

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**30 JUNE 2011**

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

***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Seera Investment Bank B.S.C. (c) ["the Bank"] and its subsidiaries ["the Group"] as of 30 June 2011, comprising the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income, cash flows and changes in equity for the six month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

***Scope of Review***

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

***Conclusion***

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

8 August 2011  
Manama, Kingdom of Bahrain

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

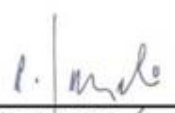
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

		<i>(Unaudited)</i> <b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<i>(Audited)</i> <b>31 December</b> <b>2010</b> <b>US\$ '000</b>
	<i>Notes</i>		
<b>ASSETS</b>			
Cash and balances with banks		<b>35,482</b>	18,486
Due from banks and financial institutions		<b>177,550</b>	34,286
Non-trading investments	3	<b>27,595</b>	21,494
Investments in leases		-	93,390
Investments in ijarah assets	4	<b>268,600</b>	-
Net assets of disposal group classified as held for sale		<b>16,322</b>	14,953
Investment property		<b>10,476</b>	10,476
Goodwill and intangible assets		-	165,206
Other assets	5	<b>5,810</b>	49,844
Property and equipment		<b>7,694</b>	9,590
<b>TOTAL ASSETS</b>		<b>549,529</b>	417,725
<b>LIABILITIES AND EQUITY</b>			
Term financing	6	<b>173,457</b>	-
Due to banks and financial institutions		<b>16,322</b>	101,338
Other liabilities		<b>13,818</b>	15,455
<b>TOTAL LIABILITIES</b>		<b>203,597</b>	116,793
<b>EQUITY</b>			
Share capital		<b>291,286</b>	291,286
Reserves		<b>3,002</b>	4,565
Accumulated profit (losses)		<b>36,148</b>	(27,396)
Equity attributable to shareholders of the parent		<b>330,436</b>	268,455
Non-controlling interest		<b>15,496</b>	32,477
<b>TOTAL EQUITY</b>		<b>345,932</b>	300,932
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>549,529</b>	417,725

  
**Asaad Al Banwan**  
 Chairman

  
**Khalid Al Nasser**  
 Board Member

  
**Abdulla Janahi**  
 Chief Executive Officer

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

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

## CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2011 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<b>30 June</b>	<i>30 June</i>	<b>30 June</b>	<i>30 June</i>
	<b>2011</b>	<i>2010</i>	<b>2011</b>	<i>2010</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>	<b>US\$ '000</b>	<i>US\$ '000</i>
Rental income from investments in ijarah assets	<b>9,606</b>	-	<b>17,796</b>	-
Rental income from investments in leases	-	8,210	-	16,827
Rental expense on investments in leases	-	(5,976)	-	(12,352)
Management fees relating to leases	<b>(324)</b>	(319)	<b>(667)</b>	(697)
<b>Net income from investments in leases</b>	<b>9,282</b>	1,915	<b>17,129</b>	3,778
Profit on amounts due from banks and financial institutions	<b>41</b>	50	<b>92</b>	100
Profit on amounts due to banks and financial institutions	-	(41)	<b>(119)</b>	(110)
Financing cost relating to term financing	<b>(2,332)</b>	-	<b>(4,374)</b>	-
<b>Net funding cost</b>	<b>(2,352)</b>	9	<b>(4,401)</b>	(10)
Gain on disposal of non-trading investments	-	511	-	2,337
Fee income	<b>166</b>	142	<b>320</b>	296
<b>TOTAL INCOME</b>	<b>7,096</b>	2,577	<b>13,048</b>	6,401
<b>Expenses</b>				
Staff expenses	<b>1,024</b>	1,463	<b>2,079</b>	2,922
General and administration expenses	<b>655</b>	812	<b>1,198</b>	1,371
Foreign exchange	<b>(411)</b>	1,816	<b>(1,683)</b>	2,669
Depreciation relating to investments in ijarah assets	<b>3,996</b>	-	<b>8,004</b>	-
Depreciation relating to property and equipment	<b>362</b>	421	<b>742</b>	845
<b>TOTAL EXPENSES</b>	<b>5,626</b>	4,512	<b>10,340</b>	7,807
<b>Net profit for the period</b>				
<b>before provisions and gain on disposal of investment</b>	<b>1,470</b>	(1,935)	<b>2,708</b>	(1,406)
Write back of provisions	-	1,950	-	1,950
Disposal of an investment (note 7)	<b>60,033</b>	2,459	<b>61,368</b>	2,459
<b>NET INCOME FOR THE PERIOD</b>	<b>61,503</b>	2,474	<b>64,076</b>	3,003
Attributable to:				
Shareholders of the parent	<b>61,360</b>	1,913	<b>63,544</b>	2,231
Non-controlling interest	<b>143</b>	561	<b>532</b>	772
	<b>61,503</b>	2,474	<b>64,076</b>	3,003

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2011 (Unaudited)

	<i>Six months ended</i>	
	<b>30 June 2011</b>	<i>30 June 2010</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	<b>64,076</b>	3,003
Adjustments for:		
Depreciation relating to investments in ijarah assets	<b>8,004</b>	-
Depreciation relating to property and equipment	<b>742</b>	845
Write back of provisions	-	(1,950)
Gain on disposal of non-trading investments	-	(2,337)
Gain on disposal of an investment	<b>(60,033)</b>	-
	<b>12,789</b>	(439)
Changes in operating assets and liabilities:		
Due to banks and financial institutions	<b>(20)</b>	(14,731)
Other assets	<b>878</b>	(3,102)
Other liabilities	<b>(1,168)</b>	889
Net cash from (used in) operating activities	<b>12,479</b>	(17,383)
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of an investment	<b>177,678</b>	-
Purchase of investments in leases	-	(500)
Net movement in non-trading investment	<b>(6,007)</b>	9,426
Purchase of property and equipment	-	(26)
Net cash from investing activities	<b>171,671</b>	8,900
<b>FINANCING ACTIVITIES</b>		
Term financing	<b>(9,757)</b>	-
Non-controlling interest	<b>(329)</b>	(164)
Net cash used in financing activities	<b>(10,086)</b>	(164)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>174,064</b>	(8,647)
Cash and cash equivalents at beginning of the period	<b>52,772</b>	42,303
Cash and cash equivalents of an investment	<b>(13,804)</b>	13,969
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>213,032</b>	47,625

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprised of the following:

Cash and balances with banks	<b>35,482</b>	16,327
Due from banks and financial institutions	<b>177,550</b>	31,298
	<b>213,032</b>	47,625

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2011 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>							
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Investment fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated profit / (losses)</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2011	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932
Net income for the period	-	-	-	-	63,544	63,544	532	64,076
Dividends paid by a subsidiary	-	-	-	-	-	-	(329)	(329)
Disposal of an investment	-	-	-	(1,657)	-	(1,657)	(17,184)	(18,841)
Unrealised gain on remeasurement to fair value	-	-	94	-	-	94	-	94
<b>Balance at 30 June 2011</b>	<b>291,286</b>	<b>2,557</b>	<b>445</b>	<b>-</b>	<b>36,148</b>	<b>330,436</b>	<b>15,496</b>	<b>345,932</b>
Balance at 1 January 2010	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012
Net income for the period	-	-	-	-	2,231	2,231	772	3,003
Dividends paid by subsidiaries	-	-	-	-	-	-	(164)	(164)
Acquisition of a subsidiary	-	-	-	-	-	-	15,824	15,824
Exchange differences on translation of foreign operations	-	-	-	(441)	-	(441)	(78)	(519)
Unrealised gain on remeasurement to fair value	-	-	125	-	-	125	-	125
Balance at 30 June 2010	291,286	2,002	543	(441)	(30,573)	262,817	31,464	294,281

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

**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.

Based on the revised "Conceptual Framework for Financial Reporting by Islamic Financial Institutions" issued by Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI") and effective from 1 January 2011, the full structure of Falak Aviation Fund B.S.C. (c) has been consolidated line by line that has resulted in recognition of aircrafts and term financing on the interim condensed consolidated financial statements. Therefore, the comparative amount are not entirely comparable to that extent.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 8 August 2011.

**2 BASIS OF PREPARATION**

**2.1 Basis of preparation**

The interim condensed consolidated financial statements of the Bank and its subsidiaries (together "the Group") for the six months period ended 30 June 2011 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the six months period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

**2.2 Accounting convention**

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, and certain investments classified as "non-trading investments" that have been measured at fair value.

The interim condensed consolidated financial statements have been presented in United States Dollars ("US\$"), being the functional currency of the Group's operations.

**2.3 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010 except for the new and amended conceptual framework and financial accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by AAOIFI, the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

**2.4 New and amended accounting standard and framework**

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

**2 BASIS OF PREPARATION (continued)****2.5 Statement of financial accounting No.1: Conceptual Framework for the financial reporting by Islamic Financial Institutions**

The amended conceptual frame work provides the basis for the financial accounting standards issued by AAOFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form. The adoption of this has resulted in a full consolidation of all entities under Falak structure.

**2.6 Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"**

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

**2.7 Investments in ijarah assets**

Investments in ijarah assets are stated at cost less accumulated depreciation and accumulated impairment / provision in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of ijarah assets to their residual values over their lease terms.

Ijarah assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the ijarah asset (calculated as the difference between the net disposal proceeds and the carrying amount of the ijarah asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

**3 NON-TRADING INVESTMENTS**

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>30 June</b>	<i>31 December</i>
	<b>2011</b>	<i>2010</i>
	<b>US\$ '000</b>	<i>US\$ '000</i>
<b>Available for sale - equity investments</b>		
<i>Quoted</i>	<b>1,566</b>	<i>1,906</i>
<i>Unquoted</i>	<b>26,029</b>	<i>19,588</i>
	<b>27,595</b>	<i>21,494</i>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

**4 INVESTMENTS IN IJARAH ASSETS**

	<b>Cost at 1 January 2011 US\$ '000</b>	<b>Depreciation charge US\$ '000</b>	<b>Net book value at 30 June 2011 US\$ '000</b>
Falak Fin One Limited	39,739	742	38,997
Falak Fin Two Limited	40,042	702	39,340
Falak Fin Three Limited	42,693	874	41,819
Falak Fin Four Limited	36,599	810	35,789
Falak Fin Seven Limited	44,359	1,090	43,269
Falak Fin Eight Limited	32,848	1,538	31,310
Falak Fin Nine Limited	5,046	816	4,230
Falak Fin Ten Limited	5,526	720	4,806
Falak Fin Eleven Limited	37,752	712	37,040
	<u>284,604</u>	<u>8,004</u>	<u>276,600</u>
General provision			(8,000)
			<u>268,600</u>

**5 OTHER ASSETS**

	<b>(Unaudited) 30 June 2011 US\$ '000</b>	<b>(Audited) 31 December 2010 US\$ '000</b>
Trade receivables	-	20,738
Deferred tax asset	-	9,478
Inventories	-	11,848
Other assets	5,810	7,780
	<u>5,810</u>	<u>49,844</u>

**6 TERM FINANCING**

	<b>(Unaudited) 30 June 2011 US\$ '000</b>
Falak Fin One Limited	23,993
Falak Fin Two Limited	24,196
Falak Fin Three Limited	26,543
Falak Fin Four Limited	21,078
Falak Fin Seven Limited	25,061
Falak Fin Eight Limited	23,117
Falak Fin Nine Limited	3,238
Falak Fin Ten Limited	3,238
Falak Fin Eleven Limited	22,993
	<u>173,457</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

**7 DISPOSAL OF AN INVESTMENT**

During the quarter the Bank entered into a Master Sale Agreement and disposed off its 85% equity interest in an investment. The gain recognised by the Bank from the disposal amounted to US\$ 60 million. The share of profit recognised on the investment till the date of disposal amounted to US\$ 1.3 million (June 2010 : US\$ 2.4 million)

**8 RELATED PARTY TRANSACTIONS**

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group. These transaction have been carried out on an arm's length basis in manner similar to transactions with a third party.

The significant balances with related parties were as follows:

	<i>(Unaudited)</i> <b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<i>(Audited)</i> <b>31 December</b> <b>2010</b> <b>US\$ '000</b>
<b>Assets</b>		
Quoted equity investments	-	1,906

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

	<i>Six months ended</i>	
	<b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<b>30 June</b> <b>2010</b> <b>US\$ '000</b>
<b>Income</b>		
Fee income	<b>58</b>	53
<b>Expenses</b>		
Board of Directors and committees meetings' expenses and attendance allowances	<b>35</b>	94
Shari'a Supervisory Board meetings' expenses and attendance allowances	<b>25</b>	38
Fee expense	<b>1</b>	18

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

	<i>Six months ended</i>	
	<b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<b>30 June</b> <b>2010</b> <b>US\$ '000</b>
Short term employee costs	<b>657</b>	976
Post employment benefits	<b>100</b>	90
	<b>757</b>	1,066

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

**PUBLIC DISCLOSURE**

**30 JUNE 2011**

1 CAPITAL MANAGEMENT

Regulatory capital

	<i>(Unaudited)</i> <b>30 June</b> 2011 <i>US\$ '000</i>	<i>(Audited)</i> 31 December 2010 <i>US\$ '000</i>
Tier 1 capital (note 1.1)	<b>281,095</b>	218,719
Tier 2 capital (note 1.2)	-	-
Total capital base (a)	<b>281,095</b>	218,719
Risk weighted assets (b) (note 1.3)	<b>372,803</b>	358,150
Capital adequacy (a/b x 100)	<b>75.40%</b>	61.07%
Minimum requirement	<b>12.0%</b>	12.0%

1.1 Tier 1 Capital

	<i>(Unaudited)</i> <b>30 June</b> 2011 <i>US\$ '000</i>	<i>(Audited)</i> 31 December 2010 <i>US\$ '000</i>
Share capital	<b>291,286</b>	291,286
Statutory reserve	<b>2,557</b>	2,557
Other reserves	-	1,657
Accumulated losses	<b>(27,396)</b>	(27,396)
Minority interest	<b>15,496</b>	15,293
Core Tier 1 Capital	<b>281,943</b>	283,397
Deductions	<b>(32,296)</b>	(32,418)
Tier 1 Capital	<b>249,647</b>	250,979
Negative balance of Tier 2 (note 1.2)	<b>31,449</b>	(32,260)
Tier 1 Capital net of negative Tier 2 Capital	<b>281,095</b>	218,719

Seera Investment Bank B.S.C. (c)  
 PUBLIC DISCLOSURE as of 30 June 2011

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1 CAPITAL MANAGEMENT (continued)

1.2 Tier 2 Capital

	<i>(Unaudited)</i> <b>30 June</b> 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Investment property revaluation reserve (45%)	-	-
Available for sale investments (45%)	200	158
Current interim profits	<b>63,545</b>	-
Core Tier 2 Capital	<b>63,745</b>	158
Deductions	<b>(32,296)</b>	(32,418)
Tier 2 Capital	<b>31,449</b>	(32,260)

1.3 Risk weighted assets

	<i>(Unaudited)</i> <b>30 June</b> 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Credit risk weighted assets	<b>322,331</b>	309,315
Operational risk weighted assets	<b>25,397</b>	25,397
Market risk weighted assets	<b>25,075</b>	23,438
	<b>372,803</b>	358,150

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

2 RISK MANAGEMENT

Credit risk

The funded exposures at 30 June 2011 were as follows:

	<i>Gross credit exposures</i>	<i>Net funded credit exposures</i>	<i>Credit risk weighted exposures</i>	<i>Regulatory capital requirements</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Investments	54,392	54,148	92,997	11,160
Investments in ijarah assets	268,600	210,023	152,169	
Murabaha receivables	110,506	110,506	34,102	4,092
Wakala placements	52,005	35,683	17,637	2,116
Mudharaba placements	15,039	15,039	3,008	361
Other asset categories	48,987	48,986	22,418	2,690
	<b>549,529</b>	<b>474,385</b>	<b>322,331</b>	<b>20,419</b>

The funded exposures at 31 December 2010 were as follows:

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

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

The above credit exposures relate to the following geographical regions and counterparty type for 30 June 2011:

Geographical regions:

	<i>Investments</i>	<i>Investment in ijarah</i>	<i>Murabaha receivable</i>	<i>Wakala placement</i>	<i>Mudaraba placement</i>	<i>Other categories</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Europe	22,956	116,102	-	-	-	3,573	142,631
Bahrain	10,476	57,853	60,505	681	15,039	10,138	154,692
Other GCC Countries	6,321	-	50,001	35,002	-	2,359	93,683
Rest of Middle East and Asia	14,395	36,067	-	-	-	2,160	52,622
North America	-	-	-	-	-	30,757	30,757
	<b>54,148</b>	<b>210,022</b>	<b>110,506</b>	<b>35,683</b>	<b>15,039</b>	<b>48,987</b>	<b>474,385</b>

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2 RISK MANAGEMENT (continued)

Credit risk (continued)

Counterparty type:	Investment US\$ '000	Investment s in ijarah US\$ '000	Murabaha receivable US\$ '000	Wakala placement US\$ '000	Mudaraba placement US\$ '000	Other categories US\$ '000	Total US\$ '000
Investment in securities	29,276	210,023	-	-	-	-	239,299
Claims on banks	-	-	110,506	35,683	15,039	35,479	196,707
Holdings of real estate	24,871	-	-	-	-	7,045	31,916
Claims on corporates	-	-	-	-	-	4,855	4,855
Other assets	-	-	-	-	-	1,605	1,605
Cash items	-	-	-	-	-	3	3
	<b>54,147</b>	<b>210,023</b>	<b>110,506</b>	<b>35,683</b>	<b>15,039</b>	<b>48,987</b>	<b>474,385</b>

The exposures by geographical regions and counterparty type for 31 December 2010 were as follows:

Geographical regions:	Investment US\$ '000	Murabaha receivables US\$ '000	Wakala placements US\$ '000	Mudaraba placements US\$ '000	Other asset categories US\$ '000	Total US\$ '000
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
Rest of Middle East and Asia	24,533	-	-	-	2,905	27,438
North America	-	-	-	-	401	401
	<b>182,655</b>	<b>11,502</b>	<b>7,811</b>	<b>-</b>	<b>20,622</b>	<b>222,590</b>

Counterparty type:	Investment US\$ '000	Murabaha receivables US\$ '000	Wakala placements US\$ '000	Mudaraba placements US\$ '000	Other asset categories US\$ '000	Total US\$ '000
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
	<b>182,655</b>	<b>11,502</b>	<b>7,811</b>	<b>-</b>	<b>20,622</b>	<b>222,590</b>

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2 RISK MANAGEMENT (continued)

Credit risk (continued)

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

	<i>(Unaudited)</i> <b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<i>(Audited)</i> <b>31 December</b> <b>2010</b> <b>US\$ '000</b>
Credit rating:		
AAA to AA-	<b>60,788</b>	14,144
A+ to A-	<b>111,601</b>	5,839
BBB+ to BBB-	<b>740</b>	1,570
BB+ to B-	<b>5,536</b>	2,376
Unrated	<b>295,720</b>	198,661
	<b>474,385</b>	222,590

The followings are the large exposures as of 30 June 2011:

	<i>Large exposure (banks)</i> <b>US\$ '000</b>	<i>% of exposure to eligible capital</i> <b>US\$ '000</b>		<i>Large exposure (non - banks)</i> <b>US\$ '000</b>	<i>% of exposure to eligible capital</i> <b>US\$ '000</b>
Bank A	<b>30,756</b>	<b>8.9%</b>	Counterparty A	<b>116,431</b>	<b>33.7%</b>
Bank B	<b>30,001</b>	<b>8.7%</b>	Counterparty B	<b>41,210</b>	<b>11.9%</b>
Bank C	<b>20,005</b>	<b>5.8%</b>	Counterparty C	<b>36,067</b>	<b>10.4%</b>
Bank D	<b>20,001</b>	<b>5.8%</b>	Counterparty D	<b>34,585</b>	<b>10.0%</b>
Bank E	<b>20,001</b>	<b>5.8%</b>	Counterparty E	<b>31,744</b>	<b>9.2%</b>
Bank F	<b>20,001</b>	<b>5.8%</b>	Counterparty F	<b>16,322</b>	<b>4.7%</b>
Bank G	<b>15,042</b>	<b>4.4%</b>	Counterparty G	<b>14,395</b>	<b>4.2%</b>
Bank H	<b>15,009</b>	<b>4.3%</b>	Counterparty H	<b>6,631</b>	<b>1.9%</b>
Bank I	<b>15,002</b>	<b>4.3%</b>	Counterparty I	<b>4,578</b>	<b>1.3%</b>
Bank J	<b>3,000</b>	<b>0.9%</b>	Counterparty J	<b>3,984</b>	<b>1.2%</b>
Bank K	<b>2,500</b>	<b>0.7%</b>	Counterparty K	<b>1,566</b>	<b>0.5%</b>
Bank L	<b>1,792</b>	<b>0.5%</b>	Counterparty L	<b>3</b>	<b>0.0%</b>
Bank M	<b>1,243</b>	<b>0.4%</b>			
Bank N	<b>1,183</b>	<b>0.3%</b>			
Bank O	<b>682</b>	<b>0.2%</b>			
Bank P	<b>328</b>	<b>0.1%</b>			
	<b>196,546</b>			<b>307,516</b>	





2 RISK MANAGEMENT (continued)

Market risk

*Profit rate risk*

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 banks and financial institutions and due to banks and financial institutions and have repricing dates no longer than three months. For the six months ended on 30 June 2011, a +/- 2.0% change in the profit rate, with all other variables constant, would have resulted in a +/- US\$ 123 thousand impact on the statement of income.

*Currency risk*

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

	30 June 2011		
	Assets US\$'000	Liabilities US\$'000	Net US\$'000
Danish Krone	16,322	-	16,322
Kuwaiti Dinars	1,625	(11)	1,614
Great Britain Pounds	6,700	-	6,700
Euro	16,723	(16,307)	416
Saudi Riyals	5	-	5
Qatari Riyals	9	-	9
Emirates Dirhams	4	-	4
	<b>41,388</b>	<b>(16,318)</b>	<b>25,070</b>

	31 December 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
Saudi Riyals	-	-	-
Qatari Riyals	-	-	-
Emirates Dirhams	-	-	-
	<b>38,389</b>	<b>(14,973)</b>	<b>23,416</b>

2 RISK MANAGEMENT (continued)

Market risk (continued)

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

	<b>Change in exchange rates (+/-)</b>	<b>Net income and equity (+/-)</b>
	%	US\$ '000
Danish Krone	10	1,632
Kuwaiti Dinars	10	161
Great Britain Pounds	10	670
Euro	10	42
Saudi Riyals	10	-
Qatari Riyals	10	-
Emirates Dirhams	10	-

Equity price risk

As of 30 June 2011 the Group had investments in quoted equities on the Kuwait Stock Exchange. The table below reflects the sensitivity of the investment portfolio to changes in these inputs. The sensitivity of these investments is calculated by considering the impact of reasonably expected changes in the capitalisation rate.

	<b>Change in equity price (+/-)</b>	<b>Effect on net equity (+/-)</b>
	%	US\$ '000
Kuwait Stock Exchange	10	157

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

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

	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Foreign exchange risk	25,075	23,438
Regulatory capital requirements (at 12%)	3,009	2,813

**2 RISK MANAGEMENT (continued)**

**Operational risk**

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

	<i>(Unaudited)</i> <b>30 June</b> <b>2011</b> <b>US\$ '000</b>	<i>(Audited)</i> <b>31 December</b> <b>2010</b> <b>US\$ '000</b>
Average gross income	<b>13,545</b>	13,545
Operational risk weighted assets	<b>25,397</b>	25,397
Regulatory capital requirements (at 12%)	<b>3,048</b>	3,048

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**2 RISK MANAGEMENT**

**Liquidity risk**

The maturity profile of assets and liabilities as at 30 June 2011 based on contractual maturity is as follows:

	<i>Upto 1 month US\$'000</i>	<i>1 to 3 months US\$'000</i>	<i>3 to 6 months US\$'000</i>	<i>6 months to 1 year US\$'000</i>	<i>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>No fixed maturity US\$'000</i>	<i>Total US\$'000</i>
<b>Assets</b>								
Cash and balances with banks	35,482	-	-	-	-	-	-	35,482
Due from banks and financial institutions	43,543	134,007	-	-	-	-	-	177,550
Non-trading investments	-	-	-	-	-	-	27,595	27,595
Investments in ijarah assets	-	-	-	-	-	-	268,600	268,600
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	16,322	16,322
Investment property	-	-	-	-	-	-	10,476	10,476
Other assets	-	-	-	-	-	-	5,810	5,810
Property and equipment	-	-	-	-	-	-	7,694	7,694
	<b>79,025</b>	<b>134,007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,497</b>	<b>549,529</b>
<b>Liabilities</b>								
Due to banks and financial institutions	6,476	16,322	-	-	48,188	118,793	-	189,779
Other liabilities	-	-	-	-	-	-	13,817	13,817
	<b>6,476</b>	<b>16,322</b>	<b>-</b>	<b>-</b>	<b>48,188</b>	<b>118,793</b>	<b>13,817</b>	<b>203,596</b>
<b>Net</b>	<b>72,549</b>	<b>117,685</b>	<b>-</b>	<b>-</b>	<b>(48,188)</b>	<b>(118,793)</b>	<b>322,680</b>	<b>345,933</b>

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**2 RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

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>1 to 3 years US\$'000</i>	<i>Over 3 years US\$'000</i>	<i>No fixed maturity US\$'000</i>	<i>Total US\$'000</i>
<b>Assets</b>								
Cash and balances with banks	4,682	-	-	-	-	-	-	4,682
Due from banks and financial institutions	18,262	16,024	-	-	-	-	-	34,286
Non-trading investments	-	-	-	-	-	-	21,494	21,494
Investments in ijarah assets	5,540	-	-	-	22,669	65,181	-	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
	<u>28,484</u>	<u>16,024</u>	<u>-</u>	<u>-</u>	<u>22,669</u>	<u>65,181</u>	<u>170,231</u>	<u>302,589</u>
<b>Liabilities</b>								
Due to banks and financial institutions	-	14,973	-	-	-	-	-	14,973
Other liabilities	-	-	-	-	-	-	3,868	3,868
	<u>-</u>	<u>14,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,868</u>	<u>18,841</u>
<b>Net</b>	<u>28,484</u>	<u>1,051</u>	<u>-</u>	<u>-</u>	<u>22,669</u>	<u>65,181</u>	<u>166,363</u>	<u>283,748</u>