

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 JUNE 2015 (REVIEWED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Seera Investment Bank B.S.C. (c) (the "Bank") and its subsidiaries (the "Group") as at 30 June 2015, comprising of the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of income, cash flows and changes in owners' equity for the six month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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



27 August 2015
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 (Reviewed)

| | | (Reviewed) 30 June 2015 US\$ '000 | (Audited) 31 December 2014 US\$ '000 |
|--|-------|--|---|
| | Notes | | |
| ASSETS | | | |
| Cash and balances with banks | | 1,766 | 1,959 |
| Due from banks and financial institutions | 3 | 32,302 | 17,702 |
| Financing contracts | | - | 3,910 |
| Non-trading investments | 4 | 16,246 | 10,333 |
| Investment in ijarah assets | 5 | 114,467 | 119,252 |
| Net assets of disposal group classified as held for sale | 6 | - | 12,765 |
| Investment in real estate | | 10,476 | 10,476 |
| Other assets | | 17,327 | 19,763 |
| Property and equipment | | 5,663 | 5,797 |
| TOTAL ASSETS | | 198,247 | 201,957 |
| LIABILITIES AND OWNERS' EQUITY | | | |
| LIABILITIES | | | |
| Term financing | 7 | 42,935 | 46,816 |
| Other liabilities | | 7,637 | 9,969 |
| TOTAL LIABILITIES | | 50,572 | 56,785 |
| OWNERS' EQUITY | | | |
| Share capital | | 145,643 | 145,643 |
| Reserves | | 10,467 | 10,262 |
| Accumulated losses | | (18,259) | (20,497) |
| Equity attributable to shareholders of the parent | | 137,851 | 135,408 |
| Non-controlling interest | | 9,824 | 9,764 |
| TOTAL OWNERS' EQUITY | | 147,675 | 145,172 |
| TOTAL LIABILITIES AND OWNERS' EQUITY | | 198,247 | 201,957 |



 Hamad Al Ameer
 Chairman



 Abdulla Janahi
 Chief Executive Officer



 Mubarak Al Hemeiri
 Board Member

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six month period ended 30 June 2015 (Reviewed)

| | Notes | Three months ended | | Six months ended | |
|---|-------|--------------------|----------------|------------------|-----------------|
| | | 30 June | | 30 June | |
| | | 2015 | 2014 | 2015 | 2014 |
| | | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| Rental income from investment in ijarah assets | 8 | 2,835 | 2,863 | 5,825 | 6,422 |
| Depreciation on investment in ijarah assets | 5 | (2,393) | (2,755) | (4,785) | (6,271) |
| Management fees relating to ijarah assets | | (107) | (55) | (254) | (225) |
| Financing cost relating to term financing obtained to purchase ijarah assets | | (396) | (488) | (811) | (987) |
| Other income relating to ijarah assets | 9 | 32 | - | 1,312 | 500 |
| Loss on disposal of ijarah assets, net | | - | - | - | (25,974) |
| Other operating expenses relating to ijarah assets | | (17) | (203) | (451) | (874) |
| Net (loss) income from investment in ijarah assets | | (46) | (638) | 836 | (27,409) |
| Profit on amounts due from banks and financial institutions | | 43 | 24 | 73 | 41 |
| Profit on financing contracts | 10 | - | 104 | 2,027 | 205 |
| Net funding income | | 43 | 128 | 2,100 | 246 |
| Fee and other income | | 325 | 78 | 1,162 | 198 |
| Foreign exchange gain | | 821 | 63 | 272 | 81 |
| Gain on sale of investment classified as held for sale | 6 | 1,399 | - | 1,399 | - |
| TOTAL INCOME (LOSS) | | 2,542 | (369) | 5,769 | (26,884) |
| Expenses | | | | | |
| Staff expenses | | 885 | 932 | 1,769 | 1,888 |
| General and administration expenses | | 322 | 339 | 704 | 631 |
| Depreciation on property and equipment | | 69 | 70 | 134 | 134 |
| TOTAL EXPENSES | | 1,276 | 1,341 | 2,607 | 2,653 |
| NET INCOME (LOSS) FOR THE PERIOD BEFORE UNREALISED (LOSS) GAIN | | 1,266 | (1,710) | 3,162 | (29,537) |
| Unrealised fair value gain (loss) on investments | | 357 | - | (864) | - |
| NET INCOME (LOSS) FOR THE PERIOD | | 1,623 | (1,710) | 2,298 | (29,537) |
| Attributable to: | | | | | |
| Shareholders of the parent | | 1,528 | (1,591) | 2,238 | (25,554) |
| Non-controlling interest | | 95 | (119) | 60 | (3,983) |
| | | 1,623 | (1,710) | 2,298 | (29,537) |


 Hamad Al Ameeri
 Chairman


 Abdulla Janahi
 Chief Executive Officer


 Mubarak Al Hemeiri
 Board Member

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended 30 June 2015 (Reviewed)

| | Notes | Six months ended | |
|--|-------|------------------------------|------------------------------|
| | | 30 June 2015 US\$ '000 | 30 June 2014 US\$ '000 |
| OPERATING ACTIVITIES | | | |
| Net income (loss) for the period | | 2,298 | (29,537) |
| Adjustments for: | | | |
| Depreciation on investment in ijarah assets | 5 | 4,785 | 6,271 |
| Depreciation on property and equipment | | 134 | 134 |
| Gain on early settlement of financing relating to ijarah assets | | - | (500) |
| Loss on disposal of ijarah assets, net | | - | 25,974 |
| Unrealised fair value gain (loss) on investments | | 864 | - |
| Gain on sale of investment classified as held for sale | | (1,399) | - |
| | | 6,682 | 2,342 |
| Changes in operating assets and liabilities: | | | |
| Financing contracts | | 3,910 | 14,685 |
| Other assets * | | 16,086 | (761) |
| Other liabilities | | (2,332) | 721 |
| Net cash from operating activities | | 24,346 | 16,987 |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of ijarah assets | | - | 27,397 |
| Purchase of non-trading investment | 13 | (6,058) | (31) |
| Net cash (used in) from investing activities | | (6,058) | 27,366 |
| FINANCING ACTIVITY | | | |
| Repayment of early settlement of term financing | 7 | (3,881) | (29,337) |
| Net cash used in financing activity | | (3,881) | (29,337) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | 14,407 | 15,016 |
| Cash and cash equivalents at the beginning of the period | | 19,661 | 27,430 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 34,068 | 42,446 |
| Cash and cash equivalents comprise: | | | |
| Cash and balances with banks | | 1,766 | 4,441 |
| Due from banks and financial institutions with original maturity of ninety days or less | 3 | 32,302 | 38,005 |
| | | 34,068 | 42,446 |

* Included in this balance is a non cash item amounting to US\$ 13,708 thousand which represents the receivable on the sale of the Bank's investment in the asset classified as held for sale.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six month period ended 30 June 2015 (Reviewed)

| | Equity attributable to shareholders of the parent | | | | | | |
|--|---|--------------------------------|---|---|--------------------|---------------------------------------|-----------------------------------|
| | Share capital US\$ '000 | Statutory reserve US\$ '000 | Investments fair value reserve US\$ '000 | Accumulated losses / retained earnings US\$ '000 | Total US\$ '000 | Non-controlling interest US\$ '000 | Total owners' equity US\$ '000 |
| Balance at 1 January 2015 | 145,643 | 9,609 | 653 | (20,497) | 135,408 | 9,764 | 145,172 |
| Net income for the period | - | - | - | 2,238 | 2,238 | 60 | 2,298 |
| Unrealised loss on remeasurement to fair value | - | - | 205 | - | 205 | - | 205 |
| Balance at 30 June 2015 | 145,643 | 9,609 | 858 | (18,259) | 137,851 | 9,824 | 147,675 |
| Balance at 1 January 2014 | 145,643 | 9,609 | 2,114 | 31,790 | 189,156 | 16,369 | 205,525 |
| Net loss for the period | - | - | - | (25,554) | (25,554) | (3,983) | (29,537) |
| Unrealised gain on remeasurement to fair value | - | - | 22 | - | 22 | - | 22 |
| Balance at 30 June 2014 | 145,643 | 9,609 | 2,136 | 6,236 | 163,624 | 12,386 | 176,010 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

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 subsidiaries (the "Group") provide investment banking products and services that are compliant with Shari'a principles.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 27 August 2015.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the six month period ended 30 June 2015 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at 31 December 2014. In addition, results for the six month period ended 30 June 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

2.2 Accounting convention

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

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

2.3 Significant accounting policies

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of amendments and clarifications effective as of 1 January 2015.

FAS 23 - Consolidation

The amendments introduced in FAS 23 provide clarification on the way an Islamic Financial Institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendments provide clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangements, voting rights of the IFI that give de facto power over an entity, potential voting rights, or a combination of these factors. In terms of voting rights, the amendments also clarify that an IFI shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the consolidation of investments held by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

3 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

| | <i>(Reviewed)</i> 30 June 2015 US\$ '000 | <i>(Audited)</i> 31 December 2014 US\$ '000 |
|------------------------------|---|--|
| Commodity murabaha contracts | 32,308 | 17,705 |
| Deferred income | (6) | (3) |
| | <u>32,302</u> | <u>17,702</u> |

4 NON-TRADING INVESTMENTS

| | <i>(Reviewed)</i> 30 June 2015 US\$ '000 | <i>(Audited)</i> 31 December 2014 US\$ '000 |
|---|---|--|
| Equity type investments at fair value through equity | | |
| Quoted investment | 1,595 | 1,699 |
| Unquoted investment | 8,593 | 8,634 |
| | <u>10,188</u> | <u>10,333</u> |
| Equity type investment at fair value through statement of income | | |
| Unquoted investment | 13 6,058 | - |
| | <u>16,246</u> | <u>10,333</u> |

Movement in investments at fair value through equity is as follows:

| | <i>(Reviewed)</i> 30 June 2015 US\$ '000 | <i>(Audited)</i> 31 December 2014 US\$ '000 |
|--------------------|---|--|
| At 1 January | 10,333 | 15,463 |
| Fair value changes | (145) | (480) |
| Provisions | - | (4,650) |
| | <u>10,188</u> | <u>10,333</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

5 INVESTMENT IN IJARAH ASSETS

Investment in ijarah assets represents aircraft indirectly acquired through subsidiaries of the Bank.

| | <i>Cost at 1 January 2015 US\$ '000</i> | <i>Accumulated depreciation 1 January 2015 US\$ '000</i> | <i>Depreciation charge 2015 US\$ '000</i> | <i>(Reviewed) Net book value at 30 June 2015 US\$ '000</i> | <i>(Audited) Net book value at 31 December 2014 US\$ '000</i> |
|--------------------------|---|--|---|--|---|
| Falak Fin One Limited | 39,746 | 5,936 | 742 | 33,068 | 33,810 |
| Falak Fin Two Limited | 41,035 | 5,614 | 702 | 34,719 | 35,421 |
| Falak Fin Seven Limited | 43,666 | 8,720 | 1,090 | 33,856 | 34,946 |
| Falak Fin Eight Limited | 34,269 | 12,308 | 1,538 | 20,423 | 21,961 |
| Falak Fin Nine Limited | 5,046 | 5,046 | - | - | - |
| Falak Fin Ten Limited | 5,526 | 5,526 | - | - | - |
| Falak Fin Eleven Limited | 37,752 | 5,812 | 713 | 31,227 | 31,940 |
| | 207,040 | 48,962 | 4,785 | 153,293 | 158,078 |
| Provision and impairment | | | | (38,826) | (38,826) |
| | | | | 114,467 | 119,252 |

The movement in provision and impairment is as follows:

| | <i>(Reviewed) 30 June 2015 US\$ '000</i> | <i>(Audited) 31 December 2014 US\$ '000</i> |
|---|--|---|
| At 1 January | 38,826 | 36,185 |
| Charge during the period / year | - | 18,177 |
| Release of provision upon disposal of ijarah assets | - | (15,536) |
| | 38,826 | 38,826 |

6 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 June 2015, the Bank has entered into a sale agreement to dispose of its stake in the asset classified as held for sale. As of the date of these financial statements, the Bank received approximately 65% of the agreed consideration and anticipates the remaining balance to be received by 15 September 2015. This transaction has been reflected as a sale during the period.

7 TERM FINANCING

| | <i>(Reviewed) 30 June 2015 US\$ '000</i> | <i>(Audited) 31 December 2014 US\$ '000</i> |
|--------------------------|--|---|
| Falak Fin Seven Limited | 15,627 | 16,737 |
| Falak Fin Eight Limited | 12,000 | 13,532 |
| Falak Fin Ten Limited | 1,078 | 1,348 |
| Falak Fin Eleven Limited | 14,230 | 15,199 |
| | 42,935 | 46,816 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

7 TERM FINANCING (continued)

The movement in term financing is as follows:

| | <i>(Reviewed)</i> 30 June 2015 US\$ '000 | <i>(Audited)</i> 31 December 2014 US\$ '000 |
|---------------------------------|---|--|
| At 1 January | 46,816 | 91,400 |
| Repayments and early settlement | (3,881) | (44,584) |
| | <u>42,935</u> | <u>46,816</u> |

The above financing has been obtained by the Bank's subsidiaries to purchase ijarah assets. The financing carries profit rates between 4.1% and 5.5%. There is no recourse to the Bank on this financing.

8 RENTAL INCOME FROM INVESTMENT IN IJARAH ASSETS

| | <i>(Reviewed)</i> 30 June 2015 US\$ '000 | <i>(Reviewed)</i> 30 June 2014 US\$ '000 |
|--------------------------|---|---|
| Falak Fin One Limited | 161 | - |
| Falak Fin Two Limited | - | - |
| Falak Fin Four Limited | - | 700 |
| Falak Fin Seven Limited | 1,578 | 1,578 |
| Falak Fin Eight Limited | 2,465 | 2,550 |
| Falak Fin Eleven Limited | 1,621 | 1,594 |
| | <u>5,825</u> | <u>6,422</u> |

9 OTHER INCOME RELATING TO IJARAH ASSETS

During the period, the Group realised US\$ 1,280 on certain purchase agreements that had not been pursued by potential buyers.

10 PROFIT ON FINANCING CONTRACTS

This represents an amount received upon maturity of a 2.5 year shari'a compliant facility provided to ADGL (Guernsey), which matured on 2 February 2015.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

11 RELATED PARTIES

Related parties comprise shareholders of the Group, Key management personnel, 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 shareholdings in common with that of the Group. These transactions have been carried out on an arm's length basis in a manner similar to transactions with a third party. For the period ended 30 June 2015, the Group has not made any provision related to amounts owed by related parties (30 June 2014: Nil).

The balances and transactions with related parties are as follows:

| | <u>30 June 2015 (Reviewed)</u> | | | | (Audited) |
|--|--------------------------------|------------------|-----------------|------------------|--------------------|
| | <i>Shareholders</i> | <i>Directors</i> | <i>Others</i> | <i>Total</i> | <i>31 December</i> |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>2014</i> |
| | | | | <i>US\$ '000</i> | |
| Interim consolidated statement of financial position | | | | | |
| Other liabilities | | | | | |
| Board of Directors and Board committees attendance allowance | | | | | |
| | - | 89 | - | 89 | 124 |
| Shari'a Supervisory Board attendance allowance | | | | | |
| | - | - | 242 | 242 | 217 |
| | | | | | |
| | <u>30 June 2015 (Reviewed)</u> | | | | (Reviewed) |
| | <i>Shareholders</i> | <i>Directors</i> | <i>Others</i> | <i>Total</i> | <i>30 June</i> |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>2014</i> |
| | | | | <i>US\$ '000</i> | |
| Interim consolidated statement of income | | | | | |
| Income | | | | | |
| Fee income | | | | | |
| | - | - | - | - | 55 |
| Expenses | | | | | |
| Board of Directors and Board committees attendance allowance | | | | | |
| | - | 63 | - | 63 | 63 |
| Shari'a Supervisory Board attendance allowance | | | | | |
| | - | - | 53 | 53 | 53 |

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 are as follows:

| | <u>(Reviewed)</u> | |
|------------------------------|-------------------------|---------------------|
| | <u>Six months ended</u> | |
| | <u>30 June 2015</u> | <u>30 June 2014</u> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Short term employee expenses | 629 | 621 |
| Termination expenses | 106 | 102 |
| | <u>735</u> | <u>723</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

12 ACCOUNTING CLASSIFICATION OF FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 June 2015:

| | <i>Amortised Cost US\$ '000</i> | <i>Fair value through equity US\$ '000</i> | <i>Fair value through statement of income US\$ '000</i> |
|--------------------------------------|---|--|---|
| Financial assets: | | | |
| Non-trading investments | - | 10,188 | 6,058 |
| Other assets (excluding prepayments) | 15,715 | - | - |
| | <u>15,715</u> | <u>10,188</u> | <u>6,058</u> |
| Financial liabilities: | | | |
| Term financing | 42,935 | - | - |
| Other liabilities | 7,637 | - | - |
| | <u>50,572</u> | <u>-</u> | <u>-</u> |

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

The fair value of a 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 the fair value of financial instruments 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:

| | <i>30 June 2015 (Reviewed)</i> | | | |
|-------------------------|-----------------------------------|------------------------------|------------------------------|----------------------------|
| | <i>Level 1 US\$ '000</i> | <i>Level 2 US\$ '000</i> | <i>Level 3 US\$ '000</i> | <i>Total US\$ '000</i> |
| Non-trading investments | 1,595 | - | 6,058 | 7,653 |
| | <u>1,595</u> | <u>-</u> | <u>6,058</u> | <u>7,653</u> |
| | <i>31 December 2014 (Audited)</i> | | | |
| | <i>Level 1 US\$ '000</i> | <i>Level 2 US\$ '000</i> | <i>Level 3 US\$ '000</i> | <i>Total US\$ '000</i> |
| Non-trading investments | 1,699 | - | - | 1,699 |
| | <u>1,699</u> | <u>-</u> | <u>-</u> | <u>1,699</u> |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)***Movements in level 3 financial instruments measured at fair value***

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value:

| | <i>(Reviewed)</i> | <i>(Audited)</i> |
|---------------------------|-------------------|--------------------|
| | <i>30 June</i> | <i>31 December</i> |
| | <i>2015</i> | <i>2014</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Purchase of an investment | 6,058 | - |
| Fair value changes | - | - |
| | <u>6,058</u> | <u>-</u> |

An investment with a carrying value of US\$ 8,593 thousand (31 December 2014: US\$ 8,634 thousand) is carried at cost less impairment.

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

Transfers between Level 1, Level 2 and Level 3

During the six month period ended 30 June 2015 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

14 SEGMENTAL INFORMATION

a) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 30 June 2015 is as follows:

| (Reviewed) | Bahrain US\$'000 | Europe US\$'000 | Others US\$'000 | Total US\$'000 |
|---|---------------------|--------------------|--------------------|-------------------|
| Assets | | | | |
| Cash and balances with banks | 336 | 1,379 | 51 | 1,766 |
| Due from banks and financial institutions | 32,302 | - | - | 32,302 |
| Non-trading investments | - | 6,058 | 10,188 | 16,246 |
| Investment in ijarah assets | - | 78,669 | 35,798 | 114,467 |
| Net assets of disposal group classified as held for sale | - | - | - | - |
| Investment in real estate | 10,476 | - | - | 10,476 |
| Other assets | 797 | 2,880 | 13,625 | 17,302 |
| Property and equipment | 5,663 | - | - | 5,663 |
| Total assets | 49,574 | 88,986 | 59,662 | 198,222 |
| Liabilities | | | | |
| Term financing | - | 42,935 | - | 42,935 |
| Other liabilities | 2,365 | - | 5,272 | 7,637 |
| Total liabilities | 2,365 | 42,935 | 5,272 | 50,572 |

The geographical distribution of the Group's assets and liabilities as of 31 December 2014 is as follows:

| (Audited) | Bahrain US\$'000 | Europe US\$'000 | Others US\$'000 | Total US\$'000 |
|---|---------------------|--------------------|--------------------|-------------------|
| Assets | | | | |
| Cash and balances with banks | 423 | 495 | 1,041 | 1,959 |
| Due from banks and financial institutions | 17,702 | - | - | 17,702 |
| Financing contracts | - | 3,910 | - | 3,910 |
| Non-trading investments | - | - | 10,333 | 10,333 |
| Investment in ijarah assets | - | 81,202 | 38,050 | 119,252 |
| Net assets of disposal group classified as held for sale | - | 12,765 | - | 12,765 |
| Investment in real estate | 10,476 | - | - | 10,476 |
| Other assets | 583 | 16,942 | 2,238 | 19,763 |
| Property and equipment | 5,797 | - | - | 5,797 |
| Total assets | 34,981 | 115,314 | 51,662 | 201,957 |
| Liabilities | | | | |
| Term financing | - | 46,816 | - | 46,816 |
| Other liabilities | 2,375 | 2,430 | 5,164 | 9,969 |
| Total liabilities | 2,375 | 49,246 | 5,164 | 56,785 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2015 (Reviewed)

14 SEGMENTAL INFORMATION (continued)

b) Industry sector

The industrial distribution of the Group's assets and liabilities as of 30 June 2015 is as follows:

| (Reviewed) | <i>Banking and financial institutions</i> US\$'000 | <i>Aviation</i> US\$'000 | <i>Real estate</i> US\$'000 | <i>Manufacturing</i> US\$'000 | <i>Others</i> US\$'000 | <i>Total</i> US\$'000 |
|--|---|-----------------------------|--------------------------------|----------------------------------|---------------------------|--------------------------|
| Assets | | | | | | |
| Cash and balances with banks | 1,766 | - | - | - | - | 1,766 |
| Due from banks and financial institutions | 32,302 | - | - | - | - | 32,302 |
| Non-trading investments | - | - | 14,651 | 1,595 | - | 16,246 |
| Investment in ijarah assets | - | 114,467 | - | - | - | 114,467 |
| Net assets of disposal group classified as held for sale | - | - | - | - | - | - |
| Investment in real estate | - | - | 10,476 | - | - | 10,476 |
| Other assets | - | 2,880 | - | 13,650 | 797 | 17,327 |
| Property and equipment | - | - | - | - | 5,663 | 5,663 |
| Total assets | 34,068 | 117,347 | 25,127 | 15,245 | 6,460 | 198,247 |
| Liabilities | | | | | | |
| Term financing | 42,935 | - | - | - | - | 42,935 |
| Other liabilities | - | 2,377 | - | - | 5,260 | 7,637 |
| Total liabilities | 42,935 | 2,377 | - | - | 5,260 | 50,572 |

The industrial distribution of the Group's assets and liabilities as of 31 December 2014 is as follows:

| (Audited) | <i>Banking and financial institutions</i> US\$'000 | <i>Aviation</i> US\$'000 | <i>Real estate</i> US\$'000 | <i>Manufacturing</i> US\$'000 | <i>Others</i> US\$'000 | <i>Total</i> US\$'000 |
|--|---|-----------------------------|--------------------------------|----------------------------------|---------------------------|--------------------------|
| Assets | | | | | | |
| Cash and balances with banks | 1,959 | - | - | - | - | 1,959 |
| Due from banks and financial institutions | 17,702 | - | - | - | - | 17,702 |
| Financing contracts | - | - | 3,910 | - | - | 3,910 |
| Non-trading investments | - | - | 8,634 | 1,699 | - | 10,333 |
| Investment in ijarah assets | - | 119,252 | - | - | - | 119,252 |
| Net assets of disposal group classified as held for sale | - | - | - | 12,765 | - | 12,765 |
| Investment in real estate | - | - | 10,476 | - | - | 10,476 |
| Other assets | - | 1,977 | 16,802 | - | 984 | 19,763 |
| Property and equipment | - | - | - | - | 5,797 | 5,797 |
| Total assets | 19,661 | 121,229 | 39,822 | 14,464 | 6,781 | 201,957 |
| Liabilities | | | | | | |
| Term financing | 46,816 | - | - | - | - | 46,816 |
| Other liabilities | - | 4,702 | - | - | 5,267 | 9,969 |
| Total liabilities | 46,816 | 4,702 | - | - | 5,267 | 56,785 |

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 interim condensed consolidated financial statements.

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

Additional Public Disclosures

30 June 2015

(Unaudited)

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

ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

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

ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

1 INTRODUCTION

Seera Investment Bank B.S.C.(c) (the "Bank") was incorporated on 5th of August 2006, under commercial registration number 62003 as a Bahrain Joint Stock Company (closed). The Bank's registered office is Building 2431, Road 2831, Block 428, Seef, Kingdom of Bahrain.

The Bank operates under an Islamic Wholesale Banking License issued by the Central Bank of Bahrain (the "CBB").

The Bank aims to provide a full range of investment banking products and services that are compliant with Shari'a principles.

The following is the Bank's significant subsidiary:

| | <i>Ownership for Jun 2015</i> | <i>Ownership for Dec 2014</i> | <i>Year of incorporation</i> | <i>Country of incorporation</i> |
|--------------------------------|--|--|---|--|
| Falak Aviation Investment Fund | 85.68% | 85.68% | 11-Feb-2008 | Kingdom of Bahrain |

This document contains disclosures required under the guidelines of the public disclosures required by Islamic banks. The period covered is from 1 January 2015 to 30 June 2015.

Seera Investment Bank B.S.C. (c)
 ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

1.1 FINANCIAL HIGHLIGHTS

The following summarises the basic quantitative indicators of financial performance of the Group:

| <i>US\$ millions</i> | June 2015 | <i>Dec 2014</i> | <i>Dec 2013</i> | <i>Dec 2012</i> | <i>Dec 2011</i> | <i>Dec 2010</i> |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL INCOME | 5.8 | (27.1) | 34.0 | 12.5 | 85.0 | 16.5 |
| TOTAL EXPENSES | 2.6 | 5.6 | 5.7 | 5.9 | 11.6 | 10.3 |
| UNREALISED LOSSES AND PROVISIONS | (0.9) | (26.2) | (24.2) | - | (12.0) | 1.0 |
| NET INCOME/(LOSS) | 2.3 | (58.9) | 4.10 | 6.6 | 61.4 | 7.2 |
| TOTAL ASSETS | 198 | 202.0 | 311 | 360 | 527 | 418 |
| TOTAL EQUITY | 148 | 145.2 | 206 | 204 | 343 | 301 |
| Islamic Financing to Equity Ratio (leverage) | 0.29 | 0.4 | 0.30 | 0.69 | 0.48 | 0.28 |
| Return on average assets | 1.58% | -12.76% | 1.20% | 1.49% | 15.54% | 1.73% |
| Return on average equity | 2.16% | -18.65% | 2.00% | 2.41% | 22.79% | 2.17% |
| Cost to Income | 45.1% | -20.66% | 16.60% | 47.28% | 13.65% | 62.08% |

30 June 2015 (Unaudited)

2 CAPITAL STRUCTURE AND CAPITAL ADEQUACY

The adequacy of the Bank's capital is monitored using, primarily, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the CBB.

The primary objectives of the Bank's capital management is to ensure that the Bank 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, non controlling interest and current interim losses. The other component of regulatory capital, Tier 2 Capital, consists of investments fair value reserve and general provision. Certain adjustments are made to these balances as prescribed by the CBB. Risk-weighted assets are calculated in accordance with the prudential rules laid down by the CBB.

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

Table – 1. Capital Structure (PD-1.3.12, 1.3.13, 1.3.14 & 1.3.15)

The following table summarises the eligible capital after deductions for calculation as of:

| | <i>30 June 2015</i> | | |
|---|-----------------------|-----------------------|-----------------------|
| | <i>CET 1</i> | <i>AT1</i> | <i>T2</i> |
| | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| <i>Tier 1 Capital</i> | | | |
| <i>Common Equity Tier 1 (CET1)</i> | | | |
| Issued and fully paid up ordinary shares | 145,643 | | |
| Legal / statutory reserves | 9,609 | | |
| Retained earnings | (20,497) | | |
| Non-controlling interest | - | | |
| Current interim cumulative net income / losses | 2,238 | | |
| Accumulated other comprehensive income and losses (and other reserves) | 858 | | |
| Total CET1 capital before minority interest | <u>137,851</u> | | |
| Total minority interest in banking subsidiaries given recognition in CET1 capital | - | | |
| Total CET1 capital prior to regulatory adjustments | <u>137,851</u> | | |
| Total Common Equity Tier 1 capital after the regulatory adjustments above (CET1 d) | <u>137,851</u> | | |
| Net Available Capital after Applying Haircut | <u>137,851</u> | | |
| Total Tier 1 | | <u>137,851</u> | |
| Total Capital | | | <u>137,851</u> |

30 June 2015 (Unaudited)

2 CAPITAL STRUCTURE AND CAPITAL ADEQUACY (continued)**Table – 2. Capital requirement for different type of risks (PD - 1.3.18, 1.3.19)**

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

| | <i>30 June 2015</i> | |
|------------------|---|--|
| | <i>Risk weighted assets US\$ '000</i> | <i>Minimum capital requirement US\$ '000</i> |
| Credit Risk | 412,771 | 51,596 |
| Market Risk | 27,922 | 3,490 |
| Operational Risk | 91,706 | 11,463 |
| | 532,399 | 66,549 |

Table – 3. Capital requirement by type of Islamic financing contracts (PD-1.3.17)

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

| | <i>30 June 2015</i> | |
|---|---|--|
| | <i>Risk weighted assets US\$ '000</i> | <i>Minimum capital requirement US\$ '000</i> |
| <u>Islamic financing contracts</u> | | |
| Financing contracts | - | - |
| Ijarah assets | 330,889 | 41,361 |
| | 330,889 | 41,361 |

Table – 4. Capital Adequacy Ratios (PD-1.3.20 (a), PD-1.3.20 (b))

The following are Capital adequacy ratios for total capital and Tier 1 capital:

| | <i>30 June 2015</i> |
|----------------------|---------------------|
| Total capital ratio | 25.89% |
| Tier 1 capital ratio | 25.89% |

30 June 2015 (Unaudited)

3 RISK MANAGEMENT

Risk management plays a critical role in the Bank'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 Bank in implementing risk strategy and policies, monitoring and managing the key risks to which the Bank is exposed. The Bank is exposed to credit risk, concentration risk, profit rate risk, liquidity risk, equity price risk, foreign currency risk and operational risk.

Although management responsible for the key areas of the Bank are accountable for the risks that arise within their respective areas, the Risk Management Department independently identifies, measures, monitors and recommends appropriate steps to manage each type of risk. The Risk Management Department has independent access to the Board of Directors and updates them on the overall risk profile of the Bank on a regular basis.

a) 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. The 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.

Table – 6. Liquidity Ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

30 June 2014

| | |
|---|-------------|
| Short term assets to short term liabilities | 1.54 |
| Liquid assets to total assets | 0.26 |

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38)

The table on the next page summarises the maturity profile of the Bank's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Seera Investment Bank B.S.C. (c)
 ADDITIONAL PUBLIC DISCLOSURES
 30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)

a) Liquidity risk (continued)

Table – 7. Residual Contractual Maturity Breakdown (PD-1.3.23(g), PD-1.3.24(a) & PD-1.3.38) (continued)

The maturity profile at 30 June 2015 was as follows:

| | <i>Up to 1 month US\$ '000</i> | <i>1 to 3 months US\$ '000</i> | <i>3 to 6 months US\$ '000</i> | <i>6 months to 1 year US\$ '000</i> | <i>1 to 3 years US\$ '000</i> | <i>3 to 5 years US\$ '000</i> | <i>5 to 10 years US\$ '000</i> | <i>10 to 20 years US\$ '000</i> | <i>20 years and above US\$ '000</i> | <i>Undated US\$ '000</i> | <i>Total US\$ '000</i> |
|---|--|--|--|---|---------------------------------------|---------------------------------------|--|---|---|------------------------------|----------------------------|
| ASSETS | | | | | | | | | | | |
| Cash and balances with banks | 1,766 | - | - | - | - | - | - | - | - | - | 1,766 |
| Due from banks and financial institutions | 32,302 | - | - | - | - | - | - | - | - | - | 32,302 |
| Financing contracts | - | - | - | - | - | - | - | - | - | - | - |
| Non-trading investments | - | - | - | - | - | - | - | - | - | 16,246 | 16,246 |
| Investment in ijarah assets | - | - | - | - | - | - | - | - | - | 114,467 | 114,467 |
| Net assets of disposal group classified as held for sale | - | - | - | - | - | - | - | - | - | - | - |
| Investment in real estate | - | - | - | - | - | - | - | - | - | 10,476 | 10,476 |
| Property and equipment | - | - | - | - | - | - | - | - | - | 5,663 | 5,663 |
| Other assets | 13,650 | 2,880 | - | 290 | 507 | - | - | - | - | - | 17,327 |
| Total Assets | 47,718 | 2,880 | - | 290 | 507 | - | - | - | - | 146,852 | 198,247 |
| LIABILITIES | | | | | | | | | | | |
| Term financing | - | - | - | 27,308 | 15,627 | - | - | - | - | - | 42,935 |
| Other liabilities | 2,990 | 1,791 | - | 1,001 | 1,855 | - | - | - | - | - | 7,637 |
| Total Liabilities | 2,990 | 1,791 | - | 28,309 | 17,482 | - | - | - | - | - | 50,572 |
| Net liquidity gap | 44,728 | 1,089 | - | (28,019) | (16,975) | - | - | - | - | 146,852 | |

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)**b) Credit risk****Table - 8. Gross funded and unfunded exposure (PD-1.3.23(a))**

As at 30 June 2015:

| | <i>Average credit exposures</i> | <i>Gross funded credit exposures</i> | <i>Credit risk weighted exposures</i> | <i>Regulatory capital requirements</i> |
|---------------------------------|---------------------------------|--------------------------------------|---------------------------------------|--|
| | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Balances with banks | 2,155 | 1,766 | 1,766 | 212 |
| Murabaha and Wakala receivables | 28,061 | 32,302 | 32,302 | 3,876 |
| Financing contracts | 1,303 | - | - | - |
| Other assets | 13,146 | 17,327 | 17,327 | 2,079 |
| | 44,665 | 51,395 | 51,395 | 6,167 |

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

Table - 9. Geographic distribution of the credit exposure (PD-1.3.23(b))

Net funded credit exposures by geographical region

As at 30 June 2015:

| | <i>Balances with banks</i> | <i>Murabaha and Wakala receivables</i> | <i>Financing contracts</i> | <i>Other assets</i> | <i>Total</i> |
|----------------------------|----------------------------|--|----------------------------|---------------------|------------------|
| | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> | <i>US\$ '000</i> |
| Europe | 1,381 | - | - | 2,080 | 3,461 |
| Bahrain | 334 | 32,302 | - | 657 | 33,293 |
| Other GCC Countries | 51 | - | - | 13,650 | 13,701 |
| Other Middle East and Asia | - | - | - | 940 | 940 |
| | 1,766 | 32,302 | - | 17,327 | 51,395 |

The geographical segregation is based on the location of the assets.

Table - 10. Exposure by counterparty type (PD-1.3.23(c))

Net funded credit exposures by counterparty

As at 30 June 2015:

| | <i>Balances with banks</i> | <i>Murabaha receivables</i> | <i>Financing contracts</i> | <i>Other assets</i> | <i>Total</i> |
|----------------------|----------------------------|-----------------------------|----------------------------|---------------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Claims on banks | 1,766 | 32,302 | - | - | 34,068 |
| Claims on corporates | - | - | - | 16,803 | 16,803 |
| Others | - | - | - | 524 | 524 |
| | 1,766 | 32,302 | - | 17,327 | 51,395 |

Seera Investment Bank B.S.C. (c)
ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)

b) Credit risk (continued)

Analysis of exposure to credit risk by external credit ratings

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

| | 30 June 2015 US\$ '000 |
|----------------|---------------------------------------|
| Credit rating: | |
| AAA to AA- | - |
| A+ to A- | 4,598 |
| BBB+ to BBB- | 29,483 |
| BB+ to B- | - |
| Unrated | 17,288 |
| | 51,370 |

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

| | 30 June 2015 | |
|------------------------------------|----------------------------|---------------------------------|
| | Assets US\$'000 | Liabilities US\$'000 |
| Geographical region: | | |
| Bahrain | 49,572 | 2,365 |
| Europe | 88,988 | 42,935 |
| Others | 59,687 | 5,272 |
| | 198,247 | 50,572 |
| | | |
| | 30 June 2015 | |
| | Assets US\$'000 | Liabilities US\$'000 |
| Industry sector: | | |
| Banking and financial institutions | 34,068 | 42,935 |
| Aviation | 117,347 | 2,377 |
| Real estate | 25,127 | - |
| Manufacturing | 15,245 | - |
| Others | 6,460 | 5,260 |
| | 198,247 | 50,572 |

Table-11. Large Credit Exposure (PD - 1.3.23 (f))

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 for Islamic Banks.

As at 30 June 2015, 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 | 57,852 | 32.87% |

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)**b) Credit risk (continued)****Table -12. Specific provisions by counterparty type (PD-1.3.23 (h), 1.3.24 (d))**

The following table summarises the total specific provisions disclosed by counterparty type as of 30 June 2015:

| | <i>Specific provisions</i> | | | <i>Balance at the end of the period US\$ '000</i> |
|--------------------------|--|--|---|---|
| | <i>Opening Balance US\$ '000</i> | <i>Charges during the period US\$ '000</i> | <i>FX translation US\$ '000</i> | |
| Investment - Aviation | 38,826 | - | - | 38,826 |
| Investment - Energy | 10,838 | (1,863) | 125 | 9,100 |
| Investment - Real estate | 3,658 | - | (17) | 3,641 |
| Investment - Other | 2,978 | - | (13) | 2,965 |
| | 56,300 | (1,863) | 95 | 54,532 |

Table -13. General provisions movement (PD-1.3.23 (h), 1.3.24 (d))

The following table summarises the movement of general provisions during the period ended:

| | <i>30 June 2015 US\$ '000</i> |
|----------------------------------|---------------------------------------|
| Opening Balance | |
| Charges during the period | - |
| Balance at the end of the period | - |

This represents collective provision against exposures which, although not specifically identified, have a greater risk of default than when originally granted.

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. **(PD-1.3.23(i), PD-1.3.24(b), PD-1.3.24(c))**

There is no significant impact of the renegotiated Islamic financing contracts on the provisions as well as present and future earnings. In addition, the magnitude of the restructuring activities is immaterial.

Table - 14 (PD-1.3.23 (j), (k), (l), PD-1.3.25(b) & (c))

The Bank has not restructured Islamic financing contracts during the period.

The Bank has no obligations with respect to recourse transaction.

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

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

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)**c) 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 Bank income and/or will decrease the value of its portfolios.

Table – 15. Market Risk Capital Requirements (PD-1.3.27 (b), PD-1.3.40)

The following table summarises the capital requirement for each category of market risk as of:

| | 30 June 2015 |
|---|--------------------------------------|
| | Foreign exchange risk |
| | US\$ '000 |
| Risk weighted exposure (RWE) (Foreign Exchange) | 27,922 |
| Capital requirements (12.5%) | <u>3,490</u> |
| Maximum value of RWE | <u>3,490</u> |

Profit rate risk

The Group currently has limited exposure to profit rate risk. The Group's assets that are exposed to profit rate risk comprise of due from financial institutions and have repricing dates no longer than three months. During the first half of 2015, a +/- 200bp change in the profit rate, with all other variables constant, would have resulted in a +/- US\$ 293 thousand (31 December 2014: +/-200bp resulted in +/- US\$ 259 thousand) impact on the consolidated statement of income.

Displaced Commercial Risk

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

Equity price risk

Equity price risk is the risk that the fair value of investments designated at fair value through equity decreases due to fluctuations in the respective stock market indices. As at 30 June 2015 the Bank had investments in quoted equities on the Kuwait Stock Exchange. The table below reflects the sensitivity of the investment portfolio to changes in these inputs. The sensitivity of trading investments is calculated by considering the impact of reasonably expected changes in the capitalisation rate.

| | Change in equity price (+/-) | Effect on net equity (+/-) |
|-----------------------|---|---------------------------------------|
| | % | US\$'000 |
| Kuwait Stock Exchange | 10 | 194 |

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

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

ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)

c) Market risk (continued)

Equity positions in the banking book

| Investments | 30 June 2015 | | |
|-------------------------|-----------------------------|-------------------------------|--|
| | <i>Total gross exposure</i> | <i>Average gross exposure</i> | <i>Regulatory capital requirements</i> |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Non trading investments | | | |
| Quoted | 1,595 | 1,647 | 132 |
| Unquoted | 14,651 | 11,643 | 931 |
| | 16,246 | 13,290 | 1,063 |

Table – 16. Equity gains or losses in banking book (PD-1.3.31 (d) and (e))

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

| | 30 June 2015 US\$ '000 |
|---|------------------------------|
| Cumulative realised gains arising from sales or liquidations in the reporting period | - |
| Total unrealized gains recognised in the consolidated statement of financial positions but not through consolidated statement of income | 858 |
| Unrealised gross losses included in Tier 1 Capital | - |

Foreign currency risk

Currency risk represents fluctuations in exposures held by the Bank in currencies other than the US\$. The Bank may engage, in the normal course of business, in transactions denominated in currencies other than its functional currency. The Bank risk management policy regulates such exposure by hedging currency exposures with Shari'a compliant instruments. Currency exposure is monitored daily by Risk Management Department and reported on a monthly basis to the Asset Liability and Risk Management Committee.

The Bank has the following significant foreign currency exposures:

| Currency | 30 June 2015 | | |
|----------------------|-----------------------------------|--|--------------------------------|
| | <i>Assets</i> <i>US\$ '000</i> | <i>Liabilities</i> <i>US\$ '000</i> | <i>Net</i> <i>US\$ '000</i> |
| Danish Krone | - | - | - |
| Kuwaiti Dinars | 1,595 | (11) | 1,584 |
| Great Britain Pounds | 6,058 | (1,395) | 4,663 |
| Euro | 20,742 | - | 20,742 |

30 June 2015 (Unaudited)

3 RISK MANAGEMENT (continued)**c) Market risk (continued)**

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

At 30 June 2015

| | Change in exchange rates(+/-) | Change in net income and equity (+/-) |
|----------------------|--|--|
| | % | US\$'000 |
| Currency | | |
| Danish Krone | 10 | - |
| Kuwaiti Dinars | 10 | 158 |
| Great Britain Pounds | 10 | 466 |
| Euro | 10 | 2,074 |

d) Operational Risk

The Bank, based on the operational risk management, 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.

Table - 17. Operational risk exposure (PD-1.3.30 (a), (b) & (c))

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 | | |
|---|---------------------|------------------|----------------------|
| | 2014 | 2013 | 2012 |
| | US\$ '000 | US\$ '000 | US\$ '000 |
| Total Gross Income | 917,562 | 909,484 | 879,770 |
| | | | June 2015 |
| Indicators of operational risk | | | |
| Average Gross income (US\$ '000) | | | 902,272 |
| Multiplier | | | 12.5 |
| | | | 11,278,400 |
| Eligible Portion for the purpose of the calculation | | | 15% |
| TOTAL OPERATIONAL RISK WEIGHTED EXPOSURE (US\$ '000) | | | 1,691,760 |

The Bank has no material legal contingencies nor any pending legal action.

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

ADDITIONAL PUBLIC DISCLOSURES

30 June 2015 (Unaudited)

Table - 18. Equity gains or losses in the Banking Book (PD-1.3.31(c) to (e))

| | <i>30 June 2015 US\$ '000</i> |
|--|---------------------------------------|
| The cumulative realised gains (or losses) arising from sales or liquidations in the reporting year | 1,399 |
| Total unrealised gains and losses recognised in the balance sheet but not through the P&L | 858 |
| Unrealised gains and losses included in Tier One and Tier Two capital | <u>858</u> |