

The Financial Performance of Kuwaiti financial institutions during the last few years has been very strong and 2005 has been exceptional for many; GIC has received upgrades from two rating agencies. What factors contributed to GIC's earnings growth and what key areas will impact on your performance during the next few years?

Hisham Razzuqi In 2005, our earnings more than doubled to US\$ 272.8 million compared with the previous year, and that represents a return on earnings (ROE) of 22.5%. GIC benefited from very favourable regional economic developments, in terms of capital market returns but also the generally high performance of companies and projects in the various sectors of the GCC economies. Our strategy, based on diversification in terms of assets and also geography, was a major reason for the exceptional performance in 2005. Going forward, we believe our basic tenets of asset diversification and the prudent distribution of such assets geographically will continue to underpin our performance which we expect to be more than satisfactory.

What were the group's main achievements in Asset Management, Principal Investing and the Corporate/Advisory areas? And what about other sectors, including new products?

Hisham Razzuqi We have built a dynamic marketing team that works diligently to broaden the scope of assets under management, benefiting from an increasing array of sophisticated investment products. We have added a strong structured products team of investment professionals and continue to add new products in that area in addition to our equity and debt offerings, covering both regional and international capital markets. In Principal Investing, we are adding to our portfolio in various sectors, especially metals and petrochemicals. We are taking a leading role as initiators and promoters of well-studied and designed projects of interest to major investors. We are also contemplating a strong push in the private equity domain by building capabilities in fund design and management. As for investment banking, a new team now in place will focus on corporate and project finance advisory services,

The secret of GIC's success



Gulf Investment Corp demonstrated exemplary performance during the past year, and GIC CEO Hisham Al-Razzuqi explains to Arab Banker what made that possible

GIC in the News

Fitch Rates Gulf Investment Corporation 'A'

The international rating agency Fitch Ratings assigned a long term IDR of 'A' to GIC in September. The short term rating assigned was F1, and the outlook for both were Stable. Hisham Al Razzuqi said the rating action "reaffirms GIC's premier position in the region, and is an external validation of our successful business model." GIC is rated A- by Standard & Poor's and A2 by Moody's. This is the first time Fitch has rated the corporation and they highlighted GIC's ownership structure and adequate capitalization as key strengths. GIC has a shareholder's equity base of US\$ 1.6 billion and reported a net income of US\$ 167.2 million for the six months of 2006, compared to US\$ 155.0 million for the same period in 2005. For the first half of 2006, operating income reached US\$ 191.2 million, up from the US\$ 177.2 million achieved for the same period in 2005.

an area for which there is an increasing demand in the region. We expect to be a major player and competitor in that area.

Does GIC have plans for expansion in the MENA region?

Hisham Razzuqi The Board has reviewed a complete plan for creating GIC presence in major GCC markets as part of an ongoing three-year strategic planning process. As of next year, we are going to have actual representation (as offices, companies or in other forms) in major markets of the region.

In view of the increasing trend towards privatisation of government-owned corporations, do you have plans for going public in the next few years?

Hisham Razzuqi GIC is owned by the six GCC governments and, as you rightly point out, privatisation has been a major feature of government policies of all these countries for some years. We are part of this dynamic scene; our Board is aware of this issue and taking

steps towards formulating appropriate policies and plans.

What internal regulations are in place within the GIC for adherence to a high level of Corporate Governance?

Hisham Razzuqi Since the GIC Board approved in May 2005 a full and integrated corporate governance framework for the corporation, developed in cooperation with a major international consultancy, our corporate governance structure has been steadily at work. The system deals with issues of Board and Board committee authorities, executive management role and relationship with the Board and GIC internal governing structures and controls (committees, systems, and procedures). We are proud to be among the first in the region to pay attention to this important issue and will continue to review our internal regulations and systems to reflect the requirements of regulatory authorities and best practice in terms of transparency and diligence.