

Seera Investment Bank
2010 Annual Report

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

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Licensed as an Islamic Wholesale Bank by the CBB

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MESSAGE FROM THE CHAIRMAN

I am pleased to present to you on behalf of the Board of Directors the 2010 annual report of Seera Investment Bank.

Business Overview

Seera's performance improved in 2010 compared to the previous year and was amongst the few investment banks in Bahrain which have reported a profit for the year. The Bank's major investments have continued to perform reasonably well, contributing to the Bank's stable balance sheet and to an improved outlook for a number of these investments. Although some of the effects of the financial crisis are still being felt, many believe that 2010 could represent a turning point. In any event, Seera was able to utilize the economic slowdown to optimize the performance of its portfolio companies and improve its cost structure in order to meet the new economic challenges.

We have a reasonably diversified portfolio with limited exposure to the real estate sector. The performance of most of our portfolio companies witnessed a healthy recovery from 2009 with some investments reporting good profits. This in turn resulted in Seera reporting a profit for 2010. The other benefit of this recovery is the improvement in some company valuations which enhances the future prospect of profitable exits from these investments.

Seera's business in general continues to enjoy the benefits of disciplined liquidity management. The fact that the Bank did not rely too heavily on leverage was key in avoiding the major issues which affected and continue to affect the financial services sector. The Bank is maintaining a very high and healthy capital adequacy ratio above 60% which exceeds the minimum regulatory requirement of 12% hence providing a good cushion for any unforeseen events or risks. This greatly increases our confidence in stating that the outlook for Seera is quite stable and we do not anticipate any liquidity issues in the foreseeable future.

Financial Overview

Seera's consolidated profit for the year was US\$ 7.2 M. These consolidated financials include the results of BWA, a specialty water treatment company based in the United Kingdom which is majority owned by Seera and which was recently consolidated based on the applicable accounting standards. BWA's performance and profitability improved significantly compared to last year reflecting the company's robust rebound and the strength of its core business. In addition to this, Seera continued to generate income from Falak, its leased aircraft portfolio and has also realized a gain from the sale of most holdings in the GCC equity portfolio. Although yields from Falak were slightly lower than previous years due to some aircraft coming off their lease and the associated one-off expenses, the yields have stabilized now and are expected to remain stable based on the current leases which show that no aircraft are expected to come off lease before 2013.

Another key factor in improving the performance of Seera was the continued effort to manage and control the cost base of the Bank which has substantially reduced our operating expenses. While there was a material reduction in Seera's costs in 2010 compared to 2009, the full impact of these cost saving initiatives, which exceed 30%, will only be reflected and fully realized in 2011. The main

objective of these cost cutting initiatives is to better align Seera's cost structure with the more challenging operating environment for investment banking.

Investment Portfolio

We have seen a strong recovery in the performance of a number of investments in our portfolio. BWA had a strong year with record profits. The business performed strongly across all geographies and markets. This came as a result of increased orders in the desalination business, the launch of a new product, and due to recovering market demand in its core segments.

Kosan Crisplant (KC) is a world leader in providing filling solutions for Liquefied Petroleum Gas (LPG) cylinders. In 2009 KC's profitability was impacted due to a drop in large orders and new business. This was mainly due to the financial crisis which caused many new projects to be delayed or postponed. KC's performance however recovered well in 2010 with new orders and the order book nearly doubling compared to 2009. In 2010, KC received several orders for its new high speed system (Flexspeed) and the company successfully began expanding its presence in spare parts and After-Sales service.

Although Falak, our leased aircraft, yield generating portfolio continued to generate positive returns, the level of dividends generated last year was adversely impacted by some one-off expenses related to certain aircraft coming off lease in 2010. Income has stabilized now and as things stand today, no other aircraft are scheduled to come off lease until 2013. The sale of two regional jets, which came off lease during 2010, is underway and a number of initiatives were also implemented in 2010 including reduction of Fund administration fees, and more efficient cash management.

We have also recently seen renewed market interest in some of our investments. We see this level of interest as a positive indicator of the rebound in the values of these investments and the potential for profitable exits.

Outlook

The economic climate in 2010 has generally improved compared to the previous two years. The international banking industry appears to be recovering its footing for the most part and we are seeing certain encouraging signs of global economic growth in a number of regions. In spite of this global recovery, there are still some risks in light of the fiscal and political situation in some parts of the globe. Within the GCC, some areas lagged somewhat in terms of recovery as measured by their Equity Market performance. Going forward there is no doubt that there will continue to be many challenges. We are closely monitoring the situation in Bahrain following the recent events which appear to be coming to an end. In any event, we anticipate that the Bank's international focus and the way investments are generally structured and booked will mitigate significant risks arising from such events.

The markets that we operate in today are different in many respects and this has demanded that we make certain changes to the way investment activities are conducted. One key adjustment is moving away from an underwriting model to one that relies on securing funding prior to any major investment. This is necessary given the nature of the current markets to mitigate the related underwriting liquidity risk. In order to be able to book new business, however, given current markets and the general investor appetite there will continue to be a need to rely on one's own capital for

smaller transactions. This is viewed as a temporary trend and there is no doubt that going forward the Bank will still be focusing on increasing investors' share in transactions. We're also watching events in the region to continue to identify the most suitable geographies and sectors for investments. The Bank understands that it may take some time for the high levels of investor participation to take place, but our efforts to build relationships and explore meaningful partnership opportunities will continue.

We are hoping that 2011 will witness a gradual return of GCC investor appetite especially in sectors where Seera is currently active. We are also hopeful that Seera will be able to execute some profitable exits which would in turn generate some future profits for investors and the Bank.

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 their support. I would also like to thank Seera's Shari'a Board and all shareholders and investors for their continued confidence and support. Last but not least I wish 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 the 2010 annual report.

I am pleased to report that Seera's performance has considerably improved in 2010 including its reported financial results. The Bank is reporting a total income of US\$ 16.5 M and a net profit of US\$ 7.2 M which reflect income generated from existing investments as well as income from one of our newly consolidated key investments. One of the key strategic areas of Seera's performance is the results of certain portfolio companies' which have witnessed some significant improvements. Although not all of these positive performances would directly reflect on Seera's financials and bottom line, they do however serve as an indicator of the strength of these investments and of the potential for profitable future exits.

Another source of improvement, is the reductions in the cost-base of the Bank which has been taking place over the past few years. These cost reductions make Seera more efficient and serve to position the Bank on the path for better profitability in future years.

The Bank's balance sheet continues to be very stable with relatively low leverage and a very healthy Capital Adequacy ratio over 60% (compared to a minimum requirement of 12%). This no doubt provides reassurance on Seera's ability to meet its future obligations especially in light of the liquidity issues that have dominated the financial services landscape over the last few years.

These fundamentals are very positive indicators, however, as with the broad investment banking sector, much depends on the general economic environment and given the nature of the current economic climate and recent political events in the region, we continue to approach the markets with caution.

Current Investments

Seera had sought to diversify its investments both geographically and industry wise and has always avoided over-concentration on the real estate sector. This approach has been key in protecting Seera from experiencing most of the effects of the recent difficult markets especially those related to the GCC real estate sector. Seera has investments in the specialty chemicals, industrial manufacturing and aircraft leasing sectors in addition to other smaller investments.

One of the key focuses for Seera when making an investment, and as part of our investment strategy, is to select investments that are less prone to economic cycles. Such investments are generally known to have the ability to weather tough market conditions and to bounce back much quicker than investments which are more exposed to the effects of economic downturns. Despite this approach, the depth of the recent global financial crisis and economic downturn had an inevitable effect on the results of certain investments in 2008 and 2009. These investments however quickly recovered in 2010 and it is very reassuring to see the strong results demonstrated by these investments in 2010.

BWA Water Additives and Kosan Crisplant had a very successful year in 2010. BWA's profits had increased by nearly 65% compared to 2009 whereas Kosan Crisplant's (KC) order pipeline has almost doubled compared to the previous year. The yields on the aviation portfolio, Falak were impacted by

onetime costs associated with two aircraft coming off their leases. Falak's dividend payments have stabilized since then and no other leases are currently scheduled to expire before 2013.

During the past few years, Seera has been very active in aligning the businesses of BWA and KC with the more competitive conditions and positioning them for continued future growth. BWA has seen the launch of new products and increased penetration in certain geographies and market sectors. Seera has also been working with BWA management to optimize its working capital and costs. KC on the other hand has introduced a revolutionary new technology in the LPG cylinder filling field which effectively tripled filling speeds. At the same time the company has been expanding into the more profitable spare parts and after sales businesses and has implemented initiatives to reduce its cost base. This has greatly helped in improving its growth and profitability outlook. We will continue to work with our Aviation Portfolio technical partner on Falak's planned divestitures and on opportunities to enhance the profitability of certain leases which will be used to strengthen Falak's portfolio and to ensure that its dividend base remains robust.

These efforts obviously contribute to improving the revenue and profitability outlook of these investments and in turn increase short term returns as well as improve profitability prospects at the time of exit for both Seera and its investors.

Cost Savings

A number of cost-cutting initiatives have been taken by Seera over the past couple of years in response to the lower volumes of business and we have been able to achieve some significant cost reductions which were aimed at mitigating the effects of the financial crisis on the Bank's profitability. In 2010, Seera made even more progress in this area.

The first part of this entails aligning variable costs with the lower business volume. This is an ongoing activity and was one of the first actions taken by the Bank following the economic downturn and covers discretionary spending areas such as marketing and other similar expenses. The second category covers fixed costs which were addressed through several initiatives. These initiatives sought to restructure the cost base in order to ensure that lower costs can be maintained in future years. The overall efforts in 2010 resulted in a significant reduction in the Bank's cost structure and are expected to produce more than 30 % of cost savings on an annual basis. It is also worth mentioning that in 2009, Seera had reduced its operating expenses by 30% compared to 2008. Obviously the compounded impact of these reductions is quite significant and we feel that this has contributed to ensuring that the Bank is more suited to operate in the new environment.

Corporate Governance

The Bank has embraced new corporate governance requirements launched in 2010 and has proactively launched an action plan in order to be in the forefront of banks meeting these requirements. Implementation of this action plan was well underway even before these requirements were formalized and therefore considerable progress had been made through the year. We expect these efforts to continue through 2011 in order to achieve target levels of compliance by end of the year. Seera sees corporate governance as a strategic advantage especially in light of some of the issues that have led to the financial crisis. We therefore plan to continue to demonstrate our commitment to this area by making it an area of continuous progress.

Business Go Forward

The return of some confidence to the markets certainly improves the outlook for identifying and closing profitable investments. Given some of the market uncertainties however, a prudent investment approach is still warranted and market risks and new market realities must be considered in approaching new investments.

To deal with the current challenges in fund raising and placement of deals, the Bank is looking at engaging strategic partners in some of its new transactions. This would allow for investing in larger size deals and for sharing the risks and rewards of these investments with partners who often bring unique positions of strength to a particular transaction. The Bank is also expecting to contribute a higher share of its own capital to new transactions especially for smaller ones. Although this is still a profitable approach, it is not a substitute for the Bank's long term strategy of raising funds from investors for transactions.

Another key factor is the underwriting risk which was prevalent prior to the crisis. Although the underwriting premiums were a considerable source of income for investment banks, the associated liquidity risk is not appropriate in today's operating environment. To ensure that the Bank will have a sustainable investment model, Seera will in most cases, especially for larger deals raise funds ahead of new transactions.

Market Conditions

There are some signs of improvement in the global economy including strong growth in some of the emerging markets, an equity markets recovery in developed economies and a return to banking system stability with provisioning on a downwards trend. There are however some risks to the broad economic climate and to the MENA investment environment. As witnessed in 2010, a debt crisis is still a risk given the levels of sovereign and household debts and their potential impact on credit markets and the banking system. There are also other potential risks to economic growth such as a commodities bubble or a slowdown of growth in emerging markets due to inflation curbing measures.

The full impact of the geopolitical events in the MENA region is still unknown, however the risks presented by these geopolitical events to Seera's investment portfolio are not expected to be significant given the international nature of the Bank's portfolio. The key issue for the Bank however is GCC investor confidence given its impact on capital available for participation in Seera's investments.

In spite of these risks, we are still optimistic about the future outlook for the Bank and we feel that there are strong indicators of robust profitability in future years. The Bank's investment portfolio is generally performing well and we have seen some strong interest in some of our investments. We remain reasonably confident that certain investments have the potential to deliver healthy profit to the Bank at the time of exit.

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

H.R.H PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD
Board Member

MR YOUSEF SULTAN AL MAJID
Board Member

MR KHALID BIN NASSER AL NASSER
Board Member

MR ABDULLA RASHED OMRAN AL SHAMSI
Board Member

MR MUBARAK MATAR AL HEMEIRI
Board Member

MR MOHAMED HANI ABDULKADER AL BAKRI
Board Member

MR WALEED KHALIFA AL FELAIJ
Board Member

MR YOUSEF BIN NASSER AL NASSER
Board Member

MR WALEED ABDULLA AL EISA
Board Member

SHARI'A BOARD

SHAIKH ESAM M ISHAQ

Chairman

DR MOHAMMAD ALTABTABAEI

Board Member

DR YOUSEF ABDULLAH ALSHUBAILY

Board 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 SALEH JANAHI	Chief Executive Officer
SHAHZAD IQBAL	Chief Operating Officer
GAVIN SASSON	Head of Post Acquisition Management
PRATEEK SHARMA	Head of Investment
SOHAIL TOHAMI	Head of Treasury and Acting Head of Placement
AMR ELIMAM	Head of Strategic Planning and Corporate Communications
FULYA KOCH	Head of Risk Management
SAMEER OUNDHAKAR	Vice President, Post Acquisition Management
ISMAIL YOUNIS AHMED	Head of Human Resources & Administration
TAWFIQ AL-SARI	Head of Financial Control
ABDULRAHMAN ALSHAIKH	Head of Shari'a Compliance
SUMAYA REDHA	Head of Compliance
MOHAMMED KAMAL	Head of Information Technology

INVESTMENTS

Seera focuses primarily on two main business lines: Asset Based Investments and Corporate Investments. During previous years Seera made three substantial investments in these business lines in the areas of aircraft leasing, industrial manufacturing, and specialty chemicals. The investments affected by the economic slowdown in previous years have rebounded strongly in 2010 and Seera remains confident that it is on track to make profitable exits in the coming years .

Falak

Falak owns a portfolio of narrow and wide body aircraft which are on long term leases with prominent airlines such as Gulf Air, Cathay Pacific, BMI and Jet Airways. Lease payments from these aircraft provide steady quarterly dividends to Falak's shareholders. Since inception, Falak has paid dividends every quarter and these have been broadly in line with expectations.

Over the past 18 months, one-off expenses related to three aircraft coming off lease adversely impacted Falak's dividends. As per current leases, no other aircraft are scheduled to come off lease until 2013 at the earliest. Barring any significant adverse events such as portfolio revaluations, dividend payments are expected to stabilize and improve going forward.

Seera constantly monitors Falak's aircraft portfolio and undertakes initiatives to maximize investor returns. A number of value enhancing initiatives were implemented during 2010 which included re-negotiating Falak's fund administration fees downwards, as well as more efficient cash management. Seera is also actively working on the divestiture of two ERJ-145 regional jets which came off lease during 2010 and on potentially renegotiating an existing lease to seek more favorable commercial terms for Falak.

These initiatives are expected to enable Falak to continue providing steady and attractive returns to investors despite the inherent cyclical nature of the global aviation industry.

Kosan Crisplant

Headquartered in Denmark, Kosan Crisplant is a world leader in providing filling solutions for Liquefied Petroleum Gas (LPG) cylinders. KC's market leading position is a result of its technological innovation, proximity to customers and a long and successful track record in the industry which spans several decades.

Despite its strong market position, the global economic downturn severely impacted KC's profitability in 2009 due to a shortfall in orders. This shortfall was a result of slowdown in customers' decision making rather than a loss of market share. After a challenging 2009, KC's performance recovered strongly in 2010 with new orders and the order book nearly doubling over 2009. More impressively, the strong order pipeline may enable the order book to double once more due to very large tenders for LPG filling plants in the Middle East.

2010 also saw the commissioning of the first Flexspeed system. Flexspeed is a breakthrough technology unique to KC which enables gas cylinder filling capacity to be trebled from 1,200 cylinders per hour to 3,600 cylinders per hour. Following a successful pilot installation, KC has

received several orders for the new system from customers globally. Another focus area in 2010 was the diversification of KC's business into segments that were less susceptible to business cycles. During 2010, KC successfully began expanding its presence in spare parts and after sales service. These business segments are not only highly profitable, but also provide a more stable source of revenues for the business. Finally, costs were carefully controlled in 2010 and a targeted reduction in headcount was implemented.

These initiatives have enabled KC's performance to recover in 2010 and have positioned KC well for a record 2011.

BWA

BWA is a specialty water treatment chemicals company headquartered in the UK and is a world-leader in the development and supply of specialty chemicals used to prevent scaling, corrosion, and the formation of organic impurities in industrial, manufacturing and other processes that use water. It operates in three segments: Desalination, Industrial Water Treatment and Oilfield chemicals.

2010 was an exceptionally strong year for BWA with profits up by nearly 65% compared to 2009. The business performed strongly across all geographies and markets. The desalination segment performed strongly with record orders. In Industrial Water treatment, the launch of a new product with high margins was very successful and enabled BWA to improve its overall margins. In Oilfields, recovering market demand enabled BWA to generate strong profits from this high margin segment. There was also an enhanced focus on financial management with the close control on costs, management of accounts receivables, partial repayment of debt and judicious currency hedging.

BWA continues to invest in new product development and has a strong pipeline of products in various stages of commercialization. It also continues to focus on exploring possibilities to migrate production to lower cost locations in Asia. Overall, BWA is performing strongly on all dimensions and is well positioned for 2011.

CORPORATE GOVERNANCE

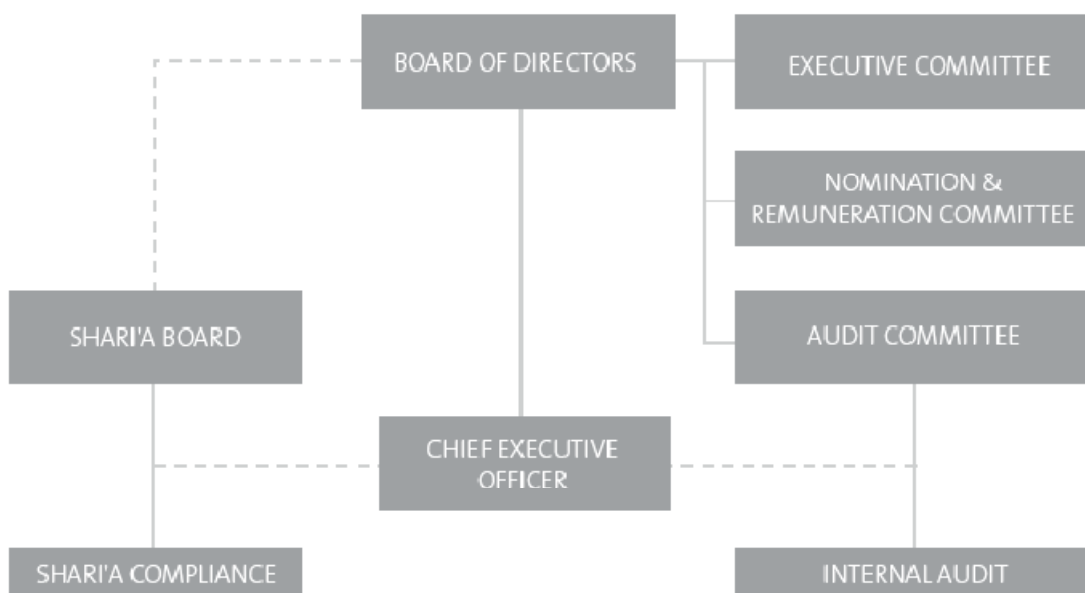
Seera is committed to effective corporate governance, as this is a key aspect of the Bank's strategic direction and encompasses the Bank's overall operating mission.

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 Bank with legal and regulatory requirements and compliance with the Bank's code of conduct.

Nomination and Remuneration Committee

The committee is responsible for identifying individuals for Board membership and for key management positions and for developing procedures for remuneration policy for the Board and senior management. The committee is also responsible for leading the Board in its annual review of the Board performance, and for evaluation of Directors' skills and expertise and the recommendation of changes and training required to augment these skills.

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 Head of Shari'a Compliance works closely with the Bank's Shari'a Supervisory Board to provide guidance to the Bank on a day-to-day basis.

The Group is committed to avoiding recognizing any income generated from non-Shari'a compliant sources. Accordingly, all non-Shari'a compliant income is credited to a charity account where the Group uses these funds for charitable means.

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.

Internal Audit

Internal Audit provides independent and objective appraisal of all the activities of the Bank aiming to add value, improve operational efficiency, risk management and internal control systems. Its approach is in line with the Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors. Internal Audit helps the Bank accomplish its objectives by evaluating and improving the effectiveness of risk management, control and governance processes, and by providing objective analyses and recommendations to improve the Bank's activities.

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 & Combating Financing of Terrorism (AML & CFT) Program, based on Bahrain's AML & CFT Law and regulation and the FATF 40+9 Recommendations. This includes the appointment of a Money Laundering Reporting Officer (MLRO), approved AML& CFT policies and procedures manual, employee training programs, and independent audit of the program by Internal Audit. In addition, External Auditors also perform independent procedures on an annual basis to check Seera's AML & CFT compliance. The Bank's AML & CFT program is also inspected by the Central Bank of Bahrain.

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 procedures 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 staff members to ensure that responsibilities are clearly defined and an annual performance appraisal is conducted for staff to ensure that responsibilities and objectives 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 which is currently outsourced to a reputable accounting firm 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. Furthermore, the Compliance and Risk Management functions have direct reporting lines to the Board or its delegated Committees.

Management Compensation

Compensation at Seera is through a pay and benefits system. An annual bonus system is in place and is based on the profitability of the Bank and linked to the individual performances. The Bank is not currently paying any bonuses for 2010.

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.

Public Disclosure

The Bank's Public Disclosure policy was approved by the Board of Directors. Seera aims to provide 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 clients. In this regard, the Placement function interacts with investors to address their information requirements and to satisfy the Bank's Know Your Customer ("KYC") requirements. Investors are kept informed about the progress of their investments through 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 requests or questions.

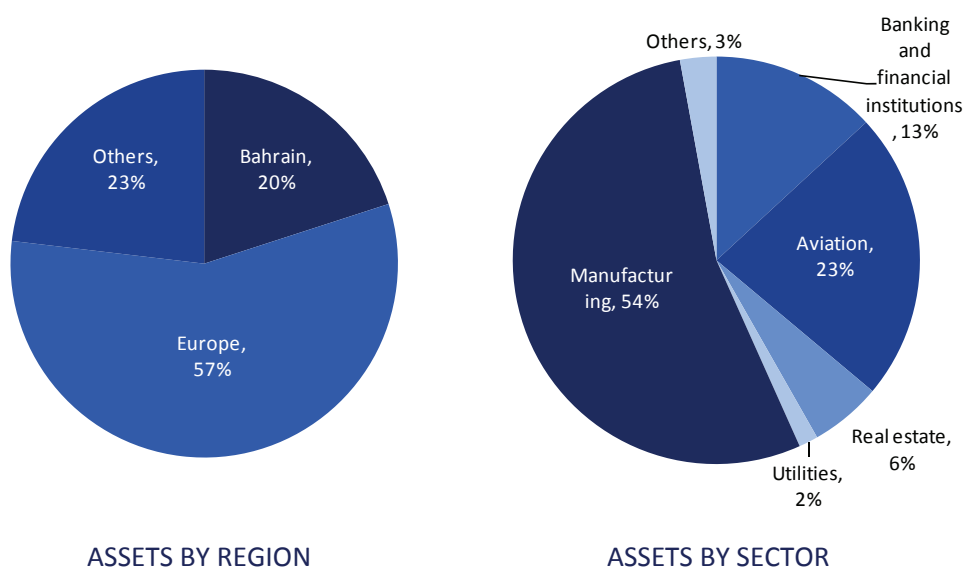
FINANCIAL HIGHLIGHTS

US\$ MILLIONS	2010	2009
TOTAL INCOME	16.5	7.0
TOTAL EXPENSES	10.3	11.0
UNREALISED LOSSES AND PROVISIONS	1.0	(31.0)
NET (LOSS) / INCOME	7.2	(35.1)
TOTAL ASSETS	417.7	306.8
TOTAL EQUITY	300.9	276.0

KEY RATIOS

Islamic Financing to Equity Ratio (leverage)	0.3	0.1
Capital Adequacy	61%	57%
Return on average assets *	1.7%	-1.2%
Return on average equity *	2.2%	-1.4%
Cost to Income	62.1%	158.8%

*Before unrealised losses and gains



AUDITORS REPORT

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

We have audited the accompanying consolidated statement of financial position of Seera Investment Bank B.S.C. ["the Bank"] and its subsidiaries ["the Group"] as of 31 December 2010, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

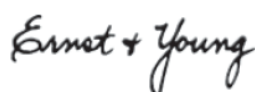
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our 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 2010, the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Other 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 2010 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 and has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group.

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

2 March 2011
Manama, Kingdom of Bahrain

SHARI'A BOARD REPORT

SHARI'A BOARD REPORT ON THE ACTIVITIES OF SEERA INVESTMENT BANK FOR THE PERIOD ENDED 31 DECEMBER 2010

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 2010 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 2010 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 generally 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



Shaikh Yousif A. Alshubaily
Member



Shaikh Mohammed A. AlTabtabaei
Member

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 US\$ '000	2009 US\$ '000
ASSETS			
Cash and balances with banks	4	18,486	4,363
Due from banks and financial institutions	5	34,286	37,940
Non-trading investments	6	21,494	27,624
Investments in leases	7	93,390	93,390
Net assets of disposal group classified as held for sale	8	14,953	115,846
Investment property	9	10,476	11,454
Goodwill and intangible assets	10	165,206	-
Other assets	11	49,844	6,128
Property and equipment	12	9,590	10,044
TOTAL ASSETS		417,725	306,789
LIABILITIES AND EQUITY			
Due to banks and financial institutions	3	101,338	25,874
Other liabilities	13	15,455	4,903
TOTAL LIABILITIES		116,793	30,777
EQUITY			
Share capital	14	291,286	291,286
Reserves	14	4,565	2,420
Accumulated losses		(27,396)	(32,804)
Equity attributable to shareholders of the parent		268,455	260,902
Non-controlling interest		32,477	15,110
TOTAL EQUITY		300,932	276,012
TOTAL LIABILITIES AND EQUITY		417,725	306,789



Asaad Al Banwan
 Chairman



Khalid Al Nasser
 Board Member



Abdulla Janahi
 Chief Executive Officer

The attached explanatory notes 1 to 27 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	Notes	2010 US\$ '000	2009 US\$ '000
Rental income from investments in leases		34,313	36,406
Rental expense on investments in leases		(26,409)	(26,005)
Management fees relating to leases		(1,382)	(1,511)
Net income from investments in leases		6,522	8,890
Profit on amounts due from banks and financial institutions		205	752
Profit on amounts due to banks and financial institutions		(219)	(1,225)
Net cost on due to banks and financial institutions		(14)	(473)
Net income from non-banking activities	15	7,153	-
Income / (loss) from non-trading investments	16	2,209	(2,092)
Fee and other incomes		674	630
TOTAL INCOME		16,544	6,955
Expenses			
Staff expenses		5,981	6,057
General and administration expenses	17	3,020	3,222
Foreign exchange (gain) / loss		(392)	68
Depreciation	12	1,661	1,697
TOTAL EXPENSES		10,270	11,044
NET INCOME / (LOSS) FOR THE YEAR BEFORE UNREALISED LOSS AND PROVISIONS		6,274	(4,089)
Unrealised loss on investment property	9	(978)	(6,006)
Write back / (provisions) for investments	18	1,950	(24,983)
NET PROFIT / (LOSS) FOR THE YEAR		7,246	(35,078)
Attributable to:			
Shareholders of the parent		5,545	(36,117)
Non-controlling interest		1,701	1,039
		7,246	(35,078)

The attached explanatory notes 1 to 27 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	<i>Notes</i>	2010 US\$ '000	2009 US\$ '000
OPERATING ACTIVITIES			
Net profit / (loss) for the year		7,246	(35,078)
Adjustments for:			
Provision for employees' end of service benefits	13	332	244
Depreciation	12	1,661	1,697
Gain on disposal of property and equipment		(78)	-
Amortisation of intangible assets	15	5,088	-
(Write back of provision) / provisions for investments		(1,950)	24,983
(Gain) / loss on disposal of non-trading investments	16	(2,209)	2,713
Unrealised loss on investment property	9	978	6,006
		11,068	565
Changes in operating assets and liabilities:			
Other assets		(5,131)	(2,827)
Due to banks and financial institutions		(15,794)	(33,718)
Other liabilities		(2,595)	(2,149)
Net cash used in operating activities		(12,452)	(38,129)
INVESTING ACTIVITIES			
Proceeds from sale of non-trading investments		9,415	15,220
Proceeds from sale of property and equipment		97	-
Purchase of property and equipment	12	(110)	(205)
Net cash from investing activities		9,402	15,015
FINANCING ACTIVITY			
Non-controlling interest		(450)	(923)
Net cash used in financing activities		(450)	(923)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,500)	(24,037)
Cash and cash equivalents at beginning of the year		42,303	66,340
Cash and cash equivalents at acquisition of a subsidiary	3	13,969	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	19	52,772	42,303

The attached explanatory notes 1 to 27 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	<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 year	-	-	-	-	5,545	5,545	1,701	7,246
Dividends paid by subsidiaries	-	-	-	-	-	-	(450)	(450)
Acquisition of a subsidiary (Note 3)	-	-	-	-	-	-	15,824	15,824
Exchange differences on translation of foreign operations	-	-	-	1,657	-	1,657	292	1,949
Transferred to statutory reserve	-	555	-	-	(555)	-	-	-
Unrealised losses on re-measurement to fair value	-	-	(67)	-	418	351	-	351
Balance at 31 December 2010	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932
Balance at 1 January 2009	291,286	2,002	6,424	-	(2,693)	297,019	14,994	312,013
Net loss for the year	-	-	-	-	(36,117)	(36,117)	1,039	(35,078)
Dividends paid by subsidiaries	-	-	-	-	-	-	(923)	(923)
Unrealised losses on re-measurement to fair value	-	-	(6,006)	-	6,006	-	-	-
Balance at 31 December 2009	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012

The attached explanatory notes 1 to 27 form part of these consolidated financial statements

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.

The comparative figures include an investment classified as "held for sale" which the Group has consolidated under FAS 23 from 1 April 2010. The comparative amounts for the consolidated statements of income, cash flows and changes in equity and related notes are not entirely comparable to that extent.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 2 March 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 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"], the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, 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"].

2.2 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.

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

Following is the summary of significant accounting policies adopted in preparing the consolidated financial statements. These accounting policies are consistent with those used in the previous year, except as noted below:

2.2.1 New financial accounting standards

Following are the new financial accounting standards that have been adopted by the Group during the year. Adoption of these new standards did not have any material effect on the consolidated financial statements of the Group.

Financial Accounting Standard No. 23 - Consolidation

During the year, the Group has adopted FAS 23 issued by the AAOIFI which sets out the principles for determining entities that are subject to be included in the consolidated financial statements of a parent and prescribes the accounting for investment in subsidiaries by parent. The adoption of this standard is effective for financial periods commencing on or after 1 January 2010.

Financial Accounting Standard No. 24 - Associates

During the year, the Group has adopted FAS 24 issued by the AAOIFI which sets out the accounting principles for recognising, measuring, presenting and disclosing the investments in associate. The adoption of this standard is effective for financial periods commencing on or after 1 January 2010.

31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 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. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. 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 have been eliminated in full.

Non-controlling 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 statement of financial position, separately from parent shareholders' equity.

The following are the Group's significant subsidiaries as at 31 December 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 Fund B.S.C. (c)	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 were disposed off in October 2008.

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

2.4 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and balances with banks and murabaha balances with original maturities of less than ninety days.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Due from banks and financial institutions

Due from banks and financial institutions comprise commodity murabaha receivables and wakala receivables. Commodity murabaha receivables are stated net of deferred profits and provision for impairment, if any. Wakala receivables are stated at cost less 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.

2.6 Non-trading investments

These are classified as available for sale.

Initial recognition

All investments are initially recognised at cost, being 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.

Re-measurement to fair value

Subsequent to 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 consolidated statement of changes 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 "impairment losses" 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.

2.7 General Provision

The Group maintains a general provision to reflect a potential loss that may occur as a result of currently unidentifiable risks in relation to its investments. The amount reflects estimated losses affecting these investments attributable to events that have already occurred at the date of the consolidated financial statements, and not estimated losses attributable to future events. These provisions are reversed through consolidated statement of income, if the balance exceeds the required level.

2.8 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.

2.9 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. Net assets of disposal group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investment property

Investment property is held to earn rentals or for capital appreciation. It is initially recorded at cost being the fair value of the consideration, 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 are appropriated to an "investment fair value reserve" in equity and are transferred to retained earnings only when realised.

2.11 Goodwill and intangible assets

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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

2.12 Property and equipment

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

Freehold land is not depreciated. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20
Others	3-5

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2.14 Due to banks and financial institutions

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

2.15 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 directly in equity are recognised in equity and not in consolidated statement of income.

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.

2.16 Recognition of income and expenses

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.

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.

Profit on amounts due from banks and financial institutions

Profit on amounts due from banks and financial institutions 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Derecognition of financial instruments

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

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.

2.18 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 consolidated statement of financial position 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.

Assets (including goodwill) and liabilities of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Income and expense items are translated at average exchange rates for the relevant year. All resulting exchange differences are taken directly to equity.

On disposal of a foreign operation, the component of equity relating to that particular foreign operation is recognised in the consolidated statement of income.

2.19 Significant accounting judgements and estimates

The preparation of the consolidation financial statements requires management to exercise judgement and make estimates that affect the amounts reported in the consolidated financial statements. The most significant use of judgement and estimates are as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Significant accounting judgements and estimate (continued)

Allowances for leases

The Group reviews its individually significant investment in leases at each consolidated statement of financial position date to assess whether an allowance should be made for recoverability. In determining this allowance, judgement by management is required in the estimation of the amount and timings of future cash flows and the fair value of the underlying assets. Such estimates are based on assumptions of a number of factors and actual results may differ, resulting in future changes to the allowance.

Fair value of unquoted investments

Where the fair value of the Group's investment portfolio cannot be derived from an active market, they are determined using a variety of valuation techniques. These techniques rely on market observable data where possible. Judgement by management is required to establish fair values through the use of appropriate valuation models. The judgements include consideration of comparable assets, discount rates and the assumptions used to forecast cash flows.

Fair value of investment property

The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location.

2.20 Impairment

The Group assesses at each statement of financial position 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 judgment.

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.

2.21 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Determination of 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 consolidated statement of financial position 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.

2.23 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.

2.24 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, 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.

2.25 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.

31 December 2010

3 BUSINESS COMBINATION

On 29 September 2008, the Group acquired 87% of McCaw Group Limited via BWA Cayman Ltd. This acquisition was classified under IFRS 5 as "subsidiary held for sale". Effective 1 April 2010, the Group revised its plan to sell this investment, and in line with the requirements of accounting standards has consolidated all the companies under the McCaw Group Limited under FAS 23. As a result, the net income from non-banking activities (refer note 15) is also consolidated for the period from 1 April 2010 to 31 December 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
	67,745
Liabilities	
Due to banks and financial institutions	93,749
Other liabilities	14,762
	108,511
Total identifiable net liabilities at fair value	(40,766)
Non-controlling interests	(15,824)
Goodwill arising on acquisition	166,217
Purchase consideration transferred	109,627

4 CASH AND BALANCES WITH BANKS

	<i>2010 US\$ '000</i>	<i>2009 US\$ '000</i>
Balances with banks	18,484	4,362
Cash in hand	2	1
	18,486	4,363

31 December 2010

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2010 US\$ '000	2009 US\$ '000
Commodity murabaha	11,503	34,750
Deferred income	(1)	(10)
	11,502	34,740
Wakala receivables	22,784	3,000
Mudaraba receivables	-	200
	22,784	3,200
	34,286	37,940

6 NON-TRADING INVESTMENTS

	2010 US\$ '000	2009 US\$ '000
Available for sale investments		
Quoted equity investments (note 6.1)	1,906	8,761
Unquoted equity investments (note 6.2)	21,121	22,346
General provision	(1,533)	(3,483)
Unquoted equity investments	19,588	18,863
	21,494	27,624

6.1 This represents a portfolio of investments quoted on the Kuwait Stock Exchange and managed by National Investment Company K.S.C. (a major shareholder of the Bank) ["NIC"].

6.2 The fair value of these investments cannot be reliably estimated due to uncertainty of cash flows. The balance is net of general provision amounting to US\$ 1,533 thousand (31 December 2009: US\$ 3,483 thousand).

7 INVESTMENTS IN LEASES

	2010 US\$ '000	2009 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 Seven Limited	17,309	17,309
Falak Lease Eight Limited	12,500	12,500
Falak Lease Nine Limited	3,130	3,130
Falak Lease Ten Limited	2,884	2,884
Falak Lease Eleven Limited	12,317	12,317
	101,390	101,390
General provision	(8,000)	(8,000)
	93,390	93,390

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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:

	2010		
	<i>Receivable US\$ '000</i>	<i>Payables US\$ '000</i>	<i>Net US\$ '000</i>
During 2011	36,012	27,211	8,801
During 2012-2013	62,999	47,179	15,820
During 2014-2015	12,399	9,280	3,119
	111,410	83,670	27,740

	2009		
	<i>Receivables US\$ '000</i>	<i>Payables US\$ '000</i>	<i>Net US\$ '000</i>
During 2010	35,277	26,510	8,767
During 2011-2013	102,075	74,534	27,541
During 2014-2015	13,342	9,408	3,934
	150,694	110,452	40,242

In consideration of the above, the Group has acquired head leases, which give it the right to lease the aircraft to various airlines. In addition, the Group also has an option to acquire the underlying aircraft based on agreed formulae.

8 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 31 December 2010, the Group has retained a 21.5% stake in this Danish company and the Management remains committed to sell the investment and is actively marketing at a price that is reasonable. As at 31 December 2010, the total assets and liabilities amounted to US\$ 46,260 thousand and US\$ 29,789 thousand respectively (31 December 2009: US\$ 54,128 thousand and US\$ 35,438 thousand respectively).

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 (Note 3).

9 INVESTMENT PROPERTY

	2010 US\$ '000	2009 US\$ '000
Opening carrying value	11,454	17,460
Unrealised loss on investment property	(978)	(6,006)
Closing carrying value	10,476	11,454

The investment property represents land in the Kingdom of Bahrain. It is stated at fair value, determined based on valuations performed by three independent professional valuers as of 31 December 2010 and 31 December 2009. These valuers are industry specialist in valuing these type of investment properties.

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10 GOODWILL AND INTANGIBLE ASSETS

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Goodwill *	156,217	-
Intangible assets (note 3)	14,077	-
Amortised during the year (note 15)	(5,088)	-
	8,989	-
	165,206	-

* Goodwill is net of impairment of US\$ 10 million.

11 OTHER ASSETS

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Trade receivables	20,738	-
Deferred tax asset	9,478	-
Inventories	11,848	-
Other assets	7,780	6,128
	49,844	6,128

12 PROPERTY AND EQUIPMENT

	<i>Freehold land US\$ '000</i>	<i>Building US\$ '000</i>	<i>Others US\$ '000</i>	<i>Total US\$ '000</i>
Cost				
At 1 January 2010	3,163	4,079	5,524	12,766
Acquired through subsidiary	1,116	-	-	1,116
Additions	37	-	73	110
Disposals	-	-	(254)	(254)
At 31 December 2010	4,316	4,079	5,343	13,738
Accumulated depreciation				
At 1 January 2010	-	628	2,094	2,722
Charge for the year	-	204	1,457	1,661
Disposals	-	-	(235)	(235)
At 31 December 2010	-	832	3,316	4,148
Net book value				
At 31 December 2010	4,316	3,247	2,027	9,590
At 31 December 2009	3,163	3,451	3,430	10,044

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13 OTHER LIABILITIES

	2010 US\$ '000	2009 US\$ '000
Trade payables	8,167	-
Accrued expenses	3,637	661
Unearned rental income	912	1,118
Provision for employees end of service benefits	843	737
Legal and professional fees payable related to investment in leases	676	263
Rental expenses payable	670	853
Other liabilities	550	1,271
	15,455	4,903

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

	2010 US\$ '000	2009 US\$ '000
Opening balance	737	499
Charge for the year	332	244
Utilised and paid during the year	(226)	(6)
Closing balance	843	737

14 EQUITY**14.1 Share capital**

	2010 US\$ '000	2009 US\$ '000
Authorised: 2,500,000,000 ordinary shares of US\$ 1 each	2,500,000	2,500,000
Issued and fully paid up: 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 ("BCCL") 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.

14.3 Investment fair value reserve

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

14.4 Foreign currency translation reserve

The foreign currency translation reserve represents the net foreign exchange gain (loss) arising from translating the non-monetary assets and liabilities carried at fair value.

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15 NET INCOME FROM NON-BANKING ACTIVITIES

	<i>2010</i> <i>US\$ '000</i>
Revenue from sale of goods	100,717
Cost of goods sold	(64,744)
Gross Profit	35,973
Selling and distribution expenses	(4,564)
Administrative expenses	(11,398)
Amortisation of intangible assets	(5,088)
Finance cost	(5,165)
Taxation	(2,605)
Total expenses from non-banking activities	(28,820)
Net income from non-banking activities	7,153

16 INCOME / (LOSS) FROM NON-TRADING INVESTMENTS

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Gain / (loss) on disposal of equity investments	2,209	(1,524)
Income from sukuk	-	290
Dividend income	-	331
Loss on disposal of sukuk	-	(1,189)
	2,209	(2,092)

17 GENERAL AND ADMINISTRATION EXPENSES

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Legal and professional	1,228	1,527
Rent and maintenance	403	332
Communication charges	260	305
Board of Directors and Committees meetings' expenses and attendance allowances	120	115
Marketing and advertisement	85	182
Travel expenses	41	115
Others	883	646
	3,020	3,222

18 GENERAL PROVISION ON INVESTMENTS

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Non-trading investments	-	6,983
Investments in leases	-	8,000
Other investments	-	10,000
Write back of provision	(1,950)	-
	(1,950)	24,983

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19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated statement of financial position amounts:

	2010 US\$ '000	2009 US\$ '000
Cash and balances with banks	18,486	4,363
Due from banks and financial institutions (original maturity within 90 days)	34,286	37,940
	52,772	42,303

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group's quoted equity investments qualify for disclosure under Level 1 and their carrying value as at 31 December 2010 is US\$ 1,906 thousand (31 December 2009: US\$ 8,761 thousand). The Group does not have financial instruments qualifying for Level 2 or Level 3. The other available for sale investments amounting to US\$ 19,588 thousand (31 December 2009: US\$ 18,863 thousand) are carried at cost less impairment, if any.

21 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, statutory reserve, accumulated losses and non controlling interest. The other component of regulatory capital, Tier 2 Capital, consists of investment fair value reserves. 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.

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.

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21 CAPITAL MANAGEMENT

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.

Regulatory capital

	Note	2010 US\$'000	2009 US\$'000
Tier 1 capital	21.1	218,719	217,522
Tier 2 capital		-	-
Total capital base (a)		218,719	217,522
Risk weighted assets (b)	21.2	358,150	383,446
Capital adequacy (a/b x 100)		61.07%	56.73%
Minimum requirement		12.0%	12.0%

21.1 Tier 1 Capital

	2010 US\$'000	2009 US\$'000
Share capital	291,286	291,286
Statutory reserve	2,557	2,002
Other reserve	1,657	-
Accumulated losses	(27,396)	(32,804)
Non-controlling interest	15,293	15,110
Core Tier 1 Capital	283,397	275,594
Deductions	(32,418)	(29,130)
Tier 1 Capital	250,979	246,464
Negative balance of Tier 2	(32,260)	(28,942)
Tier 1 Capital net of negative Tier 2 Capital	218,719	217,522

21.2 Tier 2 Capital

	2010 US\$ '000	2009 US\$ '000
Investment property revaluation reserve (45%)	-	188
Available for sale investments (45%)	158	-
Core Tier 2 Capital	158	188
Deductions	(32,418)	(29,130)
Tier 2 Capital	(32,260)	(28,942)

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21 CAPITAL MANAGEMENT (continued)

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
21.2 Risk weighted assets		
Credit risk weighted assets	309,315	310,379
Market risk weighted assets	23,438	29,680
Operational risk weighted assets	25,397	43,387
	358,150	383,446

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 standardised 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.

22 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and services. The Group has two reportable segments being geographical segment and industrial segment.

Geographical segment

Geographical segment is a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment which may have risks and returns that may be different from the components operating in other economic environment.

Industrial segment

A business segment is a distinguishable component that is engaged in providing an individual product or service or a group of related product or services which may have risks and returns that may be different from those of other business segments.

	<i>2010</i>		<i>2009</i>	
	<i>Assets</i> <i>US\$'000</i>	<i>Liabilities</i> <i>US\$'000</i>	<i>Assets</i> <i>US\$'000</i>	<i>Liabilities</i> <i>US\$'000</i>
Geographical segment:				
Bahrain	83,649	16,096	94,485	28,543
Europe	237,456	97,952	115,846	-
Others	96,620	2,745	96,458	2,234
	417,725	116,793	306,789	30,777

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22 SEGMENTAL INFORMATION (continued)**Industrial segment:**

Banking and financial institutions	54,945	101,337	43,966	27,138
Aviation	95,816	1,582	95,922	1,971
Real estate	23,664	-	25,848	-
Utilities	6,397	-	4,555	-
Manufacturing	224,902	11,587	117,317	-
Others	12,001	2,287	19,181	1,668
	417,725	116,793	306,789	30,777

Segment total operating income, net operating expenses and net income / (loss) were as follows:

	2010			2009		
	Total operating income / (loss) US\$'000	Net operating expenses US\$'000	Net income / (loss) US\$'000	Total operating income / (loss) US\$'000	Net operating expenses US\$'000	Net loss US\$'000
Geographical segment:						
Bahrain	4,819	(11,248)	(6,429)	157	(44,125)	(43,968)
Europe	35,973	(28,820)	7,153	-	-	-
Others	34,313	(27,791)	6,522	36,406	(27,516)	8,890
	75,105	(67,859)	7,246	36,563	(71,641)	(35,078)

Industrial segment:

Banking and financial institutions	2,195	(10,270)	(8,075)	157	(33,738)	(33,581)
Aviation	34,313	(27,791)	6,522	36,406	(27,516)	8,890
Real estate	-	(978)	(978)	-	(6,904)	(6,904)
Utilities	1,950	-	1,950	-	(3,483)	(3,483)
Manufacturing	36,569	(28,820)	7,749	-	-	-
Others	78	-	78	-	-	-
	75,105	(67,859)	7,246	36,563	(71,641)	(35,078)

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23 RELATED PARTIES

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board members, 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:

	Note	2010 US\$'000	2009 US\$'000
Assets			
Quoted equity investments	6	1,906	8,761

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

Income			
Profit on amounts due from banks and financial institutions		-	48
Fee income		108	112
Gain on disposal of property and equipment		78	-
Expenses			
Board of Directors and Committees meetings' expenses and attendance allowances		69	68
Shari'a Supervisory Board meetings' expenses and attendance allowances		51	47
Fees expense		23	62

Key management personnel are those that posses significant decision making and direction setting responsibilities within the Bank. Staff costs attributable to key management personnel of the Bank is as follows:

	2010 US\$'000	2009 US\$'000
Short term employee costs	1,958	1,942
Termination costs	265	211
	2,223	2,153

24 COMMITMENTS

	Less than 1 year US\$ '000	1 to 5 years US\$ '000	Total US\$ '000
At 31 December 2010			
Capital and other commitments	749	3	752
	749	3	752
At 31 December 2009			
Capital and other commitments	637	3	640
	637	3	640

25 SHARI'A SUPERVISORY BOARD

The Bank's Shari'a Supervisory Board consists of three scholars who review the Group's compliance with general Shari'a principles and specific fatwas, 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.

26 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 Group in implementing risk strategy and policies, monitoring and managing the key risks to which the bank is exposed. The Group 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, the 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.

26.1 Risk management structure

Board of Directors

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

Shari'a Supervisory Board

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

Executive Committee

The Executive Committee of the Board considers and approves proposals to purchase and sell individual investments up to the limit accorded 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.

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 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.

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.

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26 RISK MANAGEMENT (continued)**26.2 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 Department 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, wakala contracts and receivables. The Group deploys excess funds in a conservative manner, targeting highly rated financial institutions locally and regionally.

Credit risk is managed by the Group through limits 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 considered by the Group are Standard and Poor's, Moody's and Fitch.

The Group does not have collateral for any of its credit risk exposures. 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.

The following table analyses the geographical and counterparty type concentrations of the Group's maximum exposure to credit risk:

(i) Maximum exposure to credit risk

	2010 US\$'000	2009 US\$'000
Balances with banks	18,484	4,362
Due from banks and financial institutions	34,286	37,940
Investments in leases	93,390	93,390
Other assets	37,996	6,128
	184,156	141,820

Exposures by geographical region

As at 31 December 2010:

	Bahrain US\$'000	Europe US\$'000	Other GCC countries US\$'000	Other Middle East & Asia US\$'000	North America US\$'000	Total US\$'000
Balances with banks	644	10,014	333	1,398	6,095	18,484
Due from banks and financial institutions	20,584	-	13,702	-	-	34,286
Investments in leases	34,988	47,057	-	11,345	-	93,390
Other assets	1,381	24,593	1,794	4,623	5,605	37,996
	57,597	81,664	15,829	17,366	11,700	184,156

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26 RISK MANAGEMENT (continued)**26.2 Credit risk (continued)**

Exposures by geographical region

	<i>Bahrain</i> US\$'000	<i>Europe</i> US\$'000	<i>Other GCC</i> <i>countries</i> US\$'000	<i>Other Middle</i> <i>East & Asia</i> US\$'000	<i>North</i> <i>America</i> US\$'000	<i>Total</i> US\$'000
As at 31 December 2009:						
Balances with banks	781	2,142	65	-	1,374	4,362
Due from banks and financial institutions	30,939	-	-	-	-	30,939
Investments in leases	34,988	47,057	7,001	11,345	-	100,391
Other assets	972	862	1,297	2,997	-	6,128
	67,680	50,061	8,363	14,342	1,374	141,820

Exposure by industry:

As at 31 December 2010:

	<i>Aviation</i> US\$'000	<i>Banking</i> <i>and finance</i> US\$'000	<i>Manufacturing</i> US\$'000	<i>Other</i> US\$'000	<i>Total</i> US\$'000
Balances with banks	-	18,484	-	-	18,484
Due from banks and financial institutions	-	34,286	-	-	34,286
Investments in leases	93,390	-	-	-	93,390
Other assets	2,426	1,665	31,496	2,409	37,996
	95,816	54,435	31,496	2,409	184,156

As at 31 December 2009:

Balances with banks	-	4,363	-	-	4,363
Due from banks and financial institutions	-	37,939	-	-	37,939
Investments in leases	93,390	-	-	-	93,390
Other assets	2,532	1,204	429	1,963	6,128
	95,922	43,506	429	1,963	141,820

26.3 Market Risk

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

Profit rate risk

Profit rate risk is combination of the rate of return risk and the risk of exposure due to the mismatch in the Group's profit-sensitive assets and liabilities caused by variations in the market reference rate, which would result in a decrease of the Group's net present value.

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 and due to banks and financial institutions and have repricing dates no longer than three months. During 2010, a +/- 0.5% change in the profit rate, with all other variables constant, would have resulted in a +/- US\$ 92 thousand (31 December 2009: +/- 2% resulted in +/- US\$ 317 thousand) impact on the consolidated statement of income.

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26 RISK MANAGEMENT (continued)**26.3 Market risk (continued)**

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

	2010	2009
Investments in leases	7.29%	7.16%
Due from banks and financial institutions	0.61%	1.62%
Investments in Sukuk	-	3.50%
Due to banks and financial institutions	1.50%	3.19%

Currency risk

Currency risk represents fluctuations in exposures held by the Group in currencies other than the US\$. The Group may engage, in the 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 Shari'a 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.

The Group has the following significant foreign currency exposures at the consolidated statement of financial position date:

	2010		
	Assets US\$'000	Liabilities US\$'000	Net US\$'000
Danish Krone	14,953	-	14,953
Kuwaiti Dinars	1,943	-	1,943
Great Britain Pounds	6,454	-	6,454
Euro	15,039	(14,973)	66
	2009		
	Assets US\$'000	Liabilities US\$'000	Net US\$'000
Danish Krone	16,219	-	16,219
Kuwaiti Dinars	8,809	-	8,809
Great Britain Pounds	4,635	-	4,635
Euro	15,641	(25,875)	(10,234)

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	1,495
Kuwaiti Dinars	10	194
Great Britain Pounds	10	645
Euro	10	7

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.

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26 RISK MANAGEMENT (continued)**26.3 Market risk (continued)***Equity price risk (continued)*

As of year ended 31 December 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 trading investments is calculated by considering the impact of reasonably expected changes in the capitalisation rate.

	<i>Change in equity price (+/-) %</i>	<i>Effect on net equity (+/-) US\$'000</i>
Kuwait Stock Exchange	10	191

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 market risk are as follows:

	<i>2010 US\$ '000</i>	<i>2009 US\$ '000</i>
Foreign exchange risk	23,438	29,680
Regulatory capital requirement (at 12%)	2,813	3,562

26.4 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 Bank's internal audit function performs regular independent audits of each critical area and reports to the Board Audit Committee on a regular basis.

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 Board of Directors, Audit Committee, Asset Liability and Risk Management Committee, Risk Management Department, staff, contractors and Internal Audit.

31 December 2010

26 RISK MANAGEMENT (continued)**26.4 Operational risk (continued)**

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, has 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, authorisation, 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:

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Average gross income	13,545	23,140
Operational risk weighted assets	25,397	43,387
Regulatory capital requirement (at 12%)	3,048	5,206

27 SOCIAL RESPONSIBILITY

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

**ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH
PUBLIC DISCLOSURE MODULE OF THE CENTRAL BANK OF BAHRAIN**

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk**(i) Maximum exposure**

As at 31 December 2010:

	<i>Gross funded credit exposures US\$ '000</i>	<i>Net funded credit exposures US\$ '000</i>	<i>Credit risk weighted exposures US\$ '000</i>	<i>Regulatory capital requirements US\$ '000</i>
Investments	247,681	182,655	284,955	34,195
Due from banks and financial institutions				
Murabaha receivables	11,502	11,502	3,651	438
Wakala receivables	22,784	7,811	1,562	187
Other assets	20,622	20,622	19,147	2,298
	302,589	222,590	309,315	37,118

As at 31 December 2009:

Investments	248,314	189,823	285,966	34,316
Due from banks and financial institutions				
Murabaha receivables	34,740	8,866	4,433	532
Wakala receivables	3,000	3,000	1,500	180
Mudaraba receivables	200	200	40	5
Other assets	20,535	20,536	18,440	2,213
	306,789	222,425	310,379	37,246

The year-end credit exposure position as disclosed above is representative of the risk positions of the Group during the period and accordingly, the average gross exposures have not been disclosed. Under CBB prudential guidelines investment in a commercial entity is not consolidated.

(ii) Geographical region and counterparty

Net funded credit exposures by geographical region

As at 31 December 2010:

	<i>Due from banks and financial institutions</i>					<i>Total US\$ '000</i>
	<i>Investments US\$ '000</i>	<i>Murabaha receivable US\$ '000</i>	<i>Wakala receivable US\$ '000</i>	<i>Mudaraba receivables US\$ '000</i>	<i>Other US\$ '000</i>	
Europe	110,946	-	-	-	4,995	115,941
Bahrain	45,463	4,501	1,110	-	10,461	61,535
Other GCC Countries	1,713	7,001	6,701	-	1,860	17,275
Other Middle East and Asia	24,533	-	-	-	2,905	27,438
North America	-	-	-	-	401	401
	182,655	11,502	7,811	-	20,622	222,590

As at 31 December 2009:

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
Other 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

**ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH
PUBLIC DISCLOSURE MODULE OF THE CENTRAL BANK OF BAHRAIN**

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk (continued)**(ii) Geographical region and counterparty (continued)**

Counterparty type:

Net funded credit exposures by counterparty:

As at 31 December 2010:

	<i>Investments</i> <i>US\$'000</i>	<i>Murabaha</i> <i>receivable</i> <i>US\$'000</i>	<i>Wakala</i> <i>receivable</i> <i>US\$'000</i>	<i>Mudaraba</i> <i>receivables</i> <i>US\$'000</i>	<i>Other</i> <i>US\$'000</i>	<i>Total</i> <i>US\$'000</i>
Investment in securities	158,991	-	-	-	-	158,991
Claims on banks	-	11,502	7,811	-	4,680	23,993
Holdings of real estate	23,664	-	-	-	7,313	30,977
Claims on corporates	-	-	-	-	6,489	6,489
Other assets	-	-	-	-	2,140	2,140
	182,655	11,502	7,811	-	20,622	222,590

Net funded credit exposures by counterparty

As at 31 December 2009:

	<i>Investments</i> <i>US\$'000</i>	<i>Murabaha</i> <i>receivables</i> <i>US\$'000</i>	<i>Wakala</i> <i>receivables</i> <i>US\$'000</i>	<i>Mudaraba</i> <i>receivables</i> <i>US\$'000</i>	<i>Other assets</i> <i>US\$'000</i>	<i>Total</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

(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 and Fitch credit ratings where relevant of the counterparties:

	<i>2010</i> <i>US\$ '000</i>	<i>2009</i> <i>US\$ '000</i>
Credit rating:		
AAA to AA-	14,144	1,411
A+ to A-	5,839	11,907
BBB+ to BBB-	1,570	264
BB+ to B-	2,376	1,995
Unrated	198,661	206,848
	222,590	222,425

**ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH
PUBLIC DISCLOSURE MODULE OF THE CENTRAL BANK OF BAHRAIN**

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk (continued)**(iv) 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 and liabilities by geographical region and industry sector was as follows:

	2010		2009	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Geographical region:				
Bahrain	76,507	16,713	89,180	27,662
Other Gulf Cooperation Council (GCC) Countries	17,468	211	17,123	55
Europe	180,775	1,110	170,465	1,399
Other Middle East and Asia	27,438	807	28,647	1,661
North America	401	-	1,374	-
	302,589	18,841	306,789	30,777

	2010		2009	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Industry sector:				
Banking and financial institutions	41,141	14,973	43,966	27,138
Aviation	95,815	1,582	95,922	1,971
Real estate	23,664	-	25,848	-
Utilities	6,397	-	4,555	-
Manufacturing	124,725	-	117,317	-
Services	3	-	7,173	-
Others	10,844	2,286	12,008	1,668
	302,589	18,841	306,789	30,777

**ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH
PUBLIC DISCLOSURE MODULE OF THE CENTRAL BANK OF BAHRAIN**

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk (continued)**(v) Large exposures**

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.

As at 31 December 2010:

	<i>Large exposure (banks) US\$ '000</i>	<i>% of exposure to capital</i>		<i>Large exposure (non - banks) US\$ '000</i>	<i>% of exposure to capital</i>
Bank A	7,001	2.5%	Counterparty A	107,369	37.9%
Bank B	6,701	2.4%	Counterparty B	37,985	13.4%
Bank C	4,500	1.6%	Counterparty C	17,309	6.1%
Bank D	2,376	0.8%	Counterparty D	15,264	5.4%
Bank E	1,099	0.4%	Counterparty E	14,953	5.3%
Bank F	1,052	0.4%	Counterparty F	13,188	4.7%
			Counterparty G	12,500	4.4%
			Counterparty H	12,317	4.3%
			Counterparty I	6,397	2.3%
			Counterparty J	3,130	1.1%
			Counterparty K	2,884	1.0%
			Counterparty L	1,398	0.5%

As at 31 December 2009:

	<i>Large exposure (banks) US\$ '000</i>	<i>% of exposure to capital</i>		<i>Large exposure (non - banks) 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%

ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH PUBLIC DISCLOSURE MODULE OF
THE CENTRAL BANK OF BAHRAIN

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk (continued)

(vi) 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: 1) The mobilisation and placement of short term funds through placements and murabaha transactions by Treasury, 2) All funding objectives should be aligned to the strategic objectives of the Bank, 3) The composition, characteristics and diversification of the Bank's funding structure will be monitored by AL&RMCO and executed by Treasury, Treasury will maintain the counterparty relationships to obtain the necessary lines of funding, 4) AL&RMCO will monitor the concentration of funding sources across products and counterparties and effect measures to mitigate undue concentrations, 5) Treasury will implement the deals within the approved guidelines, including the approved products and the counterparties.

The maturity profile of assets and liabilities as at 31 December 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>Sub-total 1 year US\$'000</i>	<i>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>Sub-total over 1 year US\$'000</i>	<i>No fixed maturity US\$'000</i>	<i>Total US\$'000</i>
Assets										
Cash and balances with banks	4,682	-	-	-	4,682	-	-	-	-	4,682
Due from banks and financial institutions	18,262	16,024	-	-	34,286	-	-	-	-	34,286
Non-trading investments	-	-	-	-	-	-	-	-	21,494	21,494
Investments in leases	5,540	-	-	-	5,540	22,669	65,181	87,850	-	93,390
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	-	-	122,321	122,321
Investment property	-	-	-	-	-	-	-	-	10,476	10,476
Other assets	-	-	-	-	-	-	-	-	7,504	7,504
Property and equipment	-	-	-	-	-	-	-	-	8,436	8,436
	28,484	16,024	-	-	44,508	22,669	65,181	87,850	170,231	302,589
Liabilities										
Due to banks and financial institutions	-	14,973	-	-	14,973	-	-	-	-	14,973
Other liabilities	-	-	-	-	-	-	-	-	3,868	3,868
	-	14,973	-	-	14,973	-	-	-	3,868	18,841
Net	28,484	1,051	-	-	29,535	22,669	65,181	87,850	166,363	283,748

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

ADDITIONAL DISCLOSURES FOR CREDIT RISK IN COMPLIANCE WITH PUBLIC DISCLOSURE MODULE OF THE CENTRAL BANK OF BAHRAIN

Appendix to Consolidated Financial Statements for the Year Ended 31 December 2010

Credit risk (continued)

(vi) Liquidity risk

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>Sub-total 1 year US\$'000</i>	<i>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>Sub-total over 1 year 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	-	-	-	-	4,363
Due from banks and financial institutions	22,730	15,210	-	-	37,940	-	-	-	-	37,940
Non-trading investments	-	-	-	-	-	-	-	-	27,624	27,624
Investments in leases	-	2,883	2,657	-	5,540	-	87,850	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
	27,093	18,093	2,657	-	47,843	-	87,850	87,850	171,096	306,789
Liabilities										
Due to banks and financial institutions	11,514	14,360	-	-	25,874	-	-	-	-	25,874
Other liabilities	-	-	-	-	-	-	-	-	4,903	4,903
	11,514	14,360	-	-	25,874	-	-	-	4,903	30,777
Net	15,579	3,733	2,657	-	21,969	-	87,850	87,850	166,193	276,012

BOARD OF DIRECTORS COMPOSITION

MR ASAAD AHMED AL BANWAN

Chairman of the Board and the Executive Committee

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, Chairman of Union of Investment Companies 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.

H.R.H PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD

Independent Non-Executive Board Member

Member of the 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.

MR YOUSEF SULTAN AL MAJID

Non-Executive Board Member

Member of the Executive Committee

Mr Al Majid has over 29 years of extensive experience in banking and investment finance. He is currently the Chairman 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 Mal Investment Company, and Bawabat Al-Kuwait Holding in Kuwait. He also serves as a Board member of Foras Investment Company in Saudi Arabia . Mr Al Majid holds a Bachelors degree in Industrial Engineering from Wichita State University, Kansas.

MR KHALID BIN NASSER AL NASSER

Non-Executive Board Member

Member of the Executive and Nomination and Remuneration Committees

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 the Chairman at Tejoori Investment Company in Dubai. Mr. Al Nasser holds a Masters in Business Administration from Marylhurst College, USA.

MR ABDULLA RASHED OMRAN AL SHAMSI

Non Executive Board Member
Member of the Audit Committee

Mr Al Shamsi has over 25 years of Banking experience. Mr Al Shamsi worked for Industrial Bank in Dubai and he held several managerial positions in governmental and semi-government entities. He is currently the Managing Director and Board Member of Commercial Bank International. Mr Al Shamsi also serves as a Board member in several companies including Takamul Real Estate where he is the Vice Chairman and International Financial Brokerage. Mr Al Shamsi holds a Bachelors degree in Management from Boston University, USA.

MR MUBARAK MATAR AL HEMEIRI

Independent Non-Executive Board Member
Chairman of the Nomination and Remuneration Committee and member of the Executive Committee

Mr Al Hemeiri is currently the Managing Director of Royal Group, UAE. He holds a Bachelors degree from Seattle, USA and has over 18 years of field experience in the banking and finance industry. This includes risk, treasury and internal audit management. His practical experience also covers equities, fixed income, real estate and the private equity fields. He is a board member in several listed and unlisted companies across the GCC.

MR MOHAMED HANI ABDULKADER AL BAKRI

Independent Non-Executive Board Member
Member of the Audit Committee

Mr Al Bakri is the Chairman of Allied Cooperative Insurance Group (ACIG) of Bahrain and of The Card Company of Bahrain. Mr Al Bakri serves as a Board Member for numerous companies and financial institutions and has over 25 years of broad experience in industry, development and finance. He is also a Board Member of the North of England Protection and 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, Al Khomasia 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 the Nomination and Remuneration Committee

Mr Al Felaj 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 Felaj General Trading & Contracting Company. Mr Al Felaj holds a Bachelors degree from Font Bonne College, USA.

MR YOUSEF BIN NASSER AL NASSER

Non-Executive Board Member

Mr Yousef Al Nasser is the Chief Executive Officer of the Al Nasser Group, Saudi Arabia. He has over 15 years of experience in the logistics, construction and motor vehicles sectors. He is a founding shareholder in several banks and investment companies in the GCC. He also holds several executive positions including President of the Yousef Al Nasser Contracting Company and General Manager of Future Cities Real Estate Investment Company. Mr Al Nasser is a holder of an MBA from California State University, USA.

MR WALEED ABDULLA AL EISA

Independent Non-Executive Board Member

Chairman of the Audit Committee

Mr Al Eisa has over 25 years of Investment Banking experience. He is currently Senior Manager of International Investment Unit at the Asset Management Division of Kuwait Investment Company. Prior to that, Mr Al Eisa headed the European Equity Investment and Fixed Income. Mr Al Eisa completed several international assignments in Europe, North America and the Far East. Mr Al Eisa holds a Bachelor degree from California State University.

* During the AGM held in 2010 and as part of the regular new elections, Mr Mubarak Matar Al Hemeiri, Mr Abdulla Rashid Omran Al Shamsi and Mr Yousef Bin Nasser Al Nasser were appointed as new Board members. HRH Prince Turki Bin Talal Bin Abdul Aziz Al Saud, Mr Saad Mohamed Abdullah Al Saad, Dr Abdulla Bin Abdul Muhsin Al Turki and Mr Khamis Mohamed Buharoon are no longer members of the Board.

** The qualifying criteria for “Independent” and “Non-Executive directors is as per the Central Bank of Bahrain’s Corporate Governance requirements

***Seera Board Committees are the Executive Committee (5 members), Audit Committee (3 members) and Nomination and Remuneration Committee (3 members)

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.

SHAIKH ESAM M ISHAQ

SHARI'A BOARD 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; Board of Trustees, Al Iman Islamic School, Bahrain; Shari'a Supervisory Board of Meezan Islamic Bank, Islamic Republic of Pakistan; Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain; and 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

SHARI'A BOARD 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

SHARI'A BOARD 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 research papers 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.

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. 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.

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 of 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 Fellow of the Institute of Chartered Accountants in England and Wales.

GAVIN SASSON

HEAD OF POST ACQUISITION MANAGEMENT

Mr Sasson began his career with Schrodgers 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.

PRATEEK SHARMA

HEAD OF INVESTMENT

Mr. Sharma has over 10 years of banking experience with BNP Paribas, Arab Banking Corporation (ABC) and BBK in Corporate Banking and Risk management. Prior to joining Seera, he was heading Credit Risk management at BBK. He has worked on a wide range of transactions in industries such as shipping, airlines, Power, Oil & Gas across Asia, Middle East, Europe and North America. He has also led the development of Credit Risk management frameworks at his previous positions at ABC and BBK. Mr. Sharma holds a Bachelors degree in Electronics and Communications and an MBA in Finance. He is also a CFA charter holder and a Financial Risk Manager.

SOHAIL TOHAMI

HEAD OF TREASURY AND ACTING HEAD OF PLACEMENT

Mr Tohami has more than 10 years experience in the Banking industry and other diversified business. Prior to joining Seera Investment Bank, Mr Tohami was Head of the Money Market Desk in the Treasury Department at the Bank of Bahrain and Kuwait where he worked in various Treasury functions including fixed income portfolio manager, FX trading and currency options and the corporate desk. Mr Tohami holds a Certified Public Accountant (CPA) designation from the University of Illinois and is a member of the American Institute of Certified Public Accountants. Mr Tohami is also a member of the CFA Institute where he is designated as a Chartered Financial Analyst (CFA) holder. He also holds an executive MBA with first-class honors distinction from the University of Bahrain.

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.

SAMEER OUNDHAKAR

VICE PRESIDENT , POST ACQUISITION MANAGEMENT

Sameer Oundhakar has over 10 years of experience in the Financial Services sector. Before joining Seera, he was with the Boston Consulting Group in London where he worked with several financial services and private equity clients. Mr Oundhakar began his career in India with Larsen & Tourbo as an Engineering trainee. He then joined HSBC, where he was the Head of Electronic Banking for India. In 2003, he moved to the UK with American Express and worked in the Strategic Planning Group on developing and implementing several strategic initiatives. Mr. Oundhakar also worked with Threadneedle Asset Management in roles encompassing strategic alliances and distribution strategy. Mr. Oundhakar has a Bachelors degree with Distinction in Mechanical Engineering from VJTI - University of Mumbai, a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Lucknow and an MBA from INSEAD, France.

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).

TAWFIQ AL-SARI

HEAD OF FINANCIAL CONTROL

Mr Al-Sari has almost 15 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) from the Accounting and Auditing Organization for Islamic Financial Institutions. He holds a Bachelor of Science degree in Accounting.

ABDULRAHMAN ALSHAIKH

HEAD OF SHARI'A COMPLIANCE

Mr AlShaikh has over 10 years of experience in Banking and Shari'a Compliance. Prior to joining Seera, he held the position of Shari'a Compliance Manager at ABC Islamic Bank where he was responsible for ensuring that the Bank's Shari'a policies and procedures are complied with. Mr Abdulrahman holds a B.A. in Economics with a minor in Finance from St. Cloud State University, Minnesota, USA and has an AAOIFI C.S.A.A. certification as a certified Shari'a advisor and auditor.

SUMAYA REDHA

HEAD OF COMPLIANCE

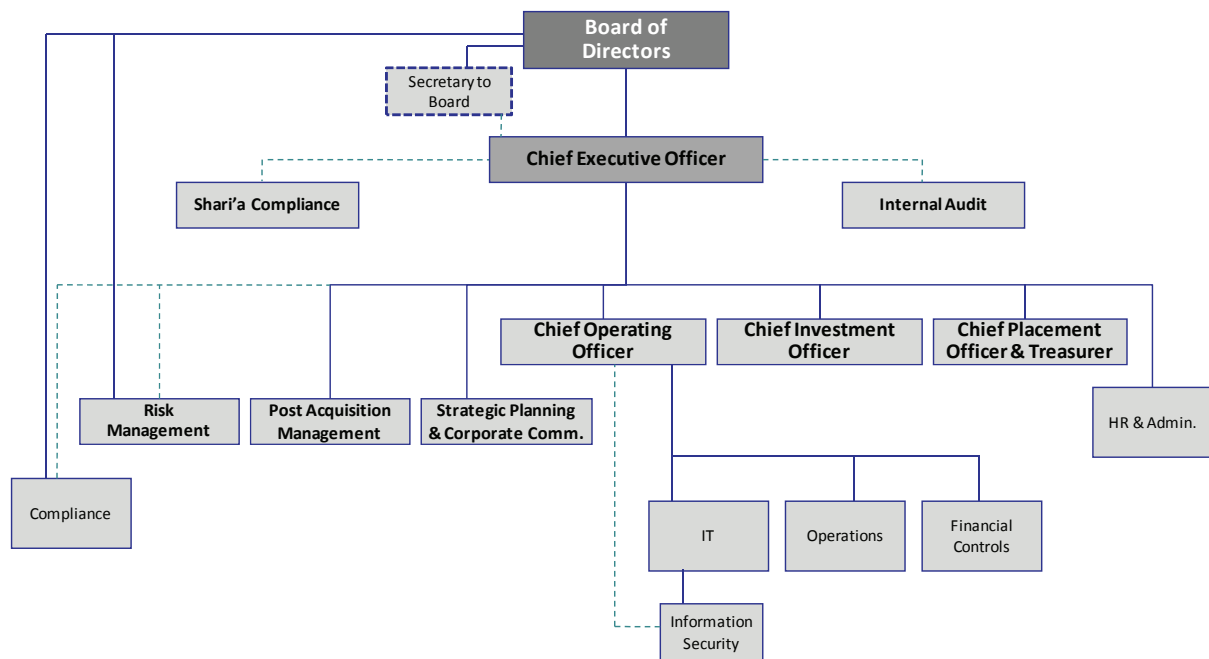
Ms Redha joined Seera Investment Bank with more than 10 years experience in Banking and Audit. She specializes in Anti-money laundering (AML) and Compliance. She started her career as an auditor with PriceWaterhouseCoopers and then moved to BNP Paribas where she held several positions as Head of Reconciliation, 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.

MOHAMMED KAMAL

HEAD OF INFORMATION TECHNOLOGY

Mr Kamal is responsible for Seera's IT operations which include core banking system implementation and aligning the IT strategy with Bank's business and compliance mandate. Prior to joining Seera Mr. Kamal was a Senior IT Specialist at the Bahrain Petroleum Company (BAPCO) where he was specialized in Information Technology & Security infrastructures and where he completed several large scale IT projects. Mr Kamal has approximately 10 years of experience in IT and holds a Bachelors degree in Computer Science from the University of Bahrain and a Masters degree in Finance from DePaul University. He also obtained certification as a Certified Professional in Microsoft Active Directory and Exchange Advanced Administration from Learning Tree Institute UK and has a Microsoft Certified Systems Engineer (MCSE) designation.

ORGANIZATIONAL STRUCTURE



During the year, Dr Raed Sarhan and Mr Salman Al-Zayani left Seera Investment Bank. Mr Sohail Tohami and Mr Prateek Sharma assumed the positions of Head of Treasury and Acting Head of Placement (Previously Head of Treasury only) and Head of Investment respectively.

