

Seera Investment Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 JUNE 2010

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SEERA INVESTMENT BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Seera Investment Bank B.S.C. (c) ["the Bank"] and its subsidiaries ["the Group"] as of 30 June 2010, comprising the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated statements of income, cash flows and changes in equity for the six month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with note 2.



15 August 2010
Manama, Kingdom of Bahrain

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

		<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		16,327	4,363
Due from banks and financial institutions		31,298	37,940
Non-trading investments	6	20,169	27,624
Investments in leases		93,890	93,390
Net assets of disposal group classified as held for sale	7	13,780	115,846
Investment property		11,454	11,454
Goodwill and intangible assets	8	168,306	-
Other assets	9	49,318	6,128
Property and equipment		10,305	10,044
TOTAL ASSETS		414,847	306,789
LIABILITIES AND EQUITY			
Due to banks and financial institutions		100,012	25,874
Other liabilities		20,554	4,903
TOTAL LIABILITIES		120,566	30,777
EQUITY			
Share capital		291,286	291,286
Reserves		2,104	2,420
Accumulated losses		(30,573)	(32,804)
Equity attributable to shareholders of the parent		262,817	260,902
Non-controlling interest		31,464	15,110
TOTAL EQUITY		294,281	276,012
TOTAL LIABILITIES AND EQUITY		414,847	306,789


Asaad Al Banwan
 Chairman


Khalid Al Nasser
 Board Member


Abdulla Janahi
 Chief Executive Officer

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2010 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June	<i>30 June</i>	30 June	<i>30 June</i>
	2010	<i>2009</i>	2010	<i>2009</i>
	US\$ '000	<i>US\$ '000</i>	US\$ '000	<i>US\$ '000</i>
Rental income from investments in leases	8,210	9,328	16,827	18,874
Rental expense on investments in leases	(5,976)	(6,339)	(12,352)	(13,016)
Management fees relating to leases	(319)	(365)	(697)	(756)
Net income from investments in leases	1,915	2,624	3,778	5,102
Profit on amounts due from banks and financial institutions	50	228	100	601
Profit on amounts due to banks and financial institutions	(41)	(452)	(110)	(1,022)
Net cost on due from / to banks and financial institutions	9	(224)	(10)	(421)
Net income from non-banking activities (Note 10)	2,459	-	2,459	-
Gain on disposal of non-trading investment	511	607	2,337	794
Unrealised loss on investment property	-	(4,889)	-	(4,889)
Fee income	142	155	296	302
TOTAL INCOME (LOSS)	5,036	(1,727)	8,860	888
Expenses				
Staff expenses	1,463	1,587	2,922	2,916
General and administration expenses	812	1,109	1,371	1,894
Foreign exchange	1,816	(392)	2,669	(85)
Depreciation	421	420	845	839
TOTAL EXPENSES	4,512	2,724	7,807	5,564
Net profit (loss) for the period before provisions	524	(4,451)	1,053	(4,676)
Write back of provisions	1,950	-	1,950	-
NET INCOME (LOSS) FOR THE PERIOD	2,474	(4,451)	3,003	(4,676)
Attributable to:				
Shareholders of the parent	1,913	(4,719)	2,231	(5,238)
Non-controlling interest	561	268	772	562
	2,474	(4,451)	3,003	(4,676)

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2010 (Unaudited)

	<i>Six months ended</i>	
	30 June 2010 US\$ '000	<i>30 June 2009 US\$ '000</i>
OPERATING ACTIVITIES		
Net income (loss) for the period	3,003	(4,676)
Adjustments for:		
Provision for employees' end of service benefits	103	125
Write back of provisions	(1,950)	-
Depreciation	845	839
Gain on disposal of non-trading investments	(2,337)	(70)
Unrealised loss on investment property	-	4,889
	(336)	1,107
Changes in operating assets and liabilities:		
Due from banks and financial institutions	-	(18,545)
Due to banks and financial institutions	(14,731)	(22,221)
Other assets	(3,102)	(743)
Other liabilities	786	(2,862)
Net cash used in operating activities	(17,383)	(43,264)
INVESTING ACTIVITIES		
Proceeds from sale of non-trading investments	9,426	8,020
Purchase of investments in leases	(500)	-
Purchase of property and equipment	(26)	(27)
Net cash from investing activities	8,900	7,993
FINANCING ACTIVITY		
Non-controlling interest	(164)	(515)
Net cash used in financing activity	(164)	(515)
DECREASE IN CASH AND CASH EQUIVALENTS	(8,647)	(35,786)
Cash and cash equivalents at beginning of the period	42,303	66,340
Cash and cash equivalents of subsidiary (Note 5)	13,969	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	47,625	30,554

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2010 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>					<i>Total</i> US\$ '000	<i>Non- controlling interest</i> US\$ '000	<i>Total equity</i> US\$ '000
	<i>Share capital</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>Investment fair value reserve</i> US\$ '000	<i>Foreign currency translation reserve</i> US\$ '000	<i>Accumulated losses</i> US\$ '000			
Balance at 1 January 2010	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012
Net income for the period	-	-	-	-	2,231	2,231	772	3,003
Dividends paid by subsidiaries	-	-	-	-	-	-	(164)	(164)
Acquisition of a subsidiary (note 5)	-	-	-	-	-	-	15,824	15,824
Exhcnage differences on translation of foreign operations	-	-	-	(441)	-	(441)	(78)	(519)
Unrealised gain on remeasurement to fair value	-	-	125	-	-	125	-	125
Balance at 30 June 2010	291,286	2,002	543	(441)	(30,573)	262,817	31,464	294,281
Balance at 1 January 2009	291,286	2,002	6,424	-	(2,693)	297,019	14,994	312,013
Net (loss) income for the period	-	-	-	-	(5,238)	(5,238)	562	(4,676)
Dividends paid by subsidiaries	-	-	-	-	-	-	(515)	(515)
Unrealised losses on remeasurement to fair value	-	-	(5,620)	-	4,889	(731)	-	(731)
Balance at 30 June 2009	291,286	2,002	804	-	(3,042)	291,050	15,041	306,091

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

1 INCORPORATION AND ACTIVITIES

Seera Investment Bank B.S.C. (c) ["the Bank"] 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.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 August 2010.

2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. For matters for which no AAOIFI standards exist, including interim financial reporting, the Group uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board ["IASB"].

The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2009 and new accounting policies adopted as per note 3.

Results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 NEW ACCOUNTING POLICIES APPLIED

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. For acquisitions before 31 December 2008, transactions costs directly attributable to the acquisition formed part of the acquisition costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

3 NEW ACCOUNTING POLICIES APPLIED (continued)

Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Profit rate swaps

The Group uses profit rate swaps to manage its profit rate risks. Such financial instruments are initially recognised at fair value on the date on which a the contract is entered into and are subsequently remeasured at fair value. Profit rate swaps are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value profit rate swaps are taken directly to the consolidated statement of income.

Revenue on sale of goods

Revenue from the sale of goods is recognised when the goods are physically delivered to the customer and is stated net of taxes and trade discounts.

Taxation

There is no taxation in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with fiscal regulations of the respective countries in which the subsidiaries operate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

4 CONSOLIDATED SUBSIDIARIES

The following are the Group's significant subsidiaries as at 30 June 2010:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest</i>
Falak Aviation Fund Company	Kingdom of Bahrain	100%
Falak Aviation Investment Fund	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 Five Limited *	Bahamas	86%
Falak Lease Six 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%
BWA Cayman Limited **	Cayman	98%
BWA Jersey Limited **	Jersey	85%
BWA Lux S.a.r.l **	Luxembourg	85%
BWA UK Acquisition Company Limited **	UK	85%
MCAW Group Limited **	United Kingdom	85%

* The underlying assets in these entities have been disposed off in October 2008.

** These subsidiaries are being consolidated from 1 April 2010.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

5 BUSINESS COMBINATION

On 29 September 2008, the Group acquired 85% of McCaw Group Limited via BWA Cayman Ltd. This acquisition was treated as a subsidiary held for sale under IFRS 5. All the companies under the McCaw Group Limited are being consolidated under IAS 27 from 1 April 2010.

The fair value of identifiable assets and liabilities as at the date of acquisition were:

	<i>Fair value recognised on acquisition US\$ '000</i>
Assets	
Cash and balances with banks	13,969
Intangible assets	14,077
Other assets	38,583
Property and equipment	1,116
	<hr/> 67,745 <hr/>
Liabilities	
Due to banks and financial institutions	93,749
Other liabilities	14,762
	<hr/> 108,511 <hr/>
Total identifiable net liabilities at fair value	(40,766)
Non-controlling interests	(15,824)
Goodwill arising on acquisition	166,217
Purchase consideration transferred	<hr/> 109,627 <hr/>
Net cash flow on acquisition	<hr/> 13,969 <hr/>

6 NON-TRADING INVESTMENTS

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Available for sale - equity investments		
<i>Quoted</i>	1,797	8,761
<i>Unquoted</i>	18,372	18,863
	<hr/> 20,169 <hr/>	<hr/> 27,624 <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

7 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal group 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 30 June 2010, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US\$ 48,214 thousand and US\$ 32,402 thousand) through the Cayman Islands holding company. As at 31 December 2009, the disposal group also included a company incorporated in Cayman Islands which has a stake of 87.13% of a UK based company selling water treatment products. This disposal group is being consolidated as a subsidiary from 1 April 2010.

8 GOODWILL AND INTANGIBLE ASSETS

	<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Goodwill	156,217	-
Intangible assets	12,089	-
	<u>168,306</u>	<u>-</u>

9 OTHER ASSETS

	<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Trade receivables	24,703	-
Deferred tax asset	7,456	-
Inventories	9,595	-
Other assets	7,564	6,128
	<u>49,318</u>	<u>6,128</u>

10 NET INCOME FROM NON-BANKING ACTIVITIES

	<i>Six months ended</i>	
	<u>30 June</u> 2010 US\$ '000	<u>30 June</u> 2009 US\$ '000
Revenue from sale of goods	32,387	-
Cost of goods sales	(20,138)	-
Gross Profit	12,249	-
Selling and distribution expenses	(1,546)	-
Administrative expenses	(5,119)	-
Finance cost	(1,983)	-
Taxation	(1,142)	-
Net income from non-banking activities	<u>2,459</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

11 RELATED PARTY TRANSACTIONS

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. These transaction have been carried out on an arm's length basis in manner similar to transactions with a third party.

The significant balances with related parties were as follows:

	<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Assets		
Quoted investments managed by a shareholder - NIC	1,797	8,761

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

	<i>Six months ended</i>	
	30 June 2010 US\$ '000	30 June 2009 US\$ '000
Income		
Profit on amounts due from banks and financial institutions	-	48
Fee income	53	54
Expenses		
Board of Directors and committees meetings' expenses and attendance allowances	94	129
Shari'a Supervisory Board meetings' expenses and attendance allowances	38	36
Fee expense	18	39

Staff costs attributable to key management personnel of the Bank is as follows:

	<i>Six months ended</i>	
	30 June 2010 US\$ '000	30 June 2009 US\$ '000
Short term employee costs	976	971
Termination costs	90	112
Total compensation of key management personnel	1,066	1,083

Seera Investment Bank B.S.C. (c)

PUBLIC DISCLOSURE

30 JUNE 2010

Seera Investment Bank B.S.C. (c)
 PUBLIC DISCLOSURE as of 30 June 2010

1 CAPITAL MANAGEMENT

Regulatory capital

	<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Tier 1 capital (note 1.1)	218,271	217,522
Tier 2 capital (note 1.2)	-	-
Total capital base (a)	218,271	217,522
Risk weighted assets (b) (note 1.3)	390,074	383,446
Capital adequacy (a/b x 100)	56.0%	56.7%
Minimum requirement	12.0%	12.0%

1.1 Tier 1 Capital

	<i>(Unaudited)</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Share capital	291,286	291,286
Statutory reserve	2,002	2,002
Other reserves	(441)	-
Accumulated losses	(32,804)	(32,804)
Minority interest	15,351	15,110
Core Tier 1 Capital	275,394	275,594
Deductions	(29,799)	(29,130)
Tier 1 Capital	245,595	246,464
Negative balance of Tier 2 (note 1.2)	(27,324)	(28,942)
Tier 1 Capital net of negative Tier 2 Capital	218,271	217,522

Seera Investment Bank B.S.C. (c)
 PUBLIC DISCLOSURE as of 30 June 2010

1 CAPITAL MANAGEMENT (continued)

1.2 Tier 2 Capital

	<i>(Unaudited)</i>	<i>(Audited)</i>
	30 June	<i>31 December</i>
	2010	<i>2009</i>
	US\$ '000	<i>US\$ '000</i>
Investment property revaluation reserve (45%)	188	188
Available for sale investments (45%)	56	-
Current interim profits	2,231	-
	<hr/>	<hr/>
Core Tier 2 Capital	2,475	188
Deductions	(29,799)	(29,130)
	<hr/>	<hr/>
Tier 2 Capital	(27,324)	(28,942)
	<hr/> <hr/>	<hr/> <hr/>

1.3 Risk weighted assets

	<i>(Unaudited)</i>	<i>(Audited)</i>
	30 June	<i>31 December</i>
	2010	<i>2009</i>
	US\$ '000	<i>US\$ '000</i>
Credit risk weighted assets	311,489	310,379
Operational risk weighted assets	43,387	43,387
Market risk weighted assets	35,198	29,680
	<hr/>	<hr/>
	390,074	383,446
	<hr/> <hr/>	<hr/> <hr/>

Seera Investment Bank B.S.C. (c)
PUBLIC DISCLOSURE as of 30 June 2010

2 RISK MANAGEMENT

Credit risk

The funded exposures at 30 June 2010 were as follows:

	<i>Gross credit exposures</i> US\$ '000	<i>Net credit exposures</i> US\$ '000	<i>Credit risk weighted exposures</i> US\$ '000	<i>Regulatory capital requirements</i> US\$ '000
Investments	240,570	180,674	281,836	33,820
Murabaha receivables	16,476	16,476	8,238	989
Wakala placements	14,727	4,945	2,039	245
Mudharaba placements	95	95	19	2
Other asset categories	21,280	21,280	19,357	2,323
	293,148	223,470	311,489	37,379

The funded exposures at 31 December 2009 were as follows:

	<i>Gross credit exposures</i> US\$ '000	<i>Net funded credit exposures</i> US\$ '000	<i>Credit risk weighted exposures</i> US\$ '000	<i>Regulatory capital requirements</i> US\$ '000
Investments	248,313	189,823	285,966	34,316
Murabaha receivables	34,740	8,866	4,433	532
Wakala placements	3,000	3,000	1,500	180
Mudharaba placements	200	200	40	5
Other asset categories	20,536	20,536	18,440	2,213
	306,789	222,425	310,379	37,246

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 and counterparty type for 30 June 2010:

<i>Geographical regions:</i>	<i>Investment</i> US\$ '000	<i>Murabaha receivable</i> US\$ '000	<i>Wakala placement</i> US\$ '000	<i>Mudaraba placement</i> US\$ '000	<i>Other categories</i> US\$ '000	<i>Total</i> US\$ '000
Europe	109,216	-	-	-	5,555	114,771
Bahrain	46,226	3,300	1,445	95	11,475	62,541
Other GCC Countries	1,728	13,176	3,500	-	1,442	19,846
Rest of Middle East and Asia	23,504	-	-	-	2,565	26,069
North America	-	-	-	-	243	243
	180,674	16,476	4,945	95	21,280	223,470

Seera Investment Bank B.S.C. (c)
PUBLIC DISCLOSURE as of 30 June 2010

2 RISK MANAGEMENT (continued)

Credit risk (continued)

<i>Counterparty type:</i>	<i>Investment</i>	<i>Murabaha</i>	<i>Wakala</i>	<i>Mudaraba</i>	<i>Other</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>receivable</i>	<i>placement</i>	<i>placement</i>	<i>categories</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Investment in securities	157,297	-	-	-	-	157,297
Claims on banks	-	16,476	4,945	95	5,433	26,949
Holdings of real estate	23,377	-	-	-	7,580	30,957
Claims on corporates	-	-	-	-	5,918	5,918
Other assets	-	-	-	-	2,346	2,346
Cash items	-	-	-	-	3	3
	180,674	16,476	4,945	95	21,280	223,470

The exposures by geographical regions and counterparty type for 31 December 2009 were as follows:

<i>Geographical regions:</i>	<i>Investment</i>	<i>Murabaha</i>	<i>Wakala</i>	<i>Mudaraba</i>	<i>Other asset</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>receivables</i>	<i>placements</i>	<i>placements</i>	<i>categories</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Europe	109,200	-	-	-	3,004	112,204
Bahrain	46,212	4,866	-	200	11,798	63,076
Other GCC Countries	8,761	4,000	3,000	-	1,362	17,123
Rest of Middle East and Asia	25,650	-	-	-	2,998	28,648
North America	-	-	-	-	1,374	1,374
	189,823	8,866	3,000	200	20,536	222,425

<i>Counterparty type:</i>	<i>Investment</i>	<i>Murabaha</i>	<i>Wakala</i>	<i>Mudaraba</i>	<i>Other asset</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>receivables</i>	<i>placements</i>	<i>placements</i>	<i>categories</i>	<i>US\$ '000</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	
Investment in securities	178,599	-	-	-	-	178,599
Claims on banks	-	8,866	3,000	200	4,362	16,428
Holdings of real estate	11,224	-	-	-	7,847	19,071
Other assets	-	-	-	-	8,327	8,327
	189,823	8,866	3,000	200	20,536	222,425

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2 RISK MANAGEMENT (continued)

Credit risk (continued)

The table below analyses the Group's credit exposure where the credit quality is reflected by Standard and Poor's, Moddy's and Fitch credit ratings where relevant of the counter parties:

	<i>(Unaudite</i> 30 June 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Credit rating:		
AAA to AA-	280	1,411
A+ to A-	21,502	11,907
BBB+ to BBB-	2,515	264
BB+ to B-	2,553	1,995
Unrated	196,620	206,848
	223,470	222,425

The followings are the large exposures as of 30 June 2010:

	<i>Large exposure</i> <i>(banks)</i> <i>US\$ '000</i>	<i>% of</i> <i>exposure</i> <i>to eligible</i> <i>capital</i> <i>US\$ '000</i>		<i>Large exposure</i> <i>(non - banks)</i> <i>US\$ '000</i>	<i>% of</i> <i>exposure</i> <i>to eligible</i> <i>capital</i> <i>US\$ '000</i>
Bank A	13,176	4.7%	Counterparty A	101,278	36.4%
Bank B	3,500	1.3%	Counterparty B	37,985	13.7%
Bank C	3,300	1.2%	Counterparty C	17,309	6.2%
Bank D	2,553	0.9%	Counterparty D	15,264	5.5%
Bank E	1,446	0.5%	Counterparty E	13,780	5.0%
Bank F	1,150	0.4%	Counterparty F	12,500	4.5%
Bank G	1,022	0.4%	Counterparty G	12,317	4.4%
Bank H	293	0.1%	Counterparty H	12,154	4.4%
Bank I	243	0.1%	Counterparty I	6,514	2.3%
Bank J	99	0.0%	Counterparty J	6,216	2.2%
Bank K	66	0.0%	Counterparty K	1,229	0.4%
Bank L	47	0.0%	Counterparty L	436	0.2%
Bank M	37	0.0%	Counterparty M	79	0.0%
Bank N	9	0.0%	Counterparty N	52	0.0%
Bank O	5	0.0%	Counterparty O	3	0.0%
Bank P	4	0.0%			
	26,950			237,116	

2 RISK MANAGEMENT (continued)

Credit risk (continued)

The large exposures as of 31 December 2009 were as follows:

	<i>Large exposure (banks) US\$ '000</i>	<i>% of exposure to capital</i>		<i>Large exposure (non - US\$ '000</i>	<i>% of exposure to capital</i>
Bank A	4,000	1.5%	Counterparty A	99,627	36.1%
Bank B	4,000	1.5%	Counterparty B	37,985	13.8%
Bank C	3,000	1.1%	Counterparty C	17,309	6.3%
Bank D	851	0.3%	Counterparty D	16,219	5.9%
Bank E	215	0.1%	Counterparty E	15,264	5.5%
			Counterparty F	14,304	5.2%
			Counterparty G	12,500	4.5%
			Counterparty H	12,318	4.5%
			Counterparty I	7,170	2.6%
			Counterparty J	6,014	2.2%
			Counterparty K	4,555	1.7%
			Counterparty L	1,042	0.4%
			Counterparty M	468	0.2%
			Counterparty N	90	0.0%
			Counterparty O	3	0.0%
	<u>12,066</u>			<u>244,868</u>	

2 RISK MANAGEMENT (continued)

Market risk (continued)

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 (+/-)	Net income and equity (+/-)
	%	US\$ '000
Danish Krone	10	1,378
Kuwaiti Dinars	10	1,132
Great Britain Pounds	10	629
Euro	10	380
Saudi Riyals	10	-
Qatari Riyals	10	-
Emirates Dirhams	10	-

Equity price risk

As of 30 June 2010 the Group had investments in quoted equities on the Kuwait Stock Exchange. The table below reflects the sensitivity of the investment portfolio to changes in these inputs. The sensitivity of these 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 Stock Exchange	10	180

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.

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

	(Unaudited) 30 June 2010 US\$ '000	(Audited) 31 December 2009 US\$ '000
Foreign exchange risk	35,198	29,680
Regulatory capital requirements (at 12%)	4,224	3,562

2 RISK MANAGEMENT (continued)

Operational risk

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

	(Unaudite	(Audited)
	30 June	31 December
	2010	2009
	US\$ '000	US\$ '000
Average gross income	23,140	23,140
Operational risk weighted assets	43,387	43,387
Regulatory capital requirements (at 12%)	5,206	5,206

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2 RISK MANAGEMENT

Liquidity risk

The maturity profile of assets and liabilities as at 30 June 2010 based on contractual maturity is as follows:

	<i>Upto 1 month US\$'000</i>	<i>1 to 3 months US\$'000</i>	<i>3 to 6 months US\$'000</i>	<i>6 months to 1 year US\$'000</i>	<i>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>No fixed maturity US\$'000</i>	<i>Total US\$'000</i>
Assets								
Cash and balances with banks	5,437	-	-	-	-	-	-	5,437
Due from banks and financial institutions	31,298	-	-	-	-	-	-	31,298
Non-trading investments	-	-	-	-	-	-	20,169	20,169
Investments in leases	6,003	-	-	-	22,678	65,209	-	93,890
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	115,058	115,058
Investment property	-	-	-	-	-	-	11,454	11,454
Other assets	-	-	-	-	-	-	6,617	6,617
Property and equipment	-	-	-	-	-	-	9,225	9,225
	42,738	-	-	-	22,678	65,209	162,523	293,148
Liabilities								
Due to banks and financial institutions	9,782	-	-	-	-	-	-	9,782
Other liabilities	-	-	-	-	-	-	5,198	5,198
	9,782	-	-	-	-	-	5,198	14,980
Net	32,956	-	-	-	22,678	65,209	157,325	278,168

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2 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The maturity profile of assets and liabilities as at 31 December 2009 based on contractual maturity is as follows:

	<i>Upto 1 month US\$'000</i>	<i>1 to 3 months US\$'000</i>	<i>3 to 6 months US\$'000</i>	<i>6 months to 1 year US\$'000</i>	<i>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>No fixed maturity US\$'000</i>	<i>Total US\$'000</i>
Assets								
Cash and balances with banks	4,363	-	-	-	-	-	-	4,363
Due from banks and financial institutions	22,730	15,210	-	-	-	-	-	37,940
Non-trading investments	-	-	-	-	-	-	27,624	27,624
Investments in leases	-	2,883	2,657	-	-	87,850	-	93,390
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	115,846	115,846
Investment property	-	-	-	-	-	-	11,454	11,454
Other assets	-	-	-	-	-	-	6,128	6,128
Property and equipment	-	-	-	-	-	-	10,044	10,044
	<u>27,093</u>	<u>18,093</u>	<u>2,657</u>	<u>-</u>	<u>-</u>	<u>87,850</u>	<u>171,096</u>	<u>306,789</u>
Liabilities								
Due to banks and financial institutions	11,514	14,360	-	-	-	-	-	25,874
Other liabilities	-	-	-	-	-	-	4,903	4,903
	<u>11,514</u>	<u>14,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,903</u>	<u>30,777</u>
Net	<u>15,579</u>	<u>3,733</u>	<u>2,657</u>	<u>-</u>	<u>-</u>	<u>87,850</u>	<u>166,193</u>	<u>276,012</u>