpose entities US\$ 000</i>	<i>Shareholders / Key management personnel US\$ 000</i>	<i>Reviewed 30 September 2016 Total US\$ 000</i>	<i>Audited 31 December 2015 US\$ 000</i>
<b>Assets</b>				
Investment securities	41,524	-	41,524	41,524
Other assets	299	-	299	149
<b>Liabilities</b>				
Accruals and other liabilities	4,379	629	5,008	4,877
	<i>Assets under management including special purpose entities US\$ 000</i>	<i>Shareholders / key management personnel US\$ 000</i>	<i>Reviewed Nine months ended 30 September 2016 US\$ 000</i>	<i>2015 US\$ 000</i>
<b>Expenses</b>				
Staff costs	-	403	403	813
Board member fees	-	10	10	19
Legal and professional expenses	-	-	-	1
Shari'a Supervisory Board	-	14	14	24
Reversal of prior year income	-	-	-	271

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 September 2016 (Reviewed)

**6 SEGMENT INFORMATION**

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 resource.

The following table presents segment wise assets and liabilities of the Group as at 30 September 2016 and income and profit/(loss) information for the nine months period ended 30 September 2016:

	<i>Investment banking</i> US\$ 000	<i>Property management</i> US\$ 000	<i>Unallocated</i> US\$ 000	<i>Total</i> US\$ 000
Income	-	3,388	250	3,638
Net income / (loss)	-	1,161	(2,179)	(1,018)
Assets	41,524	53,352	31,013	125,889
Liabilities	4,379	1,332	1,275	6,986

The following table presents segment wise assets of the Group as at 31 December 2015 and revenue and profit information for the period ended 30 September 2015:

	<i>Investment banking</i> US\$ 000	<i>Property management</i> US\$ 000	<i>Unallocated</i> US\$ 000	<i>Total</i> US\$ 000
Income	-	3,328	204	3,532
Net income / (loss)	-	1,056	(2,506)	(1,450)
Assets	41,524	54,504	30,847	126,875
Liabilities	4,379	1,332	1,243	6,954

**7 COMMITMENTS AND CONTINGENCIES**

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects.

In the opinion of the management, no additional liabilities are expected to materialise on the Group at 30 September 2016 (31 December 2015: same) due to the performance of any of its projects.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at 30 September 2016 (Reviewed)

**8 FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at 30 September 2016 and 31 December 2015, the fair value of bank balances, placements with financial institutions, other financial assets and other financial liabilities are not materially different from their carrying values as these are short term in nature. Investment securities carried at fair value through income statement are carried at their fair values determined using the market bid price in an active market for that instrument. Other investments securities are carried at cost less impairment in the absence of a reliable measure of fair value.

**Fair value hierarchy**

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>30 September 2016 (reviewed)</b>				
<i>Investment securities:</i>				
Equity type instruments carried at fair value through statement of income	<b>223</b>	-	-	<b>223</b>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>31 December 2015 (audited)</b>				
<i>Investment securities:</i>				
Equity type instruments carried at fair value through statement of income	<b>243</b>	-	-	<b>243</b>

**9 ASSETS UNDER MANAGEMENT**

The Group provides corporate administration, investment management and advisory services to its investor vehicles, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these interim condensed consolidated financial statements. At the reporting date, the Group had assets under management of US\$ 511,402 thousand (31 December 2015: US\$ 511,402 thousand). As of 30 September 2016, there was a legal dispute on the underlying real estate properties of one of the investor vehicle managed by the Bank, amounting to US\$ 97,000 thousand (31 December 2015: US\$ 97,000 thousand). Since the ultimate outcome of this dispute is still uncertain at the interim condensed consolidated statement of financial position date, this casts a significant doubt on full recovery of this investment (note 3.1).