مؤسسة الخليج للإستثمار
Gulf Investment Corporation

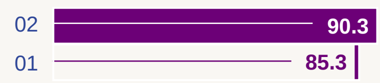
Annual Report 2002

Financial Highlights

US$ Millions	**2002**	2001
For the year		
Net Interest Income	**79.2**	48.8
Other Income	**43.6**	51.7
Operating Expenses	**28.0**	26.9
Income from Discontinued Operations	**-**	26.7
Net Income	**90.3**	85.3
At year end		
Total Assets	**5,804.9**	5,541.0
Trading Securities & Managed Funds	**308.7**	220.6
Investment Securities	**3,564.1**	3,055.6
Loans & Credit Funds	**426.8**	487.9
Deposits	**1,705.1**	1,464.8
Shareholders' Equity	**1,178.1**	1,151.7
Selected Ratios (%)		
Profitability		
Return on Paid-up Capital	**12.0**	11.4
Return on Adjusted Shareholders' Equity	**8.3**	7.3
Capital		
BIS ratios		
- Total	**35.0**	35.9
- Tier 1	**34.9**	35.8
Shareholders' Equity as a % of Total Assets	**20.3**	20.8
Asset Quality		
Loans & Credit funds as a % of Total Assets	**7.4**	8.8
Marketable Securities as a % of Total Assets	**60.1**	55.1
GCC & OECD country risk as a % of Total Assets	**99.3**	95.9
Liquidity		
Liquid Assets Ratio	**76.3**	71.7
Productivity		
Operating Income as Multiple of Operating Expenses	**4.4**	3.7

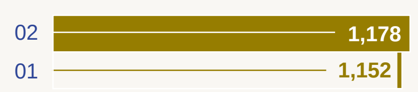
Note: Where necessary, prior years' comparative figures have been adjusted to conform with changes in presentation in the current year.

Net Income (US$ million)



Total Assets (US$ million)

Shareholders' Equity (US$ million)



Board of Directors

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Minister of National Economy and
Deputy Chairman of the Financial Affairs and
Energy Resources Council

Mr. Darwish bin Ismail bin Ali Al-Bulushi §
Undersecretary of Financial Affairs
Ministry of Finance

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Minister of Finance

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State of Kuwait
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Minister of Finance and Minister of Planning

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The Pension Fund Commission

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Minister of Finance and National Economy

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Senior Management
Mr. Hisham Abdulrazzaq Al Razzuqi
Chief Executive Officer

* Chairman of the Executive Committee
§ Member of the Executive Committee
❖ Member of the Audit Committee


State of Kuwait
Kingdom of Bahrain
State of Qatar
Kingdom of Saudi Arabia
United Arab Emirates
Sultanate of Oman

On behalf of the Board of Directors, I have the privilege to present the Annual Report and Accounts of Gulf Investment Corporation for the year 2002.

Chairman's Statement

I am pleased to report that 2002 was another good year for GIC, with profits and assets registering solid growth. Operating income increased by over 22% to US$ 122.8 million and the overall balance sheet size grew by approximately 5% to US$ 5,804.9 million. At US$ 90.3 million, net income for 2002 was 5.9% higher than that of the prior year, and represented a return on shareholders' equity of 8.3%. The sound performance during the year was a result of strategic initiatives that reflect clear adherence by the Corporation to the strategy approved by the Board of Directors. This performance also highlights GIC's ability to continuously optimize its asset mix in line with the changing operating environment.

During the past year, GIC had initiated several focused and well-defined action plans targeted at diversifying and enhancing revenues, increasing efficiency through management of expenses, and phased expansion of operating businesses. The rewards of these actions are reflected in the strong performance during 2002 and I am confident that the Corporation will continue to benefit from its diversification plans in the future. We intend to continue growing the balance sheet over the next few years, aiming to achieve a suitable leverage, in line with the Corporation's target ROE and accepted risk profile.

GIC will continue its efforts to realign its organizational resources to meet the requirements of its strategy. It is important to recap that GIC strategy implies an increased focus on the GCC region, with principal investing in projects playing a central role. Over a third of the Corporation's total assets are invested within the GCC countries. The focus implies not only directing more investment resources to the GCC economies but also entails revitalizing GIC's role as a promoter of investment concepts and ideas that enhance and encourage private enterprise in the region. Our ownership and standing, strong capital position, efficient and flexible organization structure and clear focus constitute our principal strengths. I am confident that the Corporation is now well positioned and has the wherewithal to leverage these strengths for continued success.

As at December 31, 2002, total shareholders' equity reached US$ 1,178.1 million. With a capital base in excess of 20% of total assets, GIC continues to be one of the most strongly capitalized financial institutions in the region. We view this solid capital position as a strategic resource and will strive to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital management is fundamental to GIC's risk management philosophy, and takes into account economic and regulatory requirements.

I am pleased to welcome to the Board His Excellency Dr. Mohammed Sabah Al-Salem Al-Sabah, Minister of State for Foreign Affairs and Acting Minister of Finance and Planning of the State of Kuwait.
Dr. Mohammed Al-Sabah replaces Dr. Yousef Hamad Al-Ebraheem. I take this opportunity to thank Dr. Al-Ebraheem for his valuable contributions during his tenure as member of the Board and wish him continued success.

I assumed the chairmanship of the GIC Board in April 2002 and would like to thank my colleague His Excellency Dr. Ibrahim Al-Assaf for all his efforts and diligence during his term as Chairman of the Board in the preceding two years. Since the posts of Chairman and Deputy Chairman of the Gulf Investment Corporation are rotated every two years among the Ministers of Finance representing each of the GCC governments, His Excellency Yousef Hussain Kamal, Minister of Finance of Qatar, has assumed the position of Deputy Chairman of the Board following the Corporation's General Assembly meeting in April 2002. I welcome His Excellency and wish him success as Deputy Chairman and Head of the Executive Committee. I also wish to express my appreciation and gratitude to the members of the Board and Executive Committee for their strategic guidance and to the management and staff at GIC for their contributions toward the commendable performance.

Ahmed Macki
Chairman

The Gulf Investment Corporation continued its efforts to manage its main lines of business according to clear strategic guidelines. Emphasis on focused and well-defined approaches in developing and managing the business resulted in a solid financial performance for the year.

Chief Executive Officer's Review

Operating income grew by over 22% to US$ 122.8 million from the US$ 100.5 million earned in 2001. The solid performance once again demonstrates the ability to identify opportunities and leverage competencies in a challenging operating environment. Subsequent to the divestiture of its principal subsidiary Gulf International Bank (GIB) during 2001, this year was the first full year of operations on a stand-alone basis for the Corporation.

Net income at US$ 90.3 million, was 5.9% higher than that of the previous year, in spite of the US$ 28.3 million provisions made during the year under review. Net income represents a return on shareholders' equity of 8.3% for the year. The record provisions made in 2002 reflects the Corporation's conservative provisioning policy and the stringent criterion for valuation of assets. Despite the difficult operating environment, our two main business lines – the Principal Investing activity and the Global Markets business – performed well, achieving return targets set for the year.

During the year under review, GIC received US$ 25 million from the United Nations Compensation Commission (UNCC), which was treated as an "extraordinary item" and not included within operating income. This one-off income was in respect of the claim filed by the Corporation for losses incurred as a result of the Iraqi invasion and occupation of Kuwait in 1990-91.

In June 2002 Moody's raised the Long-term and Short-term ratings of Gulf Investment Corporation to Baa1 and P-2 respectively, signifying the Corporation's strong capital position, its ownership structure and position in the Gulf region, clear and well defined strategy, good profitability, asset quality, and the high level of professionalism of staff and management.

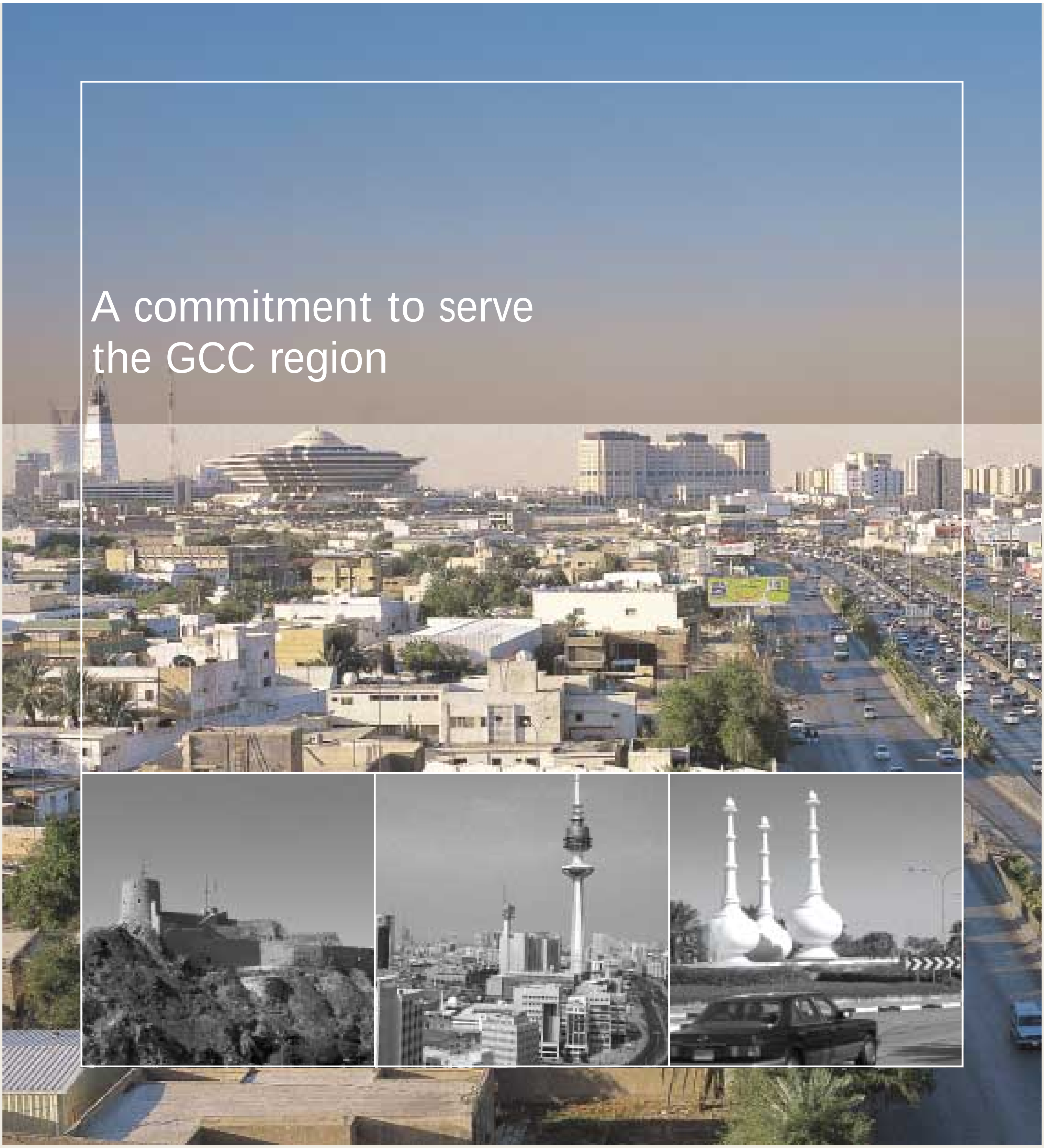
In line with the consistent efforts to diversify our funding profile, the Corporation issued 5-year floating rate notes in July 2002. Increased demand from regional and international financial institutions led us to raise the total issue to US$ 300 million and enabled favorable pricing of the issue in comparison to recent issues in the region.

Within the Principal Investing activity, the profitable divestiture of our investment in Clearstream, the international clearing and settlement organization, conforms with our exit strategy for project investments. In addition to gains generated on this sale, the principal investing activity contributed to operating income through share of profits and dividend income from other project investments.

The Corporation continued its task to review and restructure its portfolio of GCC projects. As of the end of 2002, GIC's portfolio of projects included 34 businesses covering six GCC states with total investment of approximately US$ 306 million. These businesses have investment programs totaling US$ 6 billion in the region's economy. Our strategy in principal investing is to strive to initiate investment ideas and concepts that further the development of Gulf economies. The thrust will be on project origination and promotion as against just participation. One of the major initiatives under consideration is the setting up of a stainless steel cold rolling complex in Abu Dhabi, at an estimated investment of US$ 200 million, to cater to the demand for steel coils and sheets in the GCC region and beyond. Sectors or themes with greater potential for value realization and investment returns in the Gulf are being targeted, such as power generation, financial services and selected manufacturing niches.

The efforts to restructure the portfolio resulted in GIC playing a key role in the

A commitment to serve the GCC region



merger of two companies: Cosmoplast and Interplast; both are based in the UAE and operate in the same industrial sector. The merger should result in enhanced economies of scale, cost-savings and higher efficiency of operations, which translates in higher return to investors. In the same spirit of maximizing value, GIC has completed a capital restructuring of one of its subsidiaries, the Gulf Industrial Investment Company (GIIC), which resulted in reducing the cost of investment to the Corporation from an initial amount of $94.5 million to $52.9 million. The year has also seen important developments: Ras Laffan Power in Qatar and A'Saffa Poultry Farms in Oman have entered the construction stage; Al Manar Plastics in Saudi Arabia and Kuwait International Advanced Industries have commenced commercial production.

Global Markets investments continued to be the key driver of overall income growth. Through the dynamic management of its holding structure and the continuous optimization of its funding profile, the investment securities portfolio generated superior spread income, significantly contributing to the bottom line. What distinguishes the year from previous ones is the level of involvement by GIC in regional capital markets, not only as an investor in its own right but also as a supplier of products and services to investors interested in the region. With the objective of diversifying our sources of revenue, the alternative assets portfolio was further expanded through investments in a diversified futures program, a high-grade leveraged credit structure, a high return hedge fund of funds, and similar strategies. These investments provided low risk income, while offering benefits of diversification vis-à-vis GIC's other conventional asset classes.

GIC is committed to expanding its fee-based income source, and in this regard a GCC equities team was established in early 2002 with the objective of attracting third party funds for management. In a short span of less than six months, total funds under management exceeded US$ 200 million, generating steady fee income and entailing little risk. In both the proprietary and third party asset management fields, our focus is the GCC region, whose dynamics we comprehend well and where we have a better understanding of the inherent risks. With the objective of enhancing GIC's role in the GCC capital market, the Corporation is in the advanced stages of launching GCC debt and equity funds targeted at regional and international investors.

The Corporation has developed an enhanced investment process, with capital and other resources being allocated based on risk adjusted return criterion. Post-investment performance measurement is also based on these measures, enabling continuous optimization and efficient asset allocation.

Management of expenses remains a priority within the Corporation. The sharp focus and discipline we maintain on the cost structure is reflected in the excellent productivity and efficiency ratios. Productivity, expressed in terms of total operating income as a multiple of operating expenses, improved to 4.4 in 2002 from 3.7 in 2001, and 2.0 in 2000. Standard & Poor's, in their rating report for GIC, highlighted our cost structure as a key competitive advantage, which would bring in benefits in terms of increased efficiency and improved margins.

With the objective of strengthening the internal control systems of the Corporation, an Audit Committee of the Board of Directors was set up during 2002. The primary function of this committee is to assist the Board of Directors in fulfilling its responsibility for ensuring that senior management have established and maintained an adequate and effective system of internal controls. Additionally, this board level sub-committee, comprising non-executive directors, will reinforce the internal control system and the internal and external audit functions.

GIC's Regional Role: The Corporation continued its efforts to highlight its role in the regional economies. A GCC equity research unit was established with the objective of providing basic research to the investor community in the region. We view this newly created function as an integral part of our strategy to serve the region's economies. The research team was instrumental in developing and launching a set of equity indices to cover all the six stock markets within the GCC region. These GIC indices are pioneering in terms of being the first regional indices to apply a consistent globally accepted calculation methodology, and in terms of creating total return GCC indices including dividends. In the absence of reliable performance benchmarks in the region, the creation of new indices is seen as an important step in the development of regional capital markets.

I want to emphasize that GIC's strong performance is primarily attributed to the dedication and commitment of the professional staff and our ability to work together as a cohesive team. During the year the Corporation was successful in attracting highly qualified professionals from the region, who brought in a diverse yet complementary set of experiences and skills. I would also like to take this opportunity to thank our Board of Directors for their continued support and guidance, which facilitated our work and contributed to our success.

Hisham Abdulrazzaq Al Razzuqi
Chief Executive Officer

The turnaround in the world economy did not happen in 2002. The US had a weaker than hoped for growth. The Euro zone hardly had any growth to speak of, and Japan's growth was negative. The only bright spots were China and Australasia.

That was not enough, however, to change the bleak economic picture worldwide. The GCC region, although benefiting from firm oil prices in the latter part of the year, had little real GDP growth in view of OPEC's lowering of production quotas for its members during the year.

The World Economy

The year started on a good note as the US economy grew at 1.4% in the first quarter after showing negative growth in 4Q 2001. The US avoided the technical definition of recession, since it did not have two consecutive quarters of negative growth. The hope at the beginning of the year was for a real turnaround in the US, therefore impacting positively the rest of the world. Those hopes did not materialize and the unexpected level of corporate malfeasance in the US, coupled with global geopolitical uncertainties, influenced the mood of investors and shook confidence in the world markets. The aftershocks of the bursting stock market bubble in the US – especially in the technology, telecom and media sectors – continued to influence investor sentiment, not only in the American markets, but elsewhere in the world. As Table 1 shows, all major world equity markets were negative for the year.

In the US, it was the third year in a row when all principal market indices declined, which has not happened since 1939-1941. The "equity culture", which analysts were heralding as a new force spreading from the US to Europe, suffered a setback in the year. Indeed, it was the first time since 1988 that American equity mutual funds had a net withdrawal.

Equity markets also suffered from unprecedented volatility. The European markets, especially in Germany, suffered from severe volatility during the year, with the German index XETRA DAX moving by more than 100% for the closings on March 19th and October 9th. Other markets also had strong volatility.

The year in which the US is estimated to have grown by 2.4%, versus 0.8% for the Eurozone and -0.3% for Japan,[1] was a year for reflationary attempts by monetary authorities in the US and Europe. The Federal Reserve in the US kept its low rate of 1.75% on federal funds for most of the year, and ended by a 50 bps cut in November 2002. The European Central Bank also cut rates during the latter part of the year when it became obvious that its major economies in Germany and France were suffering.

Table 1

Global Stock Market Indices (in local currencies)

	31 Dec. 2001	31 Dec. 2002	Change 2002
DJIA	10,021.50	8,341.63	**-16.76%**
S&P 500	1,148.08	879.82	**-23.37%**
NASDAQ Composite	1,950.40	1,335.51	**-31.53%**
FTSE 100	5,217.40	3,940.40	**-24.48%**
DAX	5,160.10	2,892.63*	**-43.94%**
CAC-40	4,624.58	3,063.91	**-33.75%**
Nikkei 225	10,542.62	8,578.95*	**-18.63%**
Hang Seng	11,396.20	9,321.30	**-18.21%**

* Last trading day was 30 December 2002.
Source: Bloomberg

[1] Consensus Economics Inc., Consensus Forecasts, 13 January 2003.


Acting as a catalyst for
intra-Gulf investments

This low interest-rate environment has benefited bond investors who enjoyed positive returns. The Salomon Smith Barney Global Corporate Bond Index had total returns of 8.77% in local currencies and 16.51% in US dollar terms.[2] The US Treasuries of 10-year and above had a total return of 16.77%[2] while the Merrill Lynch Master index of US Corporate Bonds returned 10.17%.[2] The US dollar, which was firm during the first half of the year, suffered against the Euro, especially in the latter part of the year.

Gulf public investors who were overweight in equities suffered more than national monetary authorities that maintain most of their foreign holdings in quasi-cash and government paper. The average high net worth GCC investor had mixed results depending on where the assets were deployed. Since the fortunes of Gulf economies are determinedly linked to the oil situation, a brief survey of the oil market is followed by a review of the main economic themes that dominated the GCC economies during the year.

Recent Developments in the Global Oil Market

OPEC cut production targets by 1.5 MM b/d effective January 1, 2002. The significant fact about it was that it ushered in a new era of cooperation between OPEC and non-OPEC producers, with OPEC's cut contingent upon non-OPEC countries cutting their production by 500,000 b/d. After lengthy negotiations, Norway, Mexico, Angola and Russia agreed to lower their production and export targets.

Short Term Outlook

In coming decades, the Atlantic Basin, comprising Brazil, Argentina and countries from Mauritania to Namibia along coastal West Africa, may emerge as a major non-OPEC supplier. It is estimated that Atlantic Basin non-OPEC production would rise to 10 MM b/d in 2020 from under 4 MM b/d in 2000.[3] Another factor that enabled non-OPEC producers to increase their production was the steady rise in former Soviet Union (FSU) production, which reached 9.4 MM b/d in 2002[4] after bottoming at around 7 MM b/d in 1996. Most of the additional production has come from Russia, and Kazakhstan in the Caspian Sea region. The IEA estimates non-OPEC production to reach 47.92 MM b/d in 2002, with further increases likely in 2003. Oil prices have rebounded as a result of growing fears of the breakout of hostilities in the Gulf.

Table 2
Oil Prices (US$/per barrel)

	1998	1999	2000	2001	**2002**
OPEC Basket	12.28*	17.47	27.60	23.13	**24.36**
Arab Light	12.20	17.45	26.81	23.06	**24.32**
Brent	12.71	17.91	28.44	24.46	**25.03**
WTI	14.36	19.30	30.37	26.00	**26.13**

* In December 1998 the average price for OPEC Basket was US$ 9.67 per barrel.
Source: Middle East Economic Survey (MEES), Volume 46, No. 2 (13 January 2003).

2 Source: Bloomberg

3 Source: International Energy Outlook 2002, Energy Information Administration, US Department of Energy.

4 IEA estimate, December 2002.

Table 3
GCC Oil Statistics

	Quota* ('000 b/d) 1st January 2002	1st January 2003	1st February 2003	Average Actual Production** ('000 b/d) 2000	2001	2002	Oil Export Revenues*** (US$ bn) 2002E	2003F
GCC-OPEC								
Kuwait	1,741	1,845	1,966	2,094	2,042	1,853	11.5	11.8
Qatar	562	596	635	696	681	640	6.7	7.1
Saudi Arabia	7,053	7,475	7,963	8,336	7,961	7,551	52.6	53.8
UAE	1,894	2,007	2,138	2,217	2,126	1,952	17.3	17.7
GCC Non-OPEC								
Bahrain	-	-	-	38	37	37	n/a	n/a
Oman	-	-	-	955	956	897	8.0	n/a
Total				**14,336**	**13,803**	**12,930**		

E: US Department of Energy, Energy Information Administration estimates.
F: US Department of Energy, Energy Information Administration forecasts.

* www.opec.com
** MEES, Volume 46, No. 2 (13 January 2003)
*** MEES, Volume 46, No. 1 (6 January 2003)
Oman: Ministry of National Economy, www.moneoman.gov.om
Bahrain: Bahrain Monetary Agency, Annual Report 2001

Table 4
Global Oil Demand (Million b/d)

1999	2000	2001	2002	2003
75.4	76.2	76.5	76.6	77.7

Source: IEA, October 2002

There are other factors affecting oil markets:

- OECD inventories are below the 2%-3% normal level. OECD inventories were drawn down throughout 2002.
- The US is buying oil for its Strategic Petroleum Reserve (SPR). Nearly 30 MM barrels were added in the first eight months of 2002.
- Uncertainty exists about Iraqi exports as well as the potential for a military conflict.
- The political situation in Venezuela and Bolivia remains uncertain.

Long Term Outlook

The supply-demand profile differs significantly over the long term. The appetite for energy, especially in the emerging economic powerhouses in South and East Asia, is expected to remain vigorous over the next 10-15 years. Analysts suggest that demand growth in China and India will be in excess of 4% per annum over the next 15 years.[5] Brazil and the FSU are also expected to show a sharp rise in demand over the same period, albeit at a slower annual rate.

[5] International Energy Outlook 2002, Energy Information Administration, US Department of Energy.

With slow but steady growth in demand in the industrialized world of just over 1%, demand is seen rising to:
85.20 MM b/d in 2005
96.00 MM b/d in 2010
and 118.60 MM b/d in 2020

As demand rises over 85 MM b/d, non-OPEC production reaches its constraints, while OPEC production, especially in the Gulf, rises relatively effortlessly to fill the gap. Therefore, OPEC production is to reach:
38.4 MM b/d in 2005
44.8 MM b/d in 2010, and
60.2 MM b/d in 2020

The reasons for greater reliance on OPEC are obvious and are easily discernible. In spite of new finds in the Caspian and the Atlantic Basin, proven reserves are not of extraordinary magnitude. Proven reserves in the Caspian at the end of 2000 were around 16 billion barrels, Angolan reserves stand at 5.4 billion barrels while Brazil possesses reserves of 8.1 billion barrels. This compares with total Middle East reserves (including Iraq and Iran) of 684 billion barrels.[6] This picture translates into an increasing importance for OPEC and the Gulf region in particular during the coming decades.

The strategic and economic implications are positive for the region in the long term.

Prospects for the GCC Economies

GCC economies recorded double digit growth in nominal terms during 2000, as current account balances soared and government budgets showed great improvements, even surpluses in some cases. The year 2001, however, was disappointing because of slower world economic growth, the after-effects of the September 11th terrorist attacks in the US, and weak oil markets.

It appears that 2002 is unlikely to have witnessed significant improvement over 2001, with global economic growth still weak. The usual vigor that is seen in post-recession recoveries is conspicuously absent. With average oil prices of OPEC Basket for the year at $24.36, and with production cutbacks in place, the numbers are expected to show that performance of the GCC economies during 2002 was lackluster, with certain sectors showing some shrinkage in nominal as well as real terms. The IMF estimates negative real GDP growth in Kuwait, due to its weaker non-oil sector, and negligible growth for Saudi Arabia and the UAE. The three countries together account

Table 5
Gross Domestic Product for GCC Economies at Current Prices (y/y% change)

	1998	1999	2000	2001	2002e	Real GDP* 2002e
Bahrain	-2.6	7.1	20.4	-0.4	3.8	**4.1**
Kuwait	-16.3	16.1	22.8	-8.4	4.3	**-1.0**
Oman	-11.1	11.5	26.2	0.5	1.5	**3.3**
Qatar	-9.2	20.8	32.8	-1.8	8.6	**3.0**
Saudi Arabia	-11.5	10.4	17.1	-1.2	-0.4	**0.7**
United Arab Emirates	-5.5	13.8	19.9	2.6	-0.3	**0.3**

e: Estimates
* IMF World Economic Outlook, September 2002
Source : GIC, GCC Economic Statistics Report, 2nd Edition 2002.

6 BP Statistical Review of World Energy 2002.

Table 6
Consumer Price Index (y/y% change)

	1998	1999	2000	2001	**2002e**
Bahrain	-0.4	-1.3	-0.7	-1.2	**0.5**
Kuwait	0.15	3.0	1.8	1.7	**2.0**
Oman	-0.5	0.5	-1.4	-0.4	**-0.5**
Qatar	2.9	2.2	1.7	1.4	**1.9**
Saudi Arabia	-0.4	-1.6	-0.8	-0.4	**-0.5**
United Arab Emirates	2.0	2.1	1.3	2.2	**1.3**

e: Estimates
Source : GIC, GCC Economic Statistics Report, 2nd Edition 2002 and EIU Country Reports.

for 87% of the total GDP for the region, which means that 2002 had negligible economic growth.

The GCC economies face many challenges for the future. Rapidly rising populations are lowering per capita income in most GCC countries. For a long time GCC governments have recognized the need for economic diversification, promoting private enterprise and reducing dependence on oil. Success in the areas of petrochemicals, liquefied natural gas (LNG) production, aluminum smelting and in running free zones have been obvious. The vital area of financial services is also being opened up for greater private and foreign investment. The important sectors of tourism, retailing, construction and real estate are run by the private sector. It is imperative that private sector investment and participation increase rapidly, as there are limitations on the ability of governments to continue funding development and providing subsidies. It is also equally imperative to open up GCC economies to more competition to enhance the quality of services offered and merchandise produced.

The road ahead for the GCC region requires codification and clarity of tax legislation, contractual laws and corporate laws, greater accountability and transparency, reduction in layers of bureaucracy and expediting project approval process. Reformers call for full foreign ownership of enterprises as a means to attract foreign direct investment and foreign technology. An improvement in the judicial and legal procedures has been urged.

What is critical is that GCC countries must be able to persuade investors, both domestic and foreign, that the region offers a business friendly environment, and that the climate for making investments is continually improving. Vigorous steps are being instituted throughout the region to encourage the inflow of foreign private capital, and natural gas has clearly emerged as the mainstay of the diversification strategy, as its versatility as feedstock for the petrochemicals industry and as fuel for various uses, including power generation and metallurgy, became known.

Structural Reforms

The last couple of years have seen the passage of legislation throughout the GCC that can be described as ground breaking. Saudi Arabia took the lead in ushering the regulatory structural reform process when it introduced the new Foreign Investment Law in April 2000, which allows foreign entities to own 100% of local businesses as well as real estate. Foreign holdings of more than 49% are now treated in the same fashion as local firms in all respects. The Saudi Arabian General Investment Authority (SAGIA) was created to facilitate private investment, and 1,375 licenses have been issued between April 2000 and August 2002 for possible investments totaling over $12 billion. Tax rates were cut to 30%, and updated mining, taxation and capital markets laws are on their way. The capital markets law is expected to be ratified by the Saudi Cabinet during 2003.

In March 2001 the Kuwaiti National Assembly passed a Foreign Investment Law that allows foreign investors to establish companies in Kuwait without local sponsors or partners. Bahrain now permits 100% ownership under certain conditions along with liberalization of real estate ownership rules for such companies. Bahrain's offshore banking units can be fully foreign owned. By 2005, Bahrain expects to allow foreigners 100% ownership of every business. Qatar passed a new law in 2000, which allows foreign companies to own more than 50% equity in all projects subject to the approval of the Ministry of Economy & Trade. Qatar now permits 100% ownership in the sectors of education, tourism and healthcare. The UAE pioneered free zones in the region that allow 100% ownership, and more zones in newer industries, including high technology, have been established. Oman took the lead in opening up its power, water and transport sectors to domestic and foreign private participation, in addition to LNG and petrochemicals. Its legislation relating to capital markets and the opening up of its stock market to foreign investors has been a trendsetter. All GCC countries are now members of WTO except for Saudi Arabia, which is pushing vigorously for membership. Regulatory bodies to govern sectors such as power, water and telecommunications are being set up everywhere. The legislative initiatives summed up above make it manifestly clear that private enterprise and foreign direct investment are expected to provide the impetus for further development efforts in the GCC region. Competition is expected to increase and subsidies are being gradually scaled back. Foreign trade is slated to expand with the agreement on a GCC customs union taking effect on January 1st, 2003.

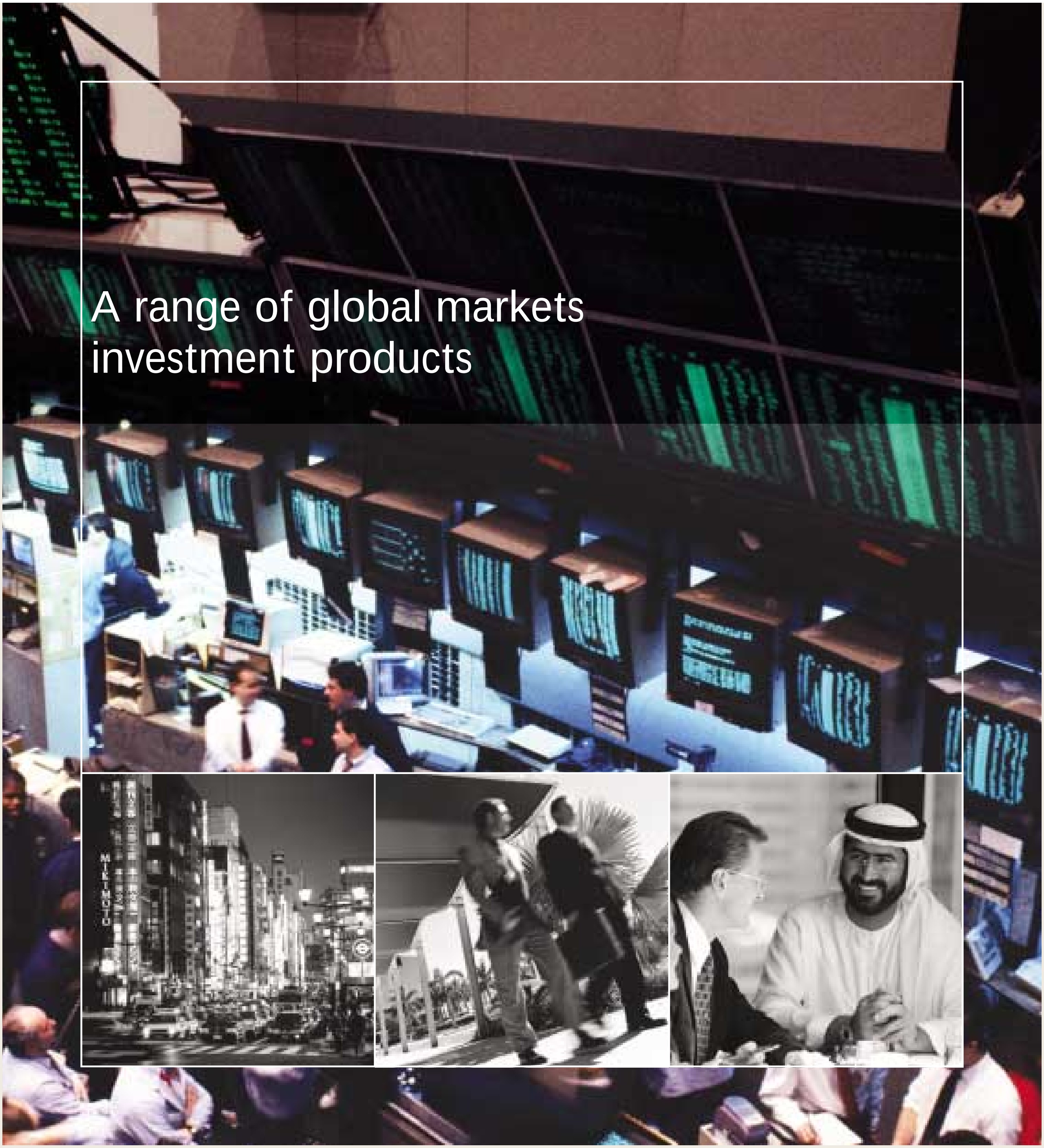
Table 7

GCC Government Revenues and Expenditure (US$ Million)

	1999			2000			2001			**2002 Budget**		
	Revenues	Expenditures	Deficit/ Surplus	Revenues	Expenditures	Deficit/ Surplus	Revenues	Expenditures	Deficit/ Surplus	**Revenues**	**Expenditures**	**Deficit/ Surplus**
Bahrain	1,756	1,925	(169)	2,786	2,093	693	2,609	2,215	394	**1,795**	**2,781**	**(986)**
Kuwait[(a)]	17,258	13,169	4,089	16,190	10,395	5,795	17,411	15,486	1,925	**11,546**	**17,796**	**(6,250)**
Oman	4,671	5,901	(1,230)	5,956	6,908	(953)	6,580	7,433	(853)	**6,476**	**7,464**	**(988)**
Qatar[(b)]	4,191	4,763	(571)	6,436	5,026	1,410	5,307	5,293	14	**5,002**	**5,502**	**(500)**
Saudi Arabia	39,385	49,079	(9,694)	68,892	62,830[(c)]	6,062	57,410	57,410	0[(d)]	**41,900**	**53,900**	**(12,000)**
United Arab Emirates[(e)]	12,182	20,222	(8,040)	20,255	22,891	(2,636)	18,508	25,523	(7,015)	**n/a**	**n/a**	**n/a**
Total GCC	79,443	95,059	(15,615)	120,515	110,143	10,371	107,825	113,360	(5,535)	**-**	**-**	**-**

(a) Kuwait 1999 fiscal year spans from July to June. The 2000 budget covers the period: 1/7/2000 to 31/3/2001. Starting from year 2001, Kuwait fiscal year spans from 1st of April to 31st of March.
(b) Qatar fiscal year spans from April to March.
(c) 13- months' salaries were paid during fiscal year 1420/21.
(d) Budgeted figures
(e) Consolidated budget for the seven emirates as reported in the UAE Central Bank, statistical Bulletin 1Q 2002.
Source: GIC, GCC Economic Statistics Report, 2nd Edition 2002.

A range of global markets investment products



It will be useful to briefly review key developments in important sectors.

Oil and Gas

Obviously, the hydrocarbons sector is economically the most important to the region. Conversely, a healthy and growing hydrocarbons sector is vital to the well being of the entire energy-consuming world, as production capacity in the GCC oil industry must more than double in the next twenty years.

Among the most important developments that are taking place in the oil and gas sector are the Gas Initiative in Saudi Arabia and Project Kuwait. Hydrocarbons production in Saudi Arabia and Kuwait, which together possess more than 36% of the global oil reserves, has been off limits to foreign investment for more than 25 years. The gas initiative was launched in 1999. Three core ventures have been formed and preliminary agreements signed with IOCs. Implementation agreements and project agreements are under negotiation. The total outlay is expected to be at least $25 billion; equal to the total direct foreign investment made in Saudi Arabia during the last 25 years.

Project Kuwait aims at raising capacity of four fields in the north of the country to 900,000 b/d by 2005 and the capacity of the two western fields to 466,000 b/d over the same period. Foreign oil companies are expected to invest more than $7 billion in the development of these fields when the project is implemented. A draft law regulating proposed arrangements was approved by the Cabinet, and is currently being reviewed by the National Assembly.

An important development in the energy sector has been the spectacular gas finds in Qatar. In May 2002, SSI-Baker Hughes certified gas reserves of more than 900 trillion cubic feet, ranking Qatar second in the world in terms of reserves, behind Russia. Qatar's reserves are equivalent to nearly 200 billion barrels of oil or 20% of global oil reserves.[7]

Two major projects, Rasgas and Qatargas, are now operating successfully and have more than 30% foreign equity investment. Massive expansions are ongoing and by 2007 Qatar is estimated to export 35 million tons of LNG annually, which should make Qatar the number one LNG exporter in the world.

ADGAS in Abu Dhabi pioneered the LNG industry in the Gulf as early as 1978, and Oman completed a world class facility with the participation of foreign equity partners in 2000, and a third train will commence installation in early 2003, boosting production to about 10 million tons annually.

Abu Dhabi continues with the second phase of its massive $1.2 billion gas reinjection program at the offshore Upper Zakum field, with BP and TotalFinaElf as major shareholders in the ADNOC subsidiary working on the expansion of the field.

The Dolphin Gas Pipeline is laying down yet another milestone, as it would constitute the first major cross-border energy deal between GCC members. In December 2001, Dolphin Energy Limited (DEL) and Qatar Petroleum signed a 25-year development and production agreement. DEL will drill and extract 2 billion cubic feet of gas per day and pipe it to Abu Dhabi and then to Dubai. The gas is earmarked for power, water and other industrial uses such as petrochemicals production. The second phase will expand the pipeline to Oman and then to Pakistan. The first phase involves an outlay of $3.5 billion. DEL is 49% owned by IOCs and 51% by the UAE Offsets Group. Efforts are underway to complete the financial

[7] EIU Qatar Country Report, July 2002.

arrangements for implementing Dolphin with the appointment of a project finance director for the project in November 2002.[8] Four foreign bidders have been shortlisted for the engineering, procurement and construction contract.

Petrochemicals and Fertilizers

Petrochemical projects represented the first major step in the diversification policy of the GCC, and are based essentially on exploiting the ethane molecule in natural gas for producing ethylene and numerous other derivates.

Saudi Arabian Basic Industries Corporation (SABIC) has been a pioneer in the GCC in employing joint ventures with noticeable success. ARAMCO provided inexpensive ethane to the JVs while the partners, major IOCs and global chemicals producers, provided technology and marketing experience. SABIC today is one of the largest petrochemicals producers in the world, with over 10% of global production. Since the mid-1990s, the Saudi government has permitted purely private petrochemicals companies to operate in Saudi Arabia. They include Saudi International Petrochemicals Company, Saudi Polyolefins Company and Jubail Chevron Phillips.

The UAE's first major petrochemicals plant came on stream when the $1.2 billion

Table 8

GCC Trade & Current Account Balances (US$ Million)

		1997	1998	1999	2000	**2001***
Bahrain	Trade Balance	605	(29)	894	1,801	**1,536**
	Current Account	(31)	(778)	(37)	783	**157**
Kuwait	Trade Balance	6,533	1,903	5,568	13,027	**9,238**
	Current Account	7,934	2,215	5,062	14,670	**8,562**
Oman	Trade Balance	3,012	307	2,939	6,726	**5,763**
	Current Account	(78)	(2,950)	(291)	3,423	**2,315**
Qatar	Trade Balance	863	1,960	4,962	8,664	**7,484**
	Current Account	(1,679)	(455)	2,171	5,474	**4,263**
Saudi Arabia	Trade Balance	34,362	11,287	25,039	49,843	**44,387**
	Current Account	305	(13,150)	412	14,336	**14,502**
U.A.E.	Trade Balance	7,399	550	4,754	14,824	**10,391**
	Current Account	6,310	(1,114)	3,488	13,751	**8,860**
Total G.C.C.	Trade Balance	52,774	15,979	44,156	94,885	**78,799**
	Current Account	12,761	(16,232)	10,805	52,437	**38,659**

* Preliminary
Source : IMF; IFS, January 2003. Qatar Central Bank, Quarterly Statistical Bulletin, June 2002.
Central Bank of United Arab Emirates, Statistical Bulletin, April - June 2002.

8 MEES, Volume 46, No. 3 (20 January 2003).

Borouge Petrochemicals project began operation in December 2001. Borouge is a 60:40 JV between ADNOC and Borealis (a Danish firm). Oman is currently the only GCC country without a petrochemicals plant but this is due to change. A joint venture called Oman Propylene is in the planning stage. ABB Lummus and LG International are the foreign equity owners along with Oman Oil Company, which owns a 60% stake. Other projects are close to the implementation stage, such as the Oman India Fertilizer Company (OIFC), which has already awarded construction contracts. This $1.0 billion project will have two 1,750 tons/day ammonia trains and two 2,350 tons/day urea trains. OIFC is a joint venture between Oman Oil Company (50%) and two Indian Farmers' Cooperatives (25% each).

The Q-Chem I project was officially inaugurated in January 2003. This is a $1.12 billion project between Qatar Petroleum (51%) and Chevron Phillips Chemical Company (49%). Qatar Petrochemicals Company (QAPCO) was the first in the GCC to start petrochemicals (ethylene) production in 1980; it is a JV with foreign partners and has undergone several expansions since. In 2002, Qatar signed joint venture agreements to set up three additional petrochemicals projects worth $2.1 billion using North Field gas, including the setting up of Q-Chem II.

Public Utilities

Electricity, water and telecommunications offer good opportunities for privatization, both in terms of selling existing assets and building new capacity.

GCC countries would need more than 36,000 MW of additional capacity through 2010 at a cost of over $44 billion. Saudi Arabia alone needs around 2,000 MW of extra capacity every year for the next twenty years.[9] The power sector needs a huge amount of new investment, world-class technology, greater operating efficiency and a reduction in subsidies, which should lead to competitive but realistic pricing.

Oman was the first GCC country to embark on privatizing the electricity sector, when it implemented the Al-Manah IPP (Independent Power Producer) on a BOOT (build-own-operate-transfer) basis in 1996 with foreign equity partners, and sold a 40% stake in the new concern, United Power Company, to the public. Oman closed three IPPs in 2001, and three existing plants await privatization. Distribution and supply companies, as well as transmission companies, are slated for privatization. Comprehensive new legislation is expected during 2003 that will outline regulatory parameters and industry standards. Plans are drawn for an IWPP (Independent Water & Power Producer) at Sohar.

Abu Dhabi commenced a privatization program in 1998 with the establishment of ADWEA (Abu Dhabi Water and Electricity Authority) and enactment of enabling legislation. Abu Dhabi has moved aggressively since, with three new IWPPs that include a ground breaking project at Taweelah A2, followed by Taweelah A1 and finally the massive Shuweihat project for which financing has been secured. ADWEA has now commenced work on its fourth IWPP at Umm Al Nar to be followed by the brown field IWPP at Mirfa. The Shuweihat project, when completed, will have a capacity of 5000 MW and 300 million gallons per day. The first phase is being implemented with CMS Energy and International Power as foreign partners.

Bahrain is planning a new 1,000 MW power plant using an IPP model. Kuwait is considering the 2,400 MW Al Zour North Scheme as an IWPP. Private investors now

[9] Source: Economic Intelligence Unit, Saudi Arabia Country Forecast, October 2002.

own 57% of the Qatar Electricity & Water Company, which is currently implementing its first IWPP at Ras Laffan. AES Corporation of the US owns a 55% stake in Ras Laffan and will be the operator; other shareholders include Gulf Investment Corporation (GIC) at (10%).

Many new developments have taken place in Saudi Arabia since the formation of the Saudi Electricity Company (SEC) in 2000, which incorporated regional power companies. SEC is now working on separating its generation, transmission and distribution arms in preparation for the sale of certain power generating assets. GIC is advising SEC in this matter.

In 2001, Saudi Arabia created the Electricity Services Regulatory Authority (ESRA) to act as the regulatory body for the sector with a view for eventual privatization of the sector. ESRA will recommend new tariff structures, promote competition, protect investor and consumer rights, and establish standards for the industry. The Governor of ESRA has stated that the first tenders for IWPPs and IPPs will be released during 2003. Most new projects will be gas fired and employ modern combined cycle technology. These IWPPs are likely to be set up under the aegis of the SEC and the Saline Water Conversion Corporation (SWCC) with a joint venture company expected to be set up shortly. The private sector and strategic partners are expected to own 60% of the new JV with the government owning the remainder. More IWPPs are expected under the Gas Initiative. In 2002 Saudi Arabia created a Water Ministry, which will work closely with the Ministry of Industry and Electricity.

The telecommunications sector in the GCC, unlike other parts of the world, still presents opportunities for investors. The first initiative was taken by Qatar when, in December 1998, it sold 45% of its share in Qatar Telecommunications Company (Q-Tel) to the public, including foreign investors. Oman has passed legislation for the privatization of the telecommunications sector and the creation of a regulatory body. A 40% stake in Oman Telecommunications is to be offered to a strategic investor and 9% to local investors. The Kuwaiti government sold another portion of its stake in Mobile Telecommunications Company (MTC) in 2001. The Bahrain Telecommunications Company (Batelco), with a free float of 41%, is the most actively traded issue on the Bahrain Stock Exchange. Saudi Arabia has offered a 30% stake amounting to $4 billion in the Saudi Telecom Company (STC) to the public in December 2002. The Saudi Communications Commission is studying proposals for introducing competition in the sector; the GSM sector could be opened as early as 2004. Privatization of STC represents the Kingdom's first IPO since a 30% stake in SABIC was sold in 1984.

Kuwait became the first country in the region to privatize wastewater facilities, when it offered a 30-year concession to a joint venture of domestic and foreign investors in the Sulaibiya waste water management project, using the BOT model.

Financial Services

This is an area with strong potential, other than energy and the hydrocarbon sectors. It is imperative to have efficient capital markets to attract investors. Transparency and maximum rectitude in reporting are essential, and the role of regulators, exchange commissions, arbitration bodies and monetary authorities is important. In this regard measures are being adopted throughout the GCC to increase disclosure requirements and bolster investor confidence. Efforts are exerted to develop this crucial sector.

Table 9
GCC Stock Market Performance (As reflected by GIC Indices)*

	(y/y % change)		
	2000	2001	**2002**
Composite	7.9	24.1	**17.7**
Bahrain	-19.3	0.0	**8.1**
Kuwait	14.4	44.8	**26.9**
Oman	-9.9	-37.4	**54.7**
Qatar	1.4	57.0	**38.5**
Saudi Arabia	12.9	14.2	**7.0**
United Arab Emirates	-16.2	36.4	**20.7**

*GIC Indices, which were started on January 1st, 2000, are a group of cap-weighted total return indicies for the GCC equity markets. The flagship index is the GIC Composite Index, which is a market-cap-weighted addition of GIC's 6 GCC country indices.
Source: GIC Equity Research

Bahrain commenced its offshore banking activities as early as 1975, and today the banking industry in Bahrain has expanded into other activities and is thriving, representing more than 20% of the country's GDP. Bahrain has also grown into a major regional Islamic banking center, an area that has great potential for growth worldwide. Kuwait has several Islamic banking and investment institutions and the market is expected to grow with the passing of legislation to regulate Islamic banking. In Kuwait, the Cabinet has drafted a law allowing access to foreign banks, and the Parliament is to review it soon. In March 2002, a stake in Kuwait's Bank of Kuwait & Middle East (BKME) was offered to the public and the process resulted in acquisition by the Bahrain based Ahli United Bank of a major stake in BKME.

Oman's Capital Market Law came into force in 1999 and a new supervisory body, the Capital Markets Authority, was created. A grievance committee has also been established. Now all companies seeking listing must be open to foreign investors and most distinctions between fully owned Omani companies, and companies with up to 49% foreign holdings, have been abolished. Oman was the first Gulf exchange to permit foreigners to trade, which was shortly followed by Bahrain and Kuwait Stock Exchanges. Bahrain has now raised the limit on the stake foreigners may own in Bahraini companies to 49% from 24%.

The Kuwait Stock Exchange has been among the best performers in the GCC this year, as Table 9 shows. Compensation payments received by the United Nations Compensation Committee have been an important contributor to the improved performance of Kuwaiti companies and the stock market. Indeed, Gulf stock markets in general performed better than major markets in the US, Europe and Asia, with Oman and Qatar on top. This happened during a year of uncertainties and uneasiness due to the situation in Iraq. The year 2001 witnessed the launch of two official stock markets in the UAE for the first time, the Dubai Financial Market (DFM) and the Abu Dhabi Securities Market (ADSM). Emaar Properties became the first company l isted on the DFM to offer 20% equity to foreigners. In May 2002, Qatar Telecom was listed on the ADSM, while Q-Tel's global depository receipts (GDR's) are also listed on the London Stock Exchange.

Dubai announced plans to set up a new financial center, Dubai International Financial Center (DIFC), and is continuing its efforts to attract foreign banks with more than 25 operating branches there. The Center is expected to concentrate on asset management, Islamic Finance, a regional exchange and insurance. To attract banks and financial institutions to the Center, many privileges and exemptions, like those offered in the free zones, are provided.

Saudi Arabia launched Tadawul, an electronic trading system, in October 2001. The new capital markets law, expected soon, will involve the creation of a new regulatory body and new grievance procedures.

Conclusions

Myriad activities are taking shape across the GCC landscape. New free zones are springing up, with Kuwait being the latest entrant and Oman poised to follow. The innovative Dubai Internet City and Dubai Media City are attracting business. New tourist resorts, holiday attractions and hotels are springing up, especially in Dubai; these are all in private hands with most having foreign partners or collaborators. The $3 billion Palm Islands project in Dubai, which would build two artificial resort islands, is another ambitious project. Large retail malls opened in Bahrain during the year and elsewhere in the GCC. Given the varied topography and the size of the region, tourism could be an industry with potential.

Private healthcare is expanding in all countries. Port services are being privatized. The Gulf pharmaceutical industry is poised for growth with foreign participation. Airlines are expanding along with additions to airport facilities in Dubai, Doha, Jeddah, Bahrain, Oman and Abu Dhabi. Oman handed over airport management at Seeb and Salalah airports to a consortium led by British Airports Authority in January 2002.

Saudi Arabia has earmarked mining as a potential area for diversification, and a new mining law is expected shortly, while the Saudi Arabian Mining Company is slated for privatization.

Summing up, the reform process is getting more vigorous throughout the GCC with serious efforts to attract investors. Whereas it may be premature to make a categorical statement that the take-off stage has been reached for the GCC economies in this regard, it cannot be denied that strong action is being undertaken to diversify those economies. The actions are more pronounced in some GCC members than others. However, a trend is discernible and the changes are becoming more of a necessity than a leisurely option.

Our financial goal To maximize long-term shareholder value through consistently superior financial performance while maintaining strong financial condition.

Our financial performance objective To consistently achieve target earnings growth and return on equity, with an appropriate dividend payout.

Our financial condition objective To efficiently manage the various forms of risks associated with our business and maintain strong asset quality, capital base and liquidity, while achieving target balance sheet growth.

Financial Review

Net Income Analysis

For Gulf Investment Corporation (GIC), 2002 was a good year with operating revenues increasing by 22.2 % to US$ 122.8 million from US$ 100.5 million the prior year. GIC's net income for 2002, at US$ 90.3 million, registered a growth of 5.9% over the US$ 85.3 million of the previous year. 2002 was the first full year of operations after the divestiture of Gulf International Bank (GIB). Excluding contributions from GIB in 2001, year on year growth in net income was approximately 54.1%. The net income for the reporting year represented a return on adjusted shareholders' equity of 8.3%. Despite the difficult global economic environment, GIC's core businesses continued to perform well, registering substantial earnings growth. The sound performance during the year was a result of strategic initiatives for expansion taken during the past year, and reflects the Corporation's ability to continuously optimize the asset mix, in line with a rapidly changing operating environment.

Net Interest and Similar Income

The Corporation's net interest and similar income for the year grew to US$ 79.2 million from US$ 48.8 million the previous year, an increase of approximately 62.3%. Interest income from the investment securities portfolio was the key contributor to this substantial growth. This was augmented by earnings on the outstanding receivable from shareholders', income from loans and credit funds, and net proceeds from the money book.

Interest income from the investment securities portfolio increased by approximately 28.3% relative to prior year levels, primarily as a result of improved spreads. The decision to supplement this portfolio by acquisition of superior grade debt securities, in the second quarter of the 2002, further enhanced interest income. Limited exposure to the high yield and emerging markets minimized credit related losses within this portfolio. Given the high level of quality maintained within the portfolio and the continuous management of its funding profile, the investment securities portfolio will continue to generate a low risk income stream in the coming years.

The outstanding due from shareholders', following the sale of GIB in 2001, earned a competitive return of approximately 4.2% during 2002. Details of this transaction are provided in Note 8 of the Financial Statements.

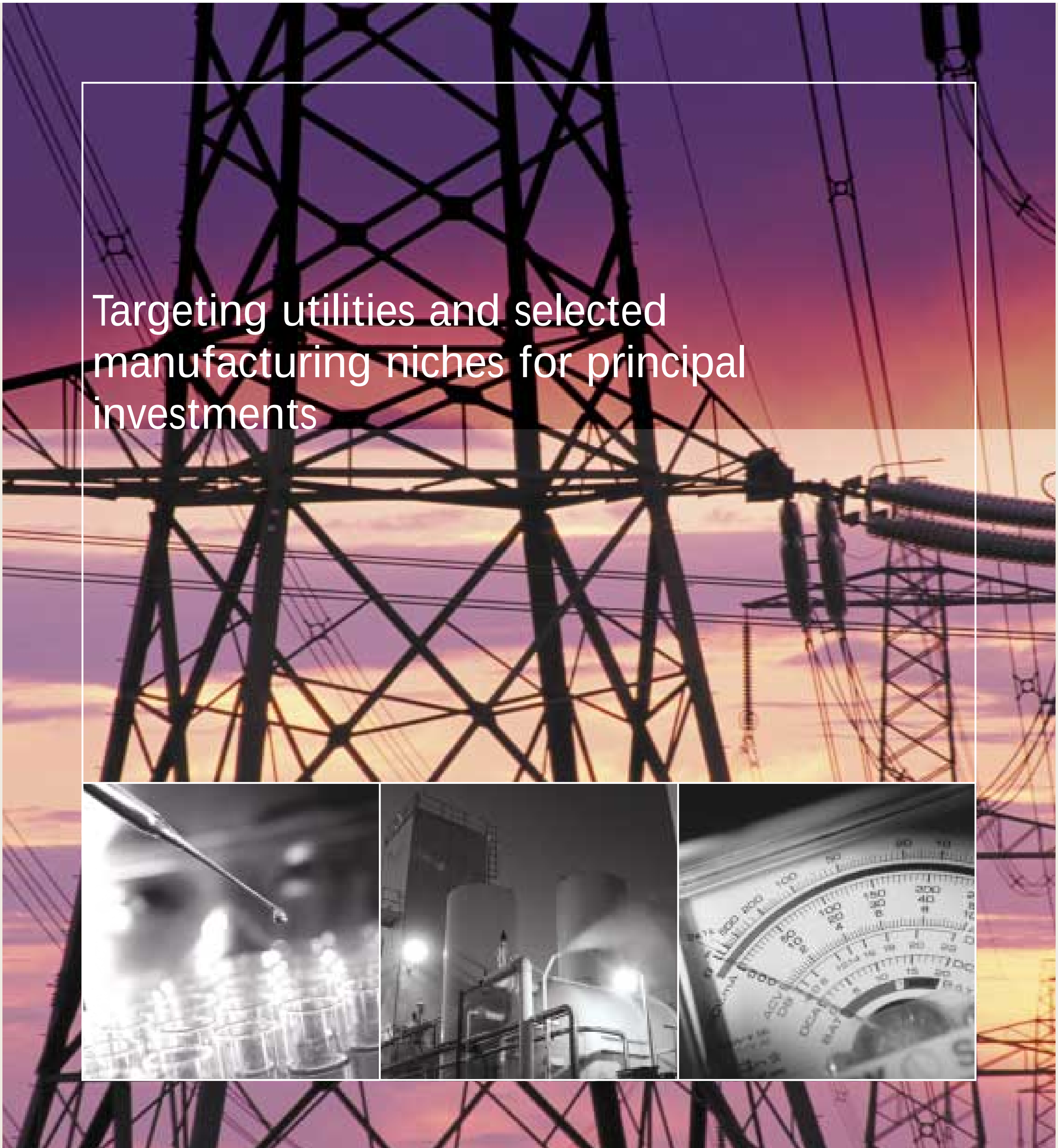
The aggregate interest income from the portfolio of loans and credit funds grew by 3.0% year on year. The strategic downsizing of the loan portfolio continued during 2002, resulting in the outstanding balance at the current year end being less than half of that of the previous year end. The subsequent decrease in interest income was, however, more than offset by greater yields and higher volumes within the credit funds portfolio. With credit funds offering superior risk adjusted returns, investments in such funds are being gradually expanded as a substitute for the loan portfolio.

The Corporation's interest rate sensitivity gap is set out in Note 23 to the Financial Statements. Exposure to interest rate risk is restricted due to the limited mismatch between the repricing of a majority of the Corporation's assets and liabilities.

Other Operating Income

Other operating income for 2002 totaled US$ 43.6 million. On a comparative basis, this was 15.7% lower than the US$ 51.7 million earned in 2001. The weak global economic environment adversely impacted earnings, particularly with regard to performance of the portfolio of international

Targeting utilities and selected manufacturing niches for principal investments



private equity funds. Fee related income, on the other hand, registered robust growth over prior year levels. A detailed breakdown is available in Note 17 to the Financial Statements. The key constituents of other operating income are discussed below.

Net gain on trading securities increased marginally to US$ 10.3 million from US$ 10.0 million in the previous year. Despite the turmoil in global markets, the sound trading performance can be primarily attributed to the decision to minimize exposure to equity markets while shifting emphasis towards alternative investments. Over the past two years the Corporation has built up a diversified portfolio of market-neutral and hedge fund strategies which provide low risk returns, while offering benefits of diversification vis-à-vis GIC's other conventional asset classes. Investments made during 2002 in a diversified futures program delivered an annualized return of almost 35%, significantly contributing to trading income.

A loss of US$ 5.3 million was realized as a result of sale of holdings within the investment securities portfolio for which, it was felt, there had been an irreversible deterioration in credit quality. These disposals are in line with the portfolio objective of maintaining superior credit quality. Given the large size of the portfolio, and in light of the record number of credit defaults and downgrades in 2002 globally, the losses incurred by GIC were relatively modest.

The gain on disposal of available for sale securities, totaling US$ 5.9 million, represents realizations transferred out of shareholders' equity on sale of such assets. Of the US$ 5.9 million, approximately US$ 5.2 million arose from sale of private equity investments categorized as available for sale. Aggregating this with the US$ 3.0 million income from private equity funds, earnings from the international private equity portfolio totaled US$ 8.2 million for 2002. The downturn experienced by the global private equity sector during the past two years is expected to reverse with the rebounding of the major global economies.

For the year, income from projects and equity participations amounted to US$ 14.4 million. Combined with the US$ 4.8 million gain realized on exit from an international project investment, proceeds from this business totaled US$ 19.2 million during 2002. Income from this activity represents GIC's share of profits from unconsolidated subsidiary and associated companies. The principal investing team continuously interacts with the business sector in the region, enabling GIC to have first hand knowledge of, and take advantage of, opportunities as they appear. It should be noted that some of the project participations are grass root in nature and still in their gestation periods. Earnings from such participations are expected to grow with the maturing of these projects.

Dividend income of US$ 5.6 million comprises receipts from holdings within private equity participations, equity portfolios and project investments.

Fees and related income for the year doubled to US$ 4.6 million from the US$ 2.3 million earned in 2001. The solid growth is indicative of the Corporation's commitment to expanding its sources of revenue from fee based businesses, and is a result of initiatives taken over the past year in this regard. A GCC equities team was established in mid 2002 with the objective of attracting third party funds for management. By the end of 2002, total funds under management grew to US$ 202.6 million, contributing to fee income. Fee income was also generated by the financial advisory service, which was awarded certain prestigious assignments during the year. The marketing team aims to deliver a range of financial products available in the international markets, to a regional clientele, in addition to the sale of internally developed GCC investment products to clients in and outside the region. Emphasis will continue to be on expansion of fee-based revenues, as such income entails low risk and puts little pressure on capital.

Operating Expenses

Operating expenses are made up of employee compensation and benefits, occupancy, information technology, and other expenses. Staff costs, the major component, include incentive compensation, which varies in accordance with individual as well as corporate performance. Information technology costs include expenditure relating to ongoing enhancement of computer systems.

As against a 22.2% increase in operating income, operating expenses increased by a modest 4.1% over prior year. Productivity, expressed in terms of total operating income as a multiple of operating expenses, improved to 4.4 in 2002 from 3.7 in 2001 and 2.0 in 2000. Net revenue, after reducing loss provisions for the year, as a multiple of operating expenses also increased to 3.4 in 2002 from 3.2 in the previous year. Amortization of goodwill, excluded from the operating expenses aggregate in computing the ratios mentioned above, was marginal. Inclusion of these expenses will not have a material impact on the above ratios.

The enhanced productivity ratios reflect management's commitment to maintain a sharp focus and discipline on spending. GIC will continue to derive benefits, in the form of improved efficiency and productivity, from the restructuring strategies implemented in the previous years.

Provisions for Credit Losses

We maintain provisions to absorb losses inherent in our traditional extensions of credit that we believe are probable and that can be reasonably estimated. Given the varied nature of businesses, these may arise from our lending, treasury and investment activities. Estimating losses is inherently uncertain and depends on many factors, including general macroeconomic and political conditions, rating migration, risk concentrations, structural changes within industries, and other external factors such as legal and regulatory requirements. The Corporation periodically reviews such factors and reassesses the adequacy of the provisions.

Net charge for the year in provisions for credit losses amounted to US$ 28.3 million compared to US$ 13.8 million during 2001. Provisions for the current year included US$ 13.1 million relating to projects and equity participations, US$ 9.4 million pertaining to private equity funds and US$ 5.7 million against diminution in value of debt securities within the investment securities portfolio. A detailed breakdown is provided in Note 18 to the Financial Statements.

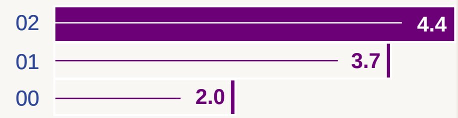
Extraordinary Income

During the year under review, the Corporation received US$ 25.0 million of the US$ 34.3 million awarded to it by the United Nations Compensation Commission ("UNCC") in respect of the claim filed by the Corporation for losses incurred as a result of the Iraqi invasion and occupation of Kuwait in 1990. Details are provided in Note 19 to the Financial Statements.

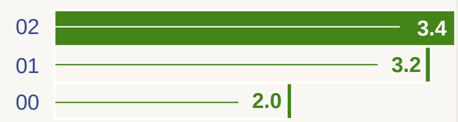
Balance Sheet Analysis

Total assets of the corporation reached US$ 5,804.9 million at the 2002 year end, a growth of 4.8% relative to the US$ 5,541.0

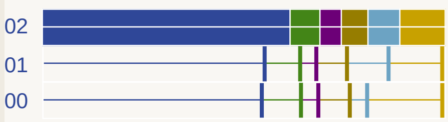
Operating Income as a Multiple of Operating Expenses



Net Revenue as a Multiple of Operating Expenses



Asset Mix by Category
(percentage)



	2002	2001	2000
Investment securities	61.4	55.1	54.4
Loans and Credit Funds	7.4	8.8	9.7
Trading Securities and Managed Funds	5.3	4.0	4.3
Project Participations and Equity Funds	6.6	7.6	7.8
Placements and Other Interest Bearing Assets	7.9	10.3	4.3
Other Asset Categories	11.4	14.2	19.5

million at the previous year end. Expansion of the investment securities portfolio, which grew by approximately US$ 508.5 million or 16.6% during the year, was the principal contributor to the overall balance sheet increase. This was supplemented by increases within the portfolio of trading securities and managed funds, and a higher level of placements and other liquid assets. Partly offsetting these increases, GIC's investments in private equity funds and within projects and equity participations registered modest decreases during 2002. Further, the outstanding balance due from shareholders shrank by 15.6% or US$ 90.2 million as of the 2002 year end.

The Corporation's strategic focus continues to be on the GCC states and their major trading partners in the industrialized world. Note 26 to the Financial Statements sets out the geographic distribution of the Corporation's assets. The following sections provide details on the key asset categories.

Investment Securities

The portfolio of investment securities remained the principal asset category, comprising 61.4% of overall assets, at end of 2002. The investment securities portfolio is composed mostly of investment grade marketable debt securities. The objectives of this portfolio include the provision of stable coupon/spread income, risk diversification, provision of a loan substitute and a reserve of additional liquidity. Investments in equities, at US$ 103.3 million, form less than 2.9% of this portfolio.

Investment securities totaled US$3,564.1 million at December 31, 2002 as against US$3,055.6 million at end of 2001. The investment securities portfolio includes securities available for sale of US$ 2,863.0 million and securities held to maturity of US$ 701.1 million. Prudently anticipating a weakening interest rate scenario, approximately US$ 400 million was invested in an AAA rated fixed income portfolio during the second quarter of 2002. Relative to invested cost, market value of this high quality available for sale portfolio appreciated by over US$ 10.4 million as at 31 December 2002. In aggregate, approximately US$ 54.6 million in unrealized gains relating to investment securities available for sale were included within shareholders' equity as at year end 2002. The significant increases in market values are indicative of the superior quality holdings within the portfolio. Within the held to maturity portion, US$ 5.7 million provisions were made relating to impairment in value of certain asset backed securities within the portfolio. The held to maturity portion, carried at amortized cost, had a market value of US$ 708.5 million at year end 2002, as against a carrying value after provisions of US$ 701.1 million. A credit risk analysis of the investment securities portfolio is provided in the risk management section on page 32, and other details, including ratings profile, are contained in Note 6 to the Financial Statements.

Loans and Credit Funds

This category includes loans and advances of US$ 121.8 million and investments in credit funds of US$ 305.0 million. In line with the strategic initiatives begun the previous year, the loan book was further downsized during 2002, with the outstanding balance approximately half of that of the previous year end. Investments in credit funds increased by 26% year-on-year, reflecting renewed emphasis in such investment vehicles. Credit funds, yielding higher spreads vis-à-vis GIC's loan portfolio, are managed by experienced international fund managers and offer enhanced risk adjusted returns. As of 31 December 2002, loans and advances were entirely to customers within the GCC countries, of which US$ 49.7 million were to GCC country governments. There were no significant concentrations by industrial sector at the year end. Investments in credit funds were distributed among several managers within North America.

Based on contractual maturities at the balance sheet date, over 87.0% of the outstanding loans and investments in credit funds was due to mature within five years, with 13.7% due to mature within one year. Details of the maturity profile are given in Note 22 to the Financial Statements and other details including loss provisions made are contained in Note 7.

Total loan loss provisions including loan guarantees amounted to US$ 7.4 million at December 31, 2002. Counterparty specific provisions amounted to US$ 4.7 million while general provisions were US$ 2.7 million. The entire US$ 4.7 million specific provisions were made against loans, guarantees and related exposures pertaining to project investments. Specific provisions for loans are made to the full extent of the estimated potential loss, while general provisions are maintained to cover possible future losses which as yet have not been specifically identified. It is the Corporation's policy to write off loans after all reasonable restructuring and collection activities have taken place and the possibility of further recovery is considered to be remote.

As of 31 December 2002, there were no non performing syndicated loans within GIC's loan book.

Trading Securities and Managed Funds

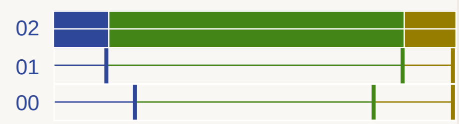
The trading securities and managed funds portfolio of US$ 308.7 million, at December 31, 2002, is made up of externally managed funds totaling US$ 305.3 million and a proprietary trading portfolio of US$ 3.4 million. The externally managed funds are principally invested in market-neutral and alternative investment strategies, well diversified in terms of manager and strategy. Over the years, exposure to alternative investment strategies has been gradually increased while scaling down investments in equity markets. GIC, in association with internationally reputed managers, has introduced similar alternative strategy investment themes for regional customers. The approximately 58% increase in client funds under management is indicative of the success GIC has had with alternative investment approaches.

The proprietary trading desk focuses on the GCC region and at the end of 2002 the entire US$ 3.4 million represented GCC exposures. A GCC equities portfolio, averaging approximately US$ 6.0 million in investments, was fully liquidated during the third quarter of 2002 to capitalize on the appreciation in market values. GIC is committed to the gradual expansion of the GCC debt and equity portfolios, taking advantage of its unique knowledge of the region. Details of the Corporation's trading portfolio are given in Note 5 to the Financial Statements. Trading securities and managed funds are accounted for at market value.

Placements and Other Interest Bearing Assets

Placements totaled US$ 442.3 million at the 2002 year end. Reciprocity is a key feature of GIC's placement policy. Notes 22 and 26 to the Financial Statements provide the maturity profile and geographic distribution of placements, respectively. Almost US$ 412.3 million or 93.2% of total placements had a maturity within three months. The remaining US$ 30.0 million had a maturity within one year. Only 17.7% of total placements were with non-bank financial institutions. Other liquid assets including securities purchased

Loans and Credit Funds Maturity Profile
(percentage)



	2002	2001	2000
Within 1 year	13.7	13.1	20.2
1 to 5 years	73.3	73.5	59.2
Over 5 years	13.0	13.4	20.6

under resale agreements, cash and bank balances amounted to US$ 13.7 million at December 31, 2002.

Equity Funds

Equity funds amounted to US$ 108.0 million at December 31, 2002. The portfolio is principally invested in equity investments of a structured finance nature with a wide range of externally managed private equity funds. These funds invest in leveraged and unleveraged acquisitions, privatizations, recapitalizations, rapidly growing companies, expansion financings, turnaround situations, and other special equity situations.

With the exception of listed equity investments, where fair value is reliably discernible, investments in equity funds are carried at cost. Provisions for other than temporary decline in value, determined on an individual basis, amounted to US$ 30.7 million at the 2002 year end. The US$ 9.4 million increase in provisions, during the year, relates primarily to expected value diminution pertaining to investments made in the telecom and technology sector. Details on equity funds are provided in Note 9 to the Financial Statements.

Investments in Projects and Equity Participations

Investments in projects and equity participations amounted to US$ 275.8 million at the end of 2002, compared to the US$ 302.3 million at the end of 2001. This category includes a mix of investments in an unconsolidated GCC subsidiary and equity stakes in GCC companies. During the year GIC exited the only international investment within the portfolio, which had an original investment value of US$ 12.4 million. A gain of US$ 4.8 million was realized on this divestiture. Additional investment of approximately US$ 5.1 million was made in a power generation project located in Qatar during 2002.

Net provisions during the year increased by US$ 8.4 million, resulting from charge for the year of US$ 13.1 million and utilizations of US$ 4.7 million. Detailed analysis of the portfolio, including a breakdown of unconsolidated subsidiary and associated companies, is contained in Note 10 to the Financial Statements. A list of the corporation's direct investments is also given on page 64.

Receivable from Shareholders

The receivable from shareholders' of US$ 486.9 million at the end of 2002 represents the outstanding portion of the proceeds from the sale of GIB. The US$ 90.2 million reduction, relative to 31 December 2001, is the net effect of repayment of US$ 111.2 million by shareholders and accrual of interest income of US$ 21.0 million for the year. As demonstrated in 2002, the shareholders' intend to repay this outstanding over the next few years through dividends received from GIB and the Corporation. Note 8 to the Financial Statements provides additional details.

Property, Plant, Equipment and Other Assets

Including property, plant and equipment, total other assets amounted to US$ 178.6 million at December 31, 2002. Of this US$ 28.7 million related to property, plant and equipment. The remaining US$ 149.9 million comprised accrued interest receivable, goodwill arising on acquisitions, revaluation gain on derivatives, pension fund, accounts receivable, prepaid expenses and other miscellaneous assets. Details are set out in Notes 11 and 12 to the Financial Statements.

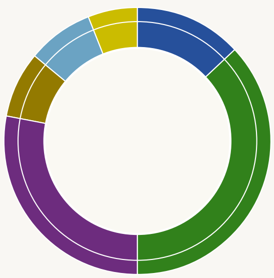
A more detailed discussion on liquidity and funding, the various risks associated with our business activities, and capital strength is included in the risk management section that follows.

Initiating new investment concepts to encourage GCC private enterprise

The financial goal of the Corporation is to consistently earn competitive returns, while maintaining risks within acceptable levels. Recognizing the relationship between returns and risk, the management of risk forms an integral part of the Corporation's strategic objective.

Risk Management

Sources of Credit Risk
(Weighted Credit Risk Exposure)



	Percent
Investment Securities	13.4
Loans and Credit Funds	37.3
Investment in Projects, Equity Participations and Equity Funds	27.7
Placements and other Interest Bearing Assets	7.8
Other Asset Categories	8.1
Off Balance Sheet	5.7

The continuous and rapidly changing business environment has increased the complexity and diversity of risks. The goal of risk management is not to avoid risks, but to understand and manage them.

The various business activities of the Corporation generate a wide spectrum of risks. The four primary risks assessed are credit, market, liquidity and operational. Management of these risks through investment in knowledge and systems has been a priority at GIC. A combination of competent and experienced staff, quantitatively based analytical tools, and ongoing investment in technology, are the key resources used to manage our risks effectively. The qualitative and quantitative techniques utilized to optimize the risk return profile incorporate information from the past, trends in the present business environment, and expectations of the future.

Risk management begins with management defining its risk appetite. This is followed by a three step process: identifying and measuring the various risks generated, monitoring and controlling them, and finally optimizing in relation to return.

The primary function of the independent Risk Management Division is to develop and maintain a common risk management framework that serves as a basis for setting policies and limits and for enhancing GIC's ability to manage risks, evaluate performance and allocate capital. This unit acts as a critical link between management and the risk taking divisions: assisting management in defining/quantifying its risk appetite and then effectively communicating this to the risk takers and ensuring that the risk taking activity is within management's acceptable levels.

Within the Corporation, responsibility for management of risks is not restricted to a single division. The philosophy adopted has been to encourage a culture of prudent risk management across all business and support areas.

From a perspective of control, the process of risk management is facilitated through a set of independent functions in addition to the Risk Management Division. These units, which report directly to senior management, include Financial Control, Internal Audit, Compliance and Credit. This multi-faceted approach aids the effective management of risks by identifying and monitoring risks from a variety of perspectives.

The process of managing the four risk categories are discussed in more detail in the following sections.

Credit Risk

Credit risk is the possibility of loss arising from the failure of an obligor to completely fulfill its contractual obligations. In its various on and off-balance sheet business activities, the Corporation seeks opportunities to take credit risk prudently and manage it effectively to achieve competitive returns. Credit risk is managed concurrently at the transaction, obligor and portfolio levels.

An activity-wise breakdown of the principal sources of credit risk is illustrated in the pie chart opposite. The proportions reflect Credit Risk Weighted Exposure, computed based on BIS capital adequacy guidelines.

The primary tool used in the management of credit risk is a set of well defined credit policies and procedures. In addition to communicating management's risk appetite in the form of limits for country, product, industry and obligor, these policies detail the process of measurement, monitoring and reporting. The stringent credit approval framework mandates a rigorous and thorough evaluation of creditworthiness of each obligor, after which limits are approved at the highest levels in the management hierarchy. A country risk review system is utilized to set country limits. Additionally, limits for product and industry are also defined to ensure broad diversification of credit risk. Credit policies and procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review. The credit risk management process utilizes statistical methods as well, to estimate expected and unexpected loss amounts for the various business activities.

Although business units are responsible for maintaining exposures within limits, actual exposures are continuously monitored by independent control functions including Risk Management, Financial Control, Compliance and Internal Audit. Technology is a key element in the monitoring process and in this regard, cutting edge systems, capable of close to real time monitoring and control of risk taking activities, are being effectively utilized.

As of end 2002, the key components of the corporation's total credit exposure were loans and credit funds; principal equity investments and equity funds; and investment securities. Within the portfolio of loans and advances, there has been a deliberate emphasis on GCC countries, a region whose dynamics GIC comprehends well and where GIC has a better understanding of the inherent risks. Credit funds, managed by a range of experienced and highly rated fund managers, are invested in superior quality debt securities.

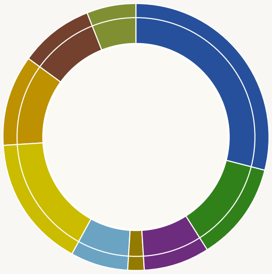
Over the years, the principal investing activity has reviewed over 350 investment proposals and as of 31 December 2002 had invested in about 10% of these. A rigorous evaluation process is followed prior to executing any investment. As highlighted in the graph (top right) a healthy diversification across industry sectors is maintained within this portfolio. With regards to the investment securities portfolio, the rating profile, illustrated in the graph (bottom right) highlights the superior quality of assets held. Debt securities issued by GCC governments and other investment grade issuers constitute over 95.3% of the portfolio.

Off-balance Sheet Financial Instruments

In the normal course of its business, the Corporation utilizes derivative and foreign exchange instruments to meet the financial needs of its customers, to generate trading revenues and to manage its exposure to market risk.

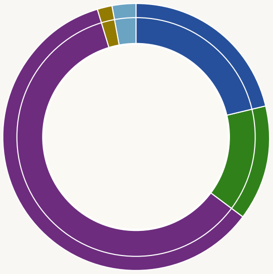
For derivative and foreign exchange transactions, procedures similar to on balance sheet products are used for measuring and monitoring credit risk. Credit risk weighted exposure to off-balance sheet products

Principal Investing
(Projects) by Industry



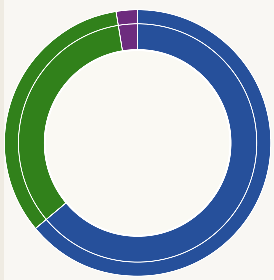
	Percent
Chemicals	29.0
Construction Materials	11.5
Distributors	8.0
Financial Services	1.6
Food Products	7.1
Metals & Mining	15.6
Diversified	10.5
Telecommunications	9.5
Other	7.2

Rating Profile - Investment Securities Portfolio



	Percent
AAA / Aaa Rated Debt Securities	21.3
GCC Government Securities	13.9
Debt Securities of Other Investment Grade Issuers	60.1
Other Debt Securities	1.8
Equities	2.9

Market Risk Constituents – Overall



	Percent
Interest Rate Risk	63.9
Equity Risk	33.5
Foreign Exchange Risk	2.6

amounted to about 6% of total credit risk weighted exposure. This amount represents the mark-to-market or replacement cost of these transactions. In terms of maturity, over 97% of trading foreign exchange and interest rate contracts were short term with maturities within one year. Credit risk amounts arising from these transactions relate to major banks. Off- balance sheet transactions also include credit-related contingent items designed to meet the financial requirement of the Corporation's customers. A detailed credit risk analysis of credit-related contingent items, derivatives and foreign exchange products is set in Notes 24 and 25 to the Financial Statements.

Although detailed and thorough analysis is conducted prior to taking on credit risk, unforeseen events could trigger a decline in the creditworthiness associated with a transaction, resulting in loss. Adequate levels of provisions are set aside to cover such losses. The corporation's provisioning philosophy is discussed in the financial review section on page 27.

Market Risk

Market risk is the possibility of loss in value of financial instruments, resulting from an adverse change in market factors. Within the Corporation, market risk is made up of three key risk constituents – interest rate risk, equity risk and foreign exchange risk. A breakdown, based on risk constituents, is illustrated in the pie chart (left), for the combined mark-to-market and investment activities. The percentages reflect average VaR amounts, considered independently, and ignore the effects of diversification across risk classes.

Market risk is measured, monitored and managed, both on a notional basis, and using a Value at Risk (VaR) concept. Quantitative statistical methods combined with judgement and experience are used to effectively manage market risk. A system of limits and guidelines restrain the risk taking activity with regard to individual transactions, net positions, volumes, maturities, concentrations, maximum allowable losses, and ensure that risks are within the acceptable levels in terms of notional amounts. The VaR based system provides a more dynamic measure of market risk capturing, in a timely manner, the impact of changes in environment on the value of the portfolio of financial instruments.

VaR is calculated and reported to senior management on a daily basis at various levels of consolidation including portfolio, business unit and Corporation. The average, minimum and maximum value at risk amounts for the combined mark-to-market and investment activities are tabulated opposite. These VaR measures are based on a 95% confidence level, 25 day holding period, and using exponentially weighted historical market data. A profile of daily VaR is charted opposite.

At US$ 17.5 million, the average overall VaR for 2002 was almost 12.6% lower than the average overall for 2001. The value at risk associated with exposures to alternative investment strategies is also quantified and aggregated with risk components of GIC's more conventional on and off-balance sheet asset classes. The year on year decline in Total VaR can be primarily attributed to the Corporation's consistent efforts to optimize the mix of risk assets, enabling GIC to derive greater benefits from diversification. At year end 2002, the overall VaR was US$ 15.8 million.

Scenario analysis is an essential component of the market risk management framework. The assumption of normality on which the statistical models are based may become invalid due to the occurrence of certain

2002 Value at Risk – 25 day holding period, 95% confidence level (US$ 000's)

	Average	Minimum	Maximum	31 Dec 2002
Interest rate	16,879	11,924	21,753	**13,168**
Equity	8,845	4,005	15,644	**11,499**
Foreign Exchange	693	200	1,850	**1,023**
Total	**17,534**	**13,136**	**22,873**	**15,769**

Profile of daily VaR – 25 day holding period, 95% confidence level (US$ 000's)

events. Future scenarios, which result in a breakdown of the historical behavior and relationships between risk constituents, are projected, and potential loss amounts are determined. Most of these scenarios are derived from macroeconomic events of the past, modified with the expectations for the future.

Liquidity Risk

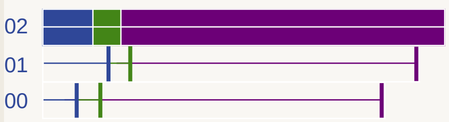
Liquidity risk is the risk of being unable to meet financial obligations at reasonable prices. Liquidity risk arises due to:

(1) Cash flow illiquidity, arising from the potential inability to procure funds at reasonable rates and required maturities.
(2) Asset illiquidity, relating to the possibility of having to sell assets on a forced basis.

The Corporation adopts a conservative approach to liquidity management with an objective of maintaining sufficient levels of funds and funding capacity to meet GIC's commitments, both on and off-balance sheet. In addition to historical data and current information, a vital element in GIC's liquidity measurement methodology is to forecast future scenarios of a tightening in liquidity due to adverse events which may affect both the Corporation and the wider financial system. Extreme event scenarios are evaluated both on assets and liabilities.

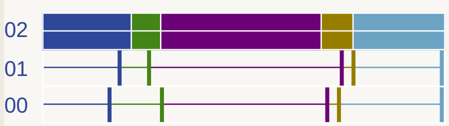
GIC considers that a strong capital position is integral to its ability to manage liquidity by ensuring its secure and continuous access to deposits from both customers and banks. Liquidity controls are in place to closely monitor the profile of future cash flows from maturing assets and liabilities to ensure that the resultant liquidity requirements are within prudently established limits.

Liquid Assets Ratio
(percentage)



	2002	2001	2000
Placements & other liquid assets	9.6	12.5	6.3
Trading securities and managed funds	5.3	4.1	4.3
Investment securities	61.4	55.1	54.4
Total	76.3	71.7	65.0

Diversified Sources of Funding
(percentage)



	2002	2001	2000
GCC deposits	22.1	19.2	16.7
International deposits	7.3	7.3	13.0
Repo financing	39.8	47.8	41.0
Term financing	7.9	2.9	2.9
Shareholders' funds and others	22.9	22.8	26.4
Total	100.0	100.0	100.0

A measure of the Corporation's liquidity coverage is highlighted in the following paragraphs.

Liquid Assets Ratio

At 76.3%, the liquid asset ratio reflects the high level of liquid assets maintained in the balance sheet. Comparatively, the ratio at year end 2001 was 71.7%. The ratio is computed by determining the proportion of total assets that can be readily converted into cash, without incurring undue capital losses. Liquid assets include bank balances, money market instruments, securities purchased under resale agreements, placements and securities. Investment securities, constituting over 80% of the liquid assets, are primarily made up of superior grade debt securities which are readily realizable.

Diversified sources of funding

GIC consistently endeavors to diversify its funding profile and in this regard the Corporation issued US$ 300 million 5-year floating rate notes in July 2002. Although the original issue size was US$ 200 million, increased demand from investors led GIC to raise the issue to US$ 300 million. The upgrade of GIC's ratings from Baa2 to Baa1 by Moody's is reflected in the favorable pricing of the issue in comparison to recent issues by regional financial institutions. Details of the Corporation's ratings are provided in the following sections of this review. The Corporation's solid financial condition, augmented by its good standing in the regional and international markets, contributed towards achieving the objective of extending and diversifying its funding base.

As the chart (bottom left) illustrates, GIC is continuously trying to achieve an optimal mix of sources of funding.

Over the years, the Corporation has applied its marketing skills to develop a reliable source of deposits, both regionally and in international markets. At December 31st 2002, deposits from various sources totaled US$1,705.1 million, of which deposits from GCC governments and central banks and other institutions headquartered in the GCC states amounted to US$ 1,280.0 million.

Maturity profile of assets and liabilities

A detailed breakdown of the maturity profile by individual asset and liability category is provided in Note 22 to the Financial Statements. At December 31st 2002, roughly 21.7% of total assets were due to mature within 12 months. Approximately to 64.6% of assets with longer maturities were readily realizable securities. The maturity profile is based on contractual repayment arrangements and as such does not take account of effective maturities of deposits. The Corporation's GCC retention record shows that short maturity deposits from GCC governments, central banks and other regional financial institutions have been regularly renewed over the past decade.

Credit Rating

In June 2002 Moody's raised the Long-term and Short-term ratings of Gulf Investment Corporation to Baa1 and P-2 respectively. Standard & Poor's confirmed their rating of BBB+ in their most recent rating review of the corporation. Ratings outlook from both agencies were stable.

	Moody's	Standard & Poor's
Long-term Deposits	Baa1	BBB+
Short-term Deposits	P2	A2
Bank Financial Strength (BFSR)	C-	-

These ratings reflect the Corporation's strong capital position, its ownership structure and position in the Gulf region, good profitability, asset quality, loan loss experience, the high level of professionalism of staff and effective management.

Capital Strength

Capital represents the shareholders' investment and is a key strategic resource which supports the Corporation's risk taking business activities. In line with the Corporation's financial objective, management strives to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital also reflects financial strength and security to the Corporation's creditors and depositors. Capital management is fundamental to GIC's risk management philosophy, and takes into account economic and regulatory requirements.

Regulatory Capital

At the end of the year under review, the Total and Tier 1 capital ratios were 35.0% and 34.9% respectively. With the divestiture in 2001 of Gulf International Bank, the Corporation's principal subsidiary, there was a substantial decrease in aggregate risk weighted exposure. Consequently, the capital adequacy ratios were significantly higher than the minimum regulatory requirements. For reasons of comparability, the year 2000 figures provided in the table reflect ratios on a stand-alone basis for GIC, excluding exposures with the subsidiary GIB.

BIS Capital Ratio Computations

US$ Million	**2002**	2001	2000
Tier 1 capital (A)	**1,155.7**	1,128.1	1,302.8
Total capital base (B)	**1,158.3**	1,131.9	1,308.5
Risk Weighted Exposure (C)	**3,307.9**	3,155.0	3,879.6

BIS Capital ratios (%)

Tier 1 capital ratio (A/C*100)	**34.9**	35.8	33.6
Total capital ratio (B/C*100)	**35.0**	35.9	33.7

With the objective of optimizing capital allocation, GIC has developed a program of phased and gradual growth to be executed over the next few years. This build up will be governed predominantly on risk-return objectives.

Economic Capital

In addition to maintaining capital reserves based on regulatory requirements, economic capital sufficiency based on internal models is also determined. The economic capital computation process has three fundamental objectives: determine economic capital sufficiency, in addition to regulatory capital adequacy; assist in equitable/standardized performance measurement of businesses, on a 'real' (risk adjusted) basis; and assist in optimizing resource allocation to achieve target risk adjusted ROE for the Corporation. Economic capital computations are based on extreme scenarios, and cover all types of risks.

Operational Risk

Operational risk is the potential for financial and reputational loss arising from a breakdown in internal controls, operational processes or the various systems that support them. It also includes human errors, criminal acts and natural disasters. Operational risk factors can be categorized into internal and external. Internal risk factors are managed through the establishment of effective infrastructure and controls within the Corporation. External risk factors are managed by anticipating the occurrence of adverse events, preparing contingency plans and implementing sound back-up systems.

Internal Audit and Control

The Internal Audit division plays an important role in the risk management process, particularly in managing operational risk. Operational risk is managed through an effective infrastructure of internal controls including systems and procedures to monitor transactions, positions, confirmations and documentation. The Internal Audit division ensures that these control mechanisms, which cover the front and back office functions, are adhered to and adequately functioning. In addition to internal audits, the Corporation's system of internal controls is examined and evaluated by external auditors, as required by the local regulatory body.

The influence of technology has increased substantially over the recent past and this trend is likely to accelerate in future. Keeping this in perspective, considerable resources have been allocated to managing the system side of operational risk. An EDP audit function within the Internal Audit Division works in close conjunction with the risk management division to oversee system risk issues.

Financial Statements

Independent Auditors' Report

The Shareholders, Gulf Investment Corporation G.S.C., State of Kuwait
We have audited the accompanying balance sheet of Gulf Investment Corporation G.S.C. ("the Corporation") as at December 31, 2002 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended.

Respective responsibilities of management and auditors
These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Other regulatory matters
We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Corporation's articles and memorandum of association. In our opinion, proper books of account have been kept by the Corporation, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the report of the Chairman agrees with the books of account. We have not become aware of any contravention, during the year ended December 31, 2002, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Corporation's articles and memorandum of association, or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business and its related regulations, that would materially affect the Corporation's activities or its financial position.

KPMG

KPMG
Public Accountants
Kuwait
March 15, 2003

Balance Sheet
As at December 31, 2002

US$ million	Note	2002	2001
Assets			
Cash and bank balances		**3.5**	2.9
Placements	4	**442.3**	390.7
Securities purchased under resale agreements		**10.2**	176.5
Trading securities and managed funds	5	**308.7**	220.6
Investment securities	6	**3,564.1**	3,055.6
Loans and credit funds	7	**426.8**	487.9
Receivable from shareholders	8	**486.9**	577.1
Equity funds	9	**108.0**	117.9
Investment in projects and equity participations	10	**275.8**	302.3
Property and other fixed assets	11	**28.7**	31.4
Other assets	12	**149.9**	178.1
Total assets		**5,804.9**	5,541.0
Liabilities and shareholders' equity			
Liabilities			
Securities sold under repurchase agreements		**2,310.8**	2,651.0
Deposits	13	**1,705.1**	1,464.8
Term finance	14	**460.0**	160.0
Other liabilities	15	**150.9**	113.5
Total liabilities		**4,626.8**	4,389.3
Shareholders' equity			
Share capital		**750.0**	750.0
Reserves		**371.5**	356.2
Unrealized gain on available-for-sale assets		**56.6**	45.5
Total shareholders' equity	16	**1,178.1**	1,151.7
Total liabilities and shareholders' equity		**5,804.9**	5,541.0

The accompanying notes are an integral part of the financial statements.

Ahmed Abdulnabi Macki
Chairman

Hisham Abdulrazzaq Al Razzuqi
Chief Executive Officer

Statement of Income

For the year ended December 31, 2002

US$ million	Note	2002	2001
Interest and similar income		**224.7**	272.7
Interest expense and similar charges		**(145.5)**	(223.9)
Net interest income		**79.2**	48.8
Other operating income	17	**43.6**	51.7
Gross operating income		**122.8**	100.5
Provision for impairment losses	18	**(28.3)**	(13.8)
Staff cost		**(18.0)**	(18.3)
Premises		**(2.5)**	(2.2)
Reversal of restructuring provision		**1.0**	1.6
Amortization of goodwill		**(1.2)**	(1.2)
Other operating expenses		**(8.5)**	(8.0)
Extraordinary item	19	**25.0**	-
Net income from continuing operations		**90.3**	58.6
Discontinued operations		**-**	26.7
Net income for the year		**90.3**	85.3

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2002

		Reserves					
US$ million	Capital	Compulsory reserves	Voluntary reserves	Retained earnings	Subtotal reserves	Unrealized gain on available-for-sale assets	Total
Balance as at January 1, 2001	750.0	135.8	135.8	303.2	574.8	-	1,324.8
Change in accounting policy (note 3)	-	-	-	(0.7)	(0.7)	10.0	9.3
Restated balance as at January 1, 2001	750.0	135.8	135.8	302.5	574.1	10.0	1,334.1
Change in fair value of available-for-sale assets	-	-	-	-	-	41.4	41.4
Net gains on disposal of available-for-sale assets transferred to income statement	-	-	-	-	-	(5.9)	(5.9)
Transfer to shareholders	-	-	-	(303.2)	(303.2)	-	(303.2)
Net income for the year	-	-	-	85.3	85.3	-	85.3
Transfer to compulsory reserve	-	8.5	-	(8.5)	-	-	-
Balance as at December 31, 2001	**750.0**	**144.3**	**135.8**	**76.1**	**356.2**	**45.5**	**1,151.7**
Balance as at January 1, 2002	750.0	144.3	135.8	76.1	356.2	45.5	1,151.7
Dividend for 2001	-	-	-	(75.0)	(75.0)	-	(75.0)
Net gains on disposal of available-for-sale assets transferred to income statement	-	-	-	-	-	(5.9)	(5.9)
Change in fair value of available-for-sale assets	-	-	-	-	-	17.0	17.0
Net income for the year	-	-	-	90.3	90.3	-	90.3
Transfer to compulsory reserve	-	9.0	-	(9.0)	-	-	-
Balance as at December 31, 2002	**750.0**	**153.3**	**135.8**	**82.4**	**371.5**	**56.6**	**1,178.1**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
For the year ended December 31, 2002

US$ million	2002	2001
Cash flows from operating activities:		
Net income for the year before extraordinary item	**65.3**	85.3
Extraordinary item	**25.0**	-
Adjustments to reconcile net income to net cash inflow/(outflow) from operating activities:		
Income from GIB	**-**	(26.7)
Income receivable from the shareholders (see note 8)	**(21.1)**	(16.2)
Provision for impairment losses	**28.3**	13.8
Amortization of goodwill	**1.2**	1.2
Loss/(gain) on sale of investment securities	**5.3**	(5.6)
Gain on sale of investment in equity participation	**(4.8)**	-
Income from projects and equity participations	**(14.4)**	(16.3)
Amortization of premium on investment securities	**3.1**	0.9
Depreciation	**3.1**	3.1
Increase in fair value of available-for-sale investments	**(35.4)**	(19.3)
(Increase)/decrease in trading securities	**(88.2)**	17.7
Decrease/(increase) in other assets and other liabilities (net)	**64.4**	(25.4)
Net cash inflow from operating activities	**31.8**	12.5
Cash flows from investing activities:		
Increase in placements	**(51.6)**	(169.1)
Decrease/(increase) in securities purchased under resale agreements	**166.2**	(167.4)
Decrease in loans and credit funds	**61.2**	44.5
Sale and maturity of investment securities	**892.0**	432.6
Purchase of investment securities	**(1,354.6)**	(448.6)
Increase in investment in equity funds	**(7.8)**	(6.7)
Sale of equity participation	**17.1**	-
Decrease in investment in projects and equity participations	**10.4**	30.8
Purchase of property and other fixed assets	**(0.4)**	(1.1)
Received from shareholders	**36.2**	-
Dividend received	**-**	36.2
Net cash outflow from investing activities	**(231.3)**	(248.8)
Cash flows from financing activities:		
(Decrease)/increase in deposits and repurchase agreements	**(99.9)**	234.5
Term finance	**300.0**	-
Net cash inflow from financing activities	**200.1**	234.5
Increase/(decrease) in cash and cash equivalents	**0.6**	(1.8)
Cash and cash equivalents at beginning of year	**2.9**	4.7
Cash and cash equivalents at end of year	**3.5**	2.9

Cash and cash equivalents comprise of cash and bank balances.

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
Year ended December 31, 2002

1 Incorporation and Activity
The Gulf Investment Corporation G.S.C. ("Corporation") is an investment company incorporated in Kuwait as a Gulf Shareholding Company. It is equally owned by the governments of the six member states of the Gulf Cooperation Council ("GCC") – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Corporation is engaged in all aspects of investment banking activities.

The Corporation is domiciled in Kuwait and its registered office is at Jaber Al Mubarak Street, Al Sharq, Kuwait. The total number of staff employed by the Corporation as at December 31, 2002 was 136 (2001: 136).

The financial statements were authorized for issue by the Board of Directors on March 15, 2003.

2 Statement of Accounting Policies

2.1 Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the Standing Interpretations Committee of the IASB and the requirements of the Kuwait Commercial Companies Law of 1960, as amended, Ministerial Order No.18 of 1990, Law No. 32 of 1968 concerning currency, the Central Bank of Kuwait and the Organization of Banking Business and subsequent amendments thereto and the Corporation's articles and memorandum of association.

2.2 Basis of presentation
The Corporation's functional currency is United States Dollars and figures presented in the financial statements are rounded to the nearest million.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

The accounting policies have been consistently applied by the Corporation and are consistent with those used in the previous year.

2.3 Subsidiaries
Subsidiaries are those enterprises controlled by the Corporation. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investment in Bitumat Company Limited, a fully owned subsidiary company, is not material to the financial statements of the Corporation. Accordingly, this subsidiary is included under 'Investment in Projects and Equity Participations' and is accounted for using the equity method.

2.4 Financial instruments
(i) Classification

Trading instruments are those that the Corporation principally holds for the purpose of short-term profit taking. These include money market funds, trading securities and managed funds, derivative contracts that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as part of other assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as part of other liabilities.

Originated loans and receivables are loans and receivables created by the Corporation providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise deposits with banks and financial institutions, securities purchased under resale agreements, loans and advances to customers (other than purchased loans), receivables from shareholders and debt instruments purchased at original issuance.

2.4 Financial instruments continued

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Corporation has the intent and ability to hold to maturity. These include credit funds and certain debt instruments.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Corporation, or held-to-maturity. Available-for-sale instruments include certain investments securities, equity funds and certain investment in projects.

(ii) Recognition

The Corporation recognizes financial assets held to maturity, held for trading and available-for-sale assets on the trade date i.e. the date it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Originated loans and receivables are recognized on the settlement date.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses (see note 2.14).

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses (see note 2.14). Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price (bid price for assets and offer price for liabilities) at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available then the fair value of the instrument is estimated using pricing models or discounted cash flow techniques or market price of similar financial instruments.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Corporation would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognized directly in shareholders' equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in shareholders' equity is transferred to the income statement.

Gains and losses arising from a change in the fair value of trading instruments are recognized in the statement of income.

(vi) Derecognition

A financial asset is derecognized when the Corporation loses control over the contractual rights that comprise the asset. This occurs when the rights are realized, expired or are surrendered. A financial liability is derecognized when it is extinguished.

Held-to-maturity, available-for-sale assets and assets held for trading are derecognized using trade date accounting. The Corporation uses the weighted average method to determine the gain or loss on derecognition.

Originated loans and receivables are derecognized on the day they are transferred by the Corporation.

(vii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Corporation has a legally enforceable right to set off the recognized amounts and the transactions are intended to be settled on a net basis.

2.5 Placements

Placements are accounted as originated loans and receivables.

2.6 Repurchase and resale arrangements

The Corporation enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognized as securities purchased under resale agreements. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or held-to-maturity or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as part of liabilities as securities sold under repurchase agreements.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest.

2.7 Trading securities and managed funds

Trading securities and managed funds are accounted as trading assets.

2.8 Investment securities

Debt instruments that the Corporation has the intent and ability to hold to maturity are accounted as held-to-maturity assets.

Debt instruments purchased at original issuance are accounted as original loans and receivables.

Investment securities which are not held-to-maturity investments or debt instruments which are not purchased at original issuance are classified and accounted as available-for-sale assets.

2.9 Loans and credit funds

Loans and advances to customers originated by the Corporation are carried at amortized cost less specific and general provision for impairment (see note 2.14).

Credit funds are accounted as held-to-maturity assets and are carried at amortized cost less impairment losses (see note 2.14).

2.10 Equity funds

Investments in equity funds are classified and accounted as available-for-sale investments. Provision is made for any impairment losses (see note 2.14) on an individual investment basis and is recognized in the statement of income.

2.11 Investment in projects and equity participations

Investment in enterprises in which the Corporation holds 20% or more of the voting capital and/or exercises significant control or influence over the financial and operating policies ("associates") are accounted for using the equity method. Provision is made for any impairment losses and recognized in the income statement.

Other investments in projects and equity participations are classified as available-for-sale assets. Provision is made for any impairment losses (see note 2.14) on an individual investment basis and is recognized as set out in note 2.14.

2.12 Property and other fixed assets

Property and other fixed assets are carried at cost less accumulated depreciation and impairment losses (see note 2.14). Depreciation is computed on a straight-line basis over the estimated useful life of each asset category as follows:

Buildings	20 years
Installations	5 – 10 years
Office equipment	3 – 4 years
Furniture	4 – 6 years
Motor vehicles	3 years

2.13 Amortization of goodwill

Goodwill arising on acquisition of an associate, jointly controlled entity or subsidiary company represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortization and impairment losses (see note 2.14). Goodwill is amortized over its useful life not exceeding twenty years.

2.14 Impairment

Property, other fixed assets, goodwill and financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property, other fixed assets and goodwill

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of assets is the greater of their net selling price and value in use. The impairment losses are recognized in the statement of income.

Originated loans and advances, receivables and held-to-maturity assets

The recoverable amount of originated loans and advances, receivables and purchased loans that are classified as held-to-maturity, is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances and receivables are carried at amortized cost less specific and general allowances for uncollectibility. Specific provision for impairment is established if there is an objective evidence that the Corporation will not be able to collect all amounts due. The amount of specific provision is determined as the difference between the carrying amount and the recoverable amount of the asset. General provision for impairment is made in accordance with the instructions of the Central Bank of Kuwait dated December 18, 1996, as amended.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the income statement.

Financial assets remeasured to fair value directly through shareholders' equity

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of expected future cash flows discounted at the current market rate of interest. Where an asset remeasured to fair value directly through shareholders' equity is impaired, and a write-down of the asset was previously recognized directly in shareholders' equity, the write-down is transferred to the income statement and recognized as part of the impairment loss. Where an asset measured to fair value directly through shareholders' equity is impaired, and an increase in the fair value of the asset was previously recognized in shareholders' equity, the increase in fair value of the asset recognized in shareholders' equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the income statement.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

2.15 Other provisions

Other provisions are recognized in the balance sheet when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.16 Fiduciary activities

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the Corporation and accordingly are not included in these financial statements.

2.17 Hedge accounting

A hedging relationship exists where:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net profit or loss.

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The treatment of any resultant gains and losses is set out below.

The fair value of derivative hedging instruments is calculated in the same way as the fair value of trading instruments (refer accounting policy 2.4 (iv)).

Where a derivative financial instrument hedges the exposure to changes in the fair value of a recognized asset or liability, the hedged item is stated at fair value in respect of the risk being hedged. Gains or losses on remeasurement of both the hedging instrument and the hedged item are recognized in the income statement.

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognized assets or liabilities (or homogeneous groups/portfolios thereof) or anticipated transactions or firm commitments, the effective part of any gain or loss on remeasurement of the hedging instrument is recognized directly in shareholders' equity. The ineffective part of any gain or loss is recognized in the income statement.

2.17 Hedge accounting continued

When a hedged anticipated transaction or firm commitment results in the recognition of an asset or liability, the cumulative gain or loss on the hedging instrument recognized in shareholders' equity is removed from shareholders' equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss recognized in shareholders' equity is transferred to the income statement at the same time that the hedged transaction affects net profit or loss and included in the same line item as the hedged transaction.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognized in shareholders' equity remains in shareholders' equity and is recognized in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognized in shareholders' equity is recognized in the income statement immediately.

2.18 Interest, fee income and dividend income

Interest income and expense are recognized on an accrual basis taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other difference between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis. Fee income is recognized when earned. Dividend income is recognized when the right to receive payment is established.

2.19 Foreign currency

The reporting currency of the Corporation is the US Dollar. The share capital of the Corporation is also denominated in US Dollars. Transactions in foreign currencies are converted to US Dollars at the rate of exchange prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are converted into US Dollars at market rates of exchange prevailing on the balance sheet date. Realized and unrealized foreign exchange gains and losses are included in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to US Dollars at foreign exchange rates ruling at the dates the values were determined. Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost or amortized cost, are recorded at the exchange rate ruling at the date of transaction.

3 Change in Accounting Policy

The adoption of IAS 39 Financial Instruments: Recognition and Measurement in 2001 resulted in a debit adjustment, as at January 1, 2001, to retained earnings of US$ 0.7 million and to unrealized gain on available-for-sale assets of US$ 10.0 million. For the year ended December 31, 2001 the net profit decreased by US$ 3.0 million.

4 Placements

Placements at December 31, 2002 included placements with non-bank financial institutions amounting to US$ 78.5 million (2001: US$ 35.0 million).

5 Trading Securities and Managed Funds

US$ million	2002	2001
Managed funds	**305.3**	214.9
Equities	**0.1**	5.7
Listed debt securities	**3.3**	-
	308.7	220.6

6 Investment Securities

Debt and other interest bearing instruments available-for-sale

US$ million	2002	2001
AAA/Aaa rated debt securities	**705.9**	321.2
GCC Government securities	**221.5**	120.3
Debt securities of other investment grade issuers	**1,772.2**	1,436.2
Other debt securities	**60.1**	39.3
	2,759.7	1,917.0

Debt and other interest bearing instruments held-to-maturity

US$ million	2002	2001
AAA/Aaa rated debt securities	**52.0**	60.9
GCC Government securities	**275.2**	613.7
Debt securities of other investment grade issuers	**371.6**	448.9
Other debt securities	**2.3**	1.5
	701.1	1,125.0

Equity investments available-for-sale

US$ million	2002	2001
Listed equity investments	**23.6**	3.3
Unlisted equity investments	**79.7**	10.3
	103.3	13.6
Total	**3,564.1**	3,055.6

Investment securities amounting to US$ 2,300.6 million (2001: US$ 2,474.5 million) are pledged as security in respect of borrowings under securities sold under repurchase agreements.

During the year, a provision of US$ 5.7 million (2001: US$ nil) was made for the impairment in the value of certain debt and other interest bearing securities under held-to-maturity category. The investments shown above are net of this provision.

7 Loans and Credit Funds

US$ million	2002	2001
Loans and advances to customers	**121.8**	245.8
Credit funds	**305.0**	242.1
	426.8	487.9

Loans and advances to customers at December 31, 2002 include lendings to GCC Country Government and Agency of US$ 49.7 million (2001: US$ 120.4 million).

There were no significant concentrations by industrial sector at December 31, 2002 and at December 31, 2001.

a) Provision for loan losses

The movements in the provision for loan losses were as follows:

US$ million	2002	2001
Balance at beginning of the year	**4.7**	4.8
Amount utilized	**(0.8)**	-
Net charge/(write back) for the year	**0.1**	(0.1)
Balance at end of the year	**4.0**	4.7

b) Provision for loan guarantees

US$ million	2002	2001
Balance at beginning of the year	**3.4**	2.6
Net charge for the year	**-**	0.8
Balance at end of the year	**3.4**	3.4

8 Receivable from Shareholders

This primarily represents the unpaid balance from the sale of Gulf International Bank (“GIB”) to its shareholders on April 7, 2001. Payment of this outstanding balance will be from any future dividends receivable by the shareholders from GIB and from the Corporation. The outstanding balance carries a rate of return to be computed annually. The rate for 2002 was 4.19% (2001: 4.33%).

9 Equity Funds

US$ million	2002	2001
Listed equity investments	**9.6**	19.9
Unlisted equity investments	**129.1**	119.3
	138.7	139.2
Provision for impairment	**(30.7)**	(21.3)
	108.0	117.9

Unlisted equity securities held by the equity funds are carried by the Corporation at cost less any impairment losses, since fair value of these investments cannot be reliably determined. There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

The following is a summary of movements in the balance of provisions for impairment of equity funds.

US$ million	2002	2001
Balance at beginning of the year	**21.3**	12.7
Charge for the year	**9.4**	8.6
Balance at end of the year	**30.7**	21.3

10 Investment in Projects and Equity Participations

US$ million	2002	2001
Project investments equity accounted	**104.3**	107.2
Other project investments and equity participations	**201.6**	216.8
	305.9	324.0
Provision for impairment	**(30.1)**	(21.7)
	275.8	302.3

a) Investments equity accounted

Details of investment in projects which are equity accounted are as follows:

	Registered capital US$ million	Share of capital held %	Carrying value US$ million 2002	Carrying value US$ million 2001
Bitumat Company Ltd.	6.7	100.0	**20.8**	21.8
Gulf Industrial Investment Co.	80.0	50.0	**36.4**	37.8
Bahrain Industrial Pharmaceutical Co.	2.8	40.0	**0.7**	0.7
The National Titanium Dioxide Co.	46.7	33.0	**27.2**	25.1
A'saffa Poultry Farms SAOG	13.0	30.9	**4.0**	4.1
Al Manar Plastics Product Co.	3.5	30.0	**0.7**	1.0
Kuwait International Advanced Industries Co.	6.7	25.0	**0.7**	1.6
Dhofar Fisheries Industries Co.	20.8	23.8	**0.8**	3.1
Celtex Weaving Mills Co.	10.6	23.0	**1.0**	1.2
Rawabi Emirates (PJSC)	42.5	22.5	**12.0**	10.8
			104.3	107.2

b) Other project investments and equity participations

US$ million	2002	2001
Listed investments	**55.9**	22.2
Unlisted investments	**145.7**	194.6
	201.6	216.8

Unlisted investments are carried at cost less any impairment losses, since the fair value of these investments cannot be reliably determined. There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

10 Investment in Projects and Equity Participations continued

c) Provision for impairment in investment in projects and equity participations

The movement in the provisions was as follows:

US$ million	2002	2001
Balance at beginning of the year	**21.7**	17.2
Amounts utilized	**(4.7)**	-
Net charge for the year	**13.1**	4.5
Balance at end of the year	**30.1**	21.7

11 Property and Other Fixed Assets

US$ million			2002	2001
	Cost	Accumulated depreciation	**Net book value**	Net book value
Building and installations	24.0	2.4	**21.6**	22.9
Furniture, equipment and motor vehicles	19.6	12.5	**7.1**	8.5
	43.6	14.9	**28.7**	31.4

There were no significant additions or disposals during the year. The depreciation charge for the year is US$ 3.1 million (2001: US$ 3.1 million).

12 Other Assets

US$ million	2002	2001
Accrued interest, fees and commissions	**66.1**	68.1
Receivable from GIIC	**-**	20.0
Derivative assets used for hedging	**27.9**	0.4
Employees' end of service benefit asset	**29.6**	29.7
Goodwill arising on acquisitions	**22.5**	23.7
Prepayments	**1.4**	1.0
Other, including accounts receivable	**2.4**	35.2
	149.9	178.1

13 Deposits

US$ million	2002	2001
Deposits from Central Banks	**303.1**	303.0
Deposits from other banks	**755.5**	871.5
Islamic deposits	**437.8**	-
Other deposits	**208.7**	290.3
	1,705.1	1,464.8

At December 31, 2002 deposits from GCC Country Governments, Central Banks and other institutions headquartered in the GCC States amounted to US$ 1,280.0 million (2001: US$ 1,060.3 million).

14 Term Finance

US$ million	2002	2001
Saudi Riyal Floating rate loan due in 2004	**160.0**	160.0
GIC Floating Rate Note due in 2007	**300.0**	-
	460.0	160.0

During the year, the Corporation issued Floating Rate Notes which are due in 2007 and carry interest at LIBOR plus 40 basis points.

15 Other Liabilities

US$ million	2002	2001
Accrued interest	**48.9**	48.0
Derivative liabilities used for hedging	**57.2**	20.1
Employees' end of service benefits	**32.7**	34.3
Other provision	**3.4**	3.4
Other, including accounts payable and accrued expenses	**8.7**	7.7
	150.9	113.5

16 Shareholders' Equity

16.1 The authorized and issued capital comprises 2.1 million shares of US$ 1,000 each (2001: 2.1 million shares of US$ 1,000 each). The paid up capital is US$ 750 million (2001: US$ 750 million).

16.2 In accordance with the Kuwait Commercial Companies' Law and the Corporation's Articles of Association, 10 percent of the net income for the year is required to be transferred to the non-distributable compulsory reserve until the reserve reaches a minimum of 50 percent of share capital.

16.3 No transfer has been made to the voluntary reserve for the years ended December 31, 2002 and 2001 based on a resolution adopted in the General Assembly meeting of the shareholders.

16.4 Unrealized gain on available-for-sale assets comprises the cumulative net change in fair value of available-for-sale assets held by the Corporation.

17 Other Operating Income

US$ million	**2002**	2001
Net gain on trading securities and managed funds	**10.3**	10.0
Net loss on investment securities	**(5.3)**	(0.3)
Net gain on sale of investment in projects and equity participations	**4.8**	0.4
Net gain on disposal of available-for-sale investments transferred from shareholders' equity	**5.9**	5.9
Income from equity funds	**3.0**	8.6
Income from projects and equity participations	**14.4**	19.1
Profit on foreign exchange	**0.3**	0.2
Dividend income	**5.6**	5.5
Fees, commissions and sundry income	**4.6**	2.3
	43.6	51.7

18 Provisions for Impairment Losses

US$ million	**2002**	2001
Equity funds	**(9.4)**	(8.6)
Projects and equity participations	**(13.1)**	(4.5)
Loans and loan guarantees	**(0.1)**	(0.7)
Investment securities	**(5.7)**	-
	(28.3)	(13.8)

19 Extraordinary Item

The United Nations Compensation Commission ("UNCC") completed its review of the claim filed by the Corporation in respect of losses incurred as a result of the Iraqi invasion and occupation of Kuwait in 1990, and has awarded compensation of US$ 34.3 million. During the year the Corporation received US$ 25.0 million. The balance US$ 9.3 million was received on January 16, 2003.

20 Retirement and Other Terminal Benefits

The Corporation has defined voluntary contribution and end of service indemnity plans which cover all its employees. Contribution to the voluntary plan is based on a percentage of pensionable salary and consists of contribution by employees and a matched contribution up to a certain limit by the Corporation. Contribution to the end of service indemnity plan is based on a percentage of pensionable salary and number of years of service by the employees. The amounts to be paid as the end of service benefits are determined by reference to the amounts of the contributions and investment earnings thereon. The Corporation also pays contributions to a government defined contribution pension plan for certain employees in accordance with the legal requirements in Kuwait.

The total cost of retirement and other end of service benefits included in staff expenses for the year ended December 31, 2002 amounted to US$ 2.8 million (2001: US$ 3.0 million).

21 Dividends

A dividend of US$ 100 per share for the year ended December 31, 2002 (2001: US$ 100 per share) was approved by the shareholders in the General Assembly meeting held on March 15, 2003. This will be utilized to settle receivable from shareholders (see note 8).

22 Asset and Liability Maturity Profile

US$ million	Within 3 mths	3 Mths to 1 year	1 to 5 years	Over 5 years	Total
At December 31, 2002					
Assets					
Cash and bank balances	3.5	-	-	-	3.5
Placements	412.3	30.0	-	-	442.3
Securities purchased under resale agreements	10.2	-	-	-	10.2
Trading securities and managed funds	19.1	-	3.3	286.3	308.7
Investment securities	157.2	394.2	2,384.1	628.6	3,564.1
Loans and credit funds	14.7	43.9	312.8	55.4	426.8
Receivable from shareholders	75.0	-	-	411.9	486.9
Equity funds	1.4	-	15.4	91.2	108.0
Investments in projects and equity participations	-	-	-	275.8	275.8
Property and other fixed assets	-	-	-	28.7	28.7
Other assets	64.8	33.7	5.7	45.7	149.9
Total assets	**758.2**	**501.8**	**2,721.3**	**1,823.6**	**5,804.9**
Liabilities and shareholders' equity					
Securities sold under repurchase agreements	1,083.4	1,227.4	-	-	2,310.8
Deposits	1,465.9	195.7	43.5	-	1,705.1
Term finance	-	-	460.0	-	460.0
Other liabilities	36.2	22.3	23.2	69.2	150.9
Shareholders' equity	-	-	-	1,178.1	1,178.1
Total liabilities and shareholders' equity	**2,585.5**	**1,445.4**	**526.7**	**1,247.3**	**5,804.9**
At December 31, 2001					
Total assets	**963.8**	**623.6**	**2,329.7**	**1,623.9**	**5,541.0**
Total liabilities and shareholders' equity	**2,787.6**	**1,419.1**	**210.3**	**1,124.0**	**5,541.0**

The asset and liability maturity profile is based on contractual repayment arrangements and as such does not take account of the effective maturities of deposits as indicated by the Corporation's deposit retention records and of borrowers' right to prepay obligations with or without prepayment penalties. Formal liquidity controls are based on contractual asset and liability maturities.

23 Asset and Liability Repricing Profile and Effective Interest Rates

US$ million	Within 3 mths	3 Mths to 1 year	Over 1 year	Non-Interest bearing items	Total	Effective interest rate %
At December 31, 2002						
Assets						
Cash and bank balances	3.5	-	-	-	3.5	-
Placements	412.3	30.0	-	-	442.3	2.01
Securities purchased under resale agreements	10.2	-	-	-	10.2	3.40
Trading securities and managed funds	-	-	3.3	305.4	308.7	4.50
Investment securities:						
Fixed rate	116.5	301.1	1,689.1	-	2,106.7	5.30
Floating rate	1,080.7	279.1	-	(5.7)	1,354.1	2.97
Equities	-	-	-	103.3	103.3	-
Loans and credit funds	333.6	94.5	2.6	(3.9)	426.8	1.77
Receivable from shareholders	75.0	-	411.9	-	486.9	4.19
Equity funds	-	-	-	108.0	108.0	-
Investment in projects and equity participations	-	-	-	275.8	275.8	-
Property and other fixed assets	-	-	-	178.6	178.6	-
Total assets	**2,031.8**	**704.7**	**2,106.9**	**961.5**	**5,804.9**	
Liabilities & shareholders' equity						
Securities sold under repurchase agreements	1,083.4	1,227.4	-	-	2,310.8	2.57
Deposits	1,465.9	239.2	-	-	1,705.1	2.25
Term finance	460.0	-	-	-	460.0	2.56
Other liabilities	-	-	-	150.9	150.9	-
Shareholders' equity	-	-	-	1,178.1	1,178.1	-
Total liabilities and shareholders' equity	**3,009.3**	**1,466.6**	**-**	**1,329.0**	**5,804.9**	
Derivative instruments	124.8	(124.8)	-	-	-	
Interest rate sensitivity gap	(852.7)	(886.7)	2,106.9	(367.5)	-	
Cumulative interest rate sensitivity gap	**(852.7)**	**(1,739.4)**	**367.5**	**-**	**-**	
At December 31, 2001						
Interest rate sensitivity gap	(874.1)	(726.4)	1,928.4	(327.9)	-	
Cumulative interest rate sensitivity gap	(874.1)	(1,600.5)	327.9	-	-	

The repricing profile is based on the remaining period to the next interest repricing date. The repricing profiles of floating rate investment securities and loans incorporate the effect of interest rate swaps used to modify the interest rate characteristics of specific transactions. The general provision for loan losses is deducted from non-interest bearing assets.

24 Commitments and Contingent Liabilities

In the usual course of meeting the requirements of customers, the Corporation has commitments to extend credit and provide financial guarantees and letters of credit to guarantee the performance of customers to third parties. The credit risk on these transactions is generally less than the contractual amount. The table below sets out the notional principal amounts of outstanding commitments and the risk-weighted equivalents calculated in accordance with the capital adequacy guidelines of the Bank for International Settlements (BIS).

Credit Risk Amounts

US$ million	**2002** Notional principal amount	**2002** Risk-weighted equivalent	2001 Notional principal amount	2001 Risk-weighted equivalent
Transaction-related contingent items	**53.8**	**53.8**	59.8	59.8
Undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	**24.7**	**6.2**	50.1	12.5
Total	**78.5**	**60.0**	109.9	72.3

The above commitments and contingent liabilities have off balance-sheet credit risk because only origination fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expired. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

25 Derivatives and Foreign Exchange Products

Derivatives and foreign exchange instruments are utilized by the Corporation to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management (ALM) activity to hedge its own exposure to market, interest rate and currency risk.

In the case of derivative transactions the notional principal typically does not change hands. It is simply a quantity which is used to calculate payments. While notional principal is a volume measure used in the derivatives and foreign exchange markets, it is neither a measure of market nor credit risk. The Corporation's measure of credit exposure is the cost of replacing contracts at current market rates should the counterparty default prior to the settlement date. Credit risk amounts represent the gross unrealized gains on transactions before taking account of any collateral held or any master netting agreements in place.

Hedge accounting

Interest rate swaps under which the Corporation pays a fixed rate and receives a floating rate are used in fair value hedges of fixed interest securities available-for-sale.

As at the balance sheet date the notional amount of interest rate swaps used to hedge interest rate risk amounted to US$ 560.6 million (2001: US$ 378.3 million) and its net fair value was a swap loss of US$ 57.2 million (2001: US$ 20.1 million). The corresponding gain on the hedged fixed income securities amounted to US$ 54.7 million (2001: US$ 19.3 million).

25 Derivatives and Foreign Exchange Products continued

Trading activities

The table below summarizes the aggregate notional, net fair value and credit risk amounts of foreign exchange and derivative financial instruments held for trading.

US$ million	Notional amounts	Net fair values	Credit risk amounts
As at December 31, 2002			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	833.7	0.7	1.1
Options purchased	113.1	(3.6)	-
Options written	113.1	3.6	3.6
Total	**1,059.9**	**0.7**	**4.7**
Interest rate contracts:			
Interest rate swaps	51.5	-	0.9
Total	**51.5**	**-**	**0.9**
Grand Total	**1,111.4**	**0.7**	**5.6**

US$ million	Notional amounts	Net fair values	Credit risk amounts
As at December 31, 2001			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	268.5	0.1	0.2
Options purchased	38.9	-	-
Options written	38.9	-	-
Total	**346.3**	**0.1**	**0.2**
Interest rate contracts:			
Interest rate swaps	142.7	0.3	1.1
Total	**142.7**	**0.3**	**1.1**
Grand Total	**489.0**	**0.4**	**1.3**

Counterparty analysis

US$ million	Banks	Other	Total
At December 31, 2002			
Credit risk amounts			
OECD countries	5.4	-	5.4
GCC countries	0.2	-	0.2
Other countries	-	-	-
Total	**5.6**	**-**	**5.6**

US$ million	Banks	Other	Total
At December 31, 2001			
Credit risk amounts			
OECD countries	1.0	-	1.0
GCC countries	-	-	-
Other countries	0.3	-	0.3
Total	**1.3**	**-**	**1.3**

Credit risk is concentrated on major OECD-based banks.

Maturity analysis

US$ million	Year 1	Years 2 & 3	Years 4 & 5	Over 5 yrs	Total
At December 31, 2002					
Notional amounts					
Foreign exchange contracts	1,059.9	-	-	-	1,059.9
Interest rate contracts	20.0	31.5	-	-	51.5
Total	**1,079.9**	**31.5**	**-**	**-**	**1,111.4**

US$ million	Year 1	Years 2 & 3	Years 4 & 5	Over 5 yrs	Total
At December 31, 2001					
Notional amounts					
Foreign exchange contracts	346.3	-	-	-	346.3
Interest rate contracts	94.6	30.0	18.1	-	142.7
Total	**440.9**	**30.0**	**18.1**	**-**	**489.0**

26 Geographic Distribution of Risk Assets

US$ million	Cash and bank balances and placements	Securities purchased under resale agreements	Trading, investment securities and managed funds	Loans and advances and receivable from shareholders
GCC	404.5	-	616.1	608.7
Other Middle East and North Africa	-	-	11.3	-
Europe	40.3	10.2	1,501.5	30.0
North America	0.9	-	1,585.5	275.0
Asia	0.1	-	158.4	-
Total	**445.8**	**10.2**	**3,872.8**	**913.7**

US$ million	Equity Funds, investment in projects and equity participations	Commitments and contingent liabilities	**2002 Total**	2001 Total
GCC	275.8	78.5	**1,983.6**	2,312.4
Other Middle East and North Africa	-	-	**11.3**	10.9
Europe	23.7	-	**1,605.7**	1,313.9
North America	82.3	-	**1,943.7**	1,585.9
Asia	2.0	-	**160.5**	218.3
Total	**383.8**	**78.5**	**5,704.8**	**5,441.4**

An analysis of derivatives and foreign exchange products is set out in note 25.

27 Fair Value Information

As at the balance sheet date the fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts, except for debt and other interest bearing instruments held-to-maturity (see note 6), whose fair value is US$ 7.4 million higher than its carrying value (2001: US$ 9.5 million higher than its carrying value).

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Corporation is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

28 Related Party Transactions

During the year certain transactions were conducted with the parties that have a direct or indirect relationship with the Corporation's shareholders. These comprised standard money market, foreign exchange, investment, lending and securities transactions and were conducted on an arm's length basis at open market prices. The volume of such transactions are disclosed in respective notes to the financial statements.

29 Fiduciary Activities

At December 31, 2002 third party assets under management amounted to US$ 202.6 million (2001: US$ Nil). These assets are managed in a fiduciary capacity and are therefore excluded from the Balance Sheet.

30 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Direct Investments in the GCC Region

	Location	Total Shareholders' Equity (US $ million)	GIC's Share of Capital (%)
Non-consolidated Subsidiary and Associated Companies			
Bitumat Company	Saudi Arabia	20.8	100.0
Gulf Industrial Investment Company	Bahrain	72.8	50.0
Bahrain Industrial Pharmaceutical Company	Bahrain	1.8	40.0
National Titanium Dioxide Company (CRISTAL)	Saudi Arabia	82.6	33.0
A'saffa Poultry Farms SAOG	Oman	12.8	30.9
Al Manar Plastics Product Company	Saudi Arabia	2.3	30.0
Kuwait International Advanced Industries Company	Kuwait	3.0	25.0
Dhofar Fisheries Industries Company	Oman	4.5	23.8
Celtex Weaving Mills Company	Bahrain	4.2	23.0
Rawabi Emirates (PJSC) (previously Al Rawabi Dairy Co. & Emirates Modern Poultry Co.)	UAE	53.4	22.5
Equity Participations			
Gulf Stone Company	Oman	2.7	19.5
Qatar Briquetted Iron Company(QABICO)	Qatar	0.6	16.3
Advanced Electronics Company (AEC)	Saudi Arabia	55.6	15.0
National Environmental Services Company (NESCO)	Kuwait	2.4	15.3
Arab Pesticide Industries Company (MOBEED)	Saudi Arabia	4.2	12.5
National Petrochemical Industrialization Company	Saudi Arabia	179.6	12.0
Interplast Company Limited	UAE	51.5	17.7
Arab Qatari Company for Dairy Products	Qatar	14.3	11.2
Al-Salam Aircraft Company	Saudi Arabia	37.2	10.0
Gulf Ferro Alloys Company (Sabayek)	Saudi Arabia	10.8	10.0
Jarir Marketing Company	Saudi Arabia	98.9	10.0
National Aluminum Products Company	Oman	13.8	10.0
Ras Laffan Power Company	Qatar	73.4	10.0
Zamil Industrial Investment Company (ZIIC)	Saudi Arabia	116.0	10.0
National Pharmaceutical Industries Company	Kuwait	11.7	6.5
Securities & Investment Company (SICO)	Bahrain	37.7	8.0
Al-Jubail Chemical Industrial Company (JANA)	Saudi Arabia	49.0	7.5
Gulf Aluminum Rolling Mill Company (GARMCO)	Bahrain	67.3	5.9
Arabian Industrial Fibers Company (Ibn Rushd)	Saudi Arabia	639.1	4.7
International Fish Farming Company	UAE	77.0	4.0
United Power Company	Oman	132.6	2.3
Oasis International Leasing Company (WAHA)	UAE	146.2	2.0
Thuraya Satellite Telecommunications Company	UAE	374.3	1.6
Qatar Telecom (Q-TEL)	Qatar	581.7	0.6

Corporate Directory

Senior Management

Chief Executive Officer
Hisham Abdulrazzaq Al Razzuqi

Global Markets

Head of Global Markets and Proprietary Asset Management
Jamal Al-Saeed

Alternative Investments, International Equities & Private Equity
Romeo Briones

Equity Research
Omar Abdallah

GCC Equities
Abdulrahman Al-Saeed

Head of Marketing
Hamza Behbehani

Head of Treasury
Yacoub Al-Awadi

Fixed Income
Abdulaziz Al-Mulla

Chief Dealer
Martin Joy

Money Markets
Mathew Abraham

Principal Investing

Head of Corporate Finance & Utilities, and Financial Services
Shafic Ali

Head of Corporate Finance & Utilities
Mahmoud Rateb

Head of Diversified Projects & Manufacturing
Khaled Al-Awadi

Head of Manufacturing
Khaled Al-Qadeeri

Corporate Office

Head of Economics & Strategy
Dr. Soliman Demir

Head of Financial Control & Risk Management
Ghassan Tarazi

Head of Internal Audit
Anthony W. Ede

Head of Human Resources & Administration
Hani Al-Meer

Head of Shared Services
Mohammed Al-Sanie

Head of Information Technology
Hani Al-Shakhs

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