

ANNUAL REPORT 2009



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SUCCESS IS A JOURNEY...

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## MESSAGE FROM THE CHAIRMAN

I am pleased to present to you on behalf of the Board of Directors the 2009 annual report of Seera Investment Bank.

2009 was probably one of the most difficult years for the banking industry in recent memory and was the year where the full effects of the 2008 financial crisis became evident. A number of well known international financial institutions faced some very serious difficulties and had to be rescued by their authorities or shareholders. The concurrent loss of confidence and drying up of liquidity resulted in a substantial decline in valuations and loss of investment appetite. These factors created a very difficult environment for most investment banks.

### Business Overview

Seera's priority through the year became the diligent management of the Bank's investment portfolio and its liquidity in order to protect shareholder and investor assets and in spite of some relatively small short-term losses, Seera emerged from a very difficult year on a stable footing. To the Bank's credit, the investment decisions that were made in prior years mitigated many of the losses that were occurring in the market. The assets underlying Seera's investment portfolio demonstrated resilience through the storm and although they were impacted somewhat by turbulent markets, they continued their positive performance for the most part. Given the significant drop in corporate earnings and market valuations, the relatively modest impact on Seera's portfolio is a testament to the strength of these assets.

On the other hand, in a year where access to liquidity became the most important issue for banks, Seera through very careful management of its liquidity and financial obligations was able to sustain reasonably safe liquidity levels throughout the year. Seera thereby avoided the more serious implications of liquidity shortage that severely affected the financial services sector.

### Financial Overview

Seera's major investments continued to perform positively for the most part, however 2009 was exceptionally quiet in terms of new deals and deal placement and as a result, Seera ended up incurring an operating loss of \$ 4M. The Bank continued to closely manage and monitor its investments



during the year and carried out valuations on its significant investments, either internally or through independent third parties. Despite the fact that these valuations did not show any permanent impairment in the major investments, Seera decided to take a prudent view and apply a very conservative approach given the current economic environment, and made some provisions totaling \$31M. Due to these provisions, Seera will report a loss of \$35M for the year, almost 90% of which represents provisions.

One must also note that although any loss is undesirable, Seera has managed to keep the level of actual losses to a bare minimum and has thereby reduced the impact of the crisis on shareholder and investor equity. To mitigate these effects, the Bank worked very closely with management of the investee companies to manage the effects of the slowdown on their businesses and review their revised business plans focusing on their future growth prospects including ensuring that their financial obligations are fully met. Another early response to the pressures on the Bank's profitability was aggressively adjusting the Bank's cost base which resulted in a 30% saving in the Group's operating expense compared with the previous year.

Seera did not over-extend its balance sheet prior to the crisis even when this was an accepted norm. The Bank entered 2009 with a negligible leverage ratio in a year where borrowing level became the key driver behind a bank's financial stability. This has enabled Seera to meet its financial obligations and commitments towards other banks.

#### **Investment Portfolio**

In previous years, Seera made three substantial investments in the areas of aircraft leasing, industrial manufacturing, and water treatment. These investments have continued to perform well and, while last year's economic slowdown has had an inevitable effect on certain aspects of some of these investments, the investments in general have demonstrated good levels of resilience and growth prospects even in the most challenging economic environment. Seera remains confident that it is on track to make a profitable exit from these investments in the coming years.

#### **Market Conditions**

We approach 2010 with cautious optimism. Sentiment has obviously improved as evidenced by the remarkable rebound in commodities and equity markets. However, much of the real estate market is still under pressure and investors are still very cautious in general. There are also some indications that a full recovery has yet to take hold and some warn this may take some time.

On the other hand, we believe that the current environment provides excellent investment opportunities. Periods of downturn have often proven to be the best vintage years for private equity investments, and returns on investments made in these periods have been typically very high.

From an investment perspective, these conditions warrant a balance between taking advantage of favorable valuations while managing potential market risks. From a fund raising perspective, we are also seeing improvement in investor appetite however, this has yet to return to pre-crisis levels. In light of the above, funds for any new investments are now being raised in advance of committing to an investment to reduce the Bank's underwriting risk.

Beyond the immediate challenges, Seera is fundamentally in a good position to grow and prosper given our unleveraged balance sheet, a portfolio of investments that is set to generate good income at exit, and a strong and committed management team.

#### **Appreciations**

On behalf of the Board of Directors, we would like to thank the Government of the Kingdom of Bahrain and the Central Bank of Bahrain for their support. We would also like to thank Seera's Shari'a Board and all shareholders and investors for their continued confidence and support. Last but not least we wish to thank Seera's management and staff for their professionalism, contribution and continued commitment to the Bank.

Yours sincerely,

#### **Asaad Al Banwan**

Chairman of the Board

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Welcome to Seera's 2009 annual report. In challenging years such as 2009, banks generally need to become more focused on managing their balance sheet. Such was the case for Seera where the year's priorities became the protection of shareholder assets and the Bank's long term growth prospects. The Bank's ability to meet these objectives was primarily due to the resilience of its investment portfolio, the low leverage of its balance sheet, the active management of its investment portfolio and the careful monitoring and management of liquidity and costs. As a result, Seera was able to successfully mitigate most of the effects of the crisis on its investment portfolio and reported a relatively minor operating loss.

### Seera's Response to the Crisis

Seera's conservative investment strategy placed its balance sheet and investment portfolio in a good position to face the global downturn. The Bank entered the crisis with an insignificant leverage and an investment portfolio comprising of companies that were inherently less prone to market volatility. This has obviously set the Bank at an advantageous position in its ability to mitigate the worst effects of the crisis and protect the Bank's long term profitability prospects.

Seera's first priority during the crisis was to better position its investment portfolio to face the tougher economic climate. This meant working closely with investee companies to understand the impact of the crisis on their customers and in turn the impact on revenues, costs and cash flows. The short and long term business plans of these companies were then aligned with the new market conditions by re-assessing growth sectors, geographical focus areas and re-adjusting liquidity and financing. Seera also made some minor exits where we felt that the risks outweighed the benefits of retaining these investments. Seera's major investments have shown remarkable resilience through the downturn as reflected by some recent internal and independent valuations of these investments.

In parallel, Seera focused on carefully managing its liquidity and mitigating the potential risks of maturity mismatches in a market which suffered a serious liquidity squeeze. This was successfully achieved by planning ahead and targeting to accurately assess all future obligations and financial commitments. This diligent effort and lower leverage position enabled the Bank to avoid the serious liquidity-related issues that faced many players and the financial markets in general.

Seera also responded by cutting costs and reducing discretionary spending to a minimum. This was done while closely monitoring all other general expenditures to ensure that they add value to the Bank and have a positive impact and return to shareholders. The impact of lower revenues was offset by a 30% reduction in operating expenses which helped contain the operating loss to \$4M.

The combination of these factors mitigated many of the negative impacts on shareholder equity that were seen by the markets in 2009 and although the Bank elected to take provisions of \$31M in 2009, it is important to point out that these provisions were taken as a conservative measure and reflect management's prudent view. The Bank's growth prospects through existing and new investments remain strong.

### Current Investments

Seera's major investments, Falak, Kosan Crisplant and BWA were able to demonstrate remarkable

resilience in difficult economic conditions. Each of these investments faced some challenges but continued to perform positively for the most part despite the difficult market conditions. We are very confident that these investments have very favorable medium and long term prospects.

Falak, Seera's aircraft leasing business, continued to generate healthy dividends and despite the downturn, all lease rentals were received on time, with no lessee airlines defaulting on their lease payments.

Another of Seera's major investments is Kosan Crisplant (KC) which is a focused manufacturing, contracting, servicing and supply company that enjoys a market-leading position in the Liquefied Petroleum Gas (LPG) cylinder filling industry. During the year KC won a number of major contracts and significantly increased its order book to very healthy levels. The strong order book and KC's highly cost efficient manufacturing model will contribute strongly to future revenues. Around 80% of this investment has already been successfully placed with investors.

BWA Water Additives, a world-leader in the development and supply of specialty chemicals for water treatment was also very resilient despite the difficulties experienced by many of its customers and the market in general, in part due to continuing growth in its desalination business. The growth in the desalination business enabled the company to end the year with only a modest decline in overall sales.

### **Business Strategy**

Seera continues to hold a strong belief in the profitability of private equity over the long term, despite significant changes to the market within the GCC. Premium based income has been significantly reduced with most of the income being realized in later stages of a transaction. This means that a different sustainable private equity model is required to successfully balance between short and long term incomes. Seera will therefore continue to pursue corporate buy-out transactions, but there will be more emphasis on asset-based investments and transactions in defensive sectors as well as selective investments in commercial real estate assets. One of the key investment criteria is to focus on investments which provide recurring, shorter term returns.

The other important dimension to consider is access to liquidity, which is more difficult now than before the crisis. Strategic investors are now being sought in the early stages of a transaction to raise funds and reduce the Bank's underwriting risks.

Seera has conducted several market soundings in 2009 and we continue to monitor investor sentiment in order to align the Bank's investments with investor requirements. Seera also aims to expand its investor base over the medium term in order to improve its long term profitability prospects.

### **Corporate Governance**

A lot has been achieved over the past few years in this important part of Seera's foundations and we continue to look for ways to enhance our corporate governance framework. In 2009, Seera has further enhanced its policies and procedures framework in order to align them with global best practices. The Bank was also able to further enhance its contingency planning including putting in place the necessary Disaster Recovery plans and the required Disaster Recovery site. We view corporate governance as a critical part of the Bank's infrastructure and will continue to enhance our corporate governance framework.

### **Outlook**

Seera's current investments are expected to deliver healthy exit IRRs. The Bank is also continuously assessing new investment opportunities. Income expectations in general will however need to be viewed and more realistically assessed in line with market realities and sound risk management, and it would appear that it may take some time for double digit returns to be seen by investment banks in general. A cautious investment approach has proven itself very valuable to Seera in the past and we feel that more than ever there is a need to ensure that this approach is adopted for future investments. Having said this, the current market conditions offer many outstanding investment opportunities and we look forward to offering these to our existing and new investors.

I look forward to reporting to you the future successes which with the grace of Allah we will enjoy.

**Abdulla Saleh Janahi**  
Chief Executive Officer

# BOARD OF DIRECTORS

[MR ASAAD AHMED AL BANWAN](#)

Chairman of the Board

[HRH PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD](#)

Board Member

[HRH PRINCE TURKI BIN TALAL BIN ABDULAZIZ AL SAUD](#)

Board Member

[MR KHALID BIN NASSER BIN ABDULLA AL NASSER](#)

Board Member

[MR YOUSEF S. M. AL MAJID](#)

Board Member

[MR SAAD MOHAMED ABDULLAH AL SAAD](#)

Board Member

[DR ABDULLA BIN ABDUL MUHSIN AL TURKI](#)

Board Member

[MR MOHAMED HANI ABDULKADER AL BAKRI](#)

Board Member

[MR WALEED KHALIFA AL FELAJI](#)

Board Member

[MR WALEED ABDULLAH A. ALEISA](#)

Board Member

[MR KHAMIS MOHAMED BUHAROON](#)

Board Member

SH. ESAM M ISHAQ

Chairman

DR MOHAMMAD ALTABTABAEI

Member

DR YOUSEF ABDULLAH ALSHUBAILY

Member

# MANAGEMENT

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

## DR RAED SARHAN

Chief Investment Officer

## SHAHZAD IQBAL

Chief Operating Officer

## SALMAN AL-ZAYANI

Chief Placement Officer and Treasurer

## GAVIN SASSON

Head of Post Acquisition Management

## AMR ELIMAM

Head of Strategic Planning and Corporate Communications

## FULYA KOCH

Head of Risk and Legal

## TAWFIQ AL-SARI

Vice President, Financial Control

## SOHAIL TOHAMI

Vice President, Head of Treasury

## ISMAIL YOUNIS AHMED

Head of Human Resources and Administration

## ABDULNASSER BUKAMAL

Vice President, Operations

## SAMEER OUNDHAKAR

Vice President, Post Acquisition Management

## ABDULRAHMAN ALSHAIKH

Head of Shari'a Compliance

## STERGIOS VOSKOPOULOS

Vice President, Equity Investment

## PRATEEK SHARMA

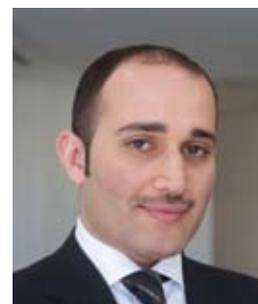
Assistant Vice President, Equity Investment

## SUMAYA REDHA

Assistant Vice President, Head of Compliance

## MOHAMMED KAMAL

Assistant Vice President, Information Technology



# INVESTMENTS

SEERA FOCUSES PRIMARILY ON TWO MAIN BUSINESS LINES: ASSET BASED INVESTMENTS AND CORPORATE INVESTMENTS. DURING 2007 AND 2008 SEERA MADE THREE SUBSTANTIAL INVESTMENTS IN THESE BUSINESS LINES IN THE AREAS OF AIRCRAFT LEASING, INDUSTRIAL MANUFACTURING, AND SPECIALTY CHEMICALS. THESE INVESTMENTS HAVE CONTINUED TO PERFORM WELL AND WHILE LAST YEAR'S ECONOMIC SLOWDOWN HAS HAD AN INEVITABLE EFFECT ON CERTAIN ASPECTS OF SOME OF THESE INVESTMENTS, SEERA REMAINS CONFIDENT THAT IT IS ON TRACK TO MAKE PROFITABLE EXITS IN THE COMING YEARS.

## Falak

Falak owns a portfolio of nine aircraft of varying types which are leased out to a diverse group of major airlines such as Gulf Air, Cathay Pacific, BMI and Jet Airways. Investors' and Seera's anticipated return from Falak comprises of quarterly dividend payments and the expectation that the value of Falak's equity will rise as financing is paid off. The quarterly dividend has been largely in line with expectations and exit valuations have generally remained stable.

Seera, in connection with its aircraft manager, constantly assesses the composition and positioning of the aircraft portfolio, its underlying assets, and the structure of the leases, with a view to maximizing returns for investors and shareholders.

Key achievements for Falak for the past year include successfully transferring the lease on one of the A340 aircraft from Etihad to HiFly, re-negotiating financing during a time of unprecedented turbulence in financial markets, and arranging Shari'a-compliant deposit facilities for Falak's substantial maintenance cash reserves.

The outlook for Falak for the coming year is good, with lease terms contractually scheduled to improve for some aircraft, and the potential for sale or re-leasing of others which are coming off their current lease.

## Kosan Crisplant

Seera acquired a controlling interest in Kosan Crisplant (KC) in 2008. KC is a manufacturing, contracting, servicing and supply company that enjoys a market-leading position in the Liquefied Petroleum Gas (LPG) cylinder filling industry.

KC's key customers are large multinational and

state energy companies who use KC to install, expand or service LPG cylinder filling equipment & plants. During the year KC won a number of significant contracts, one of the most notable of which was in the GCC. Indeed, KC's order book is now higher than it has ever been. With its consistently high margins which are driven by highly cost-efficient manufacturing and logistics skills, KC is expected to deliver very strong earnings as these orders are turned into sales. Due to the crisis, a number of KC's key customers delayed the conversion of tenders into orders, partly due to difficulty in accessing funding. It is important to note that none of KC's customers have cancelled projects; instead these have been delayed due to the economic climate or funding constraints. KC however is working closely with customers, and with private and public sector funding sources to help these customers wherever possible.

Seera has also been working with KC's management to develop and implement a number of initiatives aimed at further improving the company's performance. These initiatives include increasing penetration of spare parts supply within KC's customer base, continuing the migration of assembly operations from high cost locations to its subsidiary in Sri Lanka and assessing on a continuous basis strategic acquisitions in both new product technology and market coverage.

The strong order book and low cost manufacturing model have positioned Kosan Crisplant well for the future. We remain very positive about KC's overall performance and its market-leading technology, in particular its new Flexspeed system, which is winning wide recognition in the marketplace. A major LPG provider in South America was the first user of this next generation technology and several other orders for Flexspeed are currently in the pipeline.

## BWA

Seera acquired a controlling interest in BWA Water Additives in 2008. BWA is a world-leader in the development and supply of specialty chemicals used to prevent scaling, corrosion, and the formation of organic impurities in processes that use water. BWA operates in the industrial water treatment, desalination and oilfield markets, and has performed well in the past year, particularly given the difficulties experienced by many of its customers, and the market in general.

Although many of BWA's industrial customers have implemented plant and facility slowdowns and, in some cases, temporary closures, BWA's overall performance for the year has been resilient, with only a modest decline in sales. This performance must be seen in the context of the global recession and widespread volatility in industrial production and output in both developed and emerging markets.

BWA's overall performance has been helped by

continuing growth in its desalination business, where sales are actually higher than last year. BWA has also been able to maintain and, in some cases, improve margins. The past year has also been positive in terms of continuing rollout of new products, and expansion into new markets. Most notable of these was the permanent positioning of BWA personnel in the Middle East, and the reorganization of coverage in the Australia Asia Pacific region. These moves will enable BWA to better capture high growth rates in these markets. Other key achievements during the year have included re-negotiation of BWA's debt facilities, introduction of the new product Bellacide 350 to a very positive reception, ongoing optimization of working capital and receivables and identification of numerous alternative sourcing arrangements.

We remain highly confident in BWA's future performance, and in Seera's ability to achieve a profitable and timely exit from this successful investment.



# CORPORATE GOVERNANCE

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

## **The Bank's Governance Strategy:**

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

## **Board of Directors**

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

role. The Board of Directors has the following committees in place:

### ***Executive Committee***

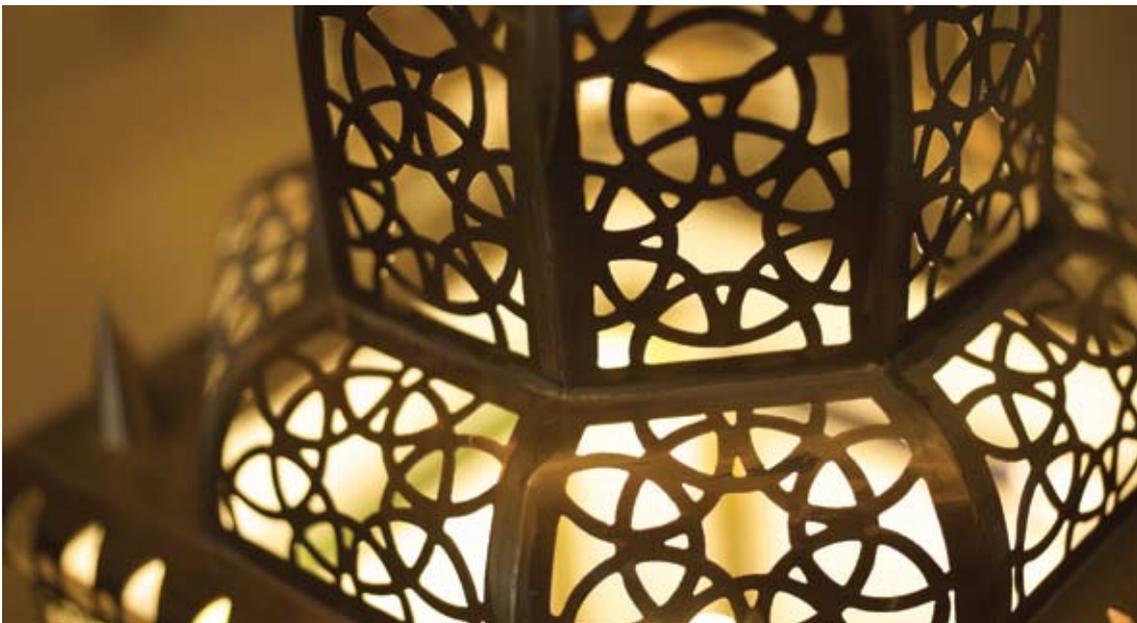
Considers specific matters delegated to it by the Board and makes recommendations to the Board or decisions based on authorities specifically delegated by the Board.

### ***Audit Committee***

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

### ***Nomination and Remuneration Committee***

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



### Shari'a Compliance

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

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

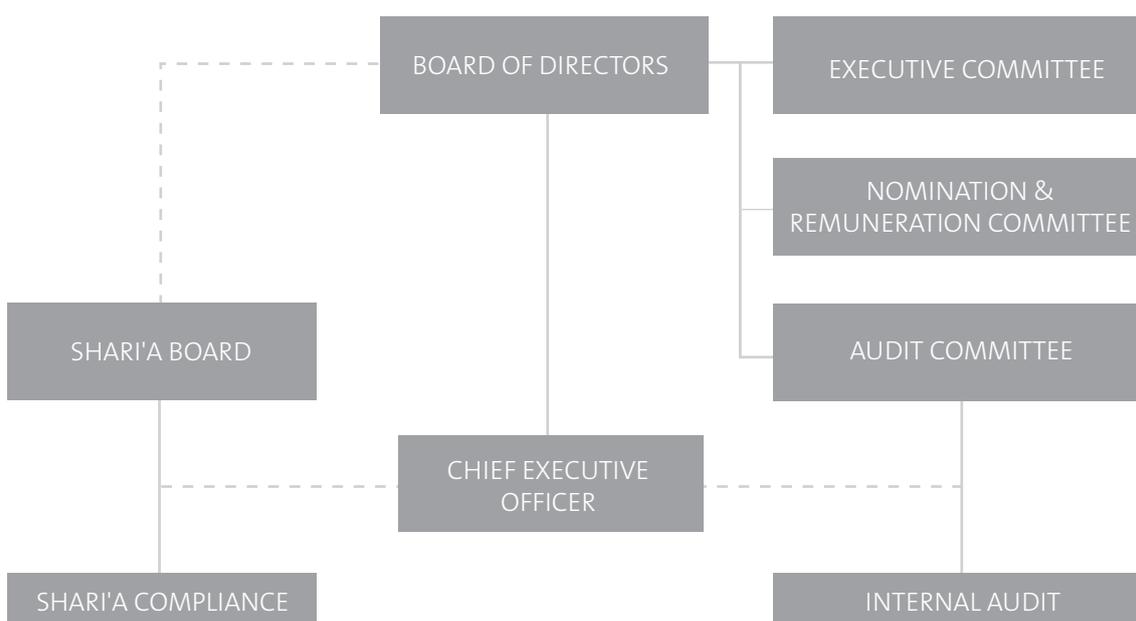
The Group is committed to avoiding recognizing any income generated from non-Islamic sources. Accordingly, all non-Islamic income if any, is credited to a charity account where the Group uses these funds for charitable means.

### Management Committees

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

#### *Management Investment Committee*

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



### ***Asset, Liability and Risk Management Committee***

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

### ***Other Committees***

The Management forms other committees to address specific initiatives.

### **Approval Authorities Guidelines**

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

### **Compliance**

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

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

### **Risk Management**

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

### **Code of Conduct**

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

### **Policies and Procedures**

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

### **Management Structure**

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

### **Management Compensation**

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

### **Shari'a Board Compensation**

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

### **Board Compensation**

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

### **Corporate Communications**

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

### **Investor Relations**

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

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

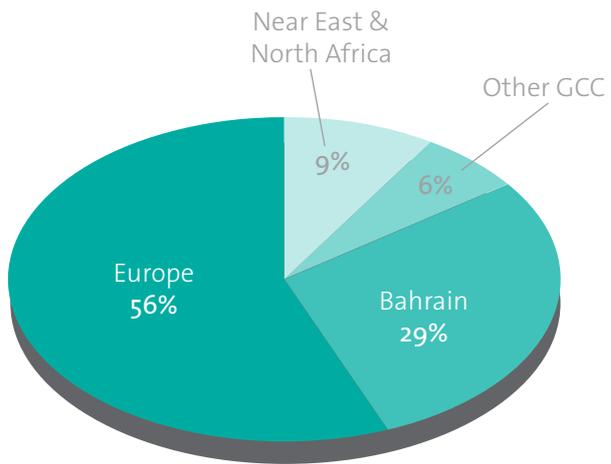
# FINANCIAL HIGHLIGHTS

US\$ MILLIONS	2009	2008	2007
TOTAL INCOME	7.0	18.2	29.7
TOTAL EXPENSES	11.0	15.7	15.2
UNREALISED (LOSSES) / GAINS	(31.0)	(16.2)	6.4
NET (LOSS) / INCOME	(35.1)	(13.8)	20.9
TOTAL ASSETS	306.8	376.7	383.4
TOTAL EQUITY	276.0	312.0	318.7

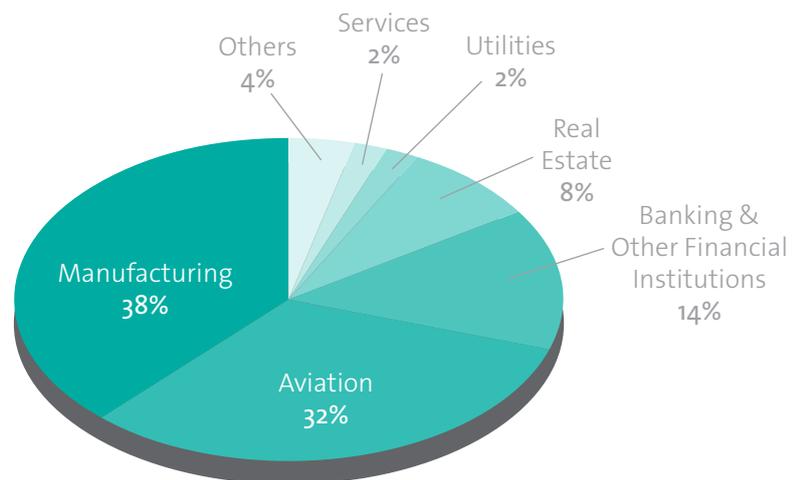
## KEY RATIOS

Islamic Financing to Equity Ratio (leverage)	0.1	0.2	0.2
Capital Adequacy	57%	53%	68%
Cost to Income	158.8%	86.6%	51.1%
Return on average assets *	-1.2%	0.6%	4.3%
Return on average equity *	-1.4%	0.8%	4.8%

\* Before unrealised losses and gains



ASSETS BY REGION



ASSETS BY SECTOR

# AUDITORS' REPORT

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

We have audited the accompanying consolidated 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.

*Ernst & Young*

16 February 2010  
Manama, Kingdom of Bahrain

## SHARI'A BOARD REPORT ON THE ACTIVITIES OF SEERA INVESTMENT BANK FOR THE PERIOD ENDED 31 DECEMBER 2009

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

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

The Shari'a Board of Seera Investment Bank, an Investment Bank, have reviewed the Bank's investment activities and compared them with the previously issued fatwas and rulings during the period ended 31st December 2009 and found them compatible with the already issued fatwas and rulings.

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

A representative of the Bank's management explained and clarified the contents of consolidated Balance Sheet, attached notes and Consolidated Statement of Income for the period ended on 31st December 2009 to our satisfaction. The report of the Shari'a Board has been prepared based on the contents provided by the Bank.

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

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



SHAIKH ESAM M. ISHAQ

Chairman



SHAIKH YOUSIF A. ALSHUBAILY

Member



SHAIKH MOHAMMED A. AL TABTABAEI

Member

CONSOLIDATED  
FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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AT 31 DECEMBER 2009

	Notes	2009 US\$ '000	2008 US\$ '000
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<b>306,789</b>	<b>376,738</b>
<b>LIABILITIES AND EQUITY</b>			
Due to banks and financial institutions		25,874	57,917
Other liabilities	11	4,903	6,808
<b>TOTAL LIABILITIES</b>		<b>30,777</b>	<b>64,725</b>
<b>EQUITY</b>			
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
<b>TOTAL EQUITY</b>		<b>276,012</b>	<b>312,013</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>306,789</b>	<b>376,738</b>

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

  
ABDULLA JANAHI  
 Chief Executive Officer

  
KHALID AL NASSER  
 Board Member

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

# 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)
<b>Net income from investment in leases</b>		<b>8,890</b>	<b>6,204</b>
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)
<b>Net (cost)/income on due from/to banks and financial institutions</b>		<b>(473)</b>	<b>173</b>
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
<b>TOTAL INCOME</b>		<b>6,955</b>	<b>18,164</b>
<b>Expenses</b>			
Staff expenses		6,057	8,645
General and administration expenses	14	3,290	6,467
Depreciation	10	1,697	620
<b>TOTAL EXPENSES</b>		<b>11,044</b>	<b>15,732</b>
<b>NET (LOSS)/INCOME FOR THE YEAR BEFORE ADJUSTMENTS</b>			
<b>FOR UNREALISED LOSSES</b>			
Unrealised loss on investment property	8	(6,006)	-
Provision for investments	15	(24,983)	(16,214)
<b>NET LOSS FOR THE YEAR</b>		<b>(35,078)</b>	<b>(13,782)</b>
Attributable to:			
Shareholders of the parent		(36,117)	(14,287)
Non-controlling interest		1,039	505
		<b>(35,078)</b>	<b>(13,782)</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

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FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US\$ '000	2008 US\$ '000
<b>OPERATING ACTIVITIES</b>			
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)
<b>Net cash (used in)/from operating activities</b>		<b>(38,129)</b>	<b>12,136</b>
<b>INVESTING ACTIVITIES</b>			
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
<b>Net cash from/(used in) investing activities</b>		<b>15,015</b>	<b>(140,175)</b>
<b>FINANCING ACTIVITY</b>			
Non-controlling interest		(923)	7,116
<b>Net cash (used in)/from financing activities</b>		<b>(923)</b>	<b>7,116</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(24,037)</b>	<b>(120,923)</b>
Cash and cash equivalents at beginning of the year		66,340	187,263
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	16	<b>42,303</b>	<b>66,340</b>

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				Non-controlling interest US\$ '000	Total equity US\$ '000
	Share capital US\$ '000	Statutory reserve US\$ '000	Investment fair value reserve US\$ '000	Accumulated losses 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	-	-
<b>Balance at 31 December 2009</b>	<b>291,286</b>	<b>2,002</b>	<b>418</b>	<b>(32,804)</b>	<b>15,110</b>	<b>276,012</b>
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)
<b>Balance at 31 December 2008</b>	<b>291,286</b>	<b>2,002</b>	<b>6,424</b>	<b>(2,693)</b>	<b>14,994</b>	<b>312,013</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

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

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest</i>
Falak Aviation Fund Company	Kingdom of Bahrain	100%
Falak Aviation Fund B.S.C. (c)	Kingdom of Bahrain	86%
Falak Investments Limited	Bahamas	86%
Falak Lease One Limited	Bahamas	86%
Falak Lease Two Limited	Bahamas	86%
Falak Lease Three Limited	Bahamas	86%
Falak Lease Four Limited	Bahamas	86%
Falak Lease Five Limited*	Bahamas	86%
Falak Lease Six Limited*	Bahamas	86%
Falak Lease Seven Limited	Bahamas	86%
Falak Lease Eight Limited	Bahamas	86%
Falak Lease Nine Limited	Bahamas	86%
Falak Lease Ten Limited	Bahamas	86%
Falak Lease Eleven Limited	Bahamas	86%

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

### Significant accounting judgements and estimates

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements 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 judgement.

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

### **Due from banks and financial institutions**

Due from banks and financial institutions comprise 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Non-trading investments (continued)

#### Available for sale (continued)

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 land	Indefinite
Buildings	20 years
Others	3-5 years

Expenditure for maintenance and repairs is expensed as incurred.

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

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

#### Due to banks and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2009

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial instruments (continued)

- (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 3 CASH AND BALANCES WITH BANKS

	2009 US\$ '000	2008 US\$ '000
Bank balances	4,362	5,808
Cash in hand	1	1
	<b>4,363</b>	<b>5,809</b>

## 4 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2009 US\$ '000	2008 US\$ '000
Commodity Murabaha	34,750	60,671
Deferred income	(10)	(140)
	<b>34,740</b>	<b>60,531</b>
Wakala placements	3,000	-
Mudaraba placements	200	-
	<b>3,200</b>	<b>-</b>
	<b>37,940</b>	<b>60,531</b>

## 5 NON-TRADING INVESTMENTS

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 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 US\$ '000	2008 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
	<b>101,390</b>	<b>101,390</b>
General provision	(8,000)	-
	<b>93,390</b>	<b>101,390</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 6 INVESTMENTS IN LEASES (continued)

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

	Receivables US\$ '000	2009 Payables US\$ '000	Net 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
	<b>150,694</b>	<b>110,452</b>	<b>40,242</b>

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

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 US\$ '000	2008 US\$ '000
Payable from 2010-2014	93,700	94,700
Payable from 2015-2017	27,000	27,000
	<b>120,700</b>	<b>121,700</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The other disposal group is a company incorporated in Cayman Islands which has a stake of 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 US\$ '000	2008 US\$ '000
Opening carrying value	17,460	17,460
Fair value adjustment	(6,006)	-
<b>Closing carrying value</b>	<b>11,454</b>	<b>17,460</b>

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 US\$ '000	2008 US\$ '000
Receivables related to leases	2,532	960
Others	3,596	2,341
	<b>6,128</b>	<b>3,301</b>
	3,301	4,829

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 10 PROPERTY AND EQUIPMENT

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

## 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
	<b>4,903</b>	<b>6,808</b>

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)
<b>Closing balance</b>	<b>737</b>	<b>499</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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

### 12.2 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 US\$ '000	2008 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)	-
	<b>(2,092)</b>	<b>1,934</b>

## 14 GENERAL AND ADMINISTRATION EXPENSES

	2009 US\$ '000	2008 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
	<b>3,290</b>	<b>6,467</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 15 PROVISION FOR INVESTMENTS

	2009 US\$ '000	2008 US\$ '000
Non-trading investments	6,983	16,214
Investments in leases	8,000	-
Other investments	10,000	-
	<b>24,983</b>	<b>16,214</b>

## 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
	<b>42,303</b>	<b>66,340</b>

## 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 quoted 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 18 CAPITAL MANAGEMENT (continued)

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

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

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

### Regulatory capital

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

### 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
<b>Core Tier 1 Capital</b>	<b>275,594</b>	<b>305,589</b>
Deductions	(29,130)	(31,678)
<b>Tier 1 Capital</b>	<b>246,464</b>	<b>273,911</b>
Negative balance of Tier 2	(28,942)	(28,787)
<b>Tier 1 Capital net of negative Tier 2 Capital</b>	<b>217,522</b>	<b>245,124</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 18 CAPITAL MANAGEMENT (continued)

### 18.2 Risk weighted assets

	2009 US\$ '000	2008 US\$ '000
Credit risk weighted assets	310,379	379,213
Market risk weighted assets	29,680	20,150
Operational risk weighted assets	43,387	66,074
	<b>383,446</b>	<b>465,437</b>

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 20 RELATED PARTIES (continued)

The significant balances with related parties were as follows:

	Notes	2009 US\$ '000	2008 US\$ '000
<b>Assets</b>			
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
<b>Income</b>		
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
<b>Expenses</b>		
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

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

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

## 21 COMMITMENTS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

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

## 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.

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### *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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

Credit risk (continued)

(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
	<b>306,789</b>	<b>222,425</b>	<b>310,379</b>	<b>37,246</b>

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
	<b>376,738</b>	<b>309,850</b>	<b>379,214</b>	<b>45,505</b>

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:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

Credit risk (continued)

*Geographical region:*

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

	Investments US\$ '000	Murabaha receivables US\$ '000	Wakala placements 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
	<b>189,823</b>	<b>8,866</b>	<b>3,000</b>	<b>200</b>	<b>20,536</b>	<b>222,425</b>

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

	Investments US\$ '000	Murabaha receivables 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
	<b>228,673</b>	<b>60,531</b>	<b>-</b>	<b>-</b>	<b>20,646</b>	<b>309,850</b>

*Counterparty type:*

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

	Investments 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	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
	<b>189,823</b>	<b>8,866</b>	<b>3,000</b>	<b>200</b>	<b>20,536</b>	<b>222,425</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Credit risk (continued)

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

	Investments 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	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
	<b>228,673</b>	<b>60,531</b>	<b>-</b>	<b>-</b>	<b>20,646</b>	<b>309,850</b>

#### (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
	<b>222,425</b>	<b>309,850</b>

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 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	-
	<b>306,789</b>	<b>30,777</b>	<b>376,738</b>	<b>64,725</b>

	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
	<b>306,789</b>	<b>30,777</b>	<b>376,738</b>	<b>64,725</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Concentration risk (continued)

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	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 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	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Market risk (continued)

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
	<b>45,322</b>	<b>(25,875)</b>	<b>19,447</b>

	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
	<b>52,918</b>	<b>(33,905)</b>	<b>19,013</b>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Market risk (continued)

#### Equity price risk

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

As of year ended 31 December 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 US\$ '000	2008 US\$ '000
Foreign exchange risk	29,680	20,150
Regulatory capital requirement (at 12%)	3,562	2,418

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Operational risk (continued)

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

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

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

	2009 US\$ '000	2008 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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 23 RISK MANAGEMENT (continued)

### Liquidity risk (continued)

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

	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
<b>Assets</b>								
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
	<b>27,093</b>	<b>18,093</b>	<b>2,657</b>	<b>-</b>	<b>-</b>	<b>87,850</b>	<b>171,096</b>	<b>306,789</b>
<b>Liabilities</b>								
Due to banks and financial institutions	11,514	14,360	-	-	-	-	-	25,874
Other liabilities	-	-	-	-	-	-	4,903	4,903
	<b>11,514</b>	<b>14,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,903</b>	<b>30,777</b>
<b>Net</b>	<b>15,579</b>	<b>3,733</b>	<b>2,657</b>	<b>-</b>	<b>-</b>	<b>87,850</b>	<b>166,193</b>	<b>276,012</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

## 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
<b>Assets</b>								
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
	<b>49,462</b>	<b>17,120</b>	<b>-</b>	<b>-</b>	<b>21,028</b>	<b>95,376</b>	<b>193,752</b>	<b>376,738</b>
<b>Liabilities</b>								
Due to banks and financial institutions	23,621	14,036	20,260	-	-	-	-	57,917
Other liabilities	-	-	-	-	-	-	6,808	6,808
	<b>23,621</b>	<b>14,036</b>	<b>20,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,808</b>	<b>64,725</b>
<b>Net</b>	<b>25,841</b>	<b>3,084</b>	<b>(20,260)</b>	<b>-</b>	<b>21,028</b>	<b>95,376</b>	<b>186,944</b>	<b>312,013</b>

## 24 SOCIAL RESPONSIBILITY

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

# BOARD OF DIRECTORS COMPOSITION

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## **MR ASAAD AHMED AL BANWAN**

Chairman of the Board and the Executive Committee  
Non-Executive

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

## **HRH PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD**

Independent Non-Executive Board Member  
Member of Executive Committee

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

## **HRH PRINCE TURKI BIN TALAL BIN ABDULAZIZ AL SAUD**

Independent Non-Executive Board Member

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

## **MR KHALID BIN NASSER BIN ABDULLA AL NASSER**

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

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

#### **MR YOUSEF SULTAN M AL MAJID**

Non-Executive Board Member

Member of Executive and Nomination & Remuneration Committees

Mr Al Majid has over 29 years of extensive experience in banking and investment finance. He is currently the General Manager of the National Investments Company in Kuwait. Mr Al Majid has actively participated and served on boards of several reputable regional and international institutions in the fields of banking, investment, hospitality, real estate, and manufacturing. He currently serves as a Board member of Al-Safat Investment Company, Al Mal Investment Company, and Bawabat Al-Kuwait Holding in Kuwait. He also serves as a Board member of Foras Investment Company in Saudi Arabia and as the Vice Chairman of the Gulf Investment Company in Bahrain. Mr Al Majid holds a Bachelors degree in Industrial Engineering from Wichita State University, Kansas.

#### **MR SAAD MOHAMMED ABDULLA AL SAAD**

Non-Executive Board Member

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

#### **DR ABDULLA BIN ABDUL MUHSIN AL TURKI**

Independent Non-Executive Board Member

Dr Al Turki is the Secretary General of the Muslim World League which is one of the largest Islamic non-governmental organizations. Previously Dr Al Turki was the Minister of Islamic Affairs and Endowments, advocacy and guidance and the advisor to the Royal Court in Saudi Arabia. Dr Al Turki Holds a PhD from Al Azhar University, Egypt, in Islamic Shari'a. Dr Al Turki has over 35 years of experience in Islamic affairs.

#### **MR MOHAMED HANI ABDULKADER AL BAKRI**

Independent Non-Executive Board Member

Member of Audit Committee

Mr Al Bakri is the Chairman of Allied Cooperative Insurance Group (ACIG) of Saudi Arabia and Bahrain and of The Card Company of Bahrain. Mr Al Bakri serves a Board Member for numerous companies and financial institutions and has over 25 years of broad experience in industry, development and finance. He is also a Board Member of the North of England Protection & Indemnity Club of New Castle; a mutual insurance entity covering the possible liabilities of ship owners with reserves of over \$600 million. Mr Al Bakri is a Board Member of A.K. Bakri Al Bakri & Sons Holding, A.K. Bakri & Sons Ltd & Subsidiaries, Bakri International Energy Co. Ltd & Subsidiaries, Bakri Navigation Company Ltd & Subsidiaries, AlKhomasia Shipping & Maintenance Co. & Subsidiaries and Red Sea Marine Services Ltd & Subsidiaries. Mr Al Bakri holds a Bachelors degree in Nuclear Engineering from King Abdul-Aziz University.

**MR WALEED KHALIFA AL FELAIJ**

Independent Non-Executive Board Member  
Member of Audit Committee

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

**MR WALEED ABDULLAH A. ALEISA**

Independent Non-Executive Board Member  
Chairman of Audit Committee

Mr AlEisa has over 23 years of Investment Banking experience. He is currently Senior Manager of International Investment Unit at the Asset Management Division of Kuwait Investment Company. Prior to that, Mr AlEisa headed the European Equity Investment and Fixed Income. Mr AlEisa completed several international assignments in Europe, North America and the Far East. Mr AlEisa holds a Bachelors degree from California State University.

**MR KHAMIS MOHAMED BUHAROOON**

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

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

\* The qualifying criteria for 'Independent' directors is a per the Central Bank of Bahrain's Corporate Governance guidelines

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

# SHARI'A BOARD COMPOSITION

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

## SH. ESAM M ISHAQ

Chairman

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

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

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

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

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

Director: Zawaya Property Development, Kingdom of Bahrain.

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

## DR MOHAMMAD ALTABTABAEI

Member

Over 15 years of experience in Islamic Banking.

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

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

Professor: Kuwait institute for Juridical Studies, Kuwait.

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

**DR YOUSEF ABDULLAH ALSHUBAILY**

Member

Over 7 years of experience in Islamic Banking.

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

Shari'a Advisor: Al Zad International Investment Company.

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

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

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

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

\* Dr Mohammed Burhan Arbouna resigned his post as Shari'a Board member in 2009.

# MANAGEMENT PROFILES

## ABDULLA SALEH JANAHI

Chief Executive Officer

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

## DR RAED SARHAN

Chief Investment Officer

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

## SHAHZAD IQBAL

Chief Operating Officer

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

## SALMAN AL-ZAYANI

Chief Placement Officer and Treasurer

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

**GAVIN SASSON**

Head of Post Acquisition Management

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

**AMR ELIMAM**

Head of Strategic Planning and Corporate Communications

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

**FULYA KOCH**

Head of Risk Management

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

### **TAWFIQ AL-SARI**

Vice President, Financial Control

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

### **ISMAIL YOUNIS AHMED**

Head of Human Resources & Administration

Mr Ahmed comes from Ahli United Bank where he was heading the Human Resources Department. Prior to Ahli United Bank, he worked for Arab Banking Corporation looking after the Human Resources and Administration function. He has almost 20 years of experience in the field of Human Resources and Administration. Mr Ahmed has obtained his Middle Management Diploma from the University of Bahrain and holds a Human Resources Management Certificate. He has also successfully completed the Gulf Executive Management program conducted by the University of Virginia USA (Darden).

### **ABDULNASSER BUKAMAL**

Vice President, Operations

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

### **ABDULRAHMAN ALSHAIKH**

Head of Shari'a Compliance

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

## SUMAYA REDHA

Assistant Vice President, Head of Compliance

Ms Redha joined Seera Investment Bank with more than 10 years experience in Banking and Audit. She specializes in Anti-money laundering (AML) and Compliance. She started her career as an auditor with PriceWaterhouseCoopers and then moved to BNP Paribas where she held several positions as Head of Reconciliation, Internal Auditor and lastly the Compliance Officer and MLRO. Prior to joining Seera, Ms Redha was the Assistant and Deputy to BBK's Head of Compliance and MLRO. Ms Redha received her 'Certified Anti-Money Laundering Specialist' (CAMS) qualification in 2005 becoming the first Bahraini to receive this qualification. In addition to being certified as an AML Specialist, Ms Redha is also certified as Financial Risk Manager (FRM). She has obtained her Bachelor of Science in Accounting degree from University of Bahrain in 1998.

## ORGANIZATIONAL STRUCTURE

