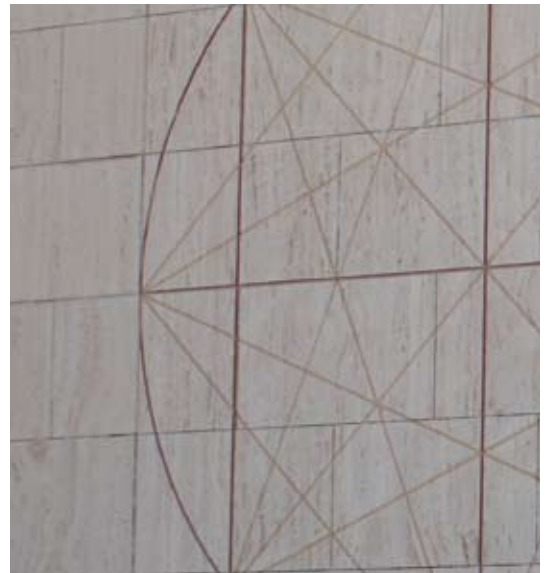
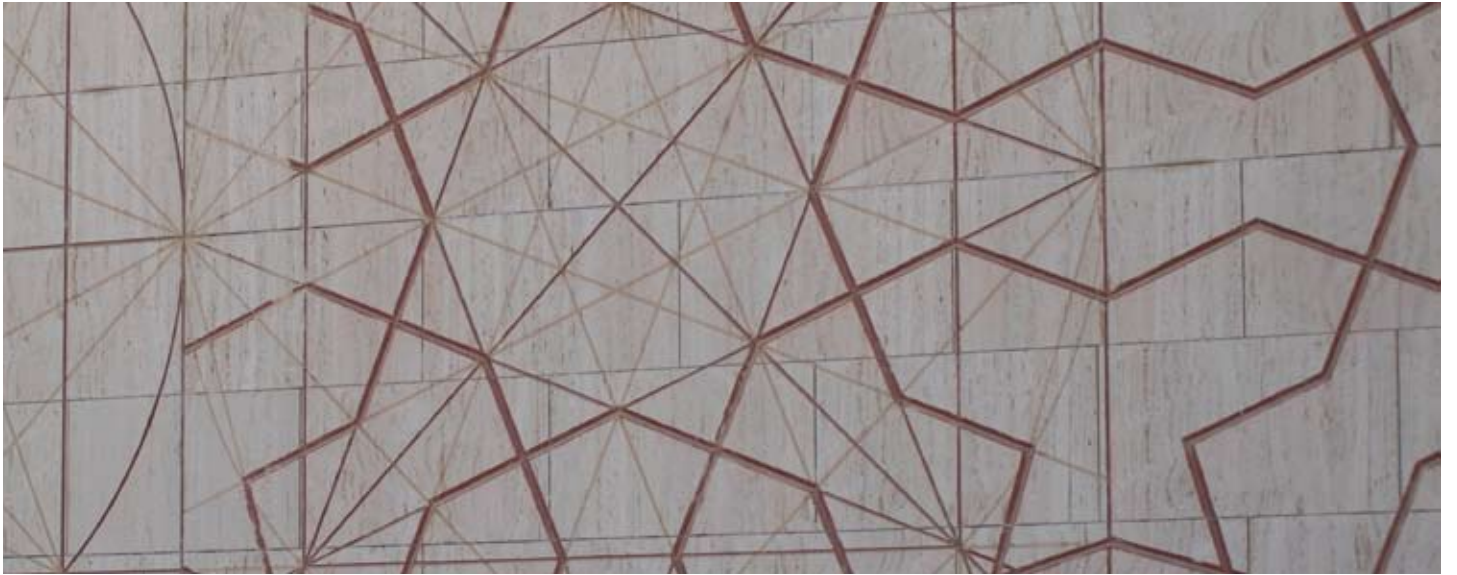




SUCCESS IS A JOURNEY...

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MESSAGE FROM THE CHAIRMAN

I AM PLEASED TO PRESENT
TO YOU ON BEHALF OF
THE BOARD OF DIRECTORS
THE 2008 ANNUAL REPORT
OF SEERA INVESTMENT
BANK. THIS IS OUR
SECOND ANNUAL REPORT
AS THE BANK WILL BE
COMPLETING ITS THIRD
YEAR OF OPERATIONS IN A
FEW MONTHS. WITHOUT
DOUBT 2008 HAS BEEN A
CHALLENGING YEAR FOR
THE GLOBAL ECONOMY
AND IN PARTICULAR THE
FINANCIAL SERVICES
INDUSTRY. SEERA HAS
HAD A NUMBER OF KEY
ACHIEVEMENTS IN 2008
AND AT THE SAME TIME
HAS WITNESSED SOME
CHALLENGES.

During the year, Seera acquired two corporate investments with a total transaction value of \$287 million. These represent investments in the water treatment and energy sectors in Europe. I am happy to report that both these investments have

been performing well and have shown profitable results since their acquisition.

As mentioned, 2008 has been a challenging year for the global economy; the impact of which was seen in the collapse of equity markets across the globe. In 2007, Seera invested a portion of its available funds in the GCC equity markets. Although the underlying investments in this equity portfolio continue to perform very well and remain profitable, the prevailing pessimism and loss of confidence by investors in general has led to a decline in the market price of the equities in the portfolio. In spite of Seera reporting a net income before impairment provision of \$2.4 million, Seera in line with international financial reporting standards took impairment provisions on the equity portfolio of \$16.2 million which resulted in a net loss of \$13.8 million for the year.

Business Overview

In 2008 Seera made its first corporate investment acquisition. The first acquisition was made in January 2008 through the purchase of around 92% of equity stake in Kosan Crisplant, a leader in the provision of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders (“LPG”). The company continues to perform profitably in spite of the economic crisis.

The second corporate investment was completed in September 2008 through the acquisition of around 87% equity stake in BWA Water Additives, a UK based company specializing in developing water treatment chemicals. The company has a history of 35 years in this niche sector with a strong presence in 85 countries around the globe.

Seera’s asset based investment through its “Falak” aviation fund continues to generate recurring income yielding annualized cash returns in excess of 9%. Despite the fact that two aircraft were sold during the year, the portfolio in aggregate continues to perform well with favorable valuations of the aircraft. Overall, the portfolio is well diversified in terms of aircraft type, airlines to which they have been leased, and geographically.



Rebranding the Bank

When we established the Bank, our priority was to source and employ qualified, professional and experienced senior management team and implement a strong corporate governance and infrastructure framework that would form the foundations of a robust financial institution. Having achieved this major objective, the need for a new name and brand identity soon became evident, a name that reflects the level of distinction that we seek and which would adequately support the ambitions of the Bank. To this effect and based on a decision by the Board of Directors supported by a shareholders' resolution in April 2008, we conducted a rebranding exercise which was successfully concluded in November 2008. I am very pleased that we now have a distinct identity which will support Seera in the offering of quality investment products and services and which will help the Bank fulfill its vision of achieving success and prestige on a global level.

Market Conditions

The prevailing market conditions present both challenges and opportunities. The financial markets have certainly come under a great deal of pressure in the wake of the financial crisis. There is no doubt that the world is experiencing a recession which has deeply affected most economies. These conditions provide several challenges to the Private Equity sector. The loss of confidence by investors will probably make fund raising more difficult and the reduced access to liquidity in the market will no doubt make deal closing more challenging.

Although these conditions slow down the investment process, these same conditions are also likely to create opportunities through more attractive valuations. With the eventuality of steady

markets and the more attractive valuations, we believe that the private equity industry is expected to offer lucrative investment opportunities. Many predict that years such as 2009 and 2010 will become outstanding vintage years for private equity. However, investor confidence and their appetite for illiquid investments will be a critical decisive factor for capitalizing on these opportunities. The Management and the Board of Directors are monitoring the economic situation closely and continue to be prudent in making investment decisions.

We still expect 2009 to be a challenging year to navigate through, but we believe that Seera is well positioned to face the market challenges and will continue its focus on growing its existing portfolio companies and creating value.

Appreciations

On behalf of the Board of Directors, I would like to thank the Government of the Kingdom of Bahrain and the Central Bank of Bahrain for all their support. I also wish to thank Seera's Shari'a Board and all the shareholders and investors for their continued confidence and support. I would also like to take this opportunity to thank Seera's management and staff for their professionalism, contribution and continued commitment to the Bank.

Asaad Ahmed Al Banwan

Chairman of the Board

MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER

WELCOME TO SEERA'S 2008 ANNUAL REPORT. THE YEAR HAS NO DOUBT BEEN AN EVENTFUL ONE WITH SEERA EXPANDING ITS INVESTMENT PORTFOLIO AND FURTHER ENHANCING ITS LONG TERM BUSINESS CAPABILITIES. 2008 ALSO WITNESSED UNPRECEDENTED FINANCIAL AND ECONOMIC TURMOIL.

In spite of the great wins during the year, the loss of investor confidence and the sharp downturn in the equity markets globally have also had an impact on Seera resulting in reduced income for the year ended 31st December 2008 compared to the previous period.

Seera generated a net income before impairment provisions of \$2.4 million. However, due to the creation of a provision for impairment on our GCC equity portfolio, the Bank reported a net loss of \$13.8 million. This equity portfolio represents investments in listed equities mainly on the Kuwait Stock exchange. Although the underlying companies are profitable and continue to generate positive results, the markets have been substantially impacted by the financial turmoil. Consequently, Seera provided \$16.4 million as provision for impairment in values of its equity portfolio.

At the end of 2008, the Bank had total assets of \$377 million with liquid assets of \$82 million and had a Capital Adequacy Ratio of 53% compared to a minimum Central Bank of Bahrain requirement of 12%.

[Corporate Investments Overview](#)

During the year, Seera completed the acquisition of two corporate investments in attractive non-cyclical sectors in Europe, Kosan Crisplant Holding AS and BWA Water Additives UK Ltd. Both companies have a profitable history and a professional management team with extensive experience in growing the businesses.

Seera acquired a 92% equity stake in Kosan Crisplant in January 2008. Kosan is a global leader in providing systems and

solutions for the filling and reconditioning of liquefied petroleum gas ("LPG") cylinders. The company continues to perform profitably in spite of the economic downturn and has a healthy pipeline of contracts. Seera was able to sell down a substantial portion of this investment to its investors in the GCC.

In September 2008 Seera acquired BWA Water Additives which is headquartered in the UK and has been operating for over 35 years with research and development facilities in the UK and USA. The Company is a world leader in the development and marketing of high performance specialty chemicals for water treatment with customers in over 85 countries. It is worthwhile mentioning that BWA achieved a 21% growth in revenue and a 31% growth in EBITDA in 2008. The company expects to continue its growth during 2009 albeit at a lower rate. In spite of the challenging market conditions, the Bank is currently marketing this investment. BWA with its experienced management and established industry presence is expected to generate positive returns in the medium term for Seera.



Asset Based Investments Overview

Seera's aviation portfolio, comprising of 9 aircraft leased to major airlines continued to perform well. During the year the portfolio provided recurring income for the bank. Despite one of the aircraft lessee's; filing for bankruptcy in 2008, the Bank successfully repossessed and sold the two aircraft with minimum implications for the portfolio. The rest of the aircraft are leased to major airlines and have been performing well. Although the aviation industry has come under pressure due to the economic downturn, Falak portfolio in aggregate with a diversified range of aircraft has shown positive valuations as a good number of these aircraft are still in high demand. The portfolio has yielded returns in excess of 9% per annum.

Corporate Governance and Infrastructure

Corporate Governance has always been a key and critical focus area for Management and we are very pleased with our achievements in this space. Given the quality of our organization and the robust corporate governance and infrastructure framework that have been put in place, and despite the fact that the Bank is less than three years old, Seera is a well established financial institution. Our achievements cover various aspects from the hiring of an experienced and professional management team to establishing a strong risk management framework that ensures that the Bank's assets are safeguarded and are prudently managed. During the year Seera completed the implementation of the core banking system and the enhancing of the IT infrastructure which will be a key enabler for our future success. The outfitting of our corporate offices which was completed during the year was also an important part of building Seera's brand value.

Outlook

Current market conditions are still difficult and the global financial services sector continues to be under pressure. 2009 will be a challenging year for everyone and in particular the financial services sector. Seera is no different and it is quite certain by now that the reduced access to liquidity and the longer placement cycle for transactions will have an impact on growth plans for most banks in the short term. Given the current pressure in credit markets, managing liquidity will continue to be a key priority for all which we will continue to closely and carefully monitor. The good news is that Seera has no significant commitments or liabilities and with a leverage ratio of 0.2, we are quite comfortable and very confident that the Bank will be able to meet all its obligations in the foreseeable future. We will continue to manage our costs prudently to ensure a long term, lean and sustainable overhead base.

The Bank will continue to focus on managing and creating value from its existing portfolio. Seera has recruited an experienced team of professionals who work with the management and advisors of these companies to grow the portfolio with a view to returning superior risk adjusted returns for the Bank as well as its investors.

In spite of the challenges, market down cycles have historically been the best times for private equity investments given the attractive valuations and the large subsequent growth potential. I look forward to reporting to you the future successes which with the grace of Allah we will enjoy.

Abdulla Saleh Janahi
Chief Executive Officer

BOARD OF DIRECTORS

MR ASAAD AHMED AL BANWAN

Chairman of the Board

HRH PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD

Board Member

HRH PRINCE TURKI BIN TALAL BIN ABDULAZIZ AL SAUD

Board Member

MR KHALID BIN NASSER BIN ABDULLA AL NASSER

Board Member

MR YOUSEF S. M. AL MAJID

Board Member

MR SAAD MOHAMED ABDULLAH AL SAAD

Board Member

DR ABDULLA BIN ABDUL MUHSIN AL TURKI

Board Member

MR MOHAMED HANI ABDULKADER AL BAKRI

Board Member

MR WALEED KHALIFA AL FELAIJ

Board Member

MR WALEED ABDULLA A. ALEISA

Board Member

MR KHAMIS MOHAMED BUHAROON

Board Member

SHARI'A BOARD

SH. ESAM M ISHAQ

Chairman

DR MOHAMMAD ALTABTABAEI

Member

DR YOUSEF ABDULLAH ALSHUBAILY

Member

DR MOHAMMED BURHAN ARBOUNA

Member

MANAGEMENT

WE PRIDE OURSELVES ON THE DIVERSITY OF OUR TEAM. EACH MEMBER OFFERS ALIGNED YET COMPLEMENTARY SKILL SETS WITHIN THE WIDER TEAM STRUCTURE. COLLECTIVELY, OUR WEALTH OF KNOWLEDGE ALLOWS US TO OFFER UNRIVALLED EXPERTISE AND ACUMEN ACROSS A RANGE OF BUSINESS LINES AND SECTORS. WE OFFER A COLLABORATIVE CULTURE THAT WELCOMES ORIGINAL THINKING AND ALLOWS INDIVIDUAL RESPONSIBILITY AND FREEDOM TO MAXIMIZE POTENTIAL.

ABDULLA JANAHI
Chief Executive
Officer

DR RAED SARHAN
Chief Investment
Officer

SHAHZAD IQBAL
Chief Operating
Officer

SALMAN AL-ZAYANI
Chief Placement
Officer and Treasurer

GAVIN SASSON
Head of Post
Acquisition
Management

AMR ELIMAM
Head of Strategic
Planning and
Corporate
Communications

FULYA KOCH
Head of Risk and
Legal

ISMAIL YOUNIS
AHMED
Head of Human
Resources and
Administration

SOHAIL TOHAMI
Vice President,
Head of Treasury

ABDULNASSER
BUKAMAL
Vice President,
Operations

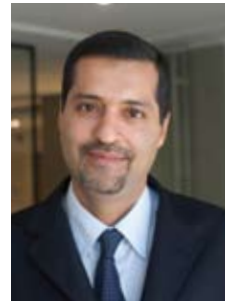
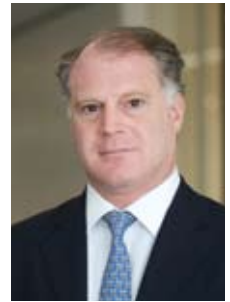
TAWFIQ AL-SARI
Vice President,
Financial Control

STERGIOS
VOSKOPOULOS
Vice President,
Equity Investment

PRATEEK SHARMA
Assistant Vice
President, Equity
Investment

SUMAYA REDHA
Assistant Vice
President, Head of
Compliance

MOHAMMED
KAMAL
Assistant Vice
President,
Information
Technology



INVESTMENTS

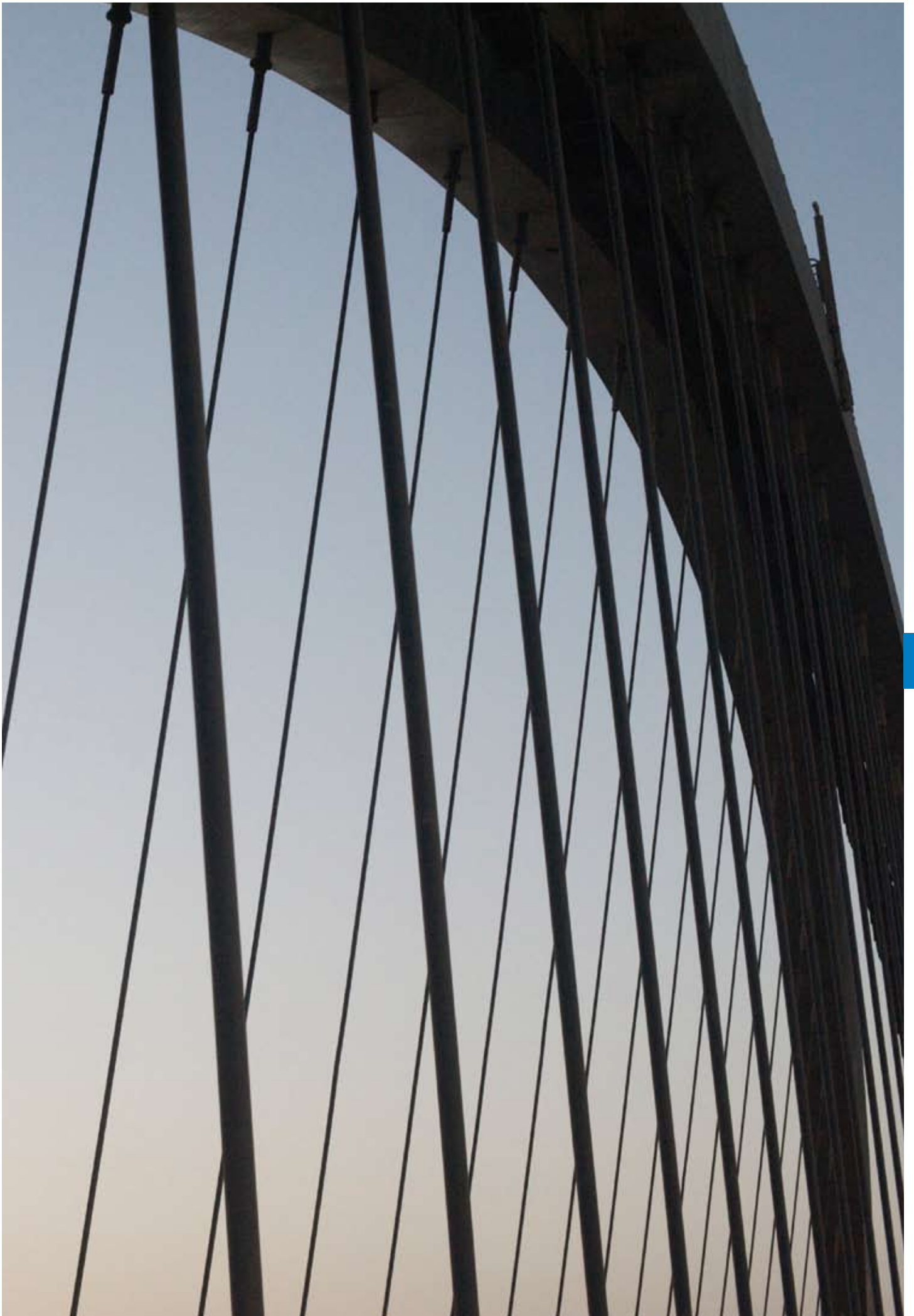
SEERA FOCUSES PRIMARILY ON TWO MAIN BUSINESS LINES: CORPORATE INVESTMENTS AND ASSET BASED INVESTMENTS. THE KEY OBJECTIVE IS TO DEVELOP A DIVERSE INVESTMENT PORTFOLIO WHICH PROVIDES ATTRACTIVE RISK ADJUSTED RETURNS AND IS WELL SUITED FOR TODAY'S ECONOMIC CLIMATE. OVERALL SEERA'S INVESTMENT APPROACH HAS BEEN TO FOCUS ON INDUSTRIES THAT ARE MORE RESILIENT IN THE FACE OF ECONOMIC UNCERTAINTY. THESE ARE SECTORS SUCH AS WATER, GAS, HEALTH SERVICES, FOOD ETC. AND WHICH ARE REFERRED TO AS 'DEFENSIVE' SECTORS AS THEY ARE KNOWN TO BE LESS DIRECTLY EXPOSED TO ECONOMIC CYCLES AND MARKET FLUCTUATIONS.

Corporate Investments

On the Corporate Investments side we look for opportunities to acquire controlling interest in established small to middle cap sized companies requiring growth capital and with an acceptable minimum trading profit (EBITDA). We target companies that have a leading global position in a growing industry segment; distinctive products or services and a sustainable value proposition. Other key aspects of Seera's investment criteria include having a strong and experienced management team with a clear business strategy exhibiting multiple avenues for growth and market share augmentation. We look for companies with low vulnerability to cyclical demand; and an achievable growth story capable of generating superior risk adjusted returns through an exit in 3 to 5 years. In 2008 Seera acquired Kosan Crisplant and BWA Water Additives for a total transaction value of \$287 million.

Kosan Crisplant AS

Kosan Crisplant with a proven track record of excellence and innovation, dynamic management leading a dedicated, high quality workforce and an established international footprint with potential for further expansion was acquired by Seera in January 2008. Kosan Crisplant is a global leader in systems and solutions for filling and reconditioning liquefied petroleum gas (LPG) cylinders.



Since its establishment in 1951, it has supplied systems to over 2,400 LPG distributors in some 120 countries around the world. Seera acquired over 92% equity stake in the company.

Building on its world class engineering and project management skills and with the support of Seera, Kosan Crisplant is now consolidating its position as global market leader by launching a range of new product offerings, establishing additional sourcing and assembly operations in cost-effective locations and commencing a successful facility management concept. In 2008, Kosan Crisplant launched a revolutionary technology which effectively triples the filling speed of LPG cylinders.

The company has also identified the Middle East region as a key growth market, where the opportunity to leverage Seera's established network offers exciting possibilities. To facilitate this growth, Kosan Crisplant recently established local presence in the region with the opening of a Riyadh office growing the number of its offices worldwide to 15.

BWA Water Additives

In the fall of 2008, Seera acquired BWA Water Additives, the leading global provider of high-performance water treatment chemicals which is based in the UK. Established for over 35 years, the company's highly-regarded products are used to treat corrosion in iron and steel, inorganic deposits on pumps and pipes and microbiological growth in process water. The chemicals are developed in the company's laboratories in the UK and USA and sold in over 85 countries around the world.

Global demand for water treatment is forecast to grow considerably in coming years and BWA is now particularly well placed in water desalination, industrial water treatment processes, and secondary oil recovery. With Seera's regional knowledge and experience, the company is able to accelerate its expansion into the Middle East and other new markets as well as undertaking significant investment in new products. Recently, BWA has made significant market gains in the MENA region by almost doubling its sales revenue vs. the same period in 2007. The company has grown 21% in revenues and 31% in EBITDA for the year ended 31 December 2008 and is expected to show growth in 2009 in spite of the current market conditions albeit at a slower rate.

Asset Based Investments

Asset Based Investments comprise direct investment in stable, asset-rich industries with high-quality cash flow generation and lower business risk characteristics. The Investment strategy for this asset class is to partner with industry leaders with extensive experience in the respective industry and who are able to manage and advise Seera on the optimal mix of assets within the portfolio.

Seera's asset based investments currently consist of an aviation leasing fund "Falak" which was launched in May 2007 and is managed by Geneva-based aircraft leasing specialists Novus Aviation. The fund holds a diversified aircraft portfolio worth around US\$336 million. The portfolio comprises a mix of narrow-bodied and wide-bodied aircraft which are leased to major airlines in Europe, Asia and the GCC. The fund continues to generate recurring income for Seera yielding an annualized cash dividend in excess of 9% during 2008.

Despite the fact that one of the lessees in the aviation fund; a UK based all business class airline leasing two aircraft, filed for bankruptcy during the year, we were able to successfully re-posses and sell the two aircraft in a very short period of time with a minimal loss of \$1.9 million. Despite this single incident, the portfolio continued to perform positively. The rest of the aircraft are leased to major airlines and have been performing well. Although the aviation industry has also been under pressure as a result of the economic downturn, Falak portfolio in aggregate with a diversified range of aircraft has shown positive valuations as a healthy number of these aircraft are still in high demand.

CORPORATE GOVERNANCE

SEERA IS COMMITTED TO EFFECTIVE CORPORATE GOVERNANCE, AS THIS IS A KEY ASPECT OF THE BANK'S STRATEGIC DIRECTION AND ENCOMPASSES THE BANK'S OVERALL OPERATING MISSION.

The Bank's Governance Strategy:

- Forms an integral part of the Bank's strategic direction
- Sets and enforces clear lines of responsibilities and accountability throughout the organization
- Ensures that there is appropriate oversight by the Board of Directors and senior management
- Safeguards the interests of stakeholders and other third parties
- Ensures that the Bank's operations are effectively and efficiently managed
- Fulfills regulatory requirements
- Ensures that the Bank conducts its activities in a Shari'a compliant manner
- Enforces a high level of standards

Board of Directors

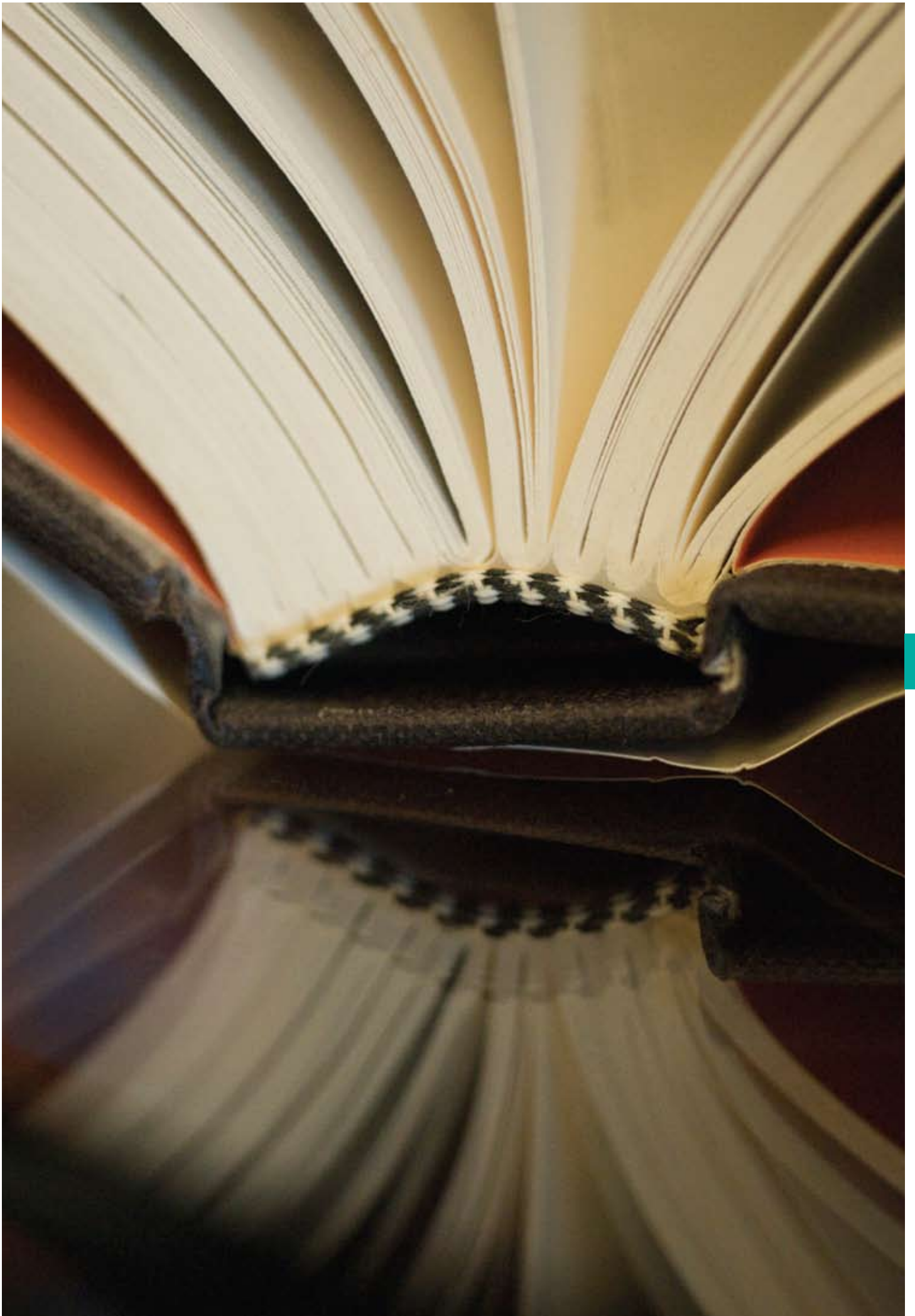
The Board of Directors is responsible for overseeing the management and business affairs of the Bank and making all major policy decisions of the Bank. Seera has in place charters which clearly define the role of the Board of Directors, its committees and the way they operate as well as the Chairman's role. The Board of Directors has the following committees in place:

Executive Committee

Considers specific matters delegated to it by the Board and makes recommendations to the Board or decisions based on authorities specifically delegated by the Board.

Audit Committee

Assists the Board in discharging its oversight responsibilities relating to the integrity of the Bank's financial statements and financial reporting process and the Bank's systems of internal accounting and financial controls, the annual independent audit of the Bank's financial statements and all matters related to external and internal auditors, compliance by the Banks with legal and regulatory requirements and compliance with the Bank's code of conduct.



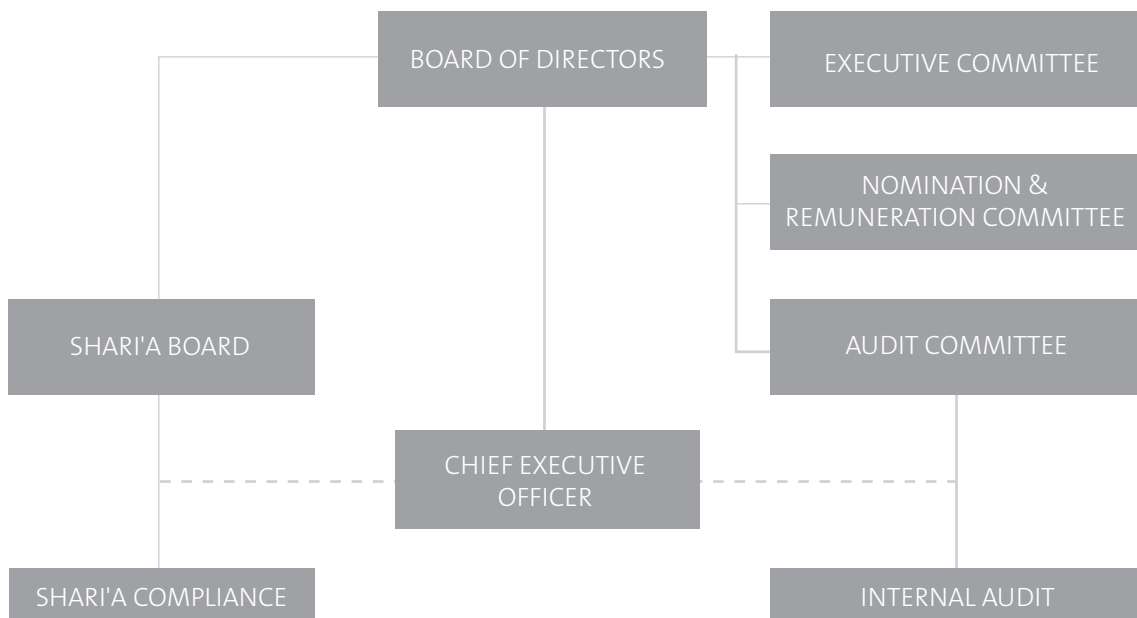
Nomination and Remuneration Committee

Responsible for identifying individuals to become Board members, developing procedure for remuneration policy for the Board and senior management and leads the Board in its annual review of the Board performance.

Shari'a Compliance

Seera conducts its activities in compliance with Shari'a principles. The Shari'a Board - an independent body of specialized jurists in Islamic commercial jurisprudence - is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that the Bank is in compliance with Shari'a rules and principles. The Shari'a Board is responsible for forming and expressing an opinion on the extent to which the Bank's activities are in compliance with Shari'a, reviewing of contracts, policies and processes, products and Bank's memorandum and articles of association to ensure they are in line with the Shari'a principles and of monitoring and reviewing Shari'a Compliance Department's performance.

Seera has put in place a Shari'a Compliance function within the Bank that is responsible for carrying out the internal Shari'a review which is an integral part of the governance of the Bank. The Shari'a Compliance function operates under the policies established by the Bank. The Shari'a Compliance officer works closely with the Bank's Shari'a Supervisory Board to provide guidance to the bank on a day-to-day basis.



Management Committees

Seera has established key management committees to oversee particular aspects of the business. The membership of these committees typically includes senior managers from respective functions. Responsibilities of the committees are outlined in their charters. The key committees include:

Management Investment Committee

The committee is tasked to review and evaluate all major business transactions and decisions being considered by Seera including new investments, financing, exits or major strategic, operational or management changes for Seera's investment portfolio.

Asset, Liability and Risk Management committee

The Asset, Liability and Risk Management Committee's (AL&RMCO) mandate is to assist the Board of Directors and Executive Committee in performing their risk management oversight function. The AL&RMCO is responsible for management of investment, credit, market, operational, liquidity and profit rate risks within the guidelines laid by the Board of Directors and regulatory requirements.

Other Committees

The Management forms other committees to address specific initiatives.

Approval Authorities Guidelines

The Guidelines outline the process by which authorities are approved, administered, delegated, revised and communicated and include a list of approved authorities and their associated limits allowing authority limits to be delegated to staff members and committees to allow business processes to be executed effectively, efficiently and as per established procedures.

Compliance

Seera is committed to comply with all applicable regulatory provisions and to adopt industry best practices. In this regards, Seera has established an Independent Compliance Department to act as a focal point for regulatory compliance and to ensure appropriate implementation of the Compliance Framework approved by the Board.

Seera recognizes money laundering and terrorist financing as significant risks to the financial sector. The Bank therefore has adopted an Anti-Money Laundering (AML) Program, based on Bahrain's AML law and regulations and the FATF 40+9 Recommendations. This includes the appointment of MLRO, approved AML & CTF policies and procedures Manual, employee training programs, and independent audit of the program by Internal Audit. In addition, External Auditors also perform independent procedures to check Seera's AML compliance. The Bank's AML program is also inspected by the Central Bank.

Risk Management

Seera's activities involve the measurement, evaluation, acceptance and management of some degree of risk, or combination of risks. The most important risk categories that the Bank is exposed to are investment risk, credit risk, liquidity risk, market risk (including foreign exchange, profit rate and equity price risk), operational and reputational risks. Risk is inherent in banking and Seera will make choices about the amount of risk it will accept, keeping in mind the trade-off between risk and return. Therefore, the Bank will only accept risk when it perceives the probable rewards to be commensurate with the level of risk involved. The risk decisions made by Seera are primarily a function of policies and practices laid down by the Board of Directors, underpinned by the strength and clarity of the corporate culture, and the efficiency of internal control systems.

Code of Conduct

Seera has developed and implemented a Code of Conduct. The Code of Conduct outlines the principles, policies and laws that govern the Bank's activities. The Code addresses key areas of conduct for Board members and employees and addresses areas of personal integrity, working to the letter and spirit of the law, protecting information and assets, dealing with conflict of interest and ensuring independent decision making, personal trading in securities and prohibition of insider trading, community involvement, and raising concerns.

Policies and Procedures

Seera has a broad range of policies and procedure that regulate key aspects of the Bank's business ranging from accounting and risk management to human resources and corporate communications.

Management Structure

Seera's organization chart which is communicated to the CBB clearly defines the reporting lines and maintains segregation of duties between respective departments. Job descriptions are maintained for all staff member to ensure that responsibilities are clearly defined and an annual performance appraisal is conducted for all staff to ensure that responsibilities are met. The Bank's key positions are approved by CBB as "Approved Persons". Seera's Internal Control effectiveness including maintenance of adequate segregation of duties is regularly reviewed by independent parties (Internal Audit) and their findings are reported to the Board and/or its delegated Committees. The Compliance, Risk Management and Financial reporting functions are independent of business lines and have reporting lines to Board or its, delegated Committees.

Management Compensation

Compensation at Seera is through a pay and benefits system. A bonus system is in place and is based on both the business and individual performance.

Shari'a Board Compensation

Shari'a Board compensation is designed to reward them for their valuable contribution to the business and involves an annual fixed component and a variable one which is based on the number of Shari'a Board meetings.

Board Compensation

Board members are not currently paid any remuneration. Board compensation at Seera is designed to cover Board member travel expenses associated with their role on the Board of Directors and the Board Committees that they serve on and is linked directly to attendance.

Corporate Communications

Seera aims to providing relevant information about the Bank accurately and in a timely and accessible manner. Seera's website is a primary vehicle by which this is achieved. The Bank's website in both English and Arabic is updated on an ongoing basis with latest public information such as financials and press releases. Financial information is maintained on the website for a minimum of 3 years.

Investor Relations

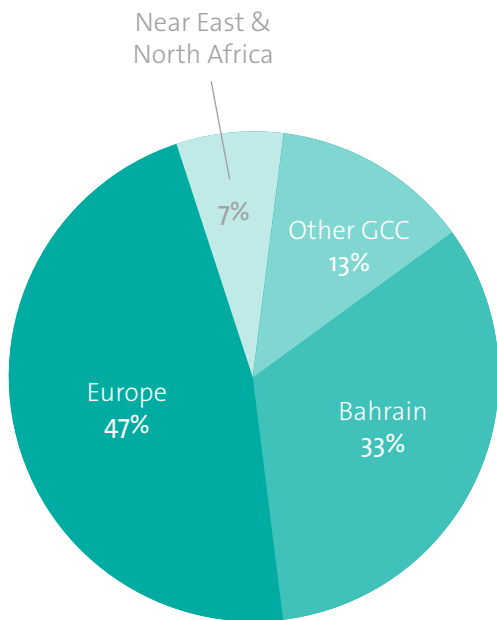
The Bank is committed to the highest level of service to its client. In this regard a relationship manager from the Placement team is assigned to each investor and interacts with the customer to address investor information requirements and to satisfy the Bank's Know Your Customer ("KYC") requirements.

Investors are kept informed about the progress of their investments and receive regular reports and analysis on the performance of individual investments and the portfolio, and on relevant market updates. Investors may also contact the Post Acquisition Management Department of the Bank for any request or questions.

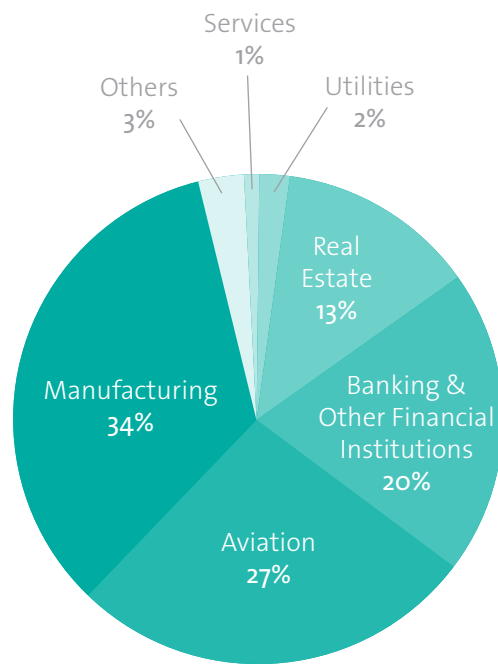
FINANCIAL HIGHLIGHTS

US\$ MILLIONS	2008	2007
TOTAL OPERATING INCOME	18.2	36.1
PROVISION FOR IMPAIRMENT ON AFS INVESTMENTS	16.2	-
NET (LOSS) / INCOME	(13.8)	20.9
TOTAL ASSETS	376.7	383.4
TOTAL EQUITY	312.0	318.7
<u>KEY RATIOS</u>		
Islamic Financing to Equity Ratio (leverage)	0.2	0.2
Capital Adequacy	53%	68%
Return on average assets*	0.6%	6.0%
Return on average equity*	0.8%	6.6%
Cost to Income	86.6%	42.0%

* Before impairment losses



ASSETS BY REGION



ASSETS BY SECTOR

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEERA INVESTMENT BANK B.S.C. (c)

We have audited the accompanying consolidated financial statements of Seera Investment Bank B.S.C. (c) (formerly United International Bank B.S.C. (c)) (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In addition, the Board of Directors is responsible for the Bank's undertaking to operate in accordance with Islamic Shari'a rules and principles.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the AAOIFI. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the

auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards issued by the AAOIFI and the Islamic Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

Other Regulatory Matters

We confirm that, in our opinion proper accounting records have been kept by the Bank and the consolidated financial statements, and the contents of the report of the Board of Directors relating to these consolidated financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the Central Bank of Bahrain and Financial Institutions Law, nor of the Memorandum and Articles of Association of the Bank have occurred during the year ended 31 December 2008 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position, and that the Bank has complied with the terms of its banking license.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

26 February 2009
Manama, Kingdom of Bahrain

SHARI'A REPORT

SHARI'A BOARD REPORT ON THE ACTIVITIES OF SEERA INVESTMENT BANK FOR THE PERIOD ENDED 31 DECEMBER 2008

In the name of Allah, the most beneficent, the most merciful.

Prayers and Peace be Upon the Last Apostle and Messenger, Our prophet Mohammed, His Relatives and Comrades,

The Shari'a Board of Seera Investment Bank, an Investment Bank, have reviewed the Bank's investment activities and compared them with the previously issued fatwas and rulings during the period ended 31st December 2008 and found them compatible with the already issued fatwas and rulings.

The Shari'a Board believes that it has expressed its opinion in respect of the activities carried on by the Bank and it is the responsibility of the management to ensure the implementation of such decisions. It is the duty of the Shari'a Board to express an independent opinion, review Bank's operations and to prepare a report about them.

A representative of the Bank's management explained and clarified the contents of consolidated Balance Sheet, attached notes and Consolidated Statement of Income for the period ended on 31st December 2008 to our satisfaction. The report of the Shari'a Board has been prepared based on the contents provided by the Bank.

The Shari'a Board is satisfied that the investment activities and banking services are in compliance with the Glorious Islamic Shari'a.

We pray that Allah may grant all of us further success and prosperity,



SHAIKH ESAM M. ISHAQ
Chairman



DR MOHAMMED A. ALTABTABAEI
Member



DR YOUSIF A. ALSHUBAILY
Member



DR MOHAMMED BURHAN ARBOUNA
Member

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Notes	2008 US\$ '000	2007 US\$ '000
ASSETS			
Cash and balances with banks	3	5,809	16,249
Due from banks and other financial institutions	4	60,531	172,922
Trading investments	5	-	30,913
Non-trading investments	6	51,317	49,504
Investments in leases	7	101,390	83,535
Net assets of disposal group classified as held for sale	8	125,394	-
Investment property	9	17,460	17,460
Other assets	10	3,301	4,829
Property and equipment	11	11,536	7,952
TOTAL ASSETS		376,738	383,364
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY			
Due to banks and financial institutions		57,917	47,449
Other liabilities	12	6,808	7,236
TOTAL LIABILITIES		64,725	54,685
UNRESTRICTED INVESTMENT ACCOUNTS	13	-	10,000
EQUITY	14		
Share Capital		291,286	291,286
Reserves		8,426	8,426
(Accumulated Losses) / Retained Earnings		(2,693)	11,594
Equity attributable to shareholders of the parent		297,019	311,306
Minority Interest		14,994	7,373
TOTAL EQUITY		312,013	318,679
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY		376,738	383,364

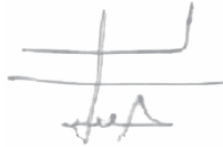
The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2009.



ASAAD AL BANWAN
Chairman



ABDULLA JANAHI
Chief Executive Officer



KHALID AL NASSER
Board Member

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2008

		For the period from 5 August 2006 to 31 December	
	Notes	2008 US\$ '000	2007 US\$ '000
Rental income from investments in leases		38,438	27,653
Rental expense on investments in leases		(28,620)	(17,449)
Management fees relating to leases		(1,738)	(901)
Loss on sale of investments in leases		(1,876)	-
NET INCOME FROM INVESTMENT IN LEASES		6,204	9,303
Profit on amounts due from banks and financial institutions		5,176	15,214
Profit on amounts due to banks and financial institutions		(5,003)	(650)
NET INCOME ON DUE FROM BANKS		173	14,564
Profit on amounts due from non banks		-	3,307
Trading gains	21	2,894	913
Income from non-trading investments	15	1,934	1,347
Unrealised gain on investment property	9	-	6,424
Gain on disposal of assets held for sale		6,167	-
Fee income		792	221
TOTAL INCOME		18,164	36,079
EXPENSES			
Staff Expenses		8,645	11,497
General and administration expenses	16	6,467	3,206
Depreciation	11	620	447
TOTAL EXPENSES		15,732	15,150
Net income before impairment losses		2,432	20,929
Provision for impairment on available for sale investments	6.1	(16,214)	-
NET (LOSS) / INCOME FOR THE YEAR / PERIOD		(13,782)	20,929
Attributable to:			
Shareholders of the Parent		(14,287)	20,020
Minority interest		505	909
		(13,782)	20,929

The attached explanatory notes 1 to 26 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

		For the period from 5 August 2006 to 31 December	
	Notes	2008 US\$ '000	2007 US\$ '000
OPERATING ACTIVITIES			
Net (loss) / income for the year / period		(13,782)	20,929
Adjustments for:			
Provision for employees' end of service benefits	12.1	529	586
Depreciation	11	620	447
Loss on sale of property and equipment		13	17
Loss on sale of investments in leases		1,876	-
Provision for impairment on available for sale investments		16,214	-
Gain on disposal of assets held for sale		(6,167)	-
Trading gains		(2,894)	(913)
Unrealised gain on investment property	9	-	(6,424)
		(3,591)	14,642
Changes in operating assets and liabilities:			
Due from banks and other financial institutions		15,099	(15,099)
Trading investments	5	-	(16,809)
Unrestricted investment accounts		(10,000)	10,000
Due to banks and other financial institutions		11,185	47,449
Other assets		400	(4,829)
Other liabilities		(957)	6,650
Net cash from operating activities		12,136	42,004
INVESTING ACTIVITIES			
Investment in non-trading investments		(13,013)	(49,504)
Proceeds from sale of non-trading investments		12,413	-
Purchase of investment property	9	-	(11,036)
Purchase of investments in leases		(35,544)	(83,535)
Proceeds from sale of investments in leases		15,813	-
Investment in assets held for sale		(181,127)	-
Proceeds from sale of assets held for sale		65,678	-
Purchase of property and equipment	11	(4,278)	(8,494)
Disposal of property and equipment		61	78
Net cash used in investing activities		(139,997)	(152,491)
FINANCING ACTIVITIES			
Issue of share capital	14	-	291,286
Minority interest		7,116	6,464
Net cash from financing activities		7,116	297,750
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(120,745)	187,263
Cash and cash equivalents at beginning of the year / period		187,263	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR / PERIOD	17	66,518	187,263

The attached explanatory notes 1 to 26 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Equity attributable to shareholders of the parent (Accumulated losses) /						Total equity US\$ '000
	Share capital US\$ '000	Statutory reserve US\$ '000	Investment fair value reserve US\$ '000	retained earnings US\$ '000	Minority interest US\$ '000		
Balance at 1 January 2008	291,286	2,002	6,424	11,594	7,373	318,679	
Investment in subsidiaries	-	-	-	-	7,851	7,851	
Dividends paid by subsidiaries	-	-	-	-	(735)	(735)	
Net loss for the year	-	-	-	(14,287)	505	(13,782)	
Balance at 31 December 2008	291,286	2,002	6,424	(2,693)	14,994	312,013	
Issue of share capital (note 14.1)	291,286	-	-	-	-	291,286	
Investment in subsidiaries	-	-	-	-	7,144	7,144	
Dividends paid by subsidiaries	-	-	-	-	(680)	(680)	
Net profit for the period	-	-	-	20,020	909	20,929	
Transfer to statutory reserve (note 14.2)	-	2,002	-	(2,002)	-	-	
Unrealised gain on investment property (note 9)	-	-	6,424	(6,424)	-	-	
Balance at 31 December 2007	291,286	2,002	6,424	11,594	7,373	318,679	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

1 INCORPORATION AND ACTIVITIES

Seera Investment Bank B.S.C. (c) ("the Bank") (formerly United International Bank B.S.C. (c)) was incorporated on 5th of August 2006, under commercial registration number 62003 as a Bahrain Joint Stock Company (closed). The Bank's registered office is Building 2431, Road 2831, Block 428, Seef, Kingdom of Bahrain.

The Bank operates under an Islamic Wholesale Banking License issued by the Central Bank of Bahrain (the "CBB"). The Bank and its subsidiaries ("the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'a principles.

The Bank changed its name from United International Bank B.S.C. (c) to Seera Investment Bank B.S.C. (c), as part of a rebranding exercise, effective from 22 November 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and in conformity with the Bahrain Commercial Companies Law ("BCCL") and the Central Bank of Bahrain and Financial Institutions Law. In accordance with the requirement of AAOIFI, for matters for which no AAOIFI standards exist, the Bank uses the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been presented in US\$, being the functional currency of the Group. All values are rounded to the nearest thousand (US\$'000) except when indicated otherwise.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention as modified for the re-measurement at fair value of investment property and certain non-trading investments.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December each year. A subsidiary is an entity over which the Bank has power to control, which is other than fiduciary in nature. The financial information of the subsidiaries (including special purpose entities that the Group controls) is prepared using consistent accounting policies, with the exception of the carrying value of investments in leases which are fair valued by the subsidiaries but carried at cost less impairment at the consolidated level. Appropriate adjustments have been processed as required to ensure consistency with the Group's accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interest represents the portion of net income and net assets not held, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from equity attributable to shareholders of the parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the Group's significant subsidiaries as at 31 December 2008:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest</i>
Falak Aviation Fund Company	Kingdom of Bahrain	86%
Falak Investments Limited	Bahamas	86%
Falak Lease One Limited	Bahamas	86%
Falak Lease Two Limited	Bahamas	86%
Falak Lease Three Limited	Bahamas	86%
Falak Lease Four Limited	Bahamas	86%
Falak Lease Seven Limited	Bahamas	86%
Falak Lease Eight Limited	Bahamas	86%
Falak Lease Nine Limited	Bahamas	86%
Falak Lease Ten Limited	Bahamas	86%
Falak Lease Eleven Limited	Bahamas	86%

During the year, the Group setup Falak Lease Seven Limited, Falak Lease Nine Limited, Falak Lease Ten Limited and Falak Lease Eleven Limited for the purpose of entering into arrangements for leasing aircraft, in addition to the existing subsidiaries.

Changes in accounting policies and disclosures

Amendment to FAS 17 adopted in the current year

On 30 October 2008, AAOIFI issued a guidance statement on accounting for investments and amendment in FAS 17 Investments with respect to the treatment of negative fair values relating to available for sale investments in sukuk and shares. As a result of the application of this amendment, any unrealised losses resulting from the re-measurement at fair value of investments in sukuk and shares available for sale have now been allowed to be presented in the balance sheet under "investments fair value reserve" provided there is no impairment. Previously, any net negative unrealised losses were to be taken to the statement of income. The amendment is effective from 1 July 2008 and has been adopted by the Group.

Standards and Interpretations issued at 31 December 2008 but not effective

Following are the relevant IFRS and International

Financial Reporting Interpretation Committee ("IFRIC") interpretations that have been issued during the year by the IASB, to be applied to financial statements for financial years commencing on or after the following dates:

IAS 1 - Presentation of financial statements (Revised), 1 January 2009;

IFRS 8 - Operating segments, 1 January 2009;

Management does not anticipate the adoption of these standards and interpretations to have a material impact on the consolidated financial statements in the year of initial application.

Significant accounting judgements and estimates

The application of the Group accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. However, uncertainty about these assumptions and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgements and estimates are discussed below:

Fair value of financial instruments

The determination of fair value for each financial instrument on the balance sheet depends on the accounting policy as set out below:

- (i) For investments quoted in an active market, fair value is determined by reference to quoted market prices.
- (ii) For investments in unit funds, fair value is determined based on the latest net asset value provided by the fund manager.
- (iii) For unquoted investments, fair value is determined using net asset valuation on disposal of significant portion or on occurrence of an arm's length transaction involving a third party. Should a reliable fair value not be available, such investments are carried at cost.

Classification of investments

Real estate investments acquired to earn rentals or for capital appreciation are classified as investment property.

Management decides on acquisition of a financial asset whether it should be classified as "held for trading", "available for sale" or "held to maturity".

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event(s) have an impact on the

estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

The Group assesses at each reporting date, or more frequently if events or changes in circumstances indicate so, whether the carrying value of investments in leases may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of each asset in the portfolio individually. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and any impairment loss is recognised in the consolidated statement of income.

Due from banks and financial institutions

Due from banks and financial institutions comprise commodity murabaha receivables stated net of deferred profits and provision for impairment, if any.

Murabaha receivables are sales on deferred terms. The Bank arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to the Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

Trading investments

These are initially recognised at cost and subsequently stated at fair value. All related realised and unrealised gains or losses are included in the consolidated statement of income.

Non-trading investments

These are classified as either held to maturity or available for sale.

Initial recognition

All investments are initially recognised at cost, being

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-trading investments (continued)

the fair value of the consideration on acquisition including related direct expenses. Direct expenses are transaction costs and include fees and commissions paid to agents, advisors and consultants, levies by regulatory agencies and transfer taxes and duties.

Held to maturity

Investments which have fixed or determinable payments that the Group has both the intent and ability to hold to maturity are classified as “held to maturity”. Such investments are carried at cost, less provision for impairment in value. Any gain or loss on such investment is recognised in the consolidated statement of income, when the investment is derecognised or impaired.

Available for sale

After initial recognition, investments that are classified as “available for sale” are re-measured at fair value. The fair value changes of investments available for sale are reported in equity until such time as the investments are sold, realised or deemed to be impaired, at which time the realised gain or loss is reported in the consolidated statement of income.

The losses arising from impairment of such investments are recognised in the consolidated statement of income in “provision for impairment” and removed from the investment fair value reserve. Impairment losses recognised in the consolidated statement of income for an equity instrument classified as available for sale are not reversed through the consolidated statement of income.

Investments in leases

Investments in leases are initially recognised at cost, being the fair value of consideration paid, and subsequently carried at cost less provision for impairment in value. Initial direct costs incurred in negotiating aviation lease arrangements are added to the carrying amount of the investment.

Net assets of disposal group classified as held for sale

Net assets of disposal group classified as held for sale are measured at the lower of carrying amount and

fair value less costs to sell. Non current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Investment property

Investment property is held to earn rentals, for capital appreciation or for currently undetermined future use. It is initially recorded at cost, including acquisition charges associated with the property.

Subsequent to initial recognition, investment property is remeasured at fair value and changes in fair value are recognised in the consolidated statement of income as unrealised gain / loss on revaluation of investment property. The fair value of the investment property is determined based on valuations made by independent valuers.

In accordance with AAOIFI unrealised gains or losses are appropriated to an “investment fair value reserve” in equity and are transferred to retained earnings only when realised.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on the straight line method at rates intended to write-off the cost of the assets over their estimated useful life.

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Freehold land	Indefinite
Buildings	20 years
Others	3-5 years

Expenditure for maintenance and repairs is expensed as incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation for property and equipment is reviewed, and adjusted if appropriate, at each financial year end.

Due to banks and other financial institutions

Amounts due to banks and other financial institutions are initially recognised at cost, being the fair value of consideration received plus accrued profit less amount repaid.

Employees' end of service benefits

The Bank provides end of service benefits to its employees in accordance with the requirement of Bahrain Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its employees who are Bahraini nationals, the Bank makes contributions to the General Organisation for Social Insurance calculated as a percentage of the employees' salaries in accordance with the relevant regulation. The Group's obligations are limited to these contributions, which are expensed when due.

Fair values

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an assessment of the value of

future cash flows. For financial contracts, future cash flows are determined by the Group at current profit rates for financing contracts with similar terms and risk characteristics.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet, if and only if there is a legally enforceable or religious right (as determined by Shari'a) to set off the recognised amounts and the Group intends to settle on a net basis.

Revenue recognition

Rental income and rental expense on investments in leases

Rental income and rental expense on investments in leases are recognised on the basis of contractual amounts receivable / payable on a time apportioned basis.

Profit on amounts due from banks, financial institutions and non banks

Profit on amounts due from banks, other financial institutions and non banks is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit agreed with clients.

Dividends

Dividend revenue is recognised when the Group's right to receive the dividend is established.

Fee income

Fee income is recognised when earned.

Derecognition of financial instruments

Financial instruments consist of cash and balances with banks, due from financial institutions, trading investments, non-trading investments and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments (continued)

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) the right to receive cash flows from the asset has expired;
- (ii) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- (iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks and murabaha balances with original maturities of less than ninety days.

Zakah

In the absence of appointment of the Bank to pay Zakah on behalf of Shareholders, the responsibility of payment of zakah is on individual shareholders of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

3 CASH AND BALANCES WITH BANKS

	2008 US\$ '000	2007 US\$ '000
Bank balances	5,808	16,243
Cash in hand	1	6
	5,809	16,249

4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2008 US\$ '000	2007 US\$ '000
Commodity murabaha	60,671	173,745
Deferred income	(140)	(823)
	60,531	172,922

5 TRADING INVESTMENTS

	2008 US\$ '000	2007 US\$ '000
Quoted equity investments	-	30,913

5.1 During the year 2008, management decided to reclassify this portfolio as “non-trading investments” (available for sale), effective 1 July 2008.

6 NON-TRADING INVESTMENTS

	Available for sale US\$ '000	2008 Held to maturity US\$ '000	Total US\$ '000
Quoted investments			
Equity investments (note 6.1)	15,180	-	15,180
Unquoted investments			
Equity investments (note 6.2)	21,123	-	21,123
Sukuk (note 6.3)	-	15,014	15,014
	36,303	15,014	51,317

	Available for sale US\$ '000	2007 Held to maturity US\$ '000	Total US\$ '000
Unquoted investments			
Equity investments	24,485	-	24,485
Sukuk	-	25,019	25,019
	24,485	25,019	49,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

6 NON-TRADING INVESTMENTS (continued)

6.1 This represents a portfolio of investments quoted on the Kuwait and Tadawal (Saudi Arabia) Stock Exchanges and managed by National Investment Company K.S.C. (a major shareholder of the Bank) ("NIC"). During the year 2008, management decided to reclassify this portfolio as "non-trading investments" (available for sale), effective 1 July 2008. Since reclassification, this portfolio has suffered a net decline in fair value of US\$ 16,214 thousand.

6.2 This portfolio includes an investment amounting to US\$13,906 thousand in Real Maroc, an investment of Real Capita (the lead arranger). The Group owns 19.2% of this entity. The balance represents an unquoted private equity investment. The fair value of these investments cannot be reliably estimated due to uncertainty of cash flows.

6.3 This represents investments in two sukuk classified as held to maturity issued by Dar Al Arkan (Kingdom of Saudi Arabia) and Diyaar Al Muharraq (Kingdom of Bahrain). The fair value of the Dar Al Arkan Sukuk is 83% of cost and the fair value of the Diyaar Al Muharraq sukuk cannot be reliably measured.

7 INVESTMENTS IN LEASES

	2008 US\$ '000	2007 US\$ '000
Falak Lease One Limited	12,305	12,305
Falak Lease Two Limited	12,306	12,306
Falak Lease Three Limited	13,375	13,375
Falak Lease Four Limited	15,264	15,264
Falak Lease Five Limited	-	8,864
Falak Lease Six Limited	-	8,921
Falak Lease Seven Limited	17,309	-
Falak Lease Eight Limited	12,500	12,500
Falak Lease Nine Limited	3,130	-
Falak Lease Ten Limited	2,884	-
Falak Lease Eleven Limited	12,317	-
	101,390	83,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

7 INVESTMENTS IN LEASES (continued)

The Bank, through its Falak subsidiaries, has entered into arrangements for leasing aircrafts. Future minimum rentals receivable and payables are as follows:

	2008		Net US\$ '000
	Receivables US\$ '000	Payables US\$ '000	
During 2009	40,736	28,769	11,967
From 2010-2015	162,119	111,223	50,896
	202,855	139,992	62,863

	2007		Net US\$ '000
	Receivables US\$ '000	Payables US\$ '000	
During 2008	34,770	23,500	11,270
From 2009-2014	183,811	117,544	66,267
From 2015-2017	19,728	3,429	16,299
	238,309	144,473	93,836

In addition to the above, the lease call for lump sum payments for the acquisition of the aircrafts at the end of the lease terms. The payments are as follows:

	2008 US\$ '000	2007 US\$ '000
Payable from 2009-2014	94,700	72,500
Payable from 2015-2017	27,000	12,000
	121,700	84,500

In consideration of the above, the Group has acquired head leases, which give it the right to acquire the underlying aircraft based on agreed formulae.

8 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group has investments in two European based companies as part of its private equity investments portfolio.

The first is a company incorporated in Cayman Islands which has a stake of 92.02% in a Danish operator that is a global leader in the provision of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders. As at 31 December 2008, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US\$63,433 thousand and US\$36,969 thousand) through the Cayman Islands holding company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

8 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The other disposal group is a company incorporated in Cayman Islands which has a stake of 88.9% of a UK based company selling water treatment products. As at 31 December 2008, total assets and liabilities of this UK based company amounted to US\$ 224,906 thousand and US\$ 116,697 thousand respectively.

9 INVESTMENT PROPERTY

	2008 US\$ '000	2007 US\$ '000
Opening carrying value	17,460	11,036
Fair value adjustment	-	6,424
Closing carrying value	17,460	17,460

9.1 The investment property represents a land in the Kingdom of Bahrain. It is stated at fair value, determined based on valuations performed by independent professional valuers as of 31 December 2008 which were based on the last transaction values in the relevant market.

10 OTHER ASSETS

	2008 US\$ '000	2007 US\$ '000
Receivables related to leases	960	2,136
Others	2,341	1,693
Deposits (note 10.1)	-	1,000
	3,301	4,829

10.1 Represent deposits for four head leases paid by the Group during the period.

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11 PROPERTY AND EQUIPMENT

	Freehold land US\$ '000	Building US\$ '000	Others US\$ '000	Total US\$ '000
Cost				
Opening balance	3,163	4,072	1,155	8,390
Additions	-	7	4,271	4,278
Disposals	-	-	(107)	(107)
Closing balance	3,163	4,079	5,319	12,561
Accumulated depreciation				
Opening balance	-	220	218	438
Charge for the year	-	204	416	620
Disposals	-	-	(33)	(33)
Closing balance	-	424	601	1,025
Net book value				
At 31 December 2008	3,163	3,655	4,718	11,536
At 31 December 2007	3,163	3,852	937	7,952

12 OTHER LIABILITIES

	Note	2008 US\$ '000	2007 US\$ '000
Accrued expenses		1,728	2,655
Unearned rental income		1,590	1,667
Rental expenses payable		1,273	962
Provision for employees end of service benefits	12.1	499	299
Legal and professional fees payable related to investment in leases		256	952
Other liabilities		1,462	701
		6,808	7,236

12.1 The movement in provision for employees end of service benefits during the period is as follows:

	2008 US\$ '000	2007 US\$ '000
Opening balance	299	-
Charge for the year / period	529	586
Utilised and paid during the year / period	(329)	(287)
	499	299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

13 UNRESTRICTED INVESTMENT ACCOUNTS

Unrestricted investment accounts (URIA) are funds of clients and investors held by the Group which the unrestricted investment account holders authorizes the Group to invest in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group is entitled to Mudarib profit in consideration for management of unrestricted investment accounts. Of the total income from URIA, the income attributable to customers is allocated to investment accounts after setting aside provisions and deducting the Group's share of income. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the URIA. Administrative expenses incurred in connection with the management of the funds are borne directly by the Group and are not charged separately to investment accounts.

14 EQUITY

14.1 Share capital

	2008 US\$ '000	2007 US\$ '000
Authorised: 2,500,000,000 ordinary shares of US\$ 1 each	2,500,000	2,500,000
Issued and fully paid: 291,286,000 ordinary shares of US\$ 1 each	291,286	291,286

14.2 Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not distributable, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the BCCL and other applicable statutory regulations. As the Group made a consolidated loss during the year, no transfers have been made during the year.

14.3 Investment fair value reserve

This represents the net unrealised gain on revaluation of investment properties as required by AAOIFI. This reserve is distributable upon value realization, which takes place at the time of actual exit or derecognition.

15 INCOME FROM NON-TRADING INVESTMENTS

	2008 US\$ '000	Period from 5 August 2006 to 31 December 2007 US\$ '000
Income from sukuk	1,047	846
Dividend income	887	501
	1,934	1,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

16 GENERAL AND ADMINISTRATION EXPENSES

	Period from 5 August 2006 to 31 December	
	2008 US\$ '000	2007 US\$ '000
Legal and professional	2,728	967
Marketing and advertisement	962	445
Travel and entertainment	691	380
Foreign exchange losses, net	657	32
Rent and maintenance	170	366
Board of Directors and Committees meetings' expenses and attendance allowances	186	260
Others	1,073	756
	6,467	3,206

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2008 US\$ '000	2007 US\$ '000
Cash and balances with banks	5,809	16,249
Due from financial institutions with an original maturity within 90 days	60,531	157,823
Cash and bank balances with portfolio manager	178	13,191
	66,518	187,263

18 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (note 6), are not materially different from their carrying values.

19 CAPITAL MANAGEMENT

The adequacy of the Bank's capital is monitored using, primarily, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the CBB.

The primary objectives of the Bank's capital management are to ensure that the Group complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and maximise shareholder value.

Regulatory capital consists of Tier 1 Capital, which comprises principally of share capital, share premium, retained earnings and minority interest. The other component of regulatory capital, Tier 2 Capital, consists principally of investment fair value reserves and provisions. Certain adjustments are made to these balances as prescribed by the CBB. Risk-weighted assets are calculated in accordance with the prudential rules laid down by the CBB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

19 CAPITAL MANAGEMENT (continued)

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision as adopted by the CBB.

The primary objectives of the Bank's capital management are to ensure that the Group complies with regulatory capital requirements and that the Bank maintains healthy capital ratios in order to support its business and to maximise shareholders' value. During the past year, the Group has complied in full with all its externally imposed capital requirements.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital. No changes were made in the objectives, policies and processes from the previous years.

Basel II as adopted by CBB became applicable from 1 January 2008. For the purposes of comparison, the proforma capital position as at 31 December 2007, regulatory capital and risk weighted assets have been recalculated in accordance with the Basel II.

REGULATORY CAPITAL

	2008 US\$ '000	2007 US\$ '000
Tier 1 capital (note 19.1)	245,124	312,255
Tier 2 capital	-	2,891
Total capital base (a)	245,124	315,146
Risk weighted assets (b) (note 19.2)	465,437	461,354
Capital adequacy (a/b x 100)	52.7%	68.3%
Minimum requirement	12.0%	12.0%

19.1 TIER 1 CAPITAL

	2008 US\$ '000	2007 US\$ '000
Share capital	291,286	291,286
Statutory reserve	2,002	2,002
(Accumulated losses) / retained earnings	(2,693)	11,594
Minority Interest	14,994	7,373
Core Tier 1 Capital	305,589	312,255
Deductions	(31,678)	-
Tier 1 Capital	273,911	312,255
Negative balance of Tier 2	(28,787)	-
Tier 1 Capital net of negative Tier 2 Capital	245,124	312,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

19 CAPITAL MANAGEMENT (continued)

19.2 Risk weighted assets

	2008 US\$ '000	2007 US\$ '000
Credit risk weight assets	379,213	300,013
Operational risk weight assets	66,074	69,738
Market risk weight assets	20,150	91,603
	465,437	461,354

Credit risk weighted assets

The Bank uses the standardised approach, which requires banks to use external credit ratings to combine them into categories to which standardized risk weightings are applied. For regulatory purposes, credit risk-weighted assets include investments and receivables.

Market risk weighted assets

The Bank does not maintain a trading book and, as a result, market risk-weighted assets result from the net foreign currency positions of the Group.

Operational risk weighted assets

In calculating operational risk-weighted assets, the Bank uses the basic indicator approach which calculates operational risk-weighted assets as a proportion of the average of three years' revenues.

20 SEGMENTAL INFORMATION

The activities of the Group are all related to investment banking activities. The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

21 RELATED PARTIES

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

21 RELATED PARTIES (continued)

The significant balances with related parties were as follows:

	2008 US\$ '000	2007 US\$ '000
Assets		
Quoted investments managed by a shareholder - NIC (note 6.1)	15,180	30,913
Due from banks and other financial institutions	10,009	12,808
Liabilities		
Due to banks and other financial institutions	-	(12,808)

The significant transactions in respect of related parties were as follows:

	31 December 2008 US\$ '000	Period from 5 August 2006 to 31 December 2007 US\$ '000
Income		
Profit on amounts due from banks and other financial institutions	136	-
Profit on amounts due from non banks	-	3,307
Fee income	231	90
Gain on disposal of assets held for sale	2,141	-
Expenses		
Board of Directors and Committees meetings' expenses and attendance allowances	109	260
Shari'a Supervisory Board meetings' expenses and attendance allowances	78	77

Compensation of the key management personnel of the Bank is as follows:

	31 December 2008 US\$ '000	Period 5 August 2006 to 31 December 2007 US\$ '000
Short term employee benefits	1,933	3,577
Termination benefits	1,156	1,164
Total compensation of the key management personnel	3,089	4,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

22 COMMITMENTS

	Less than 1 year US\$ '000	1 to 5 years US\$ '000	More than 5 years US\$ '000	Total US\$ '000
At 31 December 2008				
Capital and other commitments	211	287	58	556
	211	287	58	556
At 31 December 2007				
Lease related commitments	105,000	-	-	105,000
Investment related commitments	15,000	-	1,445	16,445
Capital and other commitments	1,176	330	-	1,506
	121,176	330	1,445	122,951

Investment related commitments includes commitments towards future investments.

Capital and other commitments comprise mainly of core banking software commitments and other related commitments.

23 SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board consists of four scholars who review the Group's compliance with general Shari'a principles and specific fatawas, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Shari'a principles.

24 RISK MANAGEMENT

Risk management plays a critical role in the Group's decision making process. It is managed through a Management Investment Committee and the Asset Liability and Risk Management Committee. Both committees comprise of senior management drawn from key areas of the Bank in implementing risk strategy and policies, monitoring and managing the key risks to which the bank is exposed. The Bank is exposed to credit risk, concentration risk, profit rate risk, liquidity risk, equity price risk, foreign currency risk and operational risk.

Although management responsible for the key areas of the Bank are accountable for the risks that arise within their respective areas, Risk Management Department independently identifies, measures, monitors and recommends appropriate steps to manage each type of risk. The Risk Management Department has independent access to the Board of Directors and updates them on the overall risk profile of the Group on a regular basis.

Risk management structure

Board of Directors

The Board of Directors is ultimately responsible for the overall risk management approach and for approving risk strategies, principles, risk policies and procedures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Risk management structure (continued)

Shari'a Supervisory Board

The Shari'a Supervisory Board reviews the principles and contracts relating to the transactions conducted by the Group to judge whether it followed the principles of the Islamic Shari'a, specific fatwas and guidelines issued by the Board of Directors.

Executive Committee

The Executive Committee of the Board considers and approves requests to purchase and sell individual investments up to the limit imposed by the Board.

Management Investment Committee

One of the key risks the Group is exposed to is the underwriting of investments and proprietary investments. It is the role of the Management Investment Committee to approve or disapprove such investments based on risks highlighted by the Risk Management Department and the relevant mitigating factors presented by the relevant business team.

Risk Management Department

The Risk Management Department is responsible for developing and implementing appropriate risk management strategies and methodologies for the Group. It ensures that there are adequate control procedures in place such that the risks exposed to are within the approved limits.

Asset Liability and Risk Management Committee

The Asset Liability and Risk Management Committee's responsibility is to manage all risks including liquidity, rate of return, credit, market and operational risks within the Policy framework of the Bank and regulatory requirements. It recommends liquidity limits and concentration limits to the Board of Directors.

Risk management and reporting systems

The Risk Management Department is responsible for managing and monitoring risk exposures. The Risk Management Department measures risk through the use of risk models and provides reports to the Asset Liability and Risk Management Committee. Monitoring and controlling risks are managed through limits set by the Board. The Risk Management Department presents reports to the Board of Directors, Asset Liability and Risk Management Committee and other relevant departments as required. These reports include analysis of capital adequacy, credit exposure, investment exposure, and foreign currency exposures.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counterparties. Counterparty limits are set by the Board of Directors and monitored by the Risk Management Group and reviewed regularly.

The Group does not engage in commercial or retail banking. Its exposure to credit risk arises largely through placement of liquid funds on banks accounts, murabaha contracts and receivables. The Group deploys its excess funds in a conservative manner, targeting highly related financial institutions locally and regionally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Credit risk (continued)

(i) Maximum exposure to credit risk

	Note	2008 US\$ '000	2007 US\$ '000
Cash and balances with banks (excluding cash in hand)	3	5,808	16,243
Due from banks and other financial institutions	4	60,531	172,922
Investment in sukuk	6	15,014	25,019
Receivables		1,980	4,111
Total credit risk exposures		83,333	218,295

The Group has not obtained any kind of collateral. However, in placing short-term funds with financial institutions the Group performs a credit analysis of each counterparty (including consideration of external credit rating if any), sets limits and monitor such limits.

(ii) Risk concentration of the maximum exposure to credit risk

Concentration of risk is managed according to counterparty. The maximum credit exposure to any financial institution counterparty as of 31 December 2008 was US\$29,020 thousand (2007: US\$27,692 thousand). The following table analyses the geographical and industrial sector concentrations of the Group's maximum exposure to credit risk.

	2008 US\$ '000	2007 US\$ '000
Geographical region:		
Bahrain	56,581	113,787
Other Gulf Cooperation Council (GCC) Countries	17,734	85,414
Europe	7,709	5,569
Other Middle East and Asia	487	1,854
North America	822	11,671
	83,333	218,295

	2008 US\$ '000	2007 US\$ '000
Industry sector:		
Banking and financial institutions	66,925	189,165
Aviation	487	3,513
Real Estate	15,077	15,130
Manufacturing	18	-
Others	826	10,487
	83,333	218,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Credit risk (continued)

(iii) Analysis of exposure to credit risk by external credit ratings

No financial assets are past due or impaired. The table below analyses the Group's maximum credit exposure where the credit quality is reflected by Standard and Poor's, Moody's, Fitch and Capital Intelligence credit ratings where relevant of the counterparties:

The majority of exposures which are not rated are related to due from banks and financial institutions and investment in Sukuk of US\$19,366.

	2008 US\$ '000	2007 US\$ '000
Credit rating:		
AA to A-	8,267	69,072
BBB+ to BB-	50,164	81,652
Unrated	24,902	67,571
	83,333	218,295

Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group has established guidelines assigning limits for countries, industry, currencies etc.

The distribution of assets, liabilities and equity by geographical region and industry sector was as follows:

	2008	
	Assets US\$ '000	Liabilities US\$ '000
Geographical region:		
Bahrain	124,385	60,156
Other Gulf Cooperation Council (GCC) Countries	47,468	501
Europe	176,880	3,220
Other Middle East and Asia	27,183	848
North America	822	-
	376,738	64,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Concentration risk (continued)

	2008	
	Assets US\$ '000	Liabilities US\$ '000
Industry sector:		
Banking and financial institutions	74,759	57,917
Aviation	101,876	2,863
Real estate	48,102	-
Utilities	7,218	-
Manufacturing	128,320	-
Services	2,779	-
Others	13,684	3,945
	376,738	64,725

As at 31 December 2008, the Group has significant exposures to recent acquisitions amounting to 33% (2007: 0%) of total assets. Out of these recent acquisitions, the amounts available for placement with investors and which are short term in nature amount to 29% (2007: 0%) of total assets.

	2007		
	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000
Geographical region:			
Bahrain	178,384	38,649	-
Other Gulf Cooperation Council (GCC) Countries	131,120	13,568	10,000
Europe	33,193	998	-
Other Middle East and Asia	28,997	517	-
North America	11,670	953	-
	383,364	54,685	10,000

	2007		
	Assets US\$ '000	Liabilities US\$ '000	Unrestricted investment accounts US\$ '000
Industry sector:			
Banking and financial institutions	211,822	47,498	-
Aviation	87,049	3,983	-
Real estate	47,143	-	-
Utilities	9,932	-	-
Manufacturing	8,263	-	10,000
Others	19,155	3,204	-
	383,364	54,685	10,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Market risk

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group currently has limited exposure to profit rate risk. The Group's assets that are exposed to profit rate risk comprise of due from financial institutions, investments in sukuk and due to banks and other financial institutions and have repricing dates no longer than three months. During 2008, a +/- 0.25% change in the profit rate, with all other variables constant, would have resulted in a +/- US\$621 thousand (2007: +/- 1% resulted in US\$2,907 thousand) impact on the statement of income.

The following table indicates the effective profit rates on such financial instruments:

	2008	2007
Investments in leases	10.60%	12.20%
Due from banks and other financial institutions	3.87%	5.28%
Investments in Sukuk	5.07%	7.15%
Due to banks and other financial institutions	5.12%	5.72%

Currency risk

Most of the transactions completed by the Group are in US Dollars. However, in the normal course of business certain investments and other financial assets and liabilities are in other currencies and give rise to currency risk. In order to mitigate currency risk there are currency limits in place. Furthermore, the Group manages currency risk through various risk management techniques such as on balance sheet currency risk management as allowed by its Shari'a Supervisory Board.

The Group had the following significant foreign currency exposures at the balance sheet date:

	2008		
	Assets	Liabilities	Net
	US\$ '000	US\$ '000	US\$ '000
Danish Krone	15,767	(11,384)	4,383
Kuwaiti Dinars	12,247	-	12,247
Great Britain Pounds	7,305	(8,448)	(1,143)
Euro	14,604	(14,073)	531
Saudi Riyals	2,982	-	2,982
Qatari Riyals	9	-	9
Emirates Dirhams	4	-	4
	52,918	(33,905)	19,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Market risk (continued)

	Assets	2007 Liabilities & URIA	Net
	US\$ '000	US\$ '000	US\$ '000
Kuwaiti Dinars	26,049	(12,808)	13,241
Great Britain Pounds	10,072	(9,982)	90
Euro	14,640	(14,659)	(19)
Japanese Yen	52	-	52
	50,813	(37,449)	13,364

The table below indicates the impact of reasonably possible changes in exchange rate on the Group's net foreign currency exposure. The impact has been calculated using the net foreign currency exposure as at the balance sheet date and calculating the impact of the change in exchange rate.

	Change in exchange rates (+/-)	Effect on net income and equity (+/-)
	%	US\$ '000
Danish Krone	10	438
Kuwaiti Dinars	5	612
Great Britain Pounds	10	(114)
Euro	10	53
Saudi Riyals	5	-
Qatari Riyals	5	-
Emirates Dirhams	5	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases due to fluctuations in the respective stock market indices. As of year ended 31 December 2008 the Group had investments in quoted equities in two of the GCC stock markets.

The table below reflects the sensitivity of the investment portfolio to changes in these inputs. The sensitivity of trading investments is calculated by considering the impact of reasonably expected changes in the capitalisation rate.

	Change in equity price (+/-) %	Effect on net equity (+/-) US\$ '000
Kuwait and Tadawal Stock Exchanges	10	1,500

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of income will be impacted, or when a third party transaction in the investment gives a reliable indication of fair value which will be reflected in equity.

Operational risk

Operational risk is the risk of loss arising from human error, fraud, and control or system failure which may cause legal, regulatory and financial loss. The Group has implemented a strong corporate governance framework and control mechanism to prevent such potential operational risks. The controls in place include segregation of duties, access controls, authorization, approval and reconciliation procedures, staff education and appraisal processes. The Bank's internal audit function performs regular independent audits of each critical area and reports to the Board Audit Committee on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations when they fall due under normal and stress circumstances. Treasury manages liquidity requirements of the Group through consultations with the various business groups to meet their funding requirements and maintaining adequate levels of cash and cash equivalents.

The maturity profile of assets, liabilities and unrestricted investment accounts as at 31 December 2008 based on contractual maturity is as follows:

	Upto 1 month US\$ '000	1 to 3 months US\$ '000	3 to 6 months US\$ '000	6 months to 1 year US\$ '000	1 to 3 years US\$ '000	Over 3 years US\$ '000	No fixed maturity US\$ '000	Total US\$ '000
Assets								
Cash and balances with banks	5,809	-	-	-	-	-	-	5,809
Due from banks and other financial institutions	43,475	17,056	-	-	-	-	-	60,531
Non-trading investments	178	-	-	-	15,014	-	36,125	51,317
Investments in aviation leases	-	-	-	-	6,014	95,376	-	101,390
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	125,394	125,394
Investment properties	-	-	-	-	-	-	17,460	17,460
Other assets	-	64	-	-	-	-	3,237	3,301
Property and equipment	-	-	-	-	-	-	11,536	11,536
	49,462	17,120	-	-	21,028	95,376	193,752	376,738
Liabilities								
Due to banks and other financial institutions	23,621	14,036	20,260	-	-	-	-	57,917
Other liabilities	-	-	-	-	-	-	6,808	6,808
	23,621	14,036	20,260	-	-	-	6,808	64,725
Net	25,841	3,084	(20,260)	-	21,028	95,376	186,944	312,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The maturity profile of assets, liabilities and unrestricted investment accounts as at 31 December 2007 based on contractual maturity is as follows:

	Upto 1 month US\$ '000	1 to 3 months US\$ '000	3 to 6 months US\$ '000	6 months to 1 year US\$ '000	1 to 3 years US\$ '000	Over 3 years US\$ '000	No fixed maturity US\$ '000	Total US\$ '000
Assets								
Cash and balances with banks	16,249	-	-	-	-	-	-	16,249
Due from banks and other financial institutions	115,561	42,262	15,099	-	-	-	-	172,922
Trading investments	13,191	-	-	-	-	-	17,722	30,913
Non-trading investments	9,994	-	-	-	7,025	8,000	24,485	49,504
Investments in aviation leases	-	-	-	-	-	83,535	-	83,535
Investment properties	-	-	-	-	-	-	17,460	17,460
Other assets	2,511	2,314	-	-	-	4	-	4,829
Property and equipment	-	-	-	-	-	-	7,952	7,952
	157,506	44,576	15,099	-	7,025	91,539	67,619	383,364
Liabilities and unrestricted investment accounts								
Due to banks and other financial institutions	22,809	9,982	14,658	-	-	-	-	47,449
Other liabilities	3,907	3,030	-	-	-	-	299	7,236
Unrestricted Investment Accounts	10,000	-	-	-	-	-	-	10,000
	36,716	13,012	14,658	-	-	-	299	64,685
Net	120,790	31,564	441	-	7,025	91,539	67,320	318,679

25 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations.

26 COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform to the presentation adopted in the current year. Such reclassification did not affect the previously reported net income for the period or total equity.

ADDITIONAL RISK MANAGEMENT DISCLOSURES

A) CREDIT RISK

The credit risk is managed by the Group through setting a limit for each counterparty approved by the Board of Directors and monitored on a daily basis by the Risk Management Department. Any exception or deviation to the approved terms and conditions requires senior management approval and such exceptions are reported to the board. The group makes use of an internal rating system, covering a wide range of qualitative and quantitative factors, in assessing the creditworthiness of counterparties. The ratings generated by the internal rating system are compared, where applicable, against the ratings assigned by External Credit Assessment Institutions (ECAI) to ensure consistency between the ratings of the internal system and those of ECAI. ECAI used by the bank comprise mainly of three agencies, namely a) Standard & Poor's b) Moody's c) Fitch ratings. The ECAI ratings are usually used when the bank assign a rating to a financial institution.

The Bank participated in a Syndicated Murabaha Financing to a Turkish company in which the facility is guaranteed by Al Baraka Turk Participation Bank.

The funded exposures at 31 December 2008 were as follows:

Asset category	Net funded credit exposures US\$ '000	Credit risk weighted exposures US\$ '000	Regulatory capital requirements US\$ '000
Investments	228,673	331,368	39,764
Murabaha receivables	60,531	30,654	3,678
Other asset categories	20,646	17,192	2,063
Total	309,850	379,214	45,505

The bank believes that the year-end credit exposure position as disclosed above is representative of the risk positions of the bank during the period and accordingly, the average gross exposures has not been disclosed.

The above credit exposures relate to the following geographical regions:

Geographical regions	Investments US\$ '000	Murabaha Receivables US\$ '000	Other asset Categories US\$ '000	Total US\$ '000
Europe	105,081	4,196	4,248	113,525
Bahrain	60,621	46,327	13,904	120,852
Other Gulf Cooperation Council Countries	36,748	10,008	712	47,468
Other Middle East and Asia	26,223	-	960	27,183
North America	-	-	822	822
Total	228,673	60,531	20,646	309,850

The exposures by counterparty type at 31 December 2008 were as follows:

Counterparty type	Investments US\$ '000	Murabaha Receivables US\$ '000	Other asset Categories US\$ '000	Total US\$ '000
Investment in securities	199,733	-	-	199,733
Claims on banks	-	60,531	5,808	66,339
Holding of real estate	13,926	-	8,341	22,267
Claims on corporate	15,014	-	-	15,014
Other assets	-	-	6,496	6,496
Cash items	-	-	1	1
Total	228,673	60,531	20,646	309,850

The Group follows the CBB's guidelines with respect to definition and measurement of large exposures at the consolidated level as stipulated in the CBB Rulebook for Islamic Banks.

The followings are the large exposures as of 31 December 2008:

	Large exposure (banks) US\$ '000	% of exposures to eligible capital		Large exposure (non-banks) US\$ '000	% of exposures to eligible capital
1 Bank A	28,960	11.8%	1 Counterparty A	109,627	44.7%
2 Bank B	10,009	4.1%	2 Counterparty B	37,985	15.0%
3 Bank C	7,362	3.0%	3 Counterparty C	17,309	7.1%
4 Bank D	5,003	2.0%	4 Counterparty D	15,767	6.4%
5 Bank E	4,001	1.6%	5 Counterparty E	15,264	6.2%
6 Bank F	2,982	1.2%	6 Counterparty F	13,906	5.7%
7 Bank G	1,000	0.4%	7 Counterparty G	12,500	5.1%
8 Bank H	710	0.3%	8 Counterparty H	12,318	5.0%
9 Bank I	557	0.2%	9 Counterparty I	8,000	3.3%
10 N/a	-	-%	10 Counterparty J	7,218	2.9%
11 N/a	-	-%	11 Counterparty K	7,014	2.9%
12 N/a	-	-%	12 Counterparty L	6,014	2.5%
13 N/a	-	-%	13 Counterparty M	4,196	1.7%
14 N/a	-	-%	14 Counterparty N	2,547	1.0%
15 N/a	-	-%	15 Counterparty O	2,181	0.9%
16 N/a	-	-%	16 Counterparty P	2,143	0.9%
17 N/a	-	-%	17 Counterparty Q	885	0.4%
18 N/a	-	-%	18 Counterparty R	765	0.3%
19 N/a	-	-%	19 Counterparty S	737	0.3%
20 N/a	-	-%	20 Counterparty T	622	0.3%
21 N/a	-	-%	21 Counterparty U	597	0.2%
22 N/a	-	-%	22 Counterparty V	239	0.1%
23 N/a	-	-%	23 Counterparty W	178	0.1%
24 N/a	-	-%	24 Counterparty X	36	-%
Total	60,584			278,048	

B) MARKET RISK

Market risk is the risk that arises from fluctuations in market risk factors that include, inter alia, profit rates, currency risk and equity prices and will have a negative impact on the bank income and/or will decrease the value of its portfolios.

Profit Rate Risk

Profit rate risk arises from a) mismatch of maturities of assets and liabilities b) Basis Value Risk c) Profit rate curve risk. The bank measures profit rate risk through the following methodologies:

- a) Gap analysis: where the assets and liabilities are classified into time bands based on the maturity in case of fixed rate instruments or re-pricing dates for floating rate instruments.
- b) Economic value of equity-duration gap: this measures the loss in value of the portfolio due to change in profit rates.

The Bank manages such risk by ensuring that minimum maturity mismatch is achieved between its assets and liabilities and through fixed rates on its assets and liabilities. Risk management department monitors profit rate risk regularly and submits monthly report to the Asset Liability and Risk Management Committee.

Currency risk

Currency risk represents fluctuations in exposures held by the group in currencies other than the US dollar. The Group may engage, in normal course of business, in transactions denominated in currencies other than its functional currency. The Bank risk management policy regulates such exposure by hedging currency exposures with Sharia compliant instruments. Currency exposure is monitored daily by risk management department and reported on a monthly basis to the Asset Liability and Risk Management Committee.

Equity Price Risk

The Bank has in place guidelines in place to manage equity price risk. Examples of these guidelines include:

- a) Equity investment is managed at the pre-acquisition stage by understanding its performance through different scenarios.
- b) Specific deal structure to maximise investment rate of return.
- c) Portfolio approach through geographical and industrial diversification.

The total market risk weighted assets and regulatory capital requirements related to the market risk are as follows:

<u>Market risk</u>	<u>US\$ '000</u>
Foreign exchange risk	20,150
Regulatory capital requirement (at 12%)	2,418

C) OPERATIONAL RISK

The Group has in place an operational risk policy that set guidelines to manage the Group's exposure to loss and protects its assets and outlines the principles of the Group's operational risk management framework. This policy is supplemented by specific operational risk management procedures. The operational risk management framework provides directives associated with the operational risk in terms of identification, assessment, monitoring and reporting, mitigation and control of operational risks.

The policy also sets out the responsibility and accountability of all parties related to the operational risk represented by the following a) Board of Directors b) Audit committee c) Asset Liability and Risk Management Committee d) Risk Management Department e) Operational risk specialist who are appointed by line of business heads f) staff and contractors g) Internal audit.

The Risk Appetite is defined by the group as the amount of risk that is acceptable to the Group. The operational risk appetite is determined by Risk Management Department on an ongoing basis based on a bottom-up approach following discussion with other lines of business. Operational risk appetite is approved by the Asset Liability and Risk Management Committee, ratified by the Board and documented and communicated via the Board-approved policy. The Group adopts qualitative and quantitative criteria in measuring its risk appetite.

The Group, based on the operational risk management framework, implemented a strong governance framework and control mechanism to manage this risk and reduce potential operational risks. The controls in place include segregation of duties, access controls, authorization, approval and reconciliation procedures, staff education and appraisal processes.

The Group measures and allocates capital to its operational risk using the Basic Indicator Approach. The total operational risk weighted assets and regulatory capital requirements related to the operational risk are as follows:

	US\$ '000
Average gross income	35,239
Operational risk weighted assets	66,074
Regulatory capital requirement (at 12%)	7,929

D) LIQUIDITY RISK

Liquidity risk is inherent in all banking institutions and arises mainly from mismatching of timing in the cash flows and can be affected by a range of institution specific and market-wide events including credit events, mergers and acquisitions and economic shocks.

Liquidity is monitored regularly by the Asset Liability and Risk Management Committee (AL&RMCO). The Group policies and procedures lay out guidelines that will optimise use of excess liquidity and ensure availability of funds to meet the group's obligations when they fall due.

The group's funding guidelines include

- The mobilization and placements of short-term funds through placements and Murabaha transactions will be the responsibility of the Treasury;
- All funding objectives would be aligned to the strategic objectives of the Bank;
- The composition, characteristics and diversification of the Bank's funding structure will be monitored by AL&RMCO and executed by the Treasury;
- Treasury will maintain the counterparty relationships to obtain the necessary lines of funding;
- AL&RMCO will monitor the concentration of funding sources across products and counterparties and effect measures to mitigate undue concentrations;
- Treasury will implement the deals within the approved guidelines, including the approved products and the counterparties.

BOARD OF DIRECTORS COMPOSITION

MR ASAAD AHMED AL BANWAN

Chairman of the Board and the Executive Committee
Non-Executive

Mr Al Banwan has over 25 years of experience in the investment industry. Currently, he is the Vice Chairman and Chief Executive Officer of National Investments Company in Kuwait and the Chairman of Zain (Kuwait) and Zain (Jordan). Mr Al Banwan is also a member of the Board of Directors of several regional companies. Mr Al Banwan holds a BSc in Finance and Administration from the University of Kuwait.

HRH PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD

Independent Non-Executive Board Member
Member of Executive Committee

Prince Khalid is the Chairman of Levant Capital Dubai; a regulated investment manager which focuses on advising clients on the acquisition of established mid-cap family or management-owned private companies operating in Turkey, the GCC, the Levant and North Africa. Prince Khalid holds a Bachelors degree from the University of New Haven in Connecticut, USA.

HRH PRINCE TURKI BIN TALAL BIN ABDULAZIZ AL SAUD

Independent Non-Executive Board Member

His Highness is a renowned businessman regionally. He is the Deputy Chairman of Consolidated Contractors Company, Saudi Arabia, and Deputy Chairman of AHL Investment Company. His Highness is also the official Representative and Advisor to his father HRH Prince Talal bin Abdulaziz Al Saud. Prince Turki devotes a large part of his time for social contributions, such as acting as an advisor to the President of the Arab Open University Board of Trustees, and as a Board member of Mentor International and the Chairman of Mentor Arabia, a regional non-governmental organization which advocates drug prevention and implements awareness-raising and training programs among Arab Youth.

MR KHALID BIN NASSER BIN ABDULLA AL NASSER

Independent Non-Executive Board Member
Member of Executive Committee
Chairman of Nomination & Remuneration Committee

Mr Al Nasser has more than 15 years of experience in the fields of real estate and investments. Mr Al Nasser is the Chairman of Khalid Al Nasser & Sons Company-Riyadh and the Chairman of Future Cities for Real Estate Development Company-Riyadh. He also serves as a Board member at Tejoori Investment Company in Dubai. Mr Al Nasser holds a Masters in Business Administration from Marylhurst College, USA.

MR YOUSEF SULTAN M AL MAJID

Non-Executive Board Member

Member of Executive and Nomination & Remuneration Committees

Mr Al Majid has over 25 years of extensive experience in banking and investment finance. He is currently the General Manager of the National Investments Company in Kuwait. Mr Al Majid has actively participated and served on boards of several reputable regional and international institutions in the fields of banking, investment, hospitality, real estate, and manufacturing. He currently serves as a Board member of Al-Safat Investment Company, Al Mal Investment Company, and Bawabat Al-Kuwait Holding in Kuwait. He also serves as a Board member of Foras Investment Company in Saudi Arabia and as the Vice Chairman of the Gulf Investment Company in Bahrain. Mr Al Majid holds a Bachelors degree in Industrial Engineering from Wichita State University, Kansas.

MR SAAD MOHAMMED ABDULLA AL SAAD

Non-Executive Board Member

Mr Al Saad has 35 years of experience in the investment industry. He is currently the Chairman & Managing Director of the National Industries Group (Holding) in Kuwait and a Board Member in Egypt Kuwait Holding Company in Cairo.

DR ABDULLA BIN ABDUL MUHSIN AL TURKI

Independent Non-Executive Board Member

Dr Al Turki is the Secretary General of the Muslim World League which is one of the largest Islamic non-governmental organizations. Previously Dr Al Turki was the Minister of Islamic Affairs and Endowments, advocacy and guidance and the advisor to the Royal Court in Saudi Arabia. Dr Al Turki Holds a PhD from Al Azhar University, Egypt, in Islamic Shari'a.

MR MOHAMED HANI ABDULKADER AL BAKRI

Independent Non-Executive Board Member

Member of Audit Committee

Mr Al Bakri is the Chairman of Allied Cooperative Insurance Group (ACIG) of Saudi Arabia and Bahrain and of The Card Company of Bahrain. Mr Al Bakri serves a Board Member for numerous companies and financial institutions and has a wide experience in industry, development and finance. He is also a Board Member of the North of England Protection & Indemnity Club of New Castle; a mutual insurance entity covering the possible liabilities of ship owners with reserves of over \$600 million. Mr Al Bakri is a Board Member of A.K. Bakri Al Bakri & Sons Holding, A.K. Bakri & Sons Ltd & Subsidiaries, Bakri International Energy Co. Ltd & Subsidiaries, Bakri Navigation Company Ltd & Subsidiaries, AlKhomasia Shipping & Maintenance Co. & Subsidiaries and Red Sea Marine Services Ltd & Subsidiaries. Mr Al Bakri holds a Bachelors degree in Nuclear Engineering from King Abdul-Aziz University.

MR WALEED KHALIFA AL FELAIJ

Independent Non-Executive Board Member
Member of Audit Committee

Mr Al Felaij has over 20 years of business experience. He is currently the General Manager of Finesco International Company, Finesco National General Trading & Contracting Company and Waleed Al Felaij General Trading & Contracting Company. Mr Al Felaij holds a Bachelors degree from Font Bonne College, USA.

MR WALEED ABDULLA A ALEISA

Independent Non-Executive Board Member
Chairman of Audit Committee

Mr Aleisa has over 20 years of Investment Banking experience. He is currently Senior Manager of International Investment Unit at the Asset Management Division of Kuwait Investments Company. Prior to that, Mr Aleisa headed the European Equity Investment and Fixed Income. Mr Aleisa completed several international assignments in Europe, North America and the Far East. Mr Aleisa holds a Bachelor degree from California State University.

MR KHAMIS MOHAMED BUHAROON

Independent Non-Executive Board Member
Member of Executive and Nomination & Remuneration Committees

Mr Buharoon has more than 20 years experience in the Banking and Finance sector. He is currently the Managing Director at Abu Dhabi Islamic Bank and the Chairman of the Board of National Bank for Development-Egypt. Mr Buharoon holds several Board positions for Abu-Dhabi Islamic Bank companies namely, Chairman of the Board of Burooj Properties, Deputy Chairman at Takaful Insurance Company and Deputy Chairman of Abu Dhabi Islamic Financial Services Company. Mr Buharoon also serves on a number of boards including the General Council for Islamic Banks, Emirates Institute of Banking & Finance, Arqaam Capital and Abu Dhabi National Hotels Company. Mr Buharoon's experience includes his position as Chief Executive Officer for Commercial Bank International. He holds a Bachelors degree in Business Administration and Accounting from the United Arab Emirates University.

- * The qualifying criteria for 'Independent' directors is as per the Central Bank of Bahrain's Corporate Governance guidelines
- ** Seera Board Committees are the Executive Committee (5 members); Audit Committee (3 Members) and Nomination and Remuneration Committee (3 Members)
- ** Both HRH Prince Turki Bin Talal Bin Abdulaziz Al Saud and Mr Saad Mohammed Abdullah Al Saad are board appointments which took place in 2008

SHARI'A BOARD COMPOSITION

All current Shari'a Board members have extensive knowledge of Islamic law being graduates from Shari'a colleges with various experience in Islamic banking.

SH. ESAM M ISHAQ

Chairman

Over 10 years residing on Shari'a board of a number of Islamic financial institutions.

Chairman: Seera's Shari'a Board and the Muslim Educational Society, Bahrain.

Director and Shari'a Advisor: Discover Islam, Bahrain.

Member: Shari'a Supervisory Board of ArCapita; Member of Board of Trustees, Al Iman Islamic School, Bahrain; Member of Shari'a Supervisory Board of Meezan Islamic Bank, Islamic Republic of Pakistan; Member, Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain; Member of the Shari'a Supervisory Boards of a number of Islamic banks and financial institutions.

Instructor: Islamic jurisprudence, theology and Qur'anic exegeses (Tafseer) courses in English and Arabic, in various centers in Bahrain.

Director: Zawaya Property Development, Kingdom of Bahrain.

Dr. Ishaq obtained his Bachelor Degree in Political Science from McGill University, Montreal, Canada 1982.

DR MOHAMMAD ALTABTABAEI

Member

Over 15 years of experience in Islamic Banking.

Dean: Shari'a and Islamic Studies faculty in the Kuwait University.

Shari'a Board member: In a number of Islamic Institutions; Ministry of Awqaf and Islamic Affairs; member of Shari'a Committee in Zakat House, Kuwait.

Professor: Kuwait institute for Juridical Studies, Kuwait.

Dr. Al Tabtabaei has several books and publications in Islamic jurisprudence related topics. He has obtained a PhD in Islamic jurisprudence from Imam Mohamed bin Saud Islamic University, Kingdom of Saudi Arabia.

DR YOUSEF ABDULLAH ALSHUBAILY

Member

Over 7 years of experience in Islamic Banking.

Assistant Professor: Al Imam Mohamed Bin Saud Islamic University; Visiting Professor in the Open American University.

Shari'a Advisor: Al Zad International Investment Company.

Member: Of the Academy of Shari'a Jurists in North America and in the Permanent Fatwa Committee; Former member of Fatwa Committee in Islamic Institutions in North America; Former member in the Council of Board of Directors of the college of Islamic Studies in Kenya; Committee of Islamic Endowment.

Shari'a Researcher: Board of Grievances, Saudi Arabia.

Deputy Dean: Comparative Fiqh Department in the Juridical Higher Institution.

Dr Al Shubaily has several researches and publications in the Islamic Studies and participated in a number of Islamic Conferences in the Kingdom of Saudi Arabia, United States and other countries. He has obtained his PhD from the Al Imam Mohamed Bin Saud Islamic University, Kingdom of Saudi Arabia.

DR MOHAMMED BURHAN ARBOUNA

Member

Over 13 years of experience in Islamic Banking.

Former Head: Shari'a department at Kuwait Finance House, Bahrain.

Worked for: The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain.

Instructor: Islamic banking and finance in several academic institutions, including the Bahrain Institute of Banking and Finance.

Dr. Arbouna is a frequent speaker in a number of forums and conferences on Islamic banking and finance and has number of publications. He has obtained his PhD in Islamic banking and finance from International Islamic University in Malaysia.

* According to AGM resolution in 2008, the Shari'a Board was restructured to 4 members from previous 6 members

MANAGEMENT PROFILES

ABDULLA SALEH JANAHI

Chief Executive Officer

Mr Janahi has over 30 years of investment banking experience mostly in executive and senior management roles in Bahrain and New York. Prior to joining Seera Investment Bank, Mr Janahi was Group Head responsible for various key functions at Gulf International Bank (GIB) where he was also involved in high-level committees such as Group Risk and General Management Committees. Prior to this, Mr Janahi headed up the Islamic Banking area and was involved in key areas such as Marketing, Credit, Treasury and Operations & Admin. Mr Janahi completed several international assignments in Europe and North America, including coverage of fixed-income Securities and Equities with leading Financial Institutions in New York and London. Mr Janahi holds a Masters degree in International Banking and Financial Services from the University of Reading, UK.

DR RAED SARHAN

Chief Investment Officer

Dr Sarhan has around 15 years of banking experience. He served as the Head of Project Finance in Gulf International Bank and worked on several large-scale project finance transactions, mainly in the Middle East. Dr Sarhan holds a Ph.D. in International Trade and Economics.

SHAHZAD IQBAL

Chief Operating Officer

Prior to joining Seera Investment Bank, Mr Iqbal worked for over six years at Arcapita Bank in various positions including Head of Risk Management and Operations. Mr Iqbal has more than 10 years experience in Islamic banking, having worked at Ernst & Young's Bahrain office. Whilst at Ernst & Young, he established the Islamic Financial Services Group that provided a wide range of consultancy services to Islamic financial institutions, and also developed the Prudential Islamic Regulatory framework implemented by the Central Bank of Bahrain. Mr Iqbal holds an MBA from Northern Arizona University, USA, and is a member of the Institute of Chartered Accountants in England and Wales.

SALMAN AL-ZAYANI

Chief Placement Officer and Treasurer

Mr Salman Al-Zayani is the Chief Placement Officer and Treasurer of Seera Investment Bank. With almost 30 years of Investment Banking experience, Mr Al-Zayani has a wealth of Institutional, corporate and individual client relationships throughout the Middle East. Prior to joining Seera, Mr Al-Zayani was the Treasury Sales Head at Gulf International Bank where he was also a member of the Asset and Liability Committee (ALCO). Mr Al-Zayani holds a Bachelor of Science degree. He also holds an ISMA Security License from Reading University, UK and a Wharton Executive Management degree from the University of Pennsylvania, USA. Mr Al-Zayani has completed several major courses including the Credit & Marketing Course in Greece and the Capital Markets course with Citibank in Bahrain.

GAVIN SASSON

Head of Post Acquisition Management

Mr Sasson began his career with Schroders in London in the mid '80s as a member of the International Capital Markets Group, where he was responsible for Eurobond, Convertible and Euro equity origination in North America. He also worked on some of the UK's landmark privatization issues and returned to the USA to do an MBA, which he obtained in 1991. Mr Sasson then moved to Singapore where he joined Société Générale's Asian Equity Corporate Finance group and was responsible for investment banking, M&A and ECM in South and South-East Asia. He was one of the pioneers of the use of convertible structured debt by Asian issuers and also led the origination and execution of numerous cross-border M&A transactions in the technology, energy, transportation, F&B and healthcare sectors. Most recently Mr Sasson has focused on private equity and hedge funds, advising and executing transactions at all phases of the private equity investment cycle. His clients have included some of Asia's largest private equity and hedge funds. Mr Sasson was educated at Duke and Georgetown in the US.

AMR ELIMAM

Head of Strategic Planning and Corporate Communications

Mr Elimam has over 15 years of consulting and industry experience in the financial services, petrochemical and consumer products sectors. In consulting, he led strategic transformation initiatives for financial institutions such as The Bank of Canada, The Royal Canadian Mint and TD Canada Trust while working for KPMG Consulting. Mr Elimam also directed major strategic initiatives for multinational companies in the petrochemical and consumer products sectors such as Procter & Gamble and Fuji. Mr Elimam has a Bachelor of Science degree (Hons) in Mechanical Engineering from The American University.

FULYA KOCH

Head of Risk Management

Ms Koch was previously employed by Ryada Capital Investment Company (RCIC) as a Director of Risk Management, where she worked for two years. Prior to joining RCIC, Ms Koch worked for five years in the risk management department of the Industrial Development Bank of Turkey, where she was responsible for market risk and had a leading role with the Basel II implementation committee. Ms Koch is the Regional Director of the Global Association of Risk Professionals for the Kingdom of Bahrain. Ms Koch holds a M.Sc. in Risk Management and an Insurance degree from City University, London. She was granted the Financial Risk Manager designation from the Global Association of Risk Professionals in 2003.

ISMAIL YOUNIS AHMED

Head of Human Resources & Administration

Mr Ahmed comes from Ahli United Bank where he was heading the Human Resources Department. Prior to Ahli United Bank, he worked for Arab Banking Corporation looking after the Human Resources and Administration function. He has almost 20 years of experience in the field of Human Resources and Administration.

Mr Ahmed has obtained his Middle Management Diploma from the University of Bahrain and holds a Human Resources Management Certificate. He has also successfully completed the Gulf Executive Management program conducted by the University of Virginia USA (Darden).

ABDULNASSER BUKAMAL

Vice President, Operations

Mr Bukamal has over 20 years of Islamic Banking experience. Prior to joining Seera Investment Bank, he headed a number of areas at Shamil Bank including Operations, Documentary Credit, Islamic Finance, Anti-Money Laundering Unit, Credit Risk Review and Credit Administration. Previously he worked for American Express Bank where he headed various departments in the Operations Division. Previously, he served as the Advanced Islamic Banking Diploma Program Director for the Bahrain Institute of Banking and Finance (BIBF). Mr Bukamal is a frequent lecturer on Islamic Banking both locally and internationally and holds a Commercial Diploma Certificate.

TAWFIQ AL-SARI

Vice President, Financial Control

Mr Al-Sari has over 10 years of banking and audit experience. Prior to joining Seera, Mr Al-Sari was a First Manager Financial Control with Bahrain Islamic Bank. Prior to that, Mr Al-Sari held several positions at Khaleej Finance & Investments Bank including Head of Financial Control, Acting Head of Direct Investment and Head of Internal Audit. Mr Al-Sari was also the designated Compliance Officer and Anti-Money Laundering Reporting Officer. Mr Al-Sari's audit experience included working for KPMG as a Senior Audit Supervisor for six years where he supervised audits of major Islamic and conventional financial institutions inside and outside of Bahrain. Mr Al-Sari is member of The American Institute of Certified Public Accountant (CPA), California, USA, and is also a Certified Islamic Public Accountant (CIPA) by the Accounting and Auditing Organization for Islamic Financial Institutions. He holds a Bachelor of Science degree in Accounting.

SUMAYA REDHA

Assistant Vice President, Head of Compliance

Ms Redha joined Seera Investment Bank with more than 10 years experience in Banking and Audit. She specializes in Anti-money laundering (AML) and Compliance. She started her career as an auditor with PriceWaterhouseCoopers and then moved to BNP Paribas where she held several positions as Head of Reconciliation, Internal Auditor and lastly the Compliance Officer and MLRO. Prior to joining Seera, Ms Redha was the Assistant and Deputy to BBK's Head of Compliance and MLRO.

Ms Redha received her 'Certified Anti-Money Laundering Specialist' (CAMS) qualification in 2005 becoming the first Bahraini to receive this qualification. In addition to being certified as an AML Specialist, Ms Redha is also certified as Financial Risk Manager (FRM). She has obtained her Bachelor of Science in Accounting degree from University of Bahrain in 1998.

ORGANIZATIONAL STRUCTURE

