

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2003.

Consolidated financial statements

The consolidated financial statements have been prepared incorporating the financial statements of TAIB Bank E.C. (the "Bank") and its subsidiaries (the "Group").

Principal activity

TAIB Bank E.C. (the "Bank") is incorporated in Bahrain as an Exempt Company and holds an investment banking license issued by the Bahrain Monetary Agency. The Bank has its registered office at TAIB Tower, Diplomatic Area, Manama, Bahrain. Its shares are listed on the Bahrain Stock Exchange.

During 2003, the shareholders have decided at an extraordinary general meeting of shareholders held on 22 October 2003 to reposition the Bank as a Private Bank.

The following are some of the key aspects of the repositioning plan approved by the shareholders of the Bank:

- a) Increase in the authorized share capital of the Bank from the level of US\$ 125 million to US\$ 200 million (Note 13).
- b) Transfer of certain assets with carrying amount up to US\$ 55 million to a new company (Transcompany Limited) owned by all of the shareholders of the Bank (Note 10), and the corresponding reduction in the share capital of the Bank by the cancellation of shares.
- c) Increase in the paid-up share capital of the Bank by way of rights/private placement of up to US\$ 85 million in two issues.

The Bank expects to complete these steps during 2004.

The principal activities of the Bank and its subsidiaries (the "Group") are asset management, direct equity investments, real estate investments, provision of financial and securities advisory and brokerage services. As a Private Bank, it also intends to offer wealth management and wealth transfer products and services.

Financial position

The results for the year ended 31 December 2003 and the financial position of the Group as at that date are set out in the accompanying financial statements.

Dividend

The Directors do not propose to recommend to the Annual General Meeting to pay a dividend for the year ended 31 December 2003 (2002: Nil).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

Directors

The following Directors served during the year ended 31 December 2003:

Sheikh Abdulrahman Al Jeraisy (Chairman)

Mr. Iqbal G. Mamdani (Vice Chairman and Chief Executive Officer)

Sheikh Ahmed M. Baroom

Sheikh Abdulaziz Alrashed

Sheikh Mohammed Al Attas

Mr. Yavuz Canevi

Mr. Pradip P. Shah

Mr. Farouk Yousuf Khalil Almoayyed

At 31 December 2003, Directors and their related parties held 11.27 % (2002: 11.05 %) of the share capital of the Bank. Some of these Directors also held an interest in, and are Directors of Jamba SA, which owns 40.49% (2002: 40.49%) of the share capital of the Bank.

Ratings

In July 2003, Capital Intelligence Limited, a bank analysis and rating service based in Cyprus, assessed the long and short-term ratings for the Bank at BB+ and B, respectively.

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and a resolution proposing their reappointment will be placed before the Annual General Meeting.

By order of the Board of Directors

Sheikh Abdulrahman Al Jeraisy
Chairman

Iqbal G Mamdani
Vice Chairman and
Chief Executive Officer

17 March 2004