

TAIB Bank B.S.C. (c)
Directors' report for the year ended 31 December 2006

The Directors are pleased to submit their report together with the audited consolidated financial statements for the year ended 31 December 2006.

Consolidated financial statements

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

Principal activities

TAIB Bank B.S.C.(c) holds an investment banking license issued by the Central Bank of Bahrain (formerly known as Bahrain Monetary Agency).

The Bank has its registered office at TAIB Tower, Diplomatic Area, Manama, Kingdom of Bahrain. The Bank's shares are listed on the Bahrain Stock Exchange.

The principal activities of the Group as a Private Bank are wealth management and wealth transfer products and services, asset management, private equity investments, real estate investments, provision of financial and securities advisory services and brokerage services.

Results and financial position

The results for the year ended 31 December 2006 and the financial position of the Group as at that date are set out in the accompanying consolidated financial statements.

Dividend

The Directors recommend to the Annual General Meeting to pay a cash dividend of US\$ 9.7 million, representing 10% of the paid up capital of the Bank, for the year ended 31 December 2006 (2005: cash dividend of US\$ 4.6 million representing 5% and a share dividend of US\$ 5.1 million representing 5% of the paid up capital of the Bank).

Directors

The following Directors served during the year ended 31 December 2006:

Mr. Abdulaziz R AlRashed (Chairman)
Mr. Iqbal G Mamdani (Vice Chairman and Chief Executive Officer)
Sheikh Abdulrahman Al Jeraisy
Sheikh Ahmed M Baroom
Mr. Pradip P Shah
Mr. Farouk Yousuf Khalil Almoayyed
Dr. Abdool Magid A K Vakil
Mr. Ibrahim Al Sultan

At 31 December 2006, Directors and their related parties held 63.4% (2005: 52.4%) of the share capital of the Bank. Some of these Directors also held an interest in, and were Directors of JAMBA SA, which owns 1.8% (2005: 18.71%) of the share capital of the Bank.

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Directors' report for the year ended 31 December 2006 (continued)

Ratings

In May 2006, Capital Intelligence Limited, a bank analysis and rating agency based in Cyprus, upgraded the long term ratings for the Bank from BB+ to BBB- and short-term ratings for the Bank from B to A3. The upgrade in ratings was due to TAIB's strong results and success of its private banking strategy and improvement in its overall risk profile.

In July 2006, Fitch, an international rating agency, affirmed the long and short term ratings for the Bank at BB and B, respectively, reflecting the sound capitalisation and liquidity as well as improving profitability of the Bank.

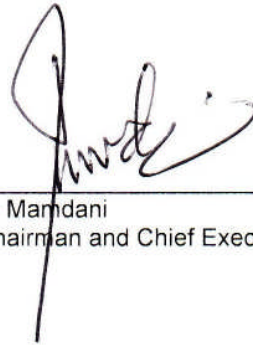
Auditors

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



Abdulaziz R AlRashed
Chairman



Iqbal G Mamdani
Vice Chairman and Chief Executive Officer

17 January 2007