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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

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 2009, 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 give a true and fair view of the financial position of the Group as of 31 December 2009, 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 and the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.

Other Regulatory Matters

We confirm that, in our opinion, proper accounting records have been kept by the Bank and the consolidated financial statements, and the contents of the Report of the Board of Directors relating to these consolidated financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the Central Bank of Bahrain and Financial Institutions Law, nor of the memorandum and articles of association of the Bank, have occurred during the year ended 31 December 2009 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 licence.

16 February 2010
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	**2009 US$ '000**	2008 US$ '000
ASSETS			
Cash and balances with banks	3	**4,363**	5,809
Due from banks and financial institutions	4	**37,940**	60,531
Non-trading investments	5	**27,624**	51,317
Investments in leases	6	**93,390**	101,390
Net assets of disposal group classified as held for sale	7	**115,846**	125,394
Investment property	8	**11,454**	17,460
Other assets	9	**6,128**	3,301
Property and equipment	10	**10,044**	11,536
TOTAL ASSETS		**306,789**	376,738
LIABILITIES AND EQUITY			
Due to banks and financial institutions		**25,874**	57,917
Other liabilities	11	**4,903**	6,808
TOTAL LIABILITIES		**30,777**	64,725
EQUITY			
Share capital	12	**291,286**	291,286
Reserves	12	**2,420**	8,426
Accumulated losses		**(32,804)**	(2,693)
Equity attributable to shareholders of the parent		**260,902**	297,019
Non-controlling interest		**15,110**	14,994
TOTAL EQUITY		**276,012**	312,013
TOTAL LIABILITIES AND EQUITY		**306,789**	376,738

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 16 February 2010.

Asaad Al Banwan
Chairman

Khalid Al Nasser
Board Member

Abdulla Janahi
Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2009

	Notes	**2009 US$ '000**	*2008 US$ '000*
Rental income from investments in leases		**36,406**	38,438
Rental expense on investments in leases		**(26,005)**	(28,620)
Management fees relating to leases		**(1,511)**	(1,738)
Loss on sale of investments in leases		**-**	(1,876)
Net income from investment in leases		**8,890**	6,204
Profit on amounts due from banks and financial institutions		**752**	5,176
Profit on amounts due to banks and financial institutions		**(1,225)**	(5,003)
Net (cost) / income on due from / to banks and financial instituriions		**(473)**	173
Trading gains		**-**	2,894
(Loss) / income from non-trading investments	13	**(2,092)**	1,934
Gain on disposal of assets held for sale		**-**	6,167
Fee income		**630**	792
TOTAL INCOME		**6,955**	18,164
Expenses			
Staff expenses		**6,057**	8,645
General and administration expenses	14	**3,290**	6,467
Depreciation	10	**1,697**	620
TOTAL EXPENSES		**11,044**	15,732
NET (LOSS) / INCOME FOR THE YEAR BEFORE ADJUSTMENTS FOR UNREALISED LOSSES		**(4,089)**	2,432
Unrealised loss on investment property	8	**(6,006)**	-
Provision for investments	15	**(24,983)**	(16,214)
NET LOSS FOR THE YEAR		**(35,078)**	(13,782)
Attributable to:			
Shareholders of the parent		**(36,117)**	(14,287)
Non-controlling interest		**1,039**	505
		(35,078)	(13,782)

The attached explanatory notes 1 to 24 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	**2009 US$ '000**	2008 US$ '000
OPERATING ACTIVITIES			
Net loss for the year		**(35,078)**	(13,782)
Adjustments for:			
Provision for employees' end of service benefits	11	**244**	529
Depreciation	10	**1,697**	620
Loss on sale of property and equipment		**-**	13
Loss on sale of investments in leases		**-**	1,876
Provision for investments		**24,983**	16,214
Gain on disposal of assets held for sale		**-**	(6,167)
Trading gains		**-**	(2,894)
Loss on sale of non-trading investments	13	**2,713**	-
Unrealised loss on investment property	8	**6,006**	-
		565	(3,591)
Changes in operating assets and liabilities:			
Due from banks and financial institutions		**-**	15,099
Other assets		**(2,827)**	400
Due to banks and financial institutions		**(33,718)**	11,185
Other liabilities		**(2,149)**	(957)
Unrestricted investment accounts		**-**	(10,000)
Net cash (used in) / from operating activities		**(38,129)**	12,136
INVESTING ACTIVITIES			
Investment in non-trading investments		**-**	(13,013)
Proceeds from sale of non-trading investments		**15,220**	12,235
Purchase of investments in leases		**-**	(35,544)
Proceeds from sale of investments in leases		**-**	15,813
Investment in assets held for sale		**-**	(181,127)
Proceeds from sale of assets held for sale		**-**	65,678
Purchase of property and equipment	10	**(205)**	(4,278)
Disposal of property and equipment		**-**	61
Net cash from / (used in) investing activities		**15,015**	(140,175)
FINANCING ACTIVITY			
Non-controlling interest		**(923)**	7,116
Net cash (used in) / from financing activities		**(923)**	7,116
DECREASE IN CASH AND CASH EQUIVALENTS		**(24,037)**	(120,923)
Cash and cash equivalents at beginning of the year		**66,340**	187,263
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16	**42,303**	66,340

The attached explanatory notes 1 to 24 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Equity attributable to shareholders of the parent					
	Share capital US$ '000	*Statutory reserve US$ '000*	*Investment fair value reserve US$ '000*	*Accumulated losses US$ '000*	*Non-controlling interest US$ '000*	*Total equity US$ '000*
Balance at 1 January 2009	291,286	2,002	6,424	(2,693)	14,994	312,013
Dividends paid by subsidiaries	-	-	-	-	(923)	(923)
Net loss for the year	-	-	-	(36,117)	1,039	(35,078)
Unrealised losses on remeasurement to fair value	-	-	(6,006)	6,006	-	-
Balance at 31 December 2009	**291,286**	**2,002**	**418**	**(32,804)**	**15,110**	**276,012**
Balance at 1 January 2008	291,286	2,002	6,424	11,594	7,373	318,679
Investment in subsidiaries	-	-	-	-	7,851	7,851
Dividends paid by subsidiaries	-	-	-	-	(735)	(735)
Net loss for the year	-	-	-	(14,287)	505	(13,782)
Balance at 31 December 2008	291,286	2,002	6,424	(2,693)	14,994	312,013

The attached explanatory notes 1 to 24 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 Bank changed its name from United International Bank B.S.C. (c) to Seera Investment Bank B.S.C. (c), as part of a rebranding exercise, effective from 22 November 2008.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in 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.

Accounting convention

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

Basis of consolidation

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

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

All intra-group balances, transactions, income and expenses are 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 balance sheet, separately from parent shareholders' equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The following are the Group's significant subsidiaries as at 31 December 2009:

Name of subsidiary	*Country of incorporation*	*Equity interest*
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%

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

Significant accounting judgments and estimates

The application of the Group accounting policies requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. However, uncertainity about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgements and estimates are discussed below:

Fair value of financial instruments

The determination of fair value for each financial instrument on the consolidated statement of financial position depends on the accounting policy as set out below:

(i) For investments quoted in an active market, fair value is determined by reference to quoted market prices.

(ii) For investments in unit funds, fair value is determined based on the latest net asset value provided by the fund manager.

(iii) For unquoted investments, fair value is determined using net asset valuation on disposal of significant portion or on occurrence of an arm's length transaction involving a third party. Should a reliable fair value not be available, such investments are carried at cost.

Classification of investments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

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.

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

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

Non-trading investments
These are classified as either held to maturity or available for sale.

Initial recognition
All investments are initially recognised at cost, being the fair value of the consideration on acquisition including related direct expenses. Direct expenses are transaction costs and include fees and commissions paid to agents, advisors and consultants, levies by regulatory agencies and transfer taxes and duties.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-trading investments (continued)

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

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

Net assets of disposal group classified as held for sale
Net assets of disposal group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. 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.

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

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

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

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

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

Freehold	Indefinite
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)

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.

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

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

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

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

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

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.

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

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

Fee income
Fee income is recognised when earned.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

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

3 CASH AND BALANCES WITH BANKS

	2009 ***US$ '000***	*2008* *US$ '000*
Bank balances	**4,362**	5,808
Cash in hand	**1**	1
	4,363	5,809

4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2009 ***US$ '000***	*2008* *US$ '000*
Commodity murabaha	**34,750**	60,671
Deferred income	**(10)**	(140)
	34,740	60,531
Wakala placements	**3,000**	-
Mudaraba placements	**200**	-
	3,200	-
	37,940	60,531

5 NON-TRADING INVESTMENTS

	2009		
	Available for sale US$ '000	***Held to maturity US$ '000***	***Total US$ '000***
Quoted investments			
Equity investments (note 5.1)	**8,761**	**-**	**8,761**
Unquoted investments			
Equity investments (note 5.2)	**18,863**	**-**	**18,863**
	27,624	**-**	**27,624**

	2008		
	Available for sale US$ '000	*Held to maturity US$ '000*	*Total US$ '000*
Quoted investments			
Equity investments (note 5.1)	15,180	-	15,180
Unquoted investments			
Equity investments (note 5.2)	21,123	-	21,123
Sukuk (note 5.3)	-	15,014	15,014
	36,303	15,014	51,317

5 NON-TRADING INVESTMENTS (continued)

5.1 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"].

5.2 This portfolio includes an investment amounting to US$ 14,308 thousand (2008: US$ 13,906 thousand) in Real Maroc, an investment in a development of housing units in Morocco. The Group owns 19.2% of this entity. The balance represents an unquoted private equity investment which has been subject to a provision of US$ 3,483 thousand in 2009 (2008: nil). The fair value of these investments cannot be reliably estimated due to uncertainty of cash flows.

5.3 These were investments in two sukuk classified as held to maturity issued by Dar Al Arkan (Kingdom of Saudi Arabia) and Diyaar Al Muharraq (Kingdom of Bahrain). These sukuk have been sold in 2009.

6 INVESTMENTS IN LEASES

	2009	*2008*
	US$ '000	*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)**	-
	93,390	101,390

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

		2009	
	Receivables	***Payables***	***Net***
	US$ '000	***US$ '000***	***US$ '000***
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**

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

6 INVESTMENTS IN LEASES (continued)

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

	2009	*2008*
	US$ '000	*US$ '000*
Payable from 2010-2014	**93,700**	94,700
Payable from 2015-2017	**27,000**	27,000
	120,700	121,700

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

7 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

The first is a company incorporated in Cayman Islands which has a stake of 92.02% in a Danish operator that is a global leader in the provision of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders. As at 31 December 2009, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US$ 54,128 thousand and US$ 35,438 thousand) through the Cayman Islands holding company.

The other disposal group is a company incorporated in Cayman Islands which has a stake of 87.13% of a UK based company selling water treatment products. As at 31 December 2009, total assets and liabilities of this UK based company amounted to US$ 203,760 thousand and US$ 105,081 thousand respectively.

8 INVESTMENT PROPERTY

	2009	*2008*
	US$ '000	*US$ '000*
Opening carrying value	**17,460**	17,460
Fair value adjustment	**(6,006)**	-
Closing carrying value	**11,454**	17,460

The investment property represents land in the Kingdom of Bahrain. It is stated at fair value, determined based on valuations performed by independent professional valuers as of 31 December 2009.

9 OTHER ASSETS

	2009	*2008*
	US$ '000	*US$ '000*
Receivables related to leases	**2,532**	960
Others	**3,596**	2,341
	6,128	3,301

10 PROPERTY AND EQUIPMENT

	Freehold land *US$ '000*	*Building* *US$ '000*	*Others* *US$ '000*	*Total* *US$ '000*
Cost				
Opening balance	3,163	4,079	5,319	12,561
Additions	-	-	205	205
Disposals	-	-	-	-
Closing balance	3,163	4,079	5,524	12,766
Accumulated depreciation				
Opening balance	-	424	601	1,025
Charge for the year	-	204	1,493	1,697
Closing balance	-	628	2,094	2,722
Net book value				
At 31 December 2009	**3,163**	**3,451**	**3,430**	**10,044**
At 31 December 2008	3,163	3,655	4,718	11,536

11 OTHER LIABILITIES

	2009 ***US$ '000***	*2008* *US$ '000*
Accrued expenses	**661**	1,728
Unearned rental income	**1,118**	1,590
Rental expenses payable	**853**	1,273
Provision for employees end of service benefits	**737**	499
Legal and professional fees payable related to investment in leases	**263**	256
Other liabilities	**1,271**	1,462
	4,903	6,808

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

	2009 ***US$ '000***	*2008* *US$ '000*
Opening balance	**499**	299
Charge for the year	**244**	529
Utilised and paid during the year	**(6)**	(329)
Closing balance	**737**	499

12 EQUITY

12.1 Share capital

	2009 ***US$ '000***	*2008* *US$ '000*
Authorised: 2,500,000,000 ordinary shares of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid: 291,286,000 ordinary shares of US$ 1 each	**291,286**	291,286

12 EQUITY (continued)

12.2 Statutory reserve

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

12.3 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.

13 (LOSS) / INCOME FROM NON-TRADING INVESTMENTS

	2009	*2008*
	US$ '000	*US$ '000*
Income from sukuk	**290**	1,047
Dividend income	**331**	887
Loss on sale of equity investments	**(1,524)**	-
Loss on sale of sukuk	**(1,189)**	-
	(2,092)	1,934

14 GENERAL AND ADMINISTRATION EXPENSES

	2009	*2008*
	US$ '000	*US$ '000*
Legal and professional	**1,527**	2,728
Marketing and advertisement	**182**	962
Travel expenses	**115**	691
Rent and maintenance	**332**	170
Board of Directors and Committees meetings' expenses and attendance allowances	**115**	186
Foreign exchange losses, net	**68**	657
Others	**951**	1,073
	3,290	6,467

15 PROVISION FOR INVESTMENTS

	2009	*2008*
	US$ '000	*US$ '000*
Non-trading investments	**6,983**	16,214
Investments in leases	**8,000**	-
Other investments	**10,000**	-
	24,983	16,214

16 CASH AND CASH EQUIVALENTS

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

	2009 ***US$ '000***	*2008* *US$ '000*
Cash and balances with banks	**4,363**	5,809
Due from banks and financial institutions (original maturity within 90 days)	**37,940**	60,531
	42,303	66,340

17 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 qouted equity investments qualify for disclosure under Level 1 and their carrying value as at 31 December 2009 is US$ 8,761 thousand (31 December 2008: US$ 15,180 thousand). The Group does not have financial instruments qualifying for Level 2 or Level 3. The other available for sale investments are carried at cost less impairment, if any.

18 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.

18 CAPITAL MANAGEMENT (continued)

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.

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	***2009 US$'000***	*2008 US$'000*
Tier 1 capital	18.1	**217,522**	245,124
Tier 2 capital		**-**	-
Total capital base (a)		**217,522**	245,124
Risk weighted assets (b)	18.2	**383,446**	465,437
Capital adequacy (a/b x 100)		**56.7%**	52.7%
Minimum requirement		**12.0%**	12.0%

18.1 Tier 1 Capital

	2009 US$'000	*2008 US$'000*
Share capital	**291,286**	291,286
Statutory reserve	**2,002**	2,002
Accumulated losses	**(32,804)**	(2,693)
Non-controlling interest	**15,110**	14,994
Core Tier 1 Capital	**275,594**	305,589
Deductions	**(29,130)**	(31,678)
Tier 1 Capital	**246,464**	273,911
Negative balance of Tier 2	**(28,942)**	(28,787)
Tier 1 Capital net of negative Tier 2 Capital	**217,522**	245,124

18 CAPITAL MANAGEMENT (continued)

	2009 US$ '000	2008 US$ '000
18.2 Risk weighted assets		
Credit risk weight assets	**310,379**	379,213
Market risk weight assets	**29,680**	20,150
Operational risk weight assets	**43,387**	66,074
	383,446	465,437

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.

19 SEGMENTAL INFORMATION

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

20 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.

The significant balances with related parties were as follows:

	Note	2009 US$'000	2008 US$'000
Assets			
Quoted investments managed by a shareholder - NIC	5.1	**8,761**	15,180
Due from banks and financial institutions		**-**	10,009

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

	2009 US$'000	2008 US$'000
Income		
Profit on amounts due from banks and financial institutions	**48**	136
Fee income	**112**	231
Gain on disposal of assets held for sale	**-**	2,141
Expenses		
Board of Directors and Committees meetings' expenses and attendance allowances	**67**	109
Shari'a Supervisory Board meetings' expenses and attendance allowances	**47**	78
Fees expense	**62**	58

20 RELATED PARTIES (continued)

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

	2009	*2008*
	US$'000	*US$'000*
Short term employee costs	**1,942**	1,933
Termination costs	**211**	1,156
Staff costs attributable to key management personnel	**2,153**	3,089

21 COMMITMENTS

	Less than 1 year	*1 to 5 years*	*More than 5 years*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
At 31 December 2009				
Capital and other commitments	637	3	-	640
	637	**3**	**-**	**640**
At 31 December 2008				
Capital and other commitments	211	287	58	556
	211	287	58	556

22 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 fatawas, rulings and guidelines issued. Their review includes examination of the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Shari'a principles.

23 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.

23 RISK MANAGEMENT (continued)

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 Group to judge whether it followed the principles of the Islamic Shari'a, specific fatwas and guidelines issued by the Board of Directors.

Executive Committee
The Executive Committee of the Board considers and approves 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.

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.

23 RISK MANAGEMENT (continued)

Credit risk (continued)
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.

(i) Maximum exposure to credit risk

The funded exposures at 31 December 2009 were as follows:

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

The 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.

The funded exposures at 31 December 2008 were as follows:

	Gross credit exposures US$ '000	*Net funded credit exposures US$ '000*	*Credit risk weighted exposures US$ '000*	*Regulatory capital requirements US$ '000*
Investments	295,561	228,673	331,368	39,764
Murabaha receivables	60,531	60,531	30,654	3,678
Other asset categories	20,646	20,646	17,192	2,063
	376,738	309,850	379,214	45,505

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.

(ii) Risk concentration of the maximum exposure to credit risk
Concentration of risk is managed according to counterparty. The following table analyses the geographical and counterparty type concentrations of the Group's maximum exposure to credit risk:

23 RISK MANAGEMENT (continued)

Credit risk (continued)

Geographical region:
Exposures by geographical region as at 31 December 2009 are as follows:

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

Exposures by geographical region as at 31 December 2008 were as follows:

	Investments US$ '000	*Murabaha receivable US$ '000*	*Wakala placements US$ '000*	*Mudaraba placements US$ '000*	*Other asset categories US$ '000*	*Total US$ '000*
Europe	105,081	4,196	-	-	4,248	113,525
Bahrain	60,621	46,327	-	-	13,904	120,852
Other GCC Countries	36,748	10,008	-	-	712	47,468
Rest of Middle East and Asia	26,223	-	-	-	960	27,183
North America	-	-	-	-	822	822
	228,673	60,531	-	-	20,646	309,850

Counterparty type:
Exposures by counterparty type as at 31 December 2009 are as follows:

	Investment US$ '000	***Murabaha receivabl US$ '000***	***Wakala placement US$ '000***	***Mudaraba placements US$ '000***	***Other asset categories US$ '000***	***Total US$ '000***
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**

23 RISK MANAGEMENT (continued)

Credit risk (continued)

Exposures by counterparty type as at 31 December 2008 were as follows:

	Investments US$ '000	*Murabaha receivable US$ '000*	*Wakala placements US$ '000*	*Mudaraba placements US$ '000*	*Other asset categories US$ '000*	*Total US$ '000*
Investment in securities	199,733	-	-	-	-	199,733
Claims on banks	-	60,531	-	-	5,808	66,339
Holdings of real estate	13,926	-	-	-	8,341	22,267
Claims on corporates	15,014	-	-	-	-	15,014
Other assets	-	-	-	-	6,497	6,497
	228,673	60,531	-	-	20,646	309,850

(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 counter parties:

	2009 US$ '000	*2008 US$ '000*
Credit rating:		
AAA to AA-	**1,411**	886
A+ to A-	**11,907**	7,381
BBB+ to BBB-	**264**	35,959
BB+ to B-	**1,995**	14,205
Unrated	**206,848**	251,419
	222,425	309,850

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.

23 RISK MANAGEMENT (continued)

Concentration risk (continued)

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

	2009		*2008*	
	Assets US$'000	***Liabilities US$'000***	*Assets US$'000*	*Liabilities US$'000*
Geographical region:				
Bahrain	**89,180**	**27,662**	124,385	60,156
Other Gulf Cooperation Council (GCC) Countries	**17,123**	**55**	47,468	501
Europe	**170,465**	**1,399**	176,880	3,220
Other Middle East and Asia	**28,647**	**1,661**	27,183	848
North America	**1,374**	**-**	822	-
	306,789	**30,777**	376,738	64,725

	2009		*2008*	
	Assets US$'000	***Liabilities US$'000***	*Assets US$'000*	*Liabilities US$'000*
Industry sector:				
Banking and financial institutions	**43,966**	**27,138**	74,759	57,917
Aviation	**95,922**	**1,971**	101,876	2,863
Real estate	**25,848**	**-**	48,102	-
Utilities	**4,555**	**-**	7,218	-
Manufacturing	**117,317**	**-**	128,320	-
Services	**7,173**	**-**	2,779	-
Others	**12,008**	**1,668**	13,684	3,945
	306,789	**30,777**	376,738	64,725

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

The followings are the large exposures as of 31 December 2009:

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

23 RISK MANAGEMENT (continued)

Concentration risk (continued)

The large exposures as of 31 December 2008 were as follows:

	Large exposure (banks) US$ '000	*% of exposure to capital*		*Large exposure (non - banks) US$ '000*	*% of exposure to capital*
Bank A	28,960	*9.5%*	Counterparty A	109,627	*35.9%*
Bank B	10,009	*3.2%*	Counterparty B	37,985	*12.4%*
Bank C	7,362	*2.4%*	Counterparty C	17,309	*5.6%*
Bank D	5,003	*1.6%*	Counterparty D	15,767	*5.1%*
Bank E	4,001	*1.3%*	Counterparty E	15,264	*4.9%*
Bank F	2,982	*1.0%*	Counterparty F	13,906	*4.5%*
Bank G	1,000	*0.3%*	Counterparty G	12,500	*4.1%*
Bank H	710	*0.2%*	Counterparty H	12,318	*4.0%*
Bank I	557	*0.2%*	Counterparty I	8,000	*2.6%*
			Counterparty J	7,218	*2.3%*
			Counterparty K	7,014	*2.3%*
			Counterparty L	6,014	*1.9%*
			Counterparty M	4,196	*1.4%*
			Counterparty N	2,547	*0.8%*
			Counterparty O	2,181	*0.7%*
			Counterparty P	2,143	*0.7%*
			Counterparty Q	885	*0.3%*
			Counterparty R	765	*0.2%*
			Counterparty S	737	*0.2%*
			Counterparty T	622	*0.2%*
			Counterparty U	597	*0.2%*
			Counterparty V	239	*0.1%*
			Counterparty W	178	*0.1%*
			Counterparty X	36	*0.0%*
	60,584			278,048	

Market Risk

Market risk is the risk that arises from fluctuations in market risk factors that include, inter alia, 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 arises from a) mismatch of maturities of assets and liabilities b) Basis Value Risk c) Profit Rate Curve Risk. The Group measures profit rate risk through the following methodologies:

a) GAP analysis

Where the assets and liabilities are classified into time bands based on the maturity in case of fixed rate instruments or re-pricing dates for floating rate instruments.

b) Economic value of equity-duration gap

This measures the loss in value of the portfolio due to change in profit rates.

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

23 RISK MANAGEMENT (continued)

Market risk (continued)

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 2009, a +/- 2% change in the profit rate, with all other variables constant, would have resulted in a +/- US$ 317 thousand (2008: +/- 1% resulted in US$ 621 thousand) impact on the consolidated statement of income.

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

	2009	*2008*
Investments in leases	**7.16%**	10.60%
Due from banks and financial institutions	**1.62%**	3.87%
Investments in Sukuk	**3.50%**	5.07%
Due to banks and financial institutions	**3.19%**	5.12%

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 Sharia compliant instruments. Currency exposure is monitored daily by Risk Management Department and reported on a monthly basis to the Asset Liability and Risk Management Committee.

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

	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)**
Saudi Riyals	**5**	**-**	**5**
Qatari Riyals	**9**	**-**	**9**
Emirates Dirhams	**4**	**-**	**4**
	45,322	**(25,875)**	**19,447**

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

23 RISK MANAGEMENT (continued)

Market risk (continued)

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

	Change in exchange rates (+/-)	*net income and equity (+/-)*
	%	*US$'000*
Danish Krone	**10**	**1,622**
Kuwaiti Dinars	**10**	**881**
Great Britain Pounds	**10**	**464**
Euro	**10**	**(1,023)**
Saudi Riyals	**10**	**-**
Qatari Riyals	**10**	**-**
Emirates Dirhams	**10**	**-**

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases due to fluctuations in the respective stock market indices.

As of year ended 31 December 2009 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.

	Change in equity price (+/-)	*Effect on net equity (+/-)*
	%	*US$'000*
Kuwait Stock Exchange	**10**	**876**

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:

	2009	*2008*
	US$ '000	*US$ '000*
Foreign exchange risk	**29,680**	20,150
Regulatory capital requirement (at 12%)	**3,562**	2,418

23 RISK MANAGEMENT (continued)

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.

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:

	2009	*2008*
	US$ '000	*US$ '000*
Average gross income	**23,140**	35,239
Operational risk weighted assets	**43,387**	66,074
Regulatory capital requirement (at 12%)	**5,206**	7,929

23 RISK MANAGEMENT (continued)

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 2009 based on contractual maturity is as follows:

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

23 RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

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

24 SOCIAL RESPONSIBILITY

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