Gulf One

Investment Bank

SEMI-ANNUAL REPORT
2010

CONTENTS | PAGE

INTRODUCTION

Gulf One Investment Bank BSC (c) (the "Bank" or "Gulf One") was founded by two distinguished Saudi bankers, Dr. Nahed Taher, Chief Executive Officer and Mr. Ziyad Omar, Chief Investment Officer, as a leading GCC infrastructure investment bank. Gulf One is based in Manama, Kingdom of Bahrain, with a representative office in the State of Kuwait and is guided by Islamic principles.

The bank was granted a Wholesale Banking license by the Central Bank of Bahrain (the "CBB"), with an authorised capital of USD 1 billion, of which USD 111 million is paid up. Gulf One's share capital is widely held, largely among key GCC institutional and individual investors.

Gulf One's vision stems from its commitment to the belief that the region must focus on its natural strengths and direct its wealth to developing domestic capacity infrastructure that will deliver the foundation for future sustainable economic prosperity by releasing the GCC's vast potential. With direct investments including transportation, clean energy generation, water treatment, aerospace, technology development and social infrastructure, Gulf One seeks to address the region's critical needs by being a key catalytic facilitator in the development of domestic capacity infrastructure.

Gulf One's lines of business comprises of Infrastructure Investment, Private Equity, Advisory, Asset Management and Knowledge.

Incorporation and Principal Activity

Gulf One is a Bahraini Bank with limited liability and is incorporated in the Kingdom of Bahrain.

The Group comprises the Bank and its significant wholly owned subsidiaries:

- Gulf One Investment Holdings Limited, Cayman Islands;
- Gulf One DACH Investments Limited, Cayman Islands;
- Manjam Mining Holding SPC, Bahrain; and
- Gulf One Employee Stockholding Company SPC, Bahrain

Commercial Registration:	62199
Registered Office:	Bahrain Financial Harbour, 15th Floor, West Tower PO Box 11172, Manama, Kingdom of Bahrain. Telephone: +973 17102555 Fax: +973 17100063
Website:	www.gulf1bank.com
Bankers:	Ahli United Bank
External Auditors:	KPMG Fakhro
Internal Auditors:	BDO Jawad Habib
Share Registrar:	KPMG Fakhro

BOARD OF DIRECTORS AND BOARD COMMITTEES

Board of Directors

Mr. Ali Husein Alireza	Chairman, Non-Executive Director
Mr. Zaki M. A. Farsi	Vice Chairman, Non-Executive Director
Mr. Abdullah Abdulaziz Ohaly	Member, Non-Executive Director
Dr. Ali H. Al Bahar	Member, Non-Executive Director
Mr. Fahad A. Al-Hoshan	Member, Non-Executive Director
Mr. Fawaz Sulaiman Al-Ahmad	Member, Non-Executive Director
Mr. Mohamed H. Harasani	Member, Non-Executive Director
Mr. Mutlaq H. Almorished	Member, Non-Executive Director
Dr. Nahed M. Taher	Member, Executive Director
Mr. Ziyad F. Omar	Member, Executive Director

Executive Directors

Dr. Nahed M. Taher	Founder and Chief Executive Officer
Mr. Ziyad F. Omar	Founder and Chief Investment Officer

Board Committees

Finance and Investment Committee
Risk, Audit and Compliance Committee
Nomination, Remuneration and Governance Committee

Board Committee Composition

Finance and Investment Committee (FIC)

Mr. Ali Husein Alireza	Chairman of the Committee
Mr. Fahad A. Al-Hoshan	Committee Member
Dr. Nahed M. Taher	Committee Member
Mr. Ziyad F. Omar	Non-voting Committee Member

Risk, Audit and Compliance Committee (RACC)

Dr. Ali H. Al Bahar	Chairman of the Committee
Mr. Abdullah Abdulaziz Ohaly	Committee Member
Mr. Abdullah Salem Bakhashab	Committee Member

Nomination, Remuneration and Governance Committee (NRGC)

Mr. Mohamed H. Harasani	Chairman of the Committee
Mr. Zaki M. A. Farsi	Committee Member

SUMMARY OF FINANCIAL PERFORMANCE 2006 - 2010

The key financial ratios from 31 December 2006 - 30 June 2010 are summarised as follows:

USD '000

Particulars	Jun 2010*	Dec 2009	Dec 2008	Dec 2007	Dec 2006**
Earnings					
Net Interest Income	603	1,728	3,605	5,624	2,259
Other Income	6,228	17,658	8,054	2,217	118
Operating Expenses	5,615	12,885	8,416	6,187	1,961
Net Income	1,216	6,501	3,243	1,654	416
Financial Position					
Total Assets	125,105	124,958	111,240	116,212	100,788
Loans	10,577	3,586	9,069	4,273	-
Total Liabilities	10,262	11,331	5,928	14,143	372
Shareholder Equity	114,843	113,627	105,312	102,069	100,416
Financial Ratio's					
Return on Average Equity (ROAE)	1.08%	6.20%	3.06%	1.65%	0.42%
Return on Average Assets (ROAA)	1.00%	5.66%	2.27%	1.54%	0.41%
Net Interest Margin (NIM)	1.34%	2.68%	3.24%	6.01%	2.26%
Cost to Income	82.20%	66.47%	72.18%	78.91%	82.50%
Capital					
Shareholder Equity to Total Assets	91.80%	90.93%	94.67%	87.83%	99.63%
Total Liabilities to Shareholder's Equity	8.94%	9.97%	5.63%	13.86%	0.37%

Note:
(*) The calculation for June 2010 is for the six-month period of January to June 2010
(**) The calculation for 2006 was for a five-month period of August to December 2006 only

INTERIM FINANCIAL INFORMATION

30 June 2010

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Kingdom of Bahrain

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Independent auditors' report on review of interim financial information

The Board of Directors
Gulf One Investment Bank BSC (c)
Manama, Kingdom of Bahrain

12 August 2010

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf One Investment Bank BSC (c) (the "Bank") and its subsidiary (together the "Group") as at 30 June 2010, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-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 International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. 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 IAS 34 - *Interim Financial Reporting*.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30th June 2010 **USD**

	Note	**30 June 2010 (reviewed)**	31 December 2009 (audited)
Assets			
Cash and cash equivalents		29,055,619	49,386,472
Loans and receivables		10,576,525	3,585,514
Assets held for sale	5	-	790,173
Investments designated at fair value through profit or loss	4	59,186,592	54,613,059
Investment in associates	5	8,726,623	1,825,266
Other assets		17,559,454	14,757,183
Total assets		**125,104,813**	124,957,667
Liabilities			
Investors' funds		8,265,265	9,070,765
Accounts payable and accrued expenses		1,997,011	2,260,345
Total liabilities		**10,262,276**	11,331,110
Equity			
Share capital		111,111,111	111,111,111
Unvested shares of employees incentive scheme		(9,574,136)	(9,574,136)
Share premium		276,655	276,655
Statutory reserve		1,181,294	1,181,294
Retained earnings		11,847,613	10,631,633
Total equity (page 10)		**114,842,537**	113,626,557
Total equity and liabilities		**125,104,813**	124,957,667

The interim financial information, which consists of pages 8 to 13 were approved by the Board of Directors on 12 August 2010 and signed on its behalf by:

Dr. Ali Al Bahar
Chairman of the Audit Committee

Dr. Nahed Taher
Director and Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2010 **USD**

	6 months ended		Three months ended	
	30 June 2010 (reviewed)	30 June 2009 (reviewed)	**30 June 2010** (reviewed)	30 June 2009 (reviewed)
Income from investment banking activities	2,798,569	1,025,242	2,112,615	579,170
Net interest income	602,844	922,891	325,268	396,270
Profit on sale of available-for-sale investments	-	638,828	-	638,828
Fair value gain on investments designated at fair value through profit or loss	3,179,174	-	3,179,174	-
Dividend income	213,013	-	213,013	-
Share of loss of associates	(2,419)	-	(2,419)	-
Other income	40,000	261,630	40,000	261,630
Total income	**6,831,181**	2,848,591	**5,867,651**	1,875,898
Staff expenses	3,711,396	3,222,991	1,867,746	1,730,964
Premises expenses	440,306	352,746	219,988	177,601
Impairment of recoverable project costs	490,515	-	-	-
Other expenses	972,984	1,122,456	688,785	420,670
Total expenses	**5,615,201**	4,698,193	**2,776,519**	2,329,235
Profit / (loss) for the period	**1,215,980**	(1,849,602)	**3,091,132**	(453,337)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**1,215,980**	(1,849,602)	**3,091,132**	(453,337)

Dr. Ali Al Bahar
Chairman of the Audit Committee

Dr. Nahed Taher
Director and Chief Executive Officer

The interim financial information consists of pages 8 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2010 USD

30 June 2010 (reviewed)	**Share Capital**	**Unvested Shares of Employee Incentive Scheme**	**Share Premium**	**Statutory reserve**	**Retained earnings**	**Total**
At 1 January 2010	111,111,111	(9,574,136)	276,655	1,181,294	10,631,633	113,626,557
Total comprehensive income for the period	-	-	-	-	1,215,980	1,215,980
At 30 June 2010	**111,111,111**	**(9,574,136)**	**276,655**	**1,181,294**	**11,847,613**	**114,842,537**

30 June 2009 (reviewed)	Share Capital	Statutory reserve	Retained earnings	Total
At 1 January 2009	100,000,000	531,225	4,781,011	105,312,236
Total comprehensive income for the period	-	-	(1,849,602)	(1,849,602)
At 30 June 2009	100,000,000	531,225	2,931,409	103,462,634

The interim financial information consists of pages 8 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2010 **USD**

	30 June 2010 (reviewed)	30 June 2009 (reviewed)
OPERATING ACTIVITIES		
Receipt from investment banking services received	1,143,223	796,195
Net interest received	343,709	1,354,737
Project costs received / (paid)	154,855	(1,334,008)
Payment for staff expenses	(3,496,266)	(3,063,948)
Payment for premises expenses	(440,306)	(352,746)
Payment for other expenses	(1,085,285)	(937,168)
Advance paid for projects, net	(1,866,667)	(1,524,355)
Investors funds paid, net	(805,500)	882,746
Loans disbursed, net	(6,670,721)	(1,112,041)
Net cash used in operating activities	**(12,722,958)**	(5,290,588)
INVESTING ACTIVITIES		
Purchase of equipment	(99,933)	(310,895)
Purchases of investments designated at fair value through profit or loss	(1,394,359)	-
Purchase of investment in associates	(6,113,603)	(350,000)
Net cash used in investing activities	**(7,607,895)**	(660,895)
Net decrease in cash and cash equivalents	**(20,330,853)**	(5,951,483)
Cash and cash equivalents at beginning of the period	49,386,472	62,180,287
Cash and cash equivalents at end of the period	**29,055,619**	56,228,804

The interim financial information consists of pages 8 to 13.

1. Basis of preparation

The interim financial information comprises the financial information of Gulf One Investment Bank BSC (c) (the "Bank") and its subsidiaries (together the "Group") and has been prepared in condensed form in accordance with International Accounting Standard (IAS) 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 2009.

The accounting policies and methods of computation applied by the Group in the preparation of the interim financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2009, except for the changes arising from adoption of relevant revised IFRS, amendments and interpretations issued by IASB that are effective for annual reporting periods beginning 1 January 2010. The adoption of these standards did not have an impact on the interim financial information.

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements and as at and for the year ended 31 December 2009.

2. 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 2009. The comparatives for the condensed consolidated statements of comprehensive income, changes in equity and cash flows have been extracted from the reviewed interim financial information for the six months ended 30 June 2009.

3. Due to the nature of the Group's business, the six months results reported in this interim financial information may not represent a proportionate share of the overall annual results.

4. Investments designated at fair value through profit or loss

	at 1 January 2010	additions during the period	Fair value changes	**at 30 June 2010**
Unquoted at fair value:				
Investment in associates	38,729,301	-	(2,784,653)	35,944,648
Other equity investment	12,133,758	1,394,359	1,813,827	15,341,944
Investment in convertible preference shares	3,750,000	-	4,150,000	7,900,000
	54,613,059	1,394,359	**3,179,174**	**59,186,592**

5. Investment in associates

	2010	2009
At 1 January	1,825,266	1,500,010
Acquisitions during the period	6,113,603	386,850
Transferred from assets held for sale *	790,173	-
Share of loss of associate	(2,419)	(61,594)
At 31 December	**8,726,623**	1,825,266

5 *Investment in associates (continued)*

* In 2009, the Group had classified certain investments in associates as assets held for sale as the investments were acquired by the Group exclusively with a view to subsequent disposal within twelve months from the date of acquisition. Accordingly, the investments were accounted as per IFRS 5 - *"Non-current Assets Held for Sale and Discontinued Operations"*.

Since, the Group has not been able to dispose of these investments and the investments no longer meet the criteria to be classified as "held for sale", accordingly, these investments have been accounted for using the equity method in accordance with IAS 28 – *"Investments in Associates"* from the date of their classification as held for sale. On materiality grounds, the financial statement for the previous year has not been restated and the impact on the consolidated statement of comprehensive income has been accounted for in the current period.

6. Assets under management

The Group provides corporate administration, investment management and advisory services to its project companies/investors, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in this interim financial information. At the reporting date, the Group had assets under management of USD 95,352,381 (31 December 2009: USD 95,305,345).

7. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence 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 key management personnel of the Group.

a. The transactions with the related parties included in this interim financial information are as follows:

Consolidated statement of comprehensive income	**six months ended 30 June 2010**	Six months ended 30 June 2009
Premises expenses	103,958	56,541
Professional indemnity	78,092	77,403

b. Key management personnel of the Group comprise of the Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. Transactions with key management personnel are as follows:

Income statement	**Six months ended 30 June 2010**	Six months ended 30 June 2009
Board remuneration	285,000	204,000
Salaries and other short-term benefits	1,131,077	1,117,708
Post employment benefits	84,535	46,662

8. Appropriations, if any, will be made only at the year end.

PILLAR III DISCLOSURES

This section is to be read in conjunction with the narrative explanation in the Risk Management Section of the Annual Report for 2009.

CAPITAL STRUCTURE

The capital structure of the bank is as follows:

USD '000

		Tier 1	Tier 2	Tier 3
1.1	Issued and fully paid ordinary shares and perpetual non-cumulative preference shares	111,111		
1.1.1	Less: Employee stock incentive program funded by the bank (outstanding)	9,574		
1.2	Innovative capital instruments	0		
1.3	Disclosed reserves (1.3.1 to 1.3.5 inclusive)	1,458		
1.3.1	General reserves	0		
1.3.2	Legal / statutory reserves	1,181		
1.3.3	Share premium	277		
1.3.4	Capital redemption reserve	0		
1.3.5	Others	0		
1.4	Retained profit brought forward	-5,207		
1.5	Unrealized gains arising from fair valuing equities (45% only)	5,104		
1.6	Minority interest in consolidated subsidiaries	0		
	Less:			
1.7	Goodwill			
1.8	Current interim cumulative net losses			
1.9	Unrealized gross losses arising from fair valuing equity securities			
1.10	Reciprocal cross-holdings of bank capital (amount originally existed in Tier 1)			
1.11	**Tier 1 Capital before PCD deductions (1.1 - 1.1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6 less 1.7 to 1.10 inclusive)**	**102,892**		
2.1	Current interim profits (reviewed by external auditors)		-1,963	
2.2	Asset revaluation reserve - Property, plant, and equipment (45% only)		0	
2.3	Unrealized gains arising from fair valuing equities (45% only)		3,453	
2.4	Excess of total eligible provisions over total expected loss		0	
2.5	Hybrid instruments		0	
2.6	Subordinated term debt		0	
2.7	Less: Reciprocal cross-holdings of bank capital (amount originally existed in Tier 2)		0	
2.8	**Tier 2 Capital before PCD deductions (2.1 to 2.6 inclusive less 2.7)**		**1,490**	
3.1	Short-term subordinated debt			
3.2	**Tier 3 Capital (up to 250% of Tier 1 allocated to market risk) (equal to 3.1)**			
	Total Available Capital (1.11 + 2.8 + 3.2)			**104,382**
4.1	Unconsolidated majority-owned or -controlled banking, securities, financial, or other entities			
4.2	Capital shortfall of non-consolidated subsidiaries			
4.3	Significant minority investments in banking, securities and other financial entities unless pro-rata consolidated			
4.4	Excess amount over materiality thresholds in case of investment in commercial entities			
4.5	Deduction of unconsolidated financial subsidiaries where ownership is > 50%			
4.6	Investment in insurance entities equal to or greater than 20%			
4.7	Excess amount over maximum permitted large exposure limit	1,997		
4.8	Excess of expected loss over total eligible provisions			
4.9	Securitization exposures subject to deduction			
4.1	Additional deduction from Tier 1 to absorb deficiency in Tier 2			
4.11	Other deductions			
4.12	**Total Deductions (4.1 to 4.11 inclusive)**	**1,997**		
		i	ii	iii
	Net Available Capital (1.11, 2.8, 3.2 less 4.12 respectively) (Tier 2 up to 100% of Tier 1)	**100,895**	**1,490**	
	Total Eligible Capital (i + ii + iii)			**102,385**

CAPITAL ADEQUACY

The bank is well capitalised and in excess of the CBB requirements.

	Total Capital Ratio	Tier 1 Capital Ratio
Gulf One Investment Bank (Consolidated)	50.02%	49.29%

CAPITAL POSITION

The Group's regulatory capital position at 30 June 2010 was as follows:

USD '000

	Jun-10	Jun-09
Tier 1 capital	100,895,000	102,452,360
Current Interim profit (reviewed by external auditors)	(1,963,194)	(1,849,602)
Unrealized gains arising from fair valuing equities (45% only)	3,453,325	-
Tier 2 capital	1,490,131	(1,849,602)
Tier 3 capital	-	-
Total Regulatory Capital	**102,385,131**	100,602,758
Credit risk weighted exposures	135,816,000	76,039,000
Market risk weighted exposures	45,635,000	27,827,000
Operational risk weighted exposures	23,252,000	13,673,000
Total risk weighted exposures	**204,703,000**	117,539,000
Total regulatory capital expressed as a percentage of total risk weighted exposures	**50.02%**	85.59%

CAPITAL COMPONENTS

The components of this capital structure are as follows:

Credit and Investment Risk

The capital requirement for credit risk using the Standardised Approach as at 30 June 2010 is as follows:

Standardised Approach

USD '000

	Type of Claims	Exposure Amounts	Risk Weighted Assets	Capital Required
1	Claims on Sovereign			
2	Claims on International Organisations			
3	Claims on MDB's			
4	Claims on PSE's			
5	Claims on Banks	29,052	5,810	697
6	Claims on Corporates	10,577	10,577	1,269
7	Equities	67,913	101,870	12,224
8	Other assets	17,559	17,559	2,107
	Total	**125,101**	**135,816**	**16,297**

Market Risk

The capital requirement for market risk using the Standardised Approach as at 30 June 2010 is as follows:

USD '000

	Type of Claims	Exposure Amount	Risk Weighted Assets	Capital Required
1	Foreign exchange position risk	3,651	45,635	5,476
	Total	**3,651**	**45,635**	**5,476**

The period end values of foreign exchnage position risk are representative of exchange risk through out the period.

Operational Risk

The capital requirement for operational risk using the Basic Indicator Approach as at 30 June 2010 is as follows:

USD '000

	Exposure Amount	Risk Weighted Assets	Capital Required
Basic Indicator Approach	1,860	23,252	2,790

CREDIT AND INVESTMENT RISK

Credit Standards

The Bank has adopted the CBB's Basel II capital adequacy framework for the standardised approach of credit risk which divides the counter party exposure into classes as defined by the CBB.

A high-level description of the counter party exposure classes and the risk weights used to derive the Risk Weighted Assets are as follows:

Sovereigns Portfolio

The sovereign portfolio comprises exposures to governments and their respective central banks. The risk weights are nil per cent for exposures in the relevant domestic currency of the sovereign, or for any exposures to GCC governments. Foreign currency claims on other sovereigns are risk weighted based on their external credit ratings.

Certain multilateral development banks as determined by the CBB may be included in the sovereign portfolio and treated as exposures with a 0 per cent risk weighting.

PSE Portfolio

Public Sector Entities (PSE's) are risk weighted according to their external ratings excepting that Bahrain PSE's, and domestic currency claims on other PSE's that are assigned a nil per cent risk weight by their respective country regulator, are consequentially allowed a 0 per cent risk weight by CBB for computation purposes.

Banks Portfolio

Claims on banks are risk weighted based on their external credit ratings. A preferential risk weight treatment is available for qualifying short-term exposures to banks in their country of incorporation. Short-term exposures are defined as exposures with an original tenor of three months or less and denominated and funded in the respective domestic currency. The preferential risk weight for short-term claims is allowed on exposures in Bahraini Dinar/US Dollar in the case of Bahraini incorporated banks.

Corporate Portfolio

Claims on corporate entities are risk weighted based on their external credit ratings. A 100 per cent risk weight is assigned to exposures to unrated corporate entities. A preferential risk weight treatment is available for certain entities owned by the Government of Bahrain, as determined by the CBB, which are assigned a nil per cent risk weight.

Equities Portfolio

The equities portfolio comprises equity investments in the banking book, i.e. the available-for-sale securities portfolio. The credit (specific) risk for equities in the trading book is included in market risk RWAs for regulatory capital adequacy calculation purposes.

A 100 per cent risk weight is assigned to listed equities and funds. Unlisted equities and funds are risk weighted at 150 per cent. Investments in rated funds are risk weighted according to the external credit rating.

Past due exposures

All past due loan exposures, irrespective of the categorization of the exposure are classified separately under the past due exposures asset class. A risk weighting of either 100 per cent or 150 per cent is applied depending on the level of specific provision maintained against the exposure.

Litigations and claims

There are no material legal contingences including pending legal actions outstanding against the Bank as at 30 June 2010.

EXTERNAL CREDIT ASSESSMENT INSTITUTIONS (ECAI)

The Bank uses ratings issued by Standard & Poor's, Moody's and Fitch to derive the risk weightings under the CBB's Basel II capital adequacy framework. Where ratings vary between rating agencies, the highest rating from the lowest two ratings is used to represent the rating for regulatory capital adequacy purposes.

The Bank uses ECAI for its placements with a financial institution.

The following are gross credit risk exposures considered for Capital Adequacy Ratio (CAR) calculations.

Credit and Investment Risk Disclosures

The Group's credit portfolio as on 30 June 2010 is:

USD '000

		Exposure amount	Average Exposure amount
1	Placements	29,056	37,078
2	Investment securities	67,913	61,345
3	Short-term financing	10,577	8,023
4	Other assets	17,559	15,297
	Total	**125,105**	**121,743**

**The average gross exposure amount has been arrived at based on the credit exposures outstanding at the end of each month.*

Geographic Distribution of Exposures

The Group's geographic distribution of exposures at 30 June 2010 is as follows:

USD '000

		GCC	UK	Europe	Others	Total
1	Placements	29,056				29,056
2	Investment securities	27,477	11,283	21,253	7,900	67,913
3	Short-term financing	10,072		505		10,577
4	Other assets	12,817	417	4,315	10	17,559
	Total	**79,422**	**11,700**	**26,073**	**7,910**	**125,105**

** The Group classifies geographic distribution of exposures in the regions where the amounts have been invested.*

Industry Distribution of Exposures

The industry wise distribution of exposures as on 30 June 2010 is as follows:

USD '000

		Placements	Investment securities	Short-term financing	Other assets
1	Manufacturing				
2	Mining and quarrying				
3	Agriculture, fishing and forestry				
4	Construction				
5	Financial	29,056			
6	Trade				
7	Commercial real estate financing				
8	Government				
9	Technology, media and telecommunications				
10	Transport		778	3,041	
11	Clean energy		11,511		
12	Power and water		18,751		
13	Oil and gas		7,900		
14	Other sectors		28,973	7,536	17,559
	Total	**29,056**	**67,913**	**10,577**	**17,559**

There are no unfunded exposures as at 30 June 2010.

Related Party Transactions

The related party transactions are at arm's length and is as follows:

USD '000

		Directors & Key Management Personnel	Total
	During the period		
1	Board remuneration	285	285
2	Short term employee benefits	1,131	1,131
3	Post employment retirement benefits	85	85
4	Other expenses paid	182	182

Highly Leveraged and Other High Risk Counterparties

There are no highly leveraged and other high risk counterparty claims as at 30 June 2010.

Large Exposures - Consolidated

The consolidated risks of large exposures as at 30 June 2010 are as follows:

USD '000

		Counterparties			
		Sovereign	PSE	Banks	Corporate
1.	Total non-exempted large exposures in unquoted equities and short term financing	-	-	-	36,450
2.	Total exempted large exposures with financial institutions	-	-	-	-
	Total large exposures				**36,450**

Maturity Profile of Credit Portfolio

The maturity profile of the credit portfolio as at 30 June 2010 is:

Maturity Band		**Placements**	**Investment Securities**	**Short-term financing**	**Other Assets**
1	Less than 1 month	25,627			253
2	1 month but less than 3 months	2,429		894	4,129
3	3 months but less than 6 months	1,000		9,683	5,584
4	6 months but less than 12 months		-		1,814
5	Between 1-5 years		67,913		5,779
6	Between 5-10 years				
7	Between 10-20 years				
8	Over 20 years				
	Net position	**29,056**	**67,913**	**10,577**	**17,559**

Past Due And Impaired Loans

Past due and impaired loans are assets for which there is objective evidence that the Group will not collect all amounts due, including both principal and interest, in accordance with the contactual terms of the obligation.

As at 30 June 2010 none of the financial assets were past due and impaired and there were no related party claims which were provided for.

Equity Position In The Banking Book

The bank uses the Standardised Approach under the Basel framework for measuring and managing its private equity risk, which is considered a part of its "banking book".

Equity securities are held as either part of the bank's strategic holdings or held with the objective of capital appreciation and realizing gains on sale thereof. All equity positions in the Banking book are classified as either held-for-sale, investments at fair value through profit or loss, available-for-sale investments and investment in associate.

The accounting policies for equity instruments are described in detail in the Financial Statements under "Significant Accounting Policies" .

DETAILS OF EQUITY INVESTMENTS

USD '000

	Balance Sheet value	Capital Requirement
Quoted Equities	-	-
Unquoted Equities	67,913	8,150
Total	**67,913**	**8,150**
Realised gains recorded in consolidated income statement	-	
45% of unrealised gains recognised under Tier 1 Capital	5,104	
45% of unrealised gains recognised under Tier 2 Capital	3,453	

Interest Rate Risk in the Banking Book

The Bank does use interest rate gap analysis to measure the interest rate sensitivity of its annual earnings due to re-pricing mismatches between rate sensitive assets, liabilities and derivatives' positions.

As at 30 June 2010, the Bank does not have any rate sensitive liabiliities and derivatives positions.

The assets re-pricing profile of various asset categories is set out below:

	Effective Interest	Upto 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Rate insensitive	Total
On-balance sheet financial Instruments								
Assets								
Cash and balances with banks		4						4
Placements with financial institutions		28,052	1,000					29,052
Investment Securities					67,913			67,913
Short term bridge financing		894	9,683					10,577
Other Assets		4,382	5,584	1,814	5,779			17,559
Total Assets	**0**	**33,332**	**16,267**	**1,814**	**73,692**	**-**	**-**	**125,105**
Investors funds								
Payables								
Contingent liabilities								
Total Liabilities	0	0	0	0	0	0	0	0
Total Liabilities and Equity	0	0	0	0	0	0	0	0
On-balance sheet gap	**0**	**33,332**	**16,267**	**1,814**	**73,692**	**0**	**0**	**125,105**

The interest rate risk management process is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities. Normally the Bank would subject these positions to an interest rate shock of 200bps increase/ decrease, however, given the small nature of the Banks exposure such a stress testing is not a meaningful risk management tool.

DISCLAIMER

This Semi-Annual Report contains certain forward-looking statements, and such information is based on the beliefs of Gulf One Investment Bank BSC (c), (the Bank), as well as on assumptions made by, and information currently available to the Bank. When used in this Semi-Annual Report, the words "anticipate", "believe" "estimate", "expect", "plan", "intend", and words or phrases of similar import, are intended to identify forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the following: Bank plans, strategy, objectives or goals; future economic performance or prospects; specific country, region and worldwide business environment; potential effect on future performance of certain contingencies; and assumptions underlying any such statements. These statements are inherently subject to signifcant business, economic, competitive, regulatory and operational uncertainties, contingencies and risks, both specifc and general in nature, many of which are beyond the control of the Bank. Any forward-looking statements are speculative in nature, and it can be expected that one or more of the assumptions underlying such statements will prove not to be accurate, and unanticipated events and circumstances may occur. Actual results and events will likely vary from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and such variations may be material. Consequently, this Semi-Annual Report should not be regarded as a representation by the Bank that the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements will be achieved and should not be relied on. The Bank does not intend to update these forward-looking statements.

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The contents of these Pillar 3 disclosures and other disclosure requirements (as appropriately disclosed in the semi-annual report) of Chapter 1.3 of the Public Disclosure Module (PD Module) of the Central Bank of Bahrain's Rule Book have been reviewed by the Bank's external auditors, KPMG Fakhro based upon agreed upon procedures as required under Para PD-A.2.4 of the PD Module.