Seera Investment Bank

2013 Annual Report

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

P.O. Box 18373, Manama

Kingdom of Bahrain

T: +973 17 566-533

F: +973 17 566-544

www.seera.com

Licensed as an Islamic Wholesale Bank by the CBB

TABLE OF CONTENTS

MESSAGE FROM THE CHAIRMAN

It is my pleasure to present to you on behalf of the Board of Directors the 2013 Annual Report of Seera Investment Bank.

Overview

I am pleased to report that Seera has achieved a consolidated net profit of US$4.1 million.

Our earnings in 2013 have primarily been achieved from the aviation portfolio, with smaller contributions from other investments. Seera's profitable results over the past several years reflect a positive and satisfactory performance.

The aviation sector has been facing unprecedented challenges since the financial crisis due to higher fuel costs which has made airlines seek newer, more fuel efficient aircraft or to seek lower rentals on existing aircraft. These factors have made conditions challenging for aircraft lessors. Despite these challenges, Seera has continued to steer its aviation portfolio, Falak, effectively and generated income not only from lease rentals, but also from compensation for early termination of certain leases and from the early settlement of financing on a number of aircraft in Falak's portfolio at re-negotiated favorable terms.

Seera also continues to benefit from disciplined liquidity management and a sound un-leveraged balance sheet, giving it room for future growth.

Although markets continue to be challenging, Seera still continues to grow albeit at a more modest rate, based on its prudent business strategy.

Financial Overview

Seera generated a consolidated net profit of US$4.1 million. Gross income was US$34.0 million while core expenses continued to be tightly controlled. There are no significant liabilities or borrowings on Seera's books, and the Bank's consolidated balance sheet includes Falak Ijara underlying assets and their corresponding liabilities of US$91.4 million, which represent the financing arrangements for these aircraft and which are secured over each respective aircraft and have no recourse on Seera's balance sheet.

Investment Portfolio

I am pleased to report that the UK Student Accommodation transaction through which Seera and its investors provided a Shari'a compliant financing for the development of student housing project based in Central London is performing above our expectations. The project is now fully complete and is nearly fully let out. Profit payments are being received on schedule and distributed to investors. Promoters have recently finalized a long term lease of the entire property to an international educational institution. This is expected to further enhance the project's attractiveness to buyers upon exit which is expected to be on schedule in 2015.

Seera's largest investment is Falak, a portfolio of leased commercial aircraft which continues to generate income through steady lease payments from generally well known and established airlines. Despite the challenges in the Aviation industry, Seera together with its aviation partner, Novus, have been able to make good progress on options for disposal or lease renewal for a number of aircraft. This is an actively managed portfolio whereby, we continually evaluate and pursue the most viable exit option for each aircraft.

Kosan Crisplant (KC) is the world leader in providing filling solutions for Liquefied Petroleum Gas cylinders. The company's performance for the 2013/2014 financial year to date has continued the trend of strong performance across all key business metrics. During the year, strong demand from large customers in South America, the Middle East and Asia have enabled KC to build a comfortable order book. During 2013 KC was placed 2nd (joint) from a list of 1,000 Danish companies for the "Pioneer" award. This is an award instituted by the Danish newspaper Børsen to recognize companies that have recovered quickest from the financial crisis, been innovative agile and with a global footprint. This recognition is a testament to KC's success and will enhance its profile within the industry even further.

Outlook

Seera's investment strategy is dynamically aligned with market changes and the near term focus for new investments is expected to be on opportunities which generate recurring income and on lower risk opportunities. In the existing portfolio, the focus is expected to be on re-leasing and sale of some aircraft in the Falak Aviation portfolio. In addition, Seera is also exploring possible exits from other mature investments.

Although there is general consensus among economists for improved business sentiment over the next 12 months after more than four years of slowing global growth, the recent turmoil in emerging markets continues to impact stability. The uncertainty mostly stems from potential slowdown in the growth in some of the large Asian markets which is in turn affecting investor sentiment and global growth.

In spite of market risks, we still view difficult markets as an opportunity to acquire quality assets at attractive valuations, and we believe that Seera is well positioned to take advantage of these opportunities.

Appreciations

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

Sulaiman Khaled Al Sahli
Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report that 2013 was another profitable year for the Bank. Seera reported consolidated net profit of US$4.1 million for the year ended 31st December 2013 and Operating Income of US$34.0 million. Income realized during the year was derived partly from recurring revenue sources such as yield payments from its aircraft portfolio, investment fees and Treasury income as well as from compensation on early termination of leases and settlement of financing at re-negotiated favorable terms.

During 2013 Seera continued its strategy to build value in its portfolio. Performance of Kosan Crisplant, Seera's private equity investment in a leading company based in Denmark, providing filling solutions for Liquefied Petroleum Gas (LPG) cylinders saw remarkable improvement, which was achieved through the efforts of both Seera and Kosan's management team. Seera's investment in the UK Student housing continued to perform exceptionally well. The development was completed during the year and was fully let out. Investment is on target for exit on schedule and due to its huge success with investors, Seera is in discussions with the developer in providing a further financing facility.

Although Falak Aviation fund remained challenging due to the general weakness in the aviation sector, Seera was able to generate value from its portfolio of aircraft through renewing lease on one aircraft and early terminating leases and settling financing at re-negotiated favorable terms on three others. A number of opportunities are now being pursued to either lease or sell these aircraft.

Financial Performance 2013

Seera has reported a consolidated net profit of US$4.1 million for 2013. The Bank's total income increased notably by US$21.4 million to US$34.0 million as compared to the same period last year. This was largely due to compensation on early termination of leases and settlement of financial obligations at re-negotiated favorable terms. Management continued to streamline operations and retain strict controls over costs. Total expenses remained stable at US$5.7 million in 2013, representing a lean organization with a cost base below a number of its peers in the region. Given the challenges facing the aviation sector Seera has prudently made provisions of US$23.9 million for impairment of aircraft. These losses are unrealised and may reverse looking ahead, should there be recovery in the aviation industry and should certain transactions currently being looked at for the re-lease and outright sale of certain aircraft come to fruition.

Seera's Capital Adequacy Ratio was at 23.9 per cent on 31 December 2013, which is comfortably above the minimum 12 per cent required by the Central Bank of Bahrain. The Bank follows a prudent approach in managing its capital, which provides scope to acquire significant future risk assets from a regulatory capital standpoint. Details of the Bank's financial position and performance are provided in the Financial Review section and the Consolidated Financial Statements.

Going Forward

As stated above, we believe that exits from current investments will remain a key focus and challenge and fruition of a number of exits will be the key to a successful 2014 and beyond.

These divestitures would enhance Seera's returns and free up capital for further investment activities and business growth.

In terms of investment strategy, Seera seeks to diversify its portfolio both geographically and asset-class wise. This strategy will continue to be executed in a disciplined manner with the objective of preserving the value of Seera's investments in spite of the difficult markets. Seera's current portfolio comprises investments in the aircraft leasing, industrial manufacturing and more recently the UK student housing sectors, in addition to other smaller investments in several other asset classes.

Seera continues to seek investments which are well suited to current market conditions and investor appetite. The Bank will continue to follow a cautious strategy for new investments with stringent criteria requirements having to be fulfilled when evaluating all new investment opportunities. Given the current investor risk appetite it is envisaged that focus will remain on investments providing regular cash income with moderate risk.

Corporate Governance

Since its start of operations, Seera worked towards establishing a robust corporate governance framework and towards ensuring that corporate governance will remain one of the Bank's strategic focus areas. Given that a great deal has changed since the foundation of the Bank especially with the changes to the banking environment and to regulatory requirements, Seera continued to update its practices and has managed to stay abreast of these changes. Practically speaking, this meant that in 2013, we continued to update our corporate governance framework and its elements, where required to keep them in line with changing conditions and regulatory requirements.

The benefits realized from these activities have been substantial and Seera's ability to protect shareholder interests was certainly enhanced through this commitment. The Bank has been effective in protecting shareholder capital, maintaining a strong oversight role by the Board, key committees and functions, and ensuring that business is conducted in a manner that protects the Bank over the long term. Our commitment to corporate governance has also been demonstrated by our continued investment in this very important area.

Market Conditions

In 2013 the macro-economic environment remained challenging and although there were signs of recovery it remained inconsistent across global markets. The global economy is expected to grow but at a much slower pace than previously anticipated particularly due to pressures in the emerging market economies and a lingering recession in the Eurozone.

During 2012 and the first half of 2013 the US appeared to be showing increasing signs of growth which is a key indicator for world economy and for sentiment generally. This growth was spurred by the quantitative easing program over the past few years which supported the markets and created an environment in which continued growth is expected for jobs and economy generally. However, the gradual end of quantitative easing which has commenced by the Federal Reserve could result in higher long-term interest rates and consequent market volatility.

The picture has not been as rosy in the Eurozone, however, where growth is expected to remain challenging. The bigger economies in Europe have all seen recession in the past two years, and some are taking longer to return to flat, let alone positive GDP growth. In the first half of calendar 2013, continued economic woes, with high and rising unemployment, faltering real estate markets and threats of default in Greece, Spain, Portugal, Ireland and Italy, did little to lift sentiment amongst investors.

Borrowing conditions for companies in the Eurozone remained tough as banks generally continued to shrink their balance sheets. M&A activity remained flat, despite low interest rates and high levels of cash sitting on company balance sheets, while the IPO market saw a slight improvement for stronger companies with good stories to tell.

These factors mean that Seera will still approach the current markets with a degree of caution while looking to capitalize on the opportunities that the markets may bring. From an investment point of view, we generally continue to be in an environment where yield generating investments are viewed quite favorably. We therefore take the view that current markets are opportunities to invest and that with the right investments, healthy returns can be realized for Seera and its investors over the long term.

Abdulla Saleh Janahi
Chief Executive Officer

BOARD OF DIRECTORS

MR. SULAIMAN KHALED AL SAHLI
Chairman of the Board

MR. MUBARAK MATAR AL HEMEIRI
Vice Chairman

MR. KHALIFA ABDULLAH AL AJEEL
Board Member

MR. MOHAMED HANI ABDULKADER AL BAKRI
Board Member

MR. WALEED KHALIFA AL FELAIJ
Board Member

MR. OMAR SAAD AL MOSHAWAH
Board Member

MR. YOUSEF BIN NASSER AL NASSER
Board Member

MR. ABDULLA RASHED OMRAN AL SHAMSI
Board Member

MR. AHMAD ABDULQADER MOHAMMAD
Board Member

SHARI’A SUPERVISORY BOARD

SHAIKH 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.

ABDULLA SALEH JANAHI	Chief Executive Officer
SHAHZAD IQBAL	Chief Operating Officer
SAMEER OUNDHAKAR	Head of Investment and Post Acquisition Management
SOHAIL TOHAMI	Head of Treasury and Placement
PRATEEK SHARMA	Head of Investment
FULYA KOCH PLAS	Head of Risk Management
ISMAIL YOUNIS AHMED	Head of Human Resources & Administration
TAWFIQ AL-SARI	Head of Financial Control
MOHAMMED KAMAL	Head of Information Technology
ARWA HASHIM AL SHARAF	Head of Compliance & Deputy MLRO

INVESTMENTS

Seera focuses primarily on two business lines, Asset Based Investments and Corporate Investments. During previous years, Seera made substantial investments in these business lines in the areas of aircraft leasing, industrial manufacturing, and specialty chemicals. Following the financial crisis, Seera worked closely with its portfolio companies to adjust their business plans and position them for rapid growth following the recovery. Summary of key investments is provided below:

Falak Aviation Fund

Falak owns a portfolio of narrow and wide body aircraft which are on long term leases with well known airlines such as Cathay Pacific, British Airways, and Jet Airways. The portfolio has been set up to provide steady income from these leases and is actively managed in order to optimize portfolio return and to capitalize on exit or remarketing opportunities.

The portfolio continues to generate steady lease payments from the airlines. In 2013, Falak undertook several bold initiatives on some of the aircraft in the portfolio including settling the outstanding financing on three A340 aircraft at re-negotiated favorable terms and negotiating an early termination of the leases on these aircraft in return for compensation. These steps have enabled Falak to gain significant flexibility to working on finding a new home for these aircraft and we expect to be able to exit or renew the leases on a significant portion of Falak's aircraft during 2014.

Kosan Crisplant

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

During 2013, KC reaffirmed the strength of its business by delivering strong levels of order intake, turnover and EBITDA. In the core filling equipment business where KC already has a market leading position, the company further consolidated its positions in key markets in South America and the Middle East. Its strategy of product innovation and being able to offer products meeting small to large customers have enabled it to successfully serve customers in over 130 countries globally. The company's efforts to expand into the fast growing and attractive aftermarket business (service, spare parts) has enabled it to successfully smoothen revenues from its core contract led business which is less predictable. In addition to organic growth efforts the company also worked on concluding two acquisitions, one in Cameroon and another one in the UK. The pace of targeted acquisitions is expected to accelerate in the near future as the company grows its aftermarket business even faster.

Overall KC’s continued market strength and strong financial performance provide a very good platform for its future prospects and exit potential.

Aldgate UK Student Accommodation

In 2012, Seera made an investment in the UK student housing sector. The transaction comprises a Shari'a compliant structured financing facility for a new purpose built student housing project and commercial property in central London. During 2013, the property development was completed to high specifications and let out to nearly full capacity at the start of the academic year commencing in October 2013. The property offers 346 student rooms and 38,000 sq. feet of commercial space near Aldgate East station in Central London in close proximity to several higher educational institutions.

The persistent shortage of purpose built student accommodation in the UK, London's special position as a destination for higher education for international students, and the sector's resistance to negative market forces provide a very strong platform for this investment. This investment in particular is further underpinned by the property's prime location, regular and attractive yields, a relatively short investment tenure and a very attractive risk profile. These factors are in turn supporting a positive outlook for rental income and capital growth.

Further discussions have now culminated into a long term lease with an international educational institution to take the full property on lease commencing mid 2014. This is expected to further add to the attractiveness of the property at the time of its sale.

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. More specifically:

- The Bank aspires to the highest standards of ethical conduct: doing what it says; reporting results with accuracy and transparency; and maintaining compliance with the laws, rules and regulations that govern the Bank's business.
- A key doctrine of the Bank is good governance. In addition to its commitment towards meeting legal and regulatory governance requirements, the Bank seeks to establish and maintain good governance. The Bank is however aware that good corporate governance is not an end in itself, but that it facilitates the Bank's capacity to define and achieve its purposes.
- Corporate governance establishes how shareholders, Board of Directors and management interact in determining the direction and performance of the Bank. Good governance holds management accountable to the Board and the Board accountable to the owners and other stakeholders. The Board is ultimately responsible to ensure that an adequate, effective, comprehensive, and transparent corporate governance process is in place.
- The Bank's shareholders have entrusted the Board of Directors to provide central leadership to the Bank, establish its objectives and develop the strategies that direct the ongoing activities of the Bank to achieve these objectives. Directors shall determine the future of the Bank and protect its assets and reputation. They will consider how their decisions relate to "stakeholders" and the regulatory framework. Directors apply skill and care in exercising their duties to the Bank and are subject to fiduciary duties. Directors are accountable to the shareholders of the Bank for the Bank's performance and can be removed from office by them.
- Management is responsible for implementing the direction set by the Board of Directors. Management ensures that the Board of Directors are appropriately informed and involved in carrying out this mission.

Objectives

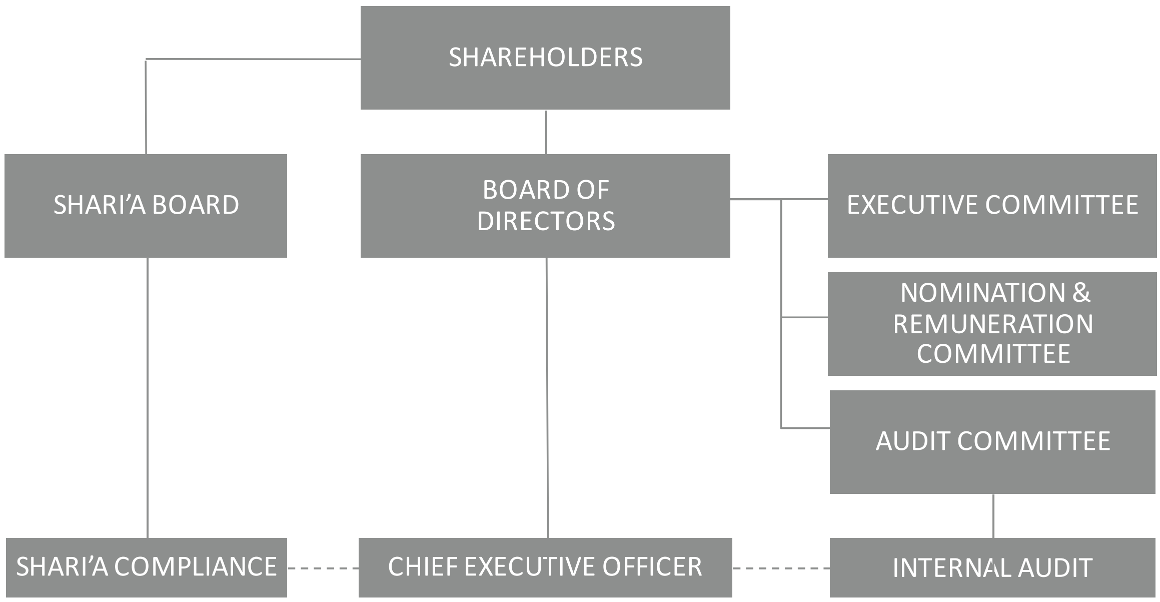
The primary objectives of the Bank's Corporate Governance Framework are to ensure that corporate governance:

- 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;
- Fulfils regulatory requirements;
- Ensures that the Bank conducts its activities in a Shari'a compliant manner; and
- Enforces a high level of standards.

Effective corporate governance entails the deployment of several key instruments which govern the operations of the Banks. These include:

- Board of Directors and Board Committees
- Shari'a Supervisory Board
- Management Committees
- Key support roles such as Shari'a Compliance, Compliance, Risk Management and Internal Audit
- Policies and procedures

These elements are established in line with the Central Bank of Bahrain's Rule Book applicable to Wholesale Shari'a compliant financial institutions. The principles and rules outlined in each of the corporate governance elements are in line with those of the CBB. These have been addressed in more detail in the documents that relate to these elements.



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. Its primary responsibility is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, including its investors, business partners, employees, suppliers and local community. The Board's responsibilities include developing Seera's overall business objectives, strategies that direct ongoing activities of the Bank to achieve these objectives, as well as monitoring of the Bank's performance. The Board is also responsible for approving Seera's financial results, monitoring conflicts of interest, preventing abusive related party transactions, assuring equitable treatment of shareholders, and ensuring transparency and integrity in its reporting including the Bank's financial statements. Its responsibilities also include ensuring that the systems and controls framework of Seera, including the Board structure and organizational structure is appropriate for the Bank's business and associated risks.

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 aim is to ensure that Seera is headed by an effective, collegial and informed Board of Directors. One of the key consideration for the set-up of the Board is to have a sufficient presence of independent and non-executive directors to help ensure Board independence.

Upon joining the Board, Directors are provided with an induction package which includes key items such as the Bank's strategy, a description of the Bank and its business, its corporate governance framework and elements, governing policies and procedures along with Board and Board Committees' charters.

To facilitate the Board in carrying out its responsibilities, the Board established committees which focus on key aspects of governance. 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. The Committee meets on an "as needed" basis.

Audit Committee

In line with the requirement for the Board to have rigorous controls for financial audit and reporting, internal control, and compliance with the law, the Board has established an Audit Committee. The Committee assists the Board in discharging its oversight responsibilities relating to the integrity of the Bank's financial statements, financial reporting process, the Bank's systems of internal accounting and financial controls, the annual independent audit of the Bank's financial statements and all matters related to external and internal auditors, compliance by the Bank with legal and regulatory requirements, and compliance with the Bank's code of conduct.

Nomination and Remuneration Committee

The Bank utilizes rigorous and transparent procedures for the appointment, training and evaluation of the Board and ensures that approved persons are remunerated fairly. The Nomination and Remuneration Committee is responsible for identifying individuals to become Board members, developing procedures for remuneration policy for the Board and senior management and leads the Board in its annual evaluation of Board performance. The Committee also evaluates the skills and expertise of directors and recommends changes and training accordingly.

Shari'a Compliance

In line with the Bank's mandate, 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 for 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 also committed to avoiding recognizing any income generated from non-Shari’a compliant sources. Accordingly, any non-Shari’a compliant income that might be inadvertently earned is credited to a charity account where the Group uses these funds for charitable means, closely coordinating on such matters with the Shari’a Board.

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 mandate is to assist the Board of Directors in performing their risk management oversight function. The committee is responsible for management of risks associated with investment, credit, market, operational, liquidity and profit rate within the guidelines laid by the Board of Directors and regulatory requirements.

Management also forms other committees to address specific aspects of the business or 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 certain officers and committees to allow business processes to be executed effectively, efficiently and as per established procedures.

Particularly, any transaction over US$20 million requires the approval of the Board’s Executive Committee, whereas, any transaction above US$75 million requires the approval of the Board of Directors.

Internal Audit

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

Compliance

Seera is committed to comply with all applicable regulatory provisions, to adopt industry best practices, and to have rigorous controls for compliance with the law. 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.

Anti-Money Laundering

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, 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

It is critical that all approved persons and employees have full loyalty to the Bank. To help ensure this, 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, other approved persons, 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. Seera also discloses information related to its corporate governance. To this effect, Seera has a Public Disclosures policy. Other unique policies and procedures also enhance corporate governance such as the Whistleblower Policy and Board of Directors evaluation process.

Approval Process for Related Party Transactions

Procedures are in place to avoid situations that may involve conflict of interest. Additionally, each member of the Board and senior management is required to disclose at least on an annual basis their interests in other entities which may give rise to such conflicts. Furthermore, the Board of Directors in its charters has incorporated procedures to avoid such conflicts when making any decisions.

Management Structure

A clear, efficient, and Board approved management structure is maintained by the Bank. 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 the CBB as "Approved Persons".

Seera's Internal Control effectiveness including maintenance of adequate segregation of duties is regularly reviewed by independent audit parties 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. Compliance and Risk Management functions have reporting lines to the Board or its delegated Committees.

Compensation

Seera remunerates approved persons fairly and responsibly. Management 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 is designed to reward the members for their valuable contribution to the business and involves an annual fixed component and a variable one which is linked to the Shari'a Board meetings attended.

Board compensation at Seera is primarily 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. Other remuneration is subject to shareholder approval and is more directly linked to Director's attendance, participation and contribution at meetings.

Public Disclosures

The Bank has a public disclosures policy which is intended to provide Bank stakeholders with relevant, accessible and accurate information on a timely basis. The information disclosed by the Bank is governed by this policy. Seera's website is a primary vehicle by which this is achieved.

The Bank's website in both Arabic and English is updated on an ongoing basis with the latest public information such as financials and press releases. Financial information is maintained on the website for a minimum of 3 years.

Investor Relations

The Bank is committed to the highest level of service to its clients. In this regard, the Placement function interacts with investors to address their information requirements and to satisfy the Bank's Know Your Customer ("KYC") requirements. Investors are kept informed about the progress of their investments through regular reports on their performance. Investors may also contact the Post Acquisition Management Department of the Bank for any specific requests or questions.

Compliance with CBB's Corporate Governance Guidelines

Banks in Bahrain are obliged to comply with CBB's Rulebook High-Level Controls (HC) Module which contains applicable Rules and Guidance for the Bank. The Bank's Comply/Explain Report is a tool where non-compliance is explained to shareholders by means of an annual report. Accordingly, the Bank's Comply/Explain Report has been revised to incorporate the CBB's rulebook quarterly updates and all requirements were met as of December 2013.

Audit Fees Charged by the External Auditor

Fees paid to external auditors are based on market rates, taking into consideration the nature and complexity of transactions subject to audit. For the year ended 31^{st} December 2013, total audit related expenses for the Bank amounted to US$ 120,690.

Board and Board Committee Meeting Attendance

According to Board and Committee charters and in line with regulatory requirements, a minimum number of meetings must be held in each year. Each meeting cannot be valid unless the minimum required number of attendees is achieved. Below is a summary of 2013 Board and Committee meetings' attendance.

	Minimum Number of Meetings Per Year	Actual Number Held in 2013	Total Number of Members	11 Feb	4 Mar	11 Apr	23 Jun	26 Sep	2 Dec	19 Dec
Board of Directors	4	5	9 / 10*		8 / 6*	9		9		9
Executive Committee	None	2	4	3*					4	
Audit Committee	4	4	3			3	2	3		3
Nomination & Remuneration Committee	2	2	3			3				2**

* Previous Board

** One member was unable to attend or participate due to urgent matters that were explained to the Board

Out of the 3 Nomination & Remuneration Committee members, one member has not met the 75% minimum attendance requirements. This issue has been discussed and is being directly addressed by the Board of Directors.

Board Evaluation

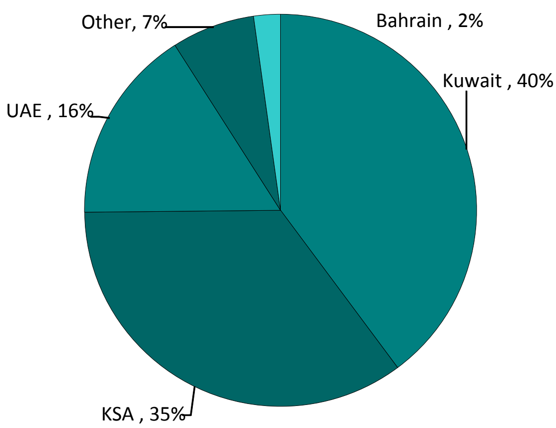
The Board of Directors has conducted its 2013 performance assessment of the Board and its committees. This was done through the completion of questionnaires covering the effectiveness of the Board and its committees and the contribution of each Director against their primary responsibilities on the Board and its committees. The Nomination and Remuneration Committee took the leadership role in this process and the findings were consolidated and presented to the Board of Directors. Findings confirm that Seera's Board and its committees continue to operate effectively.

Director Elections

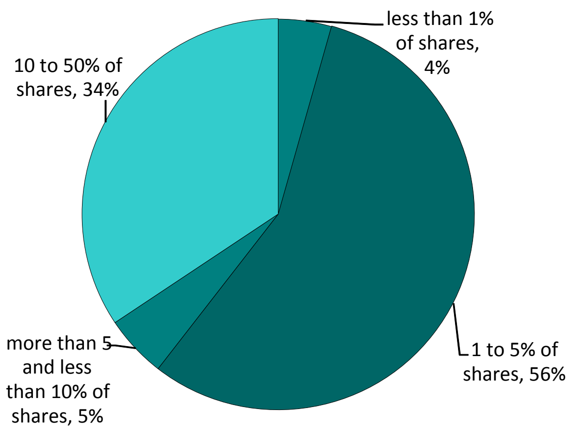
Board terms are generally three years. New Directors are elected by shareholders at annual general meetings by a majority of votes whereby shareholders have voting rights which correspond to their shareholdings. Shareholders with more than 10% of shares may appoint a Director for every 10% of their shareholdings. All Director appointments are subject to CBB approval. Directors may be removed by shareholders through a similar voting system and in line with the Bank's Memorandum and Articles of Association.

Shareholding

Seera has a diverse group of shareholders. Distributions of shareholdings are as per below:



SHARE OWNERSHIP
BY NATIONALITY



SHARE OWNERSHIP
BY SIZE OF SHAREHOLDING

Shareholders that have holdings above 5% of the Bank's shares are National Investments Company K.S.C (Closed) and Commercial Bank International P.L.C.

Shareholder Information

Seera is committed to communicating with shareholders, encourages their participation and respects their rights. Shareholders are encouraged to seek information about Seera and to actively participate in shareholder meetings. Shareholder requests for information are addressed by Shareholder Relations within the Placement function at the Bank.

FINANCIAL HIGHLIGHTS

US$ MILLIONS	2013	2012	2011	2010	2009	2008	2007*
TOTAL INCOME	34.0	12.5	85.0	16.5	7.0	18.2	29.7
TOTAL EXPENSES	5.7	5.9	11.6	10.3	11.0	15.7	15.2
UNREALISED LOSSES AND PROVISIONS	(24.2)	Nil	(12.0)	1.0	(31.0)	(16.2)	6.4
NET (LOSS) / INCOME	4.1	6.6	61.4	7.2	(35.1)	(13.8)	20.9
TOTAL ASSETS	310.6	360.3	526.8	417.7	306.8	376.7	383.4
TOTAL EQUITY	205.5	204.4	343.0	300.9	276.0	312.0	318.7

KEY RATIOS

Islamic Financing to Equity Ratio (leverage)	0.3	0.7	0.5	0.3	0.1	0.2	0.2
Capital Adequacy	23.9%	30.0%	61.5%	61.1%	56.7%	52.7%	68.3%
Return on Average Assets **	8.4%	1.5%	15.5%	1.7%	-1.2%	0.7%	4.3%
Return on Average Equity **	13.8%	2.4%	22.8%	2.2%	-1.4%	0.8%	4.8%
Cost to Income	16.6%	47.3%	13.7%	62.1%	157.1%	86.3%	51.2%

*2007 results reflect a 17 month period between 5th August 2006 and 31st December 2007

**Before unrealized losses and gains

AUDITORS REPORT

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

We have audited the accompanying consolidated statement of financial position of Seera Investment Bank B.S.C. (c) ("the Bank") and its subsidiaries (together the "Group") as of 31 December 2013, and the related consolidated statements of income, cash flows and changes in owners' equity for the year then ended and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013, the results of its operations, its cash flows and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards issued by AAOIFI.

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

Other Matters

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association having occurred during the year ended 31 December 2013 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, except as disclosed in note 33 to these consolidated financial statements.

Ernst & Young

10th March 2014
Manama, Kingdom of Bahrain

SHARI'A SUPERVISORY BOARD REPORT

SHARI'A SUPERVISORY BOARD REPORT ON THE ACTIVITIES OF SEERA INVESTMENT BANK FOR THE PERIOD ENDED 31 DECEMBER 2013

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 2013 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.

An audit of the Bank's activities brought attention to the following issues:

1. During the year 2013 the Bank renewed a conventional financing facility associated with an aircraft. Management of the Bank, despite their best efforts, were unable to renew this financing on a Shari'a compliant basis and had no choice but to renew this financing on a conventional basis out of necessity. The Shari'a Supervisory Board was unable to deem the renewal as Shari'a compliant and has accordingly requested the Bank's management to disclose this matter at the Annual General Assembly Meeting of the shareholders.

2. The Bank reviewed a 'draft' agreement between SPV's and the conventional lenders without taking prior approval from Shari'a Board to review such agreements. The Shari'a Supervisory Board considered this to be a violation of its pronouncements in this regard and therefore requested that any profits on the financing be waived to regularize the matter which was agreed by the Bank's Management.

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 2013 to our satisfaction. The report of the Shari'a Board has been prepared based on the contents provided by the Bank.

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

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

Shaikh Esam M. Ishaq
Chairman

Dr. Yousef A. Alshubaily
Member

Dr. Mohammad A. Altabtabaei
Member

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 US$ '000	2012 US$ '000
ASSETS			
Cash and balances with banks	4	**3,928**	8,242
Due from banks and financial institutions	5	**23,502**	45,255
Financing contracts	6	**30,233**	7,716
Non-trading investments	7	**15,463**	17,573
Investment in ijarah assets	8	**200,398**	244,590
Net assets of disposal group classified as held for sale	9	**15,611**	14,942
Investment in real estate	10	**10,476**	10,476
Other assets	11	**4,996**	5,093
Property and equipment	12	**6,020**	6,374
TOTAL ASSETS		**310,627**	360,261
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Term financing	13	**91,400**	141,483
Other liabilities	14	**13,702**	14,424
TOTAL LIABILITIES		**105,102**	155,907
OWNERS' EQUITY			
Share capital	15	**145,643**	145,643
Reserves	15	**11,723**	9,908
Retained earnings		**31,790**	27,571
Proposed dividend	16	**-**	4,275
Equity attributable to shareholders of the parent		**189,156**	187,397
Non-controlling interest		**16,369**	16,957
TOTAL OWNERS' EQUITY		**205,525**	204,354
TOTAL LIABILITIES AND OWNERS' EQUITY		**310,627**	360,261

Sulaiman Al Sahli
Chairman

Mubarak Al Hemeiri
Board Member

Abdulla Janahi
Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

	Notes	2013 US$ '000	2012 US$ '000
Rental income from investment in ijarah assets	17	**23,430**	36,106
Depreciation on investment in ijarah assets	8	**(16,007)**	(16,007)
Management fees relating to ijarah assets		**(905)**	(1,057)
Financing cost relating to term financing obtained to purchase ijarah assets		**(4,016)**	(8,320)
Other income relating to ijarah assets	18	**33,137**	-
Other operating expenses relating to ijarah assets	19	**(2,985)**	(2,347)
Net income from investment in ijarah assets		**32,654**	8,375
Profit on amounts due from banks and financial institutions		**97**	1,069
Profit on financing contracts	6	**428**	634
Net funding income		**525**	1,703
Fee and other income		**664**	1,216
Foreign exchange gain		**109**	1,225
TOTAL INCOME		**33,952**	12,519
Expenses			
Staff expenses		**3,800**	3,977
General and administrative expenses	20	**1,337**	1,283
Depreciation on property and equipment	12	**515**	659
TOTAL EXPENSES		**5,652**	5,919
NET INCOME FOR THE YEAR BEFORE IMPAIRMENT AND PROVISIONS		**28,300**	6,600
Impairment and provisions	21	**(24,200)**	-
NET PROFIT FOR THE YEAR		**4,100**	6,600
Attributable to:			
Shareholders of the parent		**4,688**	5,500
Non-controlling interest		**(588)**	1,100
		4,100	6,600

Sulaiman Al Sahli
Chairman

Mubarak Al Hemeiri
Board Member

Abdulla Janahi
Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 US$ '000	2012 US$ '000
OPERATING ACTIVITIES			
Net profit for the year		**4,100**	6,600
Adjustments for:			
Provision for employees' end of service benefits	14	**243**	246
Depreciation on investment in ijarah assets	8	**16,007**	16,007
Depreciation on property and equipment	12	**515**	659
Impairment and provisions	21	**24,200**	-
Gain on disposal of equipment		**(15)**	-
		45,050	23,512
Changes in operating assets and liabilities:			
Financing contracts		**(22,517)**	(7,716)
Other assets		**97**	396
Other liabilities		**5,807**	(3,722)
Net cash from operating activities		**28,437**	12,470
INVESTING ACTIVITIES			
Purchase of equipment	12	**(161)**	(25)
Proceeds from disposal of equipment		**15**	-
Net cash used in investing activities		**(146)**	(25)
FINANCING ACTIVITIES			
Reduction of share capital		**-**	(145,643)
Repayment and early settlement of term financing		**(50,083)**	(22,621)
Dividends paid		**(4,275)**	-
Net cash used in financing activities		**(54,358)**	(168,264)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**(26,067)**	(155,819)
Cash and cash equivalents at beginning of the year		**53,497**	209,316
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	22	**27,430**	53,497

The attached notes 1 to 33 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2013

	Equity attributable to shareholders of the parent							
	Share capital US$ '000	*Statutory reserve US$ '000*	*Investments fair value reserve US$ '000*	*Retained earnings US$ '000*	*Proposed dividend US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total owners' equity US$ '000*
Balance at 1 January 2013	145,643	9,140	768	27,571	4,275	187,397	16,957	204,354
Net income (loss) for the year	-	-	-	4,688	-	4,688	(588)	4,100
Transferred to statutory reserve	-	469	-	(469)	-	-	-	-
Unrealised gain on re-measurement to fair value	-	-	1,346	-	-	1,346	-	1,346
Dividends paid (note 16)	-	-	-	-	(4,275)	(4,275)	-	(4,275)
Balance at 31 December 2013	**145,643**	**9,609**	**2,114**	**31,790**	**-**	**189,156**	**16,369**	**205,525**
Balance at 1 January 2012	291,286	8,590	419	26,896	-	327,191	15,857	343,048
Net income for the year	-	-	-	5,500	-	5,500	1,100	6,600
Reduction in share capital	(145,643)	-	-	-	-	(145,643)	-	(145,643)
Transferred to statutory reserve	-	550	-	(550)	-	-	-	-
Unrealised gain on re-measurement to fair value	-	-	349	-	-	349	-	349
Proposed dividend (note 16)	-	-	-	(4,275)	4,275	-	-	-
Balance at 31 December 2012	145,643	9,140	768	27,571	4,275	187,397	16,957	204,354

The attached notes 1 to 32 form part of these consolidated financial statements

1 INCORPORATION AND ACTIVITIES

Seera Investment Bank B.S.C. (c) ["the Bank"] was incorporated on 5 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 subsidiary [the "Group"] provide investment banking products and services that are compliant with Shari'a principles.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 10 March 2014.

2 BASIS OF PREPARATION

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

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

Statement of compliance

These consolidated financial statements have been prepared in accordance with Financial Accounting Standards ["FAS"] as issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"], the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives. In accordance with the requirements of AAOIFI, for matters for which no AAOIFI standards exist, the Bank uses the relevant International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary 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 subsidiary is prepared using consistent accounting policies.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The results of a subsidiary acquired or disposed off 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 resulting from intra-group transactions 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 owners' equity in the consolidated statement of financial position, separately from parent shareholders' equity.

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The following is the Group's significant subsidiary as at 31 December 2013:

Name of subsidiary	*Country of incorporation*	*Equity interest*	
		2013	*2012*
Falak Aviation Investment Fund B.S.C. (c)	Kingdom of Bahrain	86%	86%

3 ACCOUNTING POLICIES

3.1 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The most significant uses of judgments and estimates are as follows:

Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Revaluation of equity securities and investment in real estate

Where the fair values of the Group's unquoted equity securities cannot be derived from an active market, they are derived using a variety of valuation techniques. Judgment by management is required to establish fair values through the use of appropriate valuation models, consideration of comparable assets, discount rates and the assumptions used to forecast cash flows.

Investment in real estate is carried at fair value as determined by independent real estate valuation experts. The determination of the fair value for such assets requires the use of judgment by the independent valuation experts that are based on local market conditions existing at the date of the consolidated statement of financial position.

Impairment provisions against financing contracts

The Group reviews its financing contracts at each reporting date to assess whether an impairment provision should be recorded in the consolidated financial statements. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes to the provisions.

Impairment provisions against investment in ijarah assets

At the end of each reporting period an assessment is made to determine whether any evidence of impairment exists in the Bank's investment in ijarah assets by comparing the carrying amount to the recoverable amount. The recoverable amount is determined by independent valuation experts with specific expertise in the valuation of such assets. Judgment is applied by the independent valuation experts in determining the cash flows, discount rates and in identification of assets comparable to the asset being valued.

The independent valuation experts provide management with a range of values which are based on different valuation techniques. Management exercises its judgement in identifying the value which best represents the recoverable value of the ijarah assets.

Impairment of investments at fair value through equity

The Group treats investments carried at fair value through equity as impaired when there is a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment.

3 ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the new standards and interpretations effective as of 1 January 2013.

FAS 26 Investment in Real Estate

The Group has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation, or both. Before the adoption of FAS 26, the Group followed FAS 17 'Investments' and measured its investment in real estate at fair value and this measurement continued to be followed under FAS 26.

The adoption of other standards, changes in IFRS or interpretations as issued by the IASB does not have any impact on the Group. In addition, standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are not expected to have any significant impact on the Group's financial position or performance.

3.2.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash and balances with banks and due from banks and financial institutions with original maturities of ninety days or less.

3.2.2 Due from banks and financial institutions

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

3.2.3 Financing contracts

Financing contracts are stated at cost net of deferred profit and provision for impairment, if any. The Group considers the promise made by the purchase orderer in a financing contract as obligatory. Specific provisions are created for impairment where losses are expected to arise on non-performing contracts. The contracts are written of when they are considered to be uncollectible.

3.2.4 Non-trading investments

Non-trading investments are classified as investments designated at fair value through equity.

Initial recognition

All investments are recognised initially at their fair value plus transaction costs, on acquisition.

Re-measurement to fair value

Subsequent to acquisition, these are re-measured at fair value with unrealised gains or losses recognised in owners' equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognised in the consolidated statement of income.

Impairment losses recognised in the consolidated statement of income for an equity instrument classified as fair value through equity are not reversed through the consolidated statement of income.

3.2.5 Investment in ijarah assets

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

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

3 ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

3.2.5 Investment in ijarah assets (continued)

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

3.2.6 Net assets of disposal group classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Net assets of a disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for the held for sale classification is regarded as 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 classification.

3.2.7 Investment in real estate

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investment in real estate is initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment in real estate is re-measured at fair value and changes in fair value (only gains) are recognised as investments fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in fair value of investment in real estate are firstly adjusted against the investments fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial period, the current period unrealised gains shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gains previously transferred to the investments fair value reserve, are transferred to consolidated statement of income.

3.2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated.

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

Building	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 are reviewed, and adjusted if appropriate, at each financial year end.

3 ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

3.2.9 Recognition of income

Rental income from investment in ijarah assets
Rental income from investment in ijarah assets is recognised on the basis of contractual amounts receivable on a time apportioned basis.

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

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

Fee income
Fee income is recognised when earned.

3.2.10 Derecognition of financial instruments
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.2.11 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 as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange gains and losses on non-monetary items classified as "fair value through equity" are taken to the consolidated statement of changes in owners' equity.

3.2.12 Impairment
An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Specific provisions are created to reduce all impaired financial contracts to their realisable cash equivalent value. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment value was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income. In the case of investments designated at fair value through equity, impairment is reflected directly as a write down of the financial asset. Impairment losses on investments designated at fair value through equity are not reversed through the consolidated statement of income. Any subsequent increases in their fair value are recognised directly in equity.

3 ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

3.2.13 Employees' end of service benefits

Provision is made for indemnity payable under the Bahraini Labor Law applicable to non-Bahraini employees' accumulated periods of service at the consolidated statement of financial position date.

Bahraini employees of the Group are covered by contributions made to the Social Insurance Organisation ("SIO") as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. For Bahrainis with basic salaries above a certain threshold, the Bank recognizes indemnity in line with the requirements of the Labor Law.

3.2.14 Fair value of financial instruments

Fair value is determined for each investment individually in accordance with the valuation policies set out below:

- For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market price prevailing on the date of consolidated statement of financial position;
- For private equity investments, fair value is determined using recent buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to valuation models, including net present value of estimated future cash flows, and based on earnings before financing cost, tax, depreciation and amortization (“EBITDA”) multiples; and
- For investment in real estate, fair value is determined based on the valuation performed by independent valuers.

3.2.15 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

3.2.16 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.2.17 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.

4 CASH AND BALANCES WITH BANKS

	2013 US$ '000	2012 US$ '000
Balances with banks	**3,924**	8,239
Cash in hand	**4**	3
	3,928	8,242

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2013 US$ '000	2012 US$ '000
Commodity murabaha contracts	**14,606**	45,261
Deferred income	**(4)**	(6)
	14,602	45,255
Wakala contracts	**8,900**	-
	23,502	45,255

6 FINANCING CONTRACTS

	Notes	2013 US$ '000	2012 US$ '000
Murabaha receivables	6.1	**4,150**	7,716
Tawarruq	6.2	**26,083**	-
		30,233	7,716

6.1 Murabaha receivables

	2013 US$ '000	2012 US$ '000
Gross murabaha receivables	**4,187**	7,720
Deferred income	**(37)**	(4)
Net murabaha receivables	**4,150**	7,716

Murabaha receivables represent a 2.5 year shari'a compliant facility provided to ADGL (Guernsey), which matures on 2 February 2015. Profit is receivable on a quarterly basis. As at 31 December 2013, murabaha receivables were neither past due nor impaired (2012: nil).

6.2 Tawarruq

During the year, the Bank entered into tawarruq facilities with a special purpose vehicle ("SPV") established by Novus (the lead aviation partner of the Bank in Falak Aviation Investment Fund). The Bank granted the SPV with tawarruq facilities amounting to US$ 26,083 thousand for the purpose of settling certain financings, obtained by the subsidiary of the Bank to purchase Ijarah assets.

7 NON-TRADING INVESTMENTS

	2013 US$ '000	2012 US$ '000
Quoted investment designated at fair value through equity	**1,679**	1,502
Unquoted investments designated at fair value through equity	**13,784**	16,071
	15,463	17,573

The movement of non-trading investments during the year is as follows:

	2013 US$ '000	2012 US$ '000
At 1 January	**17,573**	18,752
Fair value changes	**677**	456
Impairment and provisions	**(2,787)**	(1,635)
	15,463	17,573

8 INVESTMENT IN IJARAH ASSETS

Investment in ijarah assets represent aircraft indirectly acquired through an equity investment in Falak Aviation Investment Fund B.S.C.(c) a Collective Investment Unit regulated by the Central Bank of Bahrain (the CBB).

	Cost at 1 January 2013 US$ '000	Accumulated Depreciation 1 January 2013 US$ '000	Depreciation charge US$ '000	Net book value at 31 December 2013 US$ '000	Net book value at 31 December 2012 US$ '000
Falak Fin One Limited	**39,739**	**2,968**	**1,484**	**35,287**	36,771
Falak Fin Two Limited	**40,042**	**2,808**	**1,403**	**35,831**	37,234
Falak Fin Three Limited	**41,965**	**3,496**	**1,748**	**36,721**	38,469
Falak Fin Four Limited	**36,599**	**3,238**	**1,619**	**31,742**	33,361
Falak Fin Seven Limited	**43,666**	**4,360**	**2,180**	**37,126**	39,306
Falak Fin Eight Limited	**34,269**	**6,154**	**3,077**	**25,038**	28,115
Falak Fin Nine Limited	**5,046**	**3,262**	**1,631**	**153**	1,784
Falak Fin Ten Limited	**5,526**	**2,876**	**1,439**	**1,211**	2,650
Falak Fin Eleven Limited	**37,752**	**2,852**	**1,426**	**33,474**	34,900
	284,604	**32,014**	**16,007**	**236,583**	252,590
Provisions				**(36,185)**	(8,000)
				200,398	244,590

9 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal group represents a company incorporated in the Cayman Islands which holds a 92.02% stake in a Danish operator, a leading supplier of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders. As at 31 December 2013, the Group holds a 21.5% stake in this Company. The Bank's management is in the process of identifying a potential buyer to dispose of this investment. As at 31 December 2013, the total assets and liabilities of the Company amounted to US$ 112,118 thousand and US$ 43,229 thousand respectively (31 December 2012: US$ 93,754 thousand and US$ 30,160 thousand respectively).

10 INVESTMENT IN REAL ESTATE

	2013 US$ '000	2012 US$ '000
Balance as at the beginning and end of the year	**10,476**	10,476

The investment in real estate represents land in the Kingdom of Bahrain. The land is stated at fair value, determined based on valuations performed by three independent professional valuers as at 31 December 2013 and 31 December 2012.

11 OTHER ASSETS

	2013 US$ '000	2012 US$ '000
Management fee receivables	**3,383**	2,937
Staff receivables	**503**	353
Prepaid expenses	**278**	513
Others	**832**	1,290
	4,996	5,093

12 PROPERTY AND EQUIPMENT

	Freehold land US$ '000	Building US$ '000	Others US$ '000	Total US$ '000
Cost:				
At 1 January 2013	3,162	4,079	5,366	12,607
Additions	-	-	161	161
At 31 December 2013	**3,162**	**4,079**	**5,527**	**12,768**
Accumulated depreciation:				
At 1 January 2013	-	1,240	4,993	6,233
Charge for the year	-	204	311	515
At 31 December 2013	**-**	**1,444**	**5,304**	**6,748**
Net book value				
At 31 December 2013	**3,162**	**2,635**	**223**	**6,020**
At 31 December 2012	3,162	2,839	373	6,374

13 TERM FINANCING

	2013 US$ '000	2012 US$ '000
Falak Fin One Limited	**-**	20,141
Falak Fin Two Limited	**10,725**	20,366
Falak Fin Three Limited	**14,280**	22,865
Falak Fin Four Limited	**11,615**	15,345
Falak Fin Seven Limited	**18,884**	21,310
Falak Fin Eight Limited	**16,464**	19,239
Falak Fin Ten Limited	**1,888**	2,428
Falak Fin Eleven Limited	**17,544**	19,789
	91,400	141,483

The movement in term financing during the year is as follows:

	2013 US$ '000	2012 US$ '000
Balance at beginning of the year	**141,483**	164,104
Repayments and early settlement	**(50,083)**	(22,621)
Balance at end of the year	**91,400**	141,483

The above financing has been obtained by the Bank's subsidiary to purchase ijarah assets. The financing carries profit rates between 3.3% and 6.8% and mature between 2013 and 2015. There is no recourse to the Bank on these financings.

14 OTHER LIABILITIES

	2013 US$ '000	2012 US$ '000
Maintenance accruals	**6,139**	1,025
Accrued expenses	**3,102**	2,944
Provision for employees end of service benefits	**1,476**	1,292
Current accounts	**1,082**	81
Unearned rental income	**419**	827
Others	**1,484**	8,255
	13,702	14,424

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

	2013 US$ '000	2012 US$ '000
Balance at beginning of the year	**1,292**	1,089
Charge for the year	**243**	246
Utilised and paid during the year	**(59)**	(43)
Balance at end of the year	**1,476**	1,292

15 OWNERS' EQUITY

15.1 Share capital

	2013 US$ '000	2012 US$ '000
Authorised :		
2,500,000,000 Ordinary shares of US$ 0.5 each	**1,250,000**	1,250,000
Issued and fully paid up		
As at the beginning and end of the year		
291,286,000 Ordinary shares of US$ 0.5 each	**145,643**	145,643

15.2 Statutory reserve

In accordance with the Bahrain Commercial Companies Law ("BCCL") and the Bank's articles of association, 10% of the net income for the year is transferred to the statutory reserve until such time as the reserve reaches 50% of the Bank's paid-up share capital. This reserve is not distributable, but can be utilised as security for the purpose of distribution in such circumstances as stipulated in the BCCL and other applicable statutory regulations. During the year US$ 469 thousand (2012: US$ 550 thousand) was transferred to statutory reserve.

15.3 Investments fair value reserve

Unrealised gains on 'investment in real estate' and 'investments carried at fair value through equity' are appropriated to the 'investments fair value reserve' in equity and are not available for distribution. Upon disposal of such assets, the related cumulative gains or losses are transferred to retained earnings and become available for distribution.

16 DIVIDENDS PAID

The dividend for the year ended 31 December 2012 amounting to US$ 4,275 thousand (US$ 0.01467 per share) was paid during the year, following regulatory approvals and the approval of the shareholders in the Annual General Meeting held on 4 March 2013.

17 RENTAL INCOME FROM INVESTMENT IN IJARAH ASSETS

	2013 US$ '000	2012 US$ '000
Falak Fin One Limited	**1,159**	5,640
Falak Fin Two Limited	**1,159**	5,640
Falak Fin Three Limited	**3,745**	6,420
Falak Fin Four Limited	**4,788**	4,790
Falak Fin Seven Limited	**4,321**	5,374
Falak Fin Eight Limited	**5,100**	5,100
Falak Fin Eleven Limited	**3,158**	3,142
	23,430	36,106

18 OTHER INCOME RELATING TO IJARAH ASSETS

	Notes	2013 US$ '000	2012 US$ '000
Income from early settlement of term financing obtained to purchase ijarah assets	18.1	**18,164**	-
Income from early termination of certain ijarah contracts	18.2	**14,973**	-
		33,137	-

18.1 During the year, the Group realised US$ 18,164 thousand upon early settlement of certain term financing, obtained by the Group to purchase Ijarah assets.

18.2 During the year, the Group realised US$ 14,973 on early termination of certain ijarah contracts.

19 OTHER OPERATING EXPENSES RELATING TO IJARAH ASSETS

	2013 US$ '000	2012 US$ '000
Professional and consultancy fees	**1,724**	261
Repairs and maintenance	**1,142**	1,608
Miscellaneous expenses	**119**	478
	2,985	2,347

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 US$ '000	2012 US$ '000
Rent and maintenance expenses	**252**	250
Communication charges	**181**	181
Legal and professional expenses	**151**	222
Board of Directors and Board Committees attendance allowances	**115**	94
Shari'a Supervisory Board attendance allowances	**106**	58
Travel expenses	**19**	55
Marketing and advertisement expenses	**20**	25
Other expenses	**493**	398
	1,337	1,283

21 IMPAIRMENT AND PROVISIONS

	2013		
	Specific impairment US$ '000	Collective impairment US$ '000	Total US$ '000
Balance at beginning of the year	**5,195**	**16,256**	**21,451**
Charge during the year	**24,200**	**-**	**24,200**
Transfer	**14,772**	**(14,772)**	**-**
Balance at the end of the year	**44,167**	**1,484**	**45,651**

	2012		
	Specific impairment US$ '000	Collective impairment US$ '000	Total US$ '000
Balance at beginning of the year	3,346	18,000	21,346
Transfer	1,744	(1,744)	-
Foreign exchange translations	105	-	105
Balance at the end of the year	5,195	16,256	21,451

22 CASH AND CASH EQUIVALENTS

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

	2013 US$ '000	2012 US$ '000
Cash and balances with banks	**3,928**	8,242
Due from banks and financial institutions (with original maturities of 90 days or less)	**23,502**	45,255
	27,430	53,497

23 ACCOUNTING CLASSIFICATION OF FINANCIAL INSTRUMENTS

Set out below is the accounting classification of financial instruments, other than cash and cash equivalents, held by the Group as at 31 December 2013:

	Amortised Cost US$ '000	Fair value through equity US$ '000
Financial assets		
Financing contracts	**30,233**	**-**
Non-trading investments	**-**	**15,463**
Other assets (excluding prepayments)	**4,718**	**-**
	34,951	**15,463**
Financial liabilities		
Term financing	**91,400**	**-**
Other liabilities	**10,742**	**-**
	102,142	**-**

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Fair value hierarchy

The fair value of the quoted security is derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include recent arm's length market transactions; discounted cash flow analysis or other valuation models.

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 following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 December:

	2013			
	Level 1 US$ 000	***Level 2 US$ 000***	***Level 3 US$ 000***	***Total US$ 000***
Non-trading investments	**1,679**	**-**	**2,145**	**3,824**
	1,679	**-**	**2,145**	**3,824**

	2012			
	Level 1 US$ 000	*Level 2 US$ 000*	*Level 3 US$ 000*	*Total US$ 000*
Non-trading investments	1,502	-	4,932	6,434
	1,502	-	4,932	6,434

An investment with a carrying value of US$ 11,639 thousand (2012: US$ 11,139 thousand) is carried at cost less impairment.

The fair values of other financial instruments carried at amortised cost are not materially different from their carrying values as at the consolidated statement of financial position date.

Transfers between Level 1, Level 2 and Level 3

During the year ended there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

25 CAPITAL MANAGEMENT

The adequacy of the Group'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 Group'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, retained earnings and non-controlling interest. The other component of regulatory capital, Tier 2 Capital, consists of investments fair value reserves. Certain adjustments are made to these balances as prescribed by the CBB. Risk-weighted assets are calculated in accordance with the prudential rules laid down by the CBB.

The Group 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 Group 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	*2013* *US$'000*	*2012* *US$'000*
Tier 1 capital	25.1	**158,261**	158,436
Tier 2 capital	25.2	**(42,715)**	(44,805)
Total capital base (a)		**115,546**	113,631
Risk weighted assets (b)	25.3	**483,341**	378,611
Capital adequacy (a/b x 100)		**23.91%**	30.01%
Minimum requirement		**12.0%**	12.0%

25.1 Tier 1 Capital

	2013 *US$'000*	*2012* *US$'000*
Share capital	**145,643**	145,643
Statutory reserve	**9,609**	9,140
Proposed dividend	**-**	4,275
Retained earnings	**31,790**	27,571
Non-controlling interest	**16,369**	16,957
Core Tier 1 Capital	**203,411**	203,586
Deductions	**(45,150)**	(45,150)
Tier 1 Capital	**158,261**	158,436
Negative balance of Tier 2	**(42,715)**	(44,805)
Tier 1 Capital net of negative Tier 2 Capital	**115,546**	113,631

25 CAPITAL MANAGEMENT (continued)

25.2 Tier 2 Capital

	2013 US$ '000	2012 US$ '000
Unrealised gains arising from fair valuing equities (45%)	**951**	345
Collective impairment provision	**1,484**	-
Core Tier 2 Capital	**2,435**	345
Deductions	**(45,150)**	(45,150)
Tier 2 Capital	**(42,715)**	(44,805)

25.3 Risk weighted assets

	2013 US$ '000	2012 US$ '000
Credit risk weighted assets	**313,476**	228,464
Market risk weighted assets	**38,125**	42,863
Operational risk weighted assets	**131,740**	107,284
	483,341	378,611

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 market risk-weighted assets result from the net foreign currency positions of the Bank.

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.

25.4 Tier 1 Capital Adequacy Ratio

	2013	2012
Capital Adequacy on Tier 1 Capital	**32.68%**	41.85%

26 SEGMENTAL INFORMATION

a) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 31 December 2013 is as follows:

	Bahrain US$'000	Europe US$'000	Others US$'000	Total US$'000
Assets				
Cash and balances with banks	701	2,265	962	3,928
Due from banks and financial institutions	14,602	-	8,900	23,502
Financing contracts	-	4,150	26,083	30,233
Non-trading investments	-	2,145	13,318	15,463
Investment in ijarah assets	78,974	62,411	59,013	200,398
Net assets of disposal group classified as held for sale	-	15,611	-	15,611
Investment in real estate	10,476	-	-	10,476
Other assets	612	768	3,616	4,996
Property and equipment	6,020	-	-	6,020
Total assets	**111,385**	**87,350**	**111,892**	**310,627**
Liabilities				
Term financing	-	91,400	-	91,400
Other liabilities	3,734	4,220	5,748	13,702
Total liabilities	**3,734**	**95,620**	**5,748**	**105,102**

The geographical distribution of the Group's assets and liabilities as of 31 December 2012 is as follows:

	Bahrain US$'000	Europe US$'000	Others US$'000	Total US$'000
Assets				
Cash and balances with banks	6,307	1,635	300	8,242
Due from banks and financial institutions	35,755	-	9,500	45,255
Financing contracts	-	7,716	-	7,716
Non-trading investments	-	4,932	12,641	17,573
Investment in ijarah assets	108,925	74,655	61,010	244,590
Net assets of disposal group				-
classified as held for sale	-	14,942	-	14,942
Investment in real estate	10,476	-	-	10,476
Other assets	468	1,040	3,585	5,093
Property and equipment	6,374	-	-	6,374
Total assets	168,305	104,920	87,036	360,261
Liabilities				
Term financing		141,483	-	141,483
Other liabilities	11,072	3,199	153	14,424
Total liabilities	11,072	144,682	153	155,907

26 SEGMENTAL INFORMATION (continued)

b) Industry sector

The industrial distribution of the Group's assets and liabilities as of 31 December 2013 is as follows:

	Banking and financial institutions US$'000	*Aviation US$'000*	*Real estate US$'000*	*Manufacturing US$'000*	*Others US$'000*	*Total US$'000*
Assets						
Cash and balances with banks	**3,928**	**-**	**-**	**-**	**-**	**3,928**
Due from banks and financial institutions	**23,502**	**-**	**-**	**-**	**-**	**23,502**
Financing contracts	**-**	**26,083**	**4,150**	**-**	**-**	**30,233**
Non-trading investments	**-**	**-**	**11,639**	**1,679**	**2,145**	**15,463**
Investment in ijarah assets	**-**	**200,398**	**-**	**-**	**-**	**200,398**
Net assets of disposal group classified as held for sale	**-**	**-**	**-**	**15,611**	**-**	**15,611**
Investment in real estate	**-**	**-**	**10,476**	**-**	**-**	**10,476**
Other assets	**654**	**462**	**-**	**1,499**	**2,381**	**4,996**
Property and equipment	**-**	**-**	**-**	**-**	**6,020**	**6,020**
Total assets	**28,084**	**226,943**	**26,265**	**18,789**	**10,546**	**310,627**
Liabilities						
Term financing	**91,400**	**-**	**-**	**-**	**-**	**91,400**
Other liabilities		**7,112**	**-**	**-**	**6,590**	**13,702**
Total liabilities	**91,400**	**7,112**	**-**	**-**	**6,590**	**105,102**

The industrial distribution of the Group's assets and liabilities as of 31 December 2012 is as follows:

	Banking and financial institutions US$'000	*Aviation US$'000*	*Real estate US$'000*	*Manufacturing US$'000*	*Others US$'000*	*Total US$'000*
Assets						
Cash and balances with banks	8,242	-	-	-	-	8,242
Due from banks and	45,255	-	-	-	-	45,255
financial institutions	-	-	-	-	-	-
Financing contracts	-	-	7,716	-	-	7,716
Non-trading investments	-	-	11,139	1,502	4,932	17,573
Investment in ijarah assets	-	244,590	-	-	-	244,590
Net assets of disposal group classified as held for sale	-	-	-	14,942	-	14,942
Investment in real estate	-	-	10,476	-	-	10,476
Other assets	2,723	657	-	297	1,416	5,093
Property and equipment	-	-	-	-	6,374	6,374
Total assets	56,220	245,247	29,331	16,741	12,722	360,261
Liabilities						
Term financing	141,483	-	-	-	-	141,483
Other liabilities	-	2,118	-	-	12,306	14,424
Total liabilities	141,483	2,118	-	-	12,306	155,907

The Group’s revenue and expenses are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these consolidated financial statements.

27 RELATED PARTIES

Related parties comprise Shareholders of the Group, Directors of the Group, Shari'a Supervisory Board members, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group. These transactions have been carried out on an arm's length basis in manner similar to transactions with a third party. For the year ended 31 December 2013, the Group has not made any provision related to amounts owed by related parties (2012: Nil).

The balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of income are as follows:

	2013				2012
	Shareholders US$'000	Directors US$'000	Others US$'000	Total US$'000	Total US$'000
Consolidated statement of financial position					
Asset					
Other assets	**682**	**-**	**-**	**682**	544
Income					
Fee income	**231**	**-**	**-**	**231**	500
Expenses					
Board of Directors and Board Committees attendance allowances	**-**	**115**	**-**	**115**	94
Shari'a Supervisory Board attendance allowances	**-**	**-**	**106**	**93**	58

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

	2013 US$'000	2012 US$'000
Short term employee costs	**1,236**	1,253
Termination costs	**210**	204
	1,446	1,457

28 COMMITMENTS

Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash flow requirements.

The Bank has the following commitments.

	Less than 1 year US$ '000	Total US$ '000
At 31 December 2013		
Capital and other commitments	**545**	**545**
	545	**545**
At 31 December 2012		
Capital and other commitments	116	116
	116	**116**

29 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.

30 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 Group 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 (RMD) independently identifies, measures, monitors and recommends appropriate steps to manage each type of risk. The RMD has independent access to the Board of Directors and updates them on the overall risk profile of the Group on a regular basis.

30.1 Risk management structure

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

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

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

Management Investment Committee
One of the key risks the Group is exposed to is the underwriting of investments and proprietary investments. It is the role of the Management Investment Committee to approve or disapprove such investments based on risks highlighted by the RMD and the relevant mitigating factors presented by the relevant business

Asset Liability and Risk Management Committee
The Asset Liability and Risk Management Committee’s responsibility is to manage all risks including liquidity, profit rate, credit, market and operational risks within the Policy framework of the Bank and regulatory requirements. It recommends liquidity limits and concentration limits to the Board of Directors.

Risk Management Department
The RMD 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 exposures to risk are within the approved limits.

Risk management and reporting systems
The RMD is responsible for managing and monitoring risk exposures. The RMD measures risk through the use of risk models and provides reports to the Asset Liability and Risk Management Committee. Monitoring and controlling risks is managed through limits set by the Board. These reports include analysis of capital adequacy, credit exposure, investment exposure, and foreign currency exposures.

30 RISK MANAGEMENT (continued)

30.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counterparties which are set by the Board of Directors and monitored by the RMD 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 in 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 & Poor's, Moody's and Fitch.

The Group does not have collateral for any of its credit risk exposures. In placing short-term funds with financial institutions the Group performs a credit analysis of each counterparty (including consideration of external credit rating if any), sets limits and monitors such limits.

The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position.

(i) Maximum exposure to credit risk

	2013 US$'000	*2012 US$'000*
Balances with banks	**3,924**	8,239
Due from banks and financial institutions	**23,502**	45,255
Financing contracts	**30,233**	7,716
Other assets	**4,718**	4,581
	62,377	65,791

As of 31 December 2013, none of the above exposures are either past due or impaired (2012: nil).

Credit quality per class of financial assets

The table below analyses the Group's maximum credit exposure where the credit quality is reflected by external credit ratings (S&P, Moody's and Fitch) of the counterparties where relevant:

2013	***Balances with banks US$ '000***	***Due from banks and financial institutions US$ '000***	***Financing contracts US$ '000***	***Other assets US$ '000***	***Total US$ '000***
Prime to High grade: AAA – AA	**45**		**-**	**-**	**45**
Medium grade: A – BBB	**2,149**	**20,401**	**-**	**-**	**22,550**
Non-investment / speculative: BB – B	**1,703**	**-**	**-**	**-**	**1,703**
Unrated	**27**	**3,101**	**30,233**	**4,718**	**38,079**
	3,924	**23,502**	**30,233**	**4,718**	**62,377**

30 RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

Credit quality per class of financial assets (continued)

2012	*Balances with banks US$ '000*	*Due from banks and financial institutions US$ '000*	*Financing contracts US$ '000*	*Other assets US$ '000*	*Total US$ '000*
Prime to High grade: AAA – AA	58	-	-	-	58
Medium grade: A – BBB	1,233	29,403	-	-	30,636
Non-investment / speculative: BB – B	6,945	6,351	-	-	13,296
Unrated	3	9,501	7,716	4,581	21,801
	8,239	45,255	7,716	4,581	65,791

Concentration Risk

Concentration risk is the risk of insufficient diversification of the portfolio resulting in an adverse impact of an external event on portfolio constituents sensitive to similar risk factors. Concentration risk primarily arises due to name and sector concentration, including geographic concentration.

The Bank strictly adheres to regulatory guidelines in respect of large exposures and connected and related counterparty exposures to effectively manage name concentration. Any excesses above the said limits are reported to the CBB and treated in accordance with the regulatory guidelines by way of capital deduction. In addition, the Bank has established internal limits on the maximum permissible exposures to sectors for managing sector concentration.

In respect of geographical concentration the Bank has defined limits for each country / geography which is based on the lowest among the available ratings by S&P, Moody’s and Fitch. The Bank also closely monitors political risk arising from events in each country of exposure.

The Group's financial assets with credit risk, can be analysed by the following geographical regions:

As at 31 December 2013

	Bahrain US$'000	***Europe US$'000***	***Others US$'000***	***Total US$'000***
Balances with banks	**697**	**2,265**	**962**	**3,924**
Due from banks and financial institutions	**14,602**	**-**	**8,900**	**23,502**
Financing contracts	**-**	**4,150**	**26,083**	**30,233**
Other assets	**334**	**768**	**3,616**	**4,718**
	15,633	**7,183**	**39,561**	**62,377**

30 RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

Concentration risk (continued)

	Bahrain US$'000	Europe US$'000	Others US$'000	Total US$'000
As at 31 December 2012				
Balances with banks	6,304	1,635	300	8,239
Due from banks and financial institutions	35,755	-	9,500	45,255
Financing contracts	-	7,716	-	7,716
Other assets	414	573	3,594	4,581
	42,473	9,924	13,394	65,791

The Group's financial assets with credit risk can be analysed by the following industry sector:

As at 31 December 2013

	Aviation US$'000	Banking and finance US$'000	Manufacturin US$'000	Other US$'000	Total US$'000
Balances with banks	**-**	**3,924**	**-**	**-**	**3,924**
Due from banks and financial institutions	**-**	**23,502**	**-**		**23,502**
Financing contracts	**26,083**	**-**	**-**	**4,150**	**30,233**
Other assets	**462**	**654**	**1,499**	**2,103**	**4,718**
	26,545	**28,080**	**1,499**	**6,253**	**62,377**

As at 31 December 2012

	Aviation US$'000	Banking and finance US$'000	Manufacturing US$'000	Other US$'000	Total US$'000
Balances with banks	-	8,239	-	-	8,239
Due from banks and financial institutions	-	45,255	-	-	45,255
Murabaha receivables	-	-	-	7,716	7,716
Other assets	657	2,723	299	902	4,581
	657	56,217	299	8,618	65,791

30.3 Market Risk

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

Profit rate risk

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

The Group currently has limited exposure to profit rate risk. The Group’s assets that are exposed to profit rate risk comprise of due from financial institutions and have repricing dates no longer than three months. During 2013, a +/- 200bp change in the profit rate, with all other variables constant, would have resulted in a +/- US$ 587 thousand (31 December 2012: +/-200bp resulted in +/- US$ 2,849 thousand) impact on the consolidated statement of income.

30 RISK MANAGEMENT (continued)

30.3 Market risk (continued)

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's risk management policy regulates such exposure by hedging currency exposures with Shari'a compliant instruments. Currency exposure is monitored daily by RMD and reported on a monthly basis to the Asset Liability and Risk Management Committee.

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

		2013	
	Assets US$'000	***Liabilities US$'000***	***Net US$'000***
Danish Krone	**15,611**	**-**	**15,611**
Kuwaiti Dinars	**1,716**	**-**	**1,716**
Great Britain Pounds	**6,353**	**(638)**	**5,715**
Euro	**15,073**	**-**	**15,073**

		2012	
	Assets US$'000	*Liabilities US$'000*	*Net US$'000*
Danish Krone	14,942	-	14,942
Kuwaiti Dinars	1,527	-	1,527
Great Britain Pounds	12,916	(697)	12,219
Euro	14,084	-	14,084

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

	Change in exchange rates (+/-) %	***income and equity (+/-) US$'000***
Danish Krone	**10**	**1,561**
Kuwaiti Dinars	**10**	**172**
Great Britain Pounds	**10**	**572**
Euro	**10**	**1,507**

Equity price risk

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

30 RISK MANAGEMENT (continued)

30.3 Market risk (continued)

Equity price risk (continued)

As at 31 December 2013 the Group had an investment in a quoted equity on the Kuwait Stock Exchange. The table below reflects the sensitivity of the investment to changes in these inputs. The sensitivity of investment 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**	**168**

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 investments fair value reserve.

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

	2013 US$ '000	2012 US$ '000
Foreign exchange risk	**38,125**	42,863
Regulatory capital requirement (multiple of 12.5)	**3,050**	3,429

During the year, the maximum capital requirement as per the standardized method was US$ 3,211 thousand while the minimum capital requirement was US$ 3,050 thousand.

30.4 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Board of Directors approves all significant policies and strategies related to the management of liquidity. Management Committees, including the Asset Liability and Risk Management Committee, review the liquidity profile of the Group on a regular basis and any material change in the current or prospective liquidity position is notified to the Board.

The RMD monitors the liquidity profile of the Bank on an ongoing basis to ensure that the liquidity gap is within regulatory limits and the liquidity gap and key liquidity ratios are within the internal Board approved limits.

30 RISK MANAGEMENT (continued)

30.4 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2013 based on expected periods to cash conversion from the consolidated statement of financial position date:

2013	*Up to 3 months US$ '000*	*3 to 6 months US$ '000*	*6 months to 1 year US$ '000*	*1 to 3 years US$ '000*	*3 to 5 years US$ '000*	*5 to 10 years US$ '000*	*10 to 20 years US$ '000*	*No fixed maturity US$ '000*	*Total US$ '000*
Assets									
Cash and balances with banks	3,928	-	-	-	-	-	-	-	3,928
Due from banks and financial institutions	23,502	-	-	-	-	-	-	-	23,502
Financing contracts	-	-	4,150	26,083	-	-	-	-	30,233
Non-trading investments	-	-	-	-	-	-	-	15,463	15,463
Investment in ijarah assets	-	-	-	-	-	-	-	200,398	200,398
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	-	15,611	15,611
Investment in real estate	-	-	-	-	-	-	-	10,476	10,476
Other assets	132		4,357	503	-	-	-	4	4,996
Property and equipment	-	-	-	-	-	-	-	6,020	6,020
Total assets	27,562	-	8,507	26,586	-	-	-	247,972	310,627
Liabilities									
Term financing	1,888	-	11,615	59,013	18,884	-	-	-	91,400
Other liabilities	1,792	476	7,392	-	1,476	-	-	2,566	13,702
Total liabilities	3,680	476	19,007	59,013	20,360	-	-	2,566	105,102
Net gap	23,882	(476)	(10,500)	(32,427)	(20,360)	-	-	245,406	205,525
Cumulative net gap	23,882	23,406	12,906	(19,521)	(39,881)	(39,881)	(39,881)	205,525	

30 RISK MANAGEMENT (continued)

30.4 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's assets and liabilities as of 31 December 2012 based on expected periods to cash conversion from the consolidated statement of financial position date:

2012	Up to 3 months US$ '000	3 to 6 months US$ '000	6 months to 1 year US$ '000	1 to 3 years US$ '000	3 to 5 years US$ '000	5 to 10 years US$ '000	10 to 20 years US$ '000	No fixed maturity US$ '000	Total US$ '000
Assets									
Cash and balances with banks	8,242	-	-	-	-	-	-	-	8,242
Due from banks and financial institutions	45,255	-	-	-	-	-	-	-	45,255
Financing contracts	-	-	-	7,716	-	-	-	-	7,716
Non-trading investments	-	-	-	-	-	-	-	17,573	17,573
Investment in ijarah assets	-	-	-	-	-	-	-	244,590	244,590
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	-	14,942	14,942
Investment in real estate	-	-	-	-	-	-	-	10,476	10,476
Other assets	569	-	1,003	3,517	-	-	-	4	5,093
Property and equipment	-	-	-	-	-	-	-	6,374	6,374
Total assets	53,497	-	-	7,716	-	-	-	287,581	360,261
Liabilities									
Term financing	2,428	61,817	15,345	61,893	-	-	-	-	141,483
Other liabilities	1,692	896	2,207	-	1,373	-	-	8,256	14,424
Total liabilities	4,120	62,713	17,552	61,893	1,373	-	-	8,256	155,907
Net gap	49,377	(62,713)	(17,552)	(54,177)	(1,373)	-	-	279,325	204,354
Cumulative net gap	49,377	(13,336)	(30,888)	(85,065)	(86,438)	(86,438)	(86,438)	192,887	

The contractual maturities of the financial assets and liabilities are not significantly different from their expected maturities and the Group does not have assets and liabilities with contractual maturities beyond 20 years.

30 RISK MANAGEMENT (continued)

30.5 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 sets 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 operational risk represented by the Board of Directors, Audit Committee, Asset Liability and Risk Management Committee, Risk Management Department, staff, contractors and Internal Audit.

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

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

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

	2013 ***US$ '000***	*2012* *US$ '000*
Average gross income	**70,262**	57,218
Operational risk weighted assets	**131,740**	107,284
Regulatory capital requirement (at 12%)	**16,468**	12,784

31 SOCIAL RESPONSIBILITY

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

32 EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

The Group has not received any income or incurred any expenses which was non shari'a compliant as at 31 December 2013 (2012: nil).

33 NON COMPLIANCE WITH SHARI'A RULES AND PRINICPLES DURING THE YEAR

(i) During the year the Bank renewed a conventional financing facility associated with an aircraft leased by the Bank's aviation subsidiary, Falak Aviation Investment Fund, to British Airways. Management of the Bank, despite their best efforts, were unable to renew this financing on a Shari’a compliant basis and had no choice but to renew this financing on a conventional basis out of necessity. The Shari’a Supervisory Board was unable to deem the renewal as Shari'a compliant and has accordingly requested the Bank’s management to disclose this matter at the Annual General Assembly Meeting of the shareholders on the basis that the renewal was done by management out of necessity.

(ii) “During the year, the Bank granted a ‘Tawarruq’ facility to special purpose vehicles (‘SPV’s) established by the Bank’s aviation partner for the purpose of settling conventional financing facilities at renegotiated terms. The relevant ‘draft’ agreements (between the SPV’s and the conventional lenders) were reviewed by the Bank without taking prior approval from Shari’a Board to review such agreements. The Sharia Supervisory Board considered this to be a violation of its pronouncements in this regard and therefore requested that any profits on the Tawarruq financing be waived to regularise the matter which was agreed by the Bank’s management.”

Table – 1. Capital requirement by type of Islamic financing contracts

The following table summarises the capital requirements by type of Islamic financing contracts as of:

	31 Dec 2013	
	Risk weighted assets US$ '000	Minimum capital requirement US$ '000
Islamic financing contracts		
Financing contracts	30,233	3,628
Ijarah assets	191,551	22,986
	221,784	26,614

Table – 2. Capital requirement for different type of risks

The following table summarises the capital requirements for credit risk, market risk and operational risk as of:

	31 Dec 2013	
	Risk weighted assets US$ '000	Minimum capital requirement US$ '000
Credit Risk	313,476	228,464
Market Risk	38,125	42,863
Operational Risk	131,740	107,284
	483,341	378,611

Table - 3. Gross funded and unfunded exposure

As at 31 December 2013:

	Average credit exposures US$ '000	Gross funded credit exposures US$ '000	Credit risk weighted exposures US$ '000	Regulatory capital requirements US$ '000
Balances with banks	5,526	3,924	3,924	471
Due from banks and financial institutions	24,678	23,502	23,502	2,820
Murabaha receivables	30,170	30,233	30,233	3,628
Other assets	4,650	4,718	4,718	566
	65,023	62,377	62,377	7,485

The average credit exposures have been calculated based on the quarterly balances.

Table - 4. Exposure by counterparty type

Net funded credit exposures by counterparty

As at 31 December 2013:

	Balances with banks US$'000	Murabaha receivable US$'000	Islamic Financing US$'000	Other US$'000	Total US$'000
Claims on banks	3,924	23,502	-	654	28,080
Claims on corporates	-	-	30,233	1,961	32,194
Others	-	-	-	2,103	2,103
	3,924	23,502	30,233	4,718	62,377

Table-5. Large Credit Exposure

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

As at 31 December 2013, the Bank's exposures in excess of 15% of Capital base for obligor limits to individual counterparties is shown below:

	Large exposure US$ '000	% of exposure to capital
Counterparty A	*37,127*	*18.04%*
Counterparty B	*33,474*	*16.26%*

Table -6. Specific provisions by counterparty type

The following table summarises the total specific provisions disclosed by counterparty type as of 31 December 2013:

		Specific provisions		
	Opening Balance US$ '000	Charges during the year US$ '000	Transfer from general provision US$ '000	Balance at the end of the period US$ '000
Investment - aviation	-	23,907	12,279	36,186
Investment - Energy	3,153	293	2,493	5,939
Investment - Real estate	2,042	-	-	2,042
	5,195	**24,200**	**14,772**	**44,167**

Table - 7.

The Bank has no obligations with respect to renegotiated islamic financing contracts.

The Bank has no obligations with respect to recourse transaction.

The Bank has not imposed any material penalties on customers for defaults.

The Bank does not make use of eligible collaterals and guarantees in its credit risk analysis.

The Bank does not have any past due and non-performing Islamic financing contracts. In accordance with the Bank's policy and Central Bank of Bahrain guidelines financing facilities on which payment of profit or repayment of principal are 90 days past due, are defined as non-performing.

The Bank does not accept deposits from outside parties and is not exposed to displaced commercial risk.

The Bank has no material legal contingencies including pending legal action.

Table - 8. Equity positions in the banking book

Investments	31 Dec 2013		
	Total gross exposure US$'000	Average gross exposure US$'000	Regulatory capital requirement US$'000
Non trading investments			
Quoted	1,679	1,618	160
Unquoted	13,784	15,429	3,114
	15,463	17,047	3,274

Table – 9. Equity gains or losses in banking book

The following table summarises the cumulative realised and unrealised gains or losses during the period ended:

	31 Dec 2013 US$ '000
Cumulative realised gains arising from sales or liquidations in the reporting year	-
Total unrealized losses recognised in the consolidated statement of financial positions but not through consolidated statement of income	-
Unrealised gross losses included in Tier 1 Capital	-
Unrealised gains included in Tier 1 Capital (45% only)	-
Unrealised gains included in Tier 2 Capital (45% only)	951

Table - 10. 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 Bank policies and procedures lay out guidelines that will optimise use of excess liquidity and ensure availability of funds to meet the Bank's obligations when they fall due. The Bank'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.

Liquidity ratio

The following table summarises the liquidity ratios as of:

	31-Dec 2013
Short term assets to short term liabilities	1.56
Liquid assets to total assets	0.09

Table - 11. Operational risk exposure

The Bank 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:

	Gross income		
	2013	*2012*	*2011*
	US$ '000	*US$ '000*	*US$ '000*
Total Gross Income	**57,570**	40,249	112,965

	December 2013
Indicators of operational risk	
Average Gross income (US$ '000)	**70,261**
Multiplier	**12.5**
	878,267
Eligible Portion for the purpose of the calculation	**15%**
TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US$ '000)	**131,740**

BOARD OF DIRECTORS COMPOSITION

MR. SULAIMAN KHALED AL SAHLI

Chairman of the Board and Executive Committee
Independent Non-Executive Board Member
Elected on 4th March, 2013

Mr. Sulaiman Al Sahli has over 30 years of experience in the Investment and Real Estate sectors both locally and internationally. Mr. Al Sahli is currently the Vice Chairman of National Investments Company and the Chairman of Coast Investment and Development Company in Kuwait. Mr. Al Sahli also serves as a board member of several other local and international companies such as Gulf International Properties and Kuwaiti German Holding Company, Melius, and Weinig. Mr. Al Sahli holds a Bachelors of Commerce degree from Cairo University and a Masters Degree from the University of Southern California – USA.

MR. MUBARAK MATAR AL HEMEIRI

Independent Non-Executive Board Member
Chairman of the Nomination & Remuneration Committee and member of the Executive Committee
Elected on 5th May, 2010 and reelected for second term on 4th March, 2013

Mr. Al Hemeiri is currently the Managing Director of Royal Group, UAE. He holds a Bachelors degree in computer science from the USA and has over 20 years of experience in the in the investments industry, including portfolio management, private equity, real estate and risk management. He has practical experience in the field of international investments where he was responsible for overseeing the operations and management of the investment portfolio at the Private Department of H.H. Sheikh Zayed Bin Sultan Al Nahyan. Mr. Al Hemeiri is also the Chairman and board member of several listed and unlisted companies across the GCC.

MR. KHALIFA ABDULLAH AL AJEEL

Non-Independent Executive
Elected on 4th March, 2013

Mr. Khalifa Al Ajeel has over 12 years of experience in the investment and brokerage sectors both locally and internationally. Mr. Al Ajeel is currently the Vice Chairman and CEO of Al Waseet Financial Business in Kuwait, as well as the Head of Brokerage and Trading Sector in National Investments Company in Kuwait. Mr. Al Ajeel also serves as a Vice Chairman of Al Oula Investment Company in Kuwait. Mr. Al Ajeel holds a Bachelors degree in Administrative Science from the University of Kuwait.

MR. MOHAMED HANI ABDULKADER AL BAKRI

Independent Non-Executive Board Member
Member of the Audit Committee
Elected on 2nd August, 2006 and reelected for second and third term on 5th May, 2010 and 4th March, 2013 respectively

Mr. Al Bakri has over 25 years of broad experience in industry, development and finance. He is currently the Chairman of Allied Cooperative Insurance Group (ACIG) of Bahrain and of The Card Company of Bahrain. Mr. Al Bakri serves as a Board Member for numerous companies and financial institutions and he is also a Board Member of the North of England Protection and Indemnity Club of New Castle; a mutual insurance entity covering the possible liabilities of ship owners with reserves of over $600 million. Mr. Al Bakri is a Board Member of A.K. Bakri Al Bakri & Sons Holding, and of Allied Cooperative Insurance Group (ACIG) of Saudi Arabia. Mr. Al Bakri is also a Member of the Technical Committee of the Classification Society Bureau, Veritas and has served as the Head of Jeddah Chamber of Commerce Maritime Committee. Mr. Al Bakri holds a Bachelors degree in Nuclear Engineering from King Abdul-Aziz University, KSA.

MR. WALEED KHALIFA AL FELAIJ

Independent Non-Executive Board Member
Member of the Executive and Nomination and Remuneration Committees
Elected on 2nd August, 2006 and reelected for second and third term on 5th May, 2010 and 4th March, 2013 respectively

Mr. Al Felaij has over 20 years of business experience. He is currently the General Manager of Finesco International General Trading & Contracting Company - Kuwait, Finesco National General Trading & Contracting Company - Kuwait, Waleed Al Felaij General Trading & Contracting Company - Kuwait and Al Felaij International Readymade Garment Factory - Kuwait, and is a partner in Finesco Holding Company - Kuwait, and owns MEDCO Development Company in Kuwait. Mr. Al Felaij holds a Bachelors degree in Business Management from Font Bonne College, USA.

MR. OMAR SAAD AL MOSHAWAH

Independent Non-Executive Board Member
Member of the Nomination and Remuneration Committee
Elected on 4th March, 2013

Mr. Al Moshawah has more than 25 years of experience in the finance and real estate industries. Mr. Al Moshawah is currently the Executive Manager of Khalid Al Nasser & Sons Co. Riyadh. Previously, he worked for the Ministry of Finance in KSA as an Advisor in the Income department. Mr. Al Moshawah holds a Bachelors degree from King Saud University, KSA.

MR. YOUSEF BIN NASSER AL NASSER

Independent Non-Executive Board Member
Member of the Executive Committee
Elected on 5th May, 2010 and reelected for second term on 4th March, 2013

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

MR. ABDULLA RASHED OMRAN AL SHAMSI

Independent Non-Executive Board Member
Chairman of the Audit Committee
Elected on 5th May, 2010 and reelected for second term on 4th March, 2013

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

MR. AHMAD ABDULQADER MOHAMMAD

Non-Independent Executive
Member of the Audit Committee
Elected on 4th March, 2013

Mr. Ahmad Mohammad has over 28 years of experience in the Investment Banking industry. Within the industry, he has local and international experience in the areas of lending and financing, direct investments and treasury activities. Currently Mr. Mohammad holds the position of AGM Financial and Administrative affairs within the National Investments Company where he oversees areas such as Settlements and Operations, Accounts and Finance and Human Resources and Administration. Mr. Mohammad holds a Bachelors of Science degree with a major in Economics and a minor in Marketing from the University of Kuwait.

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

***Members of the Board of Directors who own shares of the Bank in their own name are Mr. Waleed Khalifa Al Felaij and Mr. Yousef Bin Nasser Al Nasser who own 5 m shares each.

SHARI'A SUPERVISORY BOARD COMPOSITION

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

SHAIKH ESAM M. ISHAQ

SHARI'A SUPERVISORY BOARD CHAIRMAN

Over 10 years residing on Shari'a boards 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.

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

DR. MOHAMMAD ALTABTABAEI

SHARI'A SUPERVISORY BOARD MEMBER

Over 15 years of experience in Islamic Banking.

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

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

Professor: Kuwait institute for Juridical Studies, Kuwait.

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

DR. YOUSEF ABDULLAH ALSHUBAILY

SHARI'A SUPERVISORY BOARD MEMBER

Over 10 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. Alshubaily has several research papers and publications in the Islamic Studies and participated in a number of Islamic Conferences in the Kingdom of Saudi Arabia, United States and other countries. He has obtained his PhD from the Al Imam Mohamed Bin Saud Islamic University, Kingdom of Saudi Arabia.

MANAGEMENT PROFILES

ABDULLA SALEH JANAHI

CHIEF EXECUTIVE OFFICER

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

SHAHZAD IQBAL

CHIEF OPERATING OFFICER

Mr. Iqbal has more than 17 years of experience in Islamic banking. Prior to joining Seera he worked at Ernst & Young where he set up the Islamic Financial Services Group and later at Arcapita Bank, Bahrain in various senior executive positions. He has extensive experience in establishing and managing key banking functions. He is also experienced in advising and execution of Shari'a compliant private equity investments. Mr. Iqbal holds an MBA from Northern Arizona University, USA, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

SAMEER OUNDHAKAR

HEAD OF INVESTMENT AND POST ACQUISITION MANAGEMENT

Mr. Oundhakar has almost 15 years of experience in the Financial Services sector. Before joining Seera, he worked with the Boston Consulting Group in London where he advised several financial services and private equity clients. He has wide ranging experience within financial services and has worked with Threadneedle Asset Management (UK), American Express (UK) and HSBC (India). Mr. Oundhakar has a Bachelors degree with Distinction in Mechanical Engineering from VJTI - University of Mumbai, a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Lucknow and an MBA from INSEAD, France.

SOHAIL TOHAMI

HEAD OF TREASURY AND PLACEMENT

Mr. Tohami has more than 15 years experience in the Banking industry and other diversified business. Prior to joining Seera Investment Bank, Mr. Tohami was Head of the Money Market Desk in the Treasury Department at the Bank of Bahrain and Kuwait where he worked in various Treasury functions including fixed income portfolio manager, FX trading and currency options and the corporate desk. Mr. Tohami holds a Certified Public Accountant (CPA) designation from the University of Illinois and is a member of the American Institute of Certified Public Accountants. Mr. Tohami is also a member of the CFA Institute where he is designated as a Chartered Financial Analyst (CFA) holder. He also holds an executive MBA with first-class honors distinction from the University of Bahrain.

PRATEEK SHARMA

HEAD OF INVESTMENT

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

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 has almost 15 years of risk management experience and 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.

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 more than 20 years of experience in the field of Human Resources and Administration. Mr. Ahmed has obtained his Middle Management Diploma from the University of Bahrain and holds a Human Resources Management Certificate. He has also successfully completed the Gulf Executive Management program conducted by the University of Virginia USA (Darden).

TAWFIQ AL-SARI

HEAD OF FINANCIAL CONTROL

Mr. Al-Sari has over 15 years of banking and audit experience. Prior to joining Seera, Mr. Al-Sari was a First Manager Financial Control with Bahrain Islamic Bank. Prior to that, Mr. Al-Sari held several positions at Khaleej Finance & Investments Bank including Head of Financial Control, Acting Head of Direct Investment and Head of Internal Audit. Mr. Al-Sari was also the designated Compliance Officer and Anti-Money Laundering Reporting Officer. Mr. Al-Sari's audit experience included working for KPMG as a Senior Audit Supervisor for six years where he supervised audits of major Islamic and conventional financial institutions inside and outside of Bahrain. Mr. Al-Sari is member of The American Institute of Certified Public Accountant (CPA), California, USA, and is also a Certified Islamic Public Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions. He holds a Bachelor of Science degree in Accounting.

MOHAMMED KAMAL

HEAD OF INFORMATION TECHNOLOGY

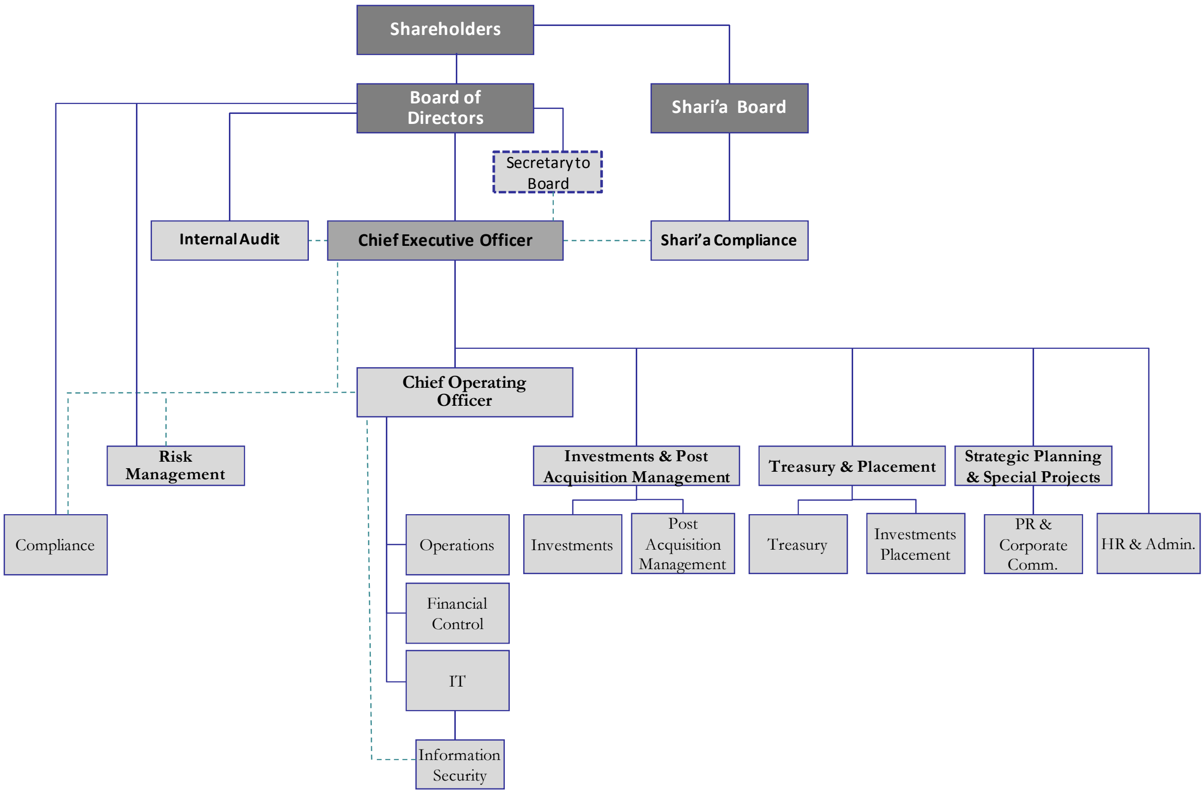
Mr. Kamal is responsible for Seera's IT operations which include core banking system implementation and aligning the IT strategy with Bank's business and compliance mandate. Prior to joining Seera Mr. Kamal was a Senior IT Specialist at the Bahrain Petroleum Company (BAPCO) where he was specialized in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

ARWA AL SHARAF

HEAD OF COMPLIANCE & DEPUTY MLRO

Ms. Al Sharaf is Seera's Compliance Officer and Deputy MLRO where she is responsible for developing, implementing and administering the Bank's Compliance Management Program. Ms. Al Sharaf has over 8 years of experience in Banking. Prior to her current role, Ms. Al Sharaf worked in the Financial Controls department where she was responsible for MIS and CBB reporting. Ms. Al Sharaf commenced her career at CITI Bank Bahrain in the Treasury Operations department where she gained broad experience in the banking operations and in a wide range of Islamic and non-Islamic banking products. Ms. Al Sharaf holds a Bachelors of Science degree in Banking and Finance from University of Bahrain and an International Diploma in Compliance from the International Compliance Association, Manchester, UK.

ORGANIZATIONAL STRUCTURE



Note: The Internal Audit function reports directly to the Audit Committee of the Board of Directors and the Shari'a Compliance function reports directly to the Shari'a Supervisory Board, with dotted reporting lines to the CEO.

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