Seera Investment Bank

2011 Annual Report

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

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MESSAGE FROM THE CHAIRMAN

It is my pleasure to present to you on behalf of the Board of Directors the 2011 annual report of Seera Investment Bank.

Business Overview

I am pleased to report that Seera has achieved a $73.4 million net income before provisions and a net profit after provisions of $61.4 million for 2011. The primary driver for this profitability was the capital gain from Seera's sale of BWA, the world-leader in the development and supply of specialty chemicals used for water treatment which was acquired in late 2008. These returns are even more noteworthy given that they were achieved during a time when globally, the values of most investments came under pressure.

The outlook for most other investments has also improved compared to last year with some indications for possible exits in the next year or two. Given the current economic environment however, exits and related income remain a challenge. Having said this, the Bank has a strong balance sheet with almost no leverage which would allow it to hold investments for longer tenures in order to optimize values if the current economic climate remains for a longer period.

From a stability perspective, Seera currently has a very healthy balance sheet with over $200 million of liquidity and no significant liabilities. The Bank's investment portfolio is well diversified over a number of asset classes and industry sectors. Overall the Bank has benefited greatly from disciplined liquidity management including avoiding over-leverage, ending the year with a Capital Adequacy Ratio of 62%, well above the minimum 12% regulatory requirement.

2011 was certainly not an optimal year for most international markets. The uncertainty related to sovereign debt issues and weaker growth in a number of economies created a drag on the markets especially in the second half of the year. In spite of these difficult conditions, Seera was able to capitalize on its strengths to generate these positive results. Overall we feel that Seera's profitability in 2011 and its healthy balance sheet are a result of the Bank's prudent business model and we expect the Bank to continue to benefit from this approach going forward.

Financial Overview

Despite the difficult market conditions, 2011 was a very good year for Seera with the Bank reporting for the year a $73.4 million net income before provisions and a consolidated net profit of $61.4 million. In addition to income generated from the recent BWA exit, the Bank's leased aircraft portfolio, Falak, also continued to generate lease income while Kosan Crisplant continued to provide fee based income. Given the market volatility and growing uncertainties world-wide, Seera has been conservative and elected to make provisions of $12 million in 2011 to cover any unforeseen challenges which may impact the Bank's investment portfolio going forward.

Shareholder equity has gone up in 2011 to $327 million representing a 22% increase, compared to the end of 2010. Total assets also increased to $527 million compared to $418 million at the end of 2010. This is mainly a result of the profits from the sale of BWA and on account of consolidation of Falak Ijara underlying assets which was done to comply with a new AAOIFI accounting standard. Falak's consolidation has also increased liabilities by $67 million reflecting the impact of aircraft financing arrangements which are secured over each respective aircraft and have no recourse on Seera's balance sheet.

As of 31st December 2011, the Bank had liquid assets of $209 million which are held in Shari'a compliant short-term interbank and money market instruments.

Investment Portfolio

Seera acquired BWA in late 2008 and sold it in 2011 to a US based company. The sale generated a return on investment of around 75% over a holding period of slightly over two and a half years with an IRR of around 25%. We had acquired the company based on a focused investment thesis which was developed by Seera jointly with the management of BWA building on the company's strong business fundamentals and growth projections. The exit from this investment not only generated substantial capital gain for the Bank, but it also established Seera's track record in successfully executing its investment objectives and completing the full investment cycle. This lends great support to the soundness of the Bank's approach in building and managing its investment portfolio.

Falak's portfolio of leased commercial aircraft continues to generate income through steady lease payments from generally well known and established airlines. Falak continues to actively manage its aircraft portfolio with the possible sale of some and possible remarketing of others over the next year. This is in-line with the strategy of actively managing the aircraft portfolio and continuing to look for any viable opportunities to sell or remarket the aircraft. Given current market conditions and Seera's goal of maximizing exit returns, the Bank will continue to prudently manage and carefully plan each individual aircraft's go forward direction.

Kosan Crisplant (KC) is a world leader in providing filling solutions for Liquefied Petroleum Gas cylinders. KC continued its rebound following the financial crisis. The company has a record level of orders which is expected to translate to strong earnings going forward. Overall we are optimistic about KC's performance and will consider strategic initiatives including exit opportunities as market conditions become more favorable.

Outlook

2011 was characterized by market turbulence primarily due to the European sovereign debt issues which have also undermined economic recovery. Although a great deal of effort is being done to deal with these issues, one cannot assume that the underlying causes have been completely resolved and that markets will witness a quick and strong recovery in the short term. We feel that while there may be some reasons for optimism especially in light of recent positive economic indications from the US, there are also risk factors especially the sovereign debt issues in Europe, the impact of fiscal tightening in Europe on near term growth, and growth risks in some emerging markets.

While these challenges may present some good investment opportunities that have the potential to provide superior returns to investors and shareholders, they also make risk management even more important and would generally mean more scrutiny for new deals. Other factors which could possibly slow deal execution include issues pertaining to access to financing for leverage, which is becoming tighter and more costly due to market conditions. The increased gaps between buyer and seller expectations on quality assets which are mainly driven by unstable markets, are also expected to impact the acquisition process.

From a fund raising perspective, it is likely that current events and general market uncertainty might have some impact on investor sentiment which may make fund raising more challenging. On the other hand, we don't anticipate any significant impact from recent geopolitical events in the MENA region on Seera's existing assets given the Bank's international asset base, though continued political uncertainty may affect investment activities in the region.

In spite of these risk factors, we still view difficult markets as an opportunity to acquire quality assets at attractive levels of valuation and given Seera's position of strength, we believe that the Bank is well positioned to take advantage of these opportunities albeit with measured care.

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 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.

Asaad Ahmed Al Banwan

Chairman of the Board

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Welcome to the 2011 Annual Report.

Seera had an excellent year in 2011, measured by its very successful financial performance. The US$ 73.4 million net income before provisions and the net profit of US$ 61.4 million are primarily derived from capital gain from the exit of one of the Bank's investments, and from recurring income from other investments. The capital gain has reinforced the soundness of the Bank's investment strategy of acquiring quality companies, building value within these companies then making exits which provide favorable risk adjusted returns to Seera and its investors.

From a balance sheet perspective, Seera enjoys a very healthy and stable balance sheet with very low leverage and a capital adequacy ratio of 62%, compared to a minimum requirement of 12%. The Bank also has a very high level of liquidity of over $200 million, which well surpasses liquidity levels called for by the Bank's latest go-forward business plan. The improvement in the outlook for a number of our investments is also noteworthy. Although this outlook does not necessarily reflect on Seera's financials today, it still serves as an indicator of potential future earnings for the Bank.

Overall, we are pleased with the positive achievements made by Seera, which have positioned the Bank on a strong footing for future growth. Having said this, the current economic climate presents its fair share of challenges and we will have to continue to monitor markets as they obviously have the potential to affect the Bank's existing portfolio as well as future business.

Current Investments

Seera had made investments in the industrial manufacturing, aircraft leasing and specialty chemicals sectors in addition to other smaller investments. In line with the Bank's investment strategy, Seera had focused on corporate acquisitions which are not significantly tied to economic cycles, and whose revenues or cash flow streams are generally diversified. We believe that this investment strategy has been key in preserving and creating value in Seera's portfolio. Most of Seera's investments although having been impacted somewhat by the crisis, bounced back relatively strongly.

Kosan Crisplant (KC) had a very successful year. The company finished 2011 with an order book at an all time high, almost 50% higher than 2010. Given the nature of KC's business, the order book serves as a good indicator of future earnings as orders are converted into margin. KC's balance sheet is also strong with no long term financing and with healthy levels of liquidity. These factors are expected to play a positive role when considering KC's future exit prospects.

The Bank's leased aircraft portfolio, Falak Aviation Fund (Falak), continued to generate earnings from lease payments during the year. These lease payments are used to both pay dividend and to pay down the financing obligations on each of the respective aircraft. In 2011, income from Falak was somewhat affected by costs related to two smaller aircraft. These aircraft are currently in the process of being re-leased or sold, and once this is successfully completed, these expenses will cease to be a drag on Falak's overall earnings.

Since their acquisition, and in line with Seera's investment approach, the Bank worked on enhancing the businesses of its two major corporate investments and to position them for future growth. This included working with company management on initiatives which address new products and technologies, cost and working capital management, and expansion into new markets. These efforts obviously contribute to improving balance sheet and profitability outlooks of these investments and in turn enhance value at exit for both Seera and its investors.

2011 witnessed the successful outcome of some of these efforts with the profitable exit from BWA, which generated considerable returns and is credited for much of the Bank's profits in 2011. We are particularly pleased with this exit since it not only showed Seera's effectiveness in implementing the full investment cycle, but also demonstrated potential returns from future business.

Corporate Governance

Since inception, Seera has been setting up a strong and robust corporate governance environment and infrastructure, which have been the cornerstone of safeguarding and protecting shareholder capital. The Bank has also ensured that it stays compliant with new regulations and governance requirements. To this effect, when a new set of corporate governance requirements were recently launched, Seera developed an action plan to implement required actions in order to bring the Bank in full compliance by the end of 2011. These requirements cover broad areas such as board operations, public disclosures, and policies and procedures. Seera had fully embraced these requirements and proceeded to diligently implement them, and I am pleased to report that we have been able to fully implement the plan.

The degree of oversight and scrutiny that is built into Seera's business ensures that the Bank's business is conducted in a responsible manner and that it is aligned with shareholder and investor interests. We are committed to corporate governance and we will continue to make ongoing progress in this vital area.

Business Go Forward

As previously reported, prior to the financial crisis, Seera like many of its peer banks relied mostly on its own capital to underwrite investments on its balance sheet for subsequent placement with investors at a higher price. After the financial crisis, Seera revised its business model and investment strategy moving away from the underwriting model to one that relies primarily on co-investment or pre-placement with investors, therefore reducing risks associated with underwriting of investments.

Although current market volatility opens up opportunities to acquire investments at attractive levels of valuation, raising investor interest to participate in these opportunities will probably remain to be a challenge. We believe however that investors are still looking for opportunities which generate meaningful returns, and would be willing to participate in investments with institutions having a track record and credibility in providing superior returns under difficult economic conditions. We strongly believe that Seera's exit from BWA in an extremely difficult economic environment has demonstrated the Bank's expertise in acquiring, managing and exiting a major transaction and its ability to generate excellent returns in a relatively short period, and will therefore raise investors' confidence in participating in future investment opportunities offered by the Bank.

Having said this, the Bank will continue to look for transactions with sound business fundamentals focusing in the shorter term on investments which generate regular cash streams available for distribution as recurring income for Seera and its investors during the investment holding period.

Given the current markets, a prudent approach will still be the order of business and the Bank will maintain a realistic view of the returns that can be achieved from new investments without taking unnecessary or excessive risk.

Market Conditions

Markets have been quite volatile in 2011 and many are predicting 2012 to be a less than a perfect year. Although there are some positive signs of improvement, the global growth forecast remains relatively weak and markets remain highly volatile and uncertain. This level of uncertainty has a number of different impacts. First, it slows down the acquisition process because transaction screening becomes more rigorous in order to identify investments with sound fundamentals. Second, the acquisition of quality assets becomes more difficult because of market impact on widening the gap between buyer and seller expectations on valuation. Furthermore, market uncertainty has a strong impact on investor sentiment which in turn makes fund raising more challenging. Having said this, history indicates that periods of slower growth, have generally created better acquisition opportunities.

The MENA region's geopolitical situation is not expected to have a significant direct impact on the Bank as its global outlook and positioning protects it from direct financial or business losses resulting from these events. The Bank will however continue to keep an eye on the regional geopolitical situation and take necessary measures to protect shareholder interests, if required.

Seera will also continue to monitor the markets and accordingly adjust its business plan, and to be realistic about the opportunities and challenges that the present economic climate brings. The current direction in the mean time is to continue with a prudent investment approach and to be conservative when it comes to managing the Bank's capital and cost base.

In spite of these risks, we still believe there are sound investment opportunities that with the right level of diligence can generate some future successes for the Bank, and we look forward to reporting to you on such successes in the future.

Abdulla Saleh Janahi

Chief Executive Officer

BOARD OF DIRECTORS

MR. ASAAD AHMED AL BANWAN
Chairman of the Board

H.R.H. PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD
Board Member

MR. YOUSEF SULTAN AL MAJID
Board Member

MR. KHALID BIN NASSER AL NASSER
Board Member

MR. MUBARAK MATAR AL HEMEIRI
Board Member

MR. ABDULLA RASHED OMRAN AL SHAMSI
Board Member

MR. MOHAMED HANI ABDULKADER AL BAKRI
Board Member

MR. WALEED KHALIFA AL FELAIJ
Board Member

MR. YOUSEF BIN NASSER AL NASSER
Board Member

MR. WALEED ABDULLA AL EISA
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
GAVIN SASSON	Head of Post Acquisition Management
PRATEEK SHARMA	Head of Investment
SOHAIL TOHAMI	Head of Treasury and Acting Head of Placement
AMR ELIMAM	Head of Strategic Planning and Corporate Communications
FULYA KOCH	Head of Risk Management
SAMEER OUNDHAKAR	Vice President, Post Acquisition Management
ISMAIL YOUNIS AHMED	Head of Human Resources & Administration
TAWFIQ AL-SARI	Head of Financial Control
ABDULRAHMAN ALSHAIKH	Head of Shari’a Compliance
MOHAMMED KAMAL	Head of Information Technology

INVESTMENTS

Seera focuses primarily on two main business lines, Asset Based Investments and Corporate Investments. During previous years Seera made three substantial investments in these business lines in the areas of aircraft leasing, industrial manufacturing, and specialty chemicals. The Bank has started to realize some full investment cycle benefits from these investments in 2011 through a successful exit. Other exits are possible within the next year or two, however given current market conditions, full investment cycle returns from some investments may benefit from longer hold periods.

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 Gulf Air, Cathay Pacific, British Midland International, and Jet Airways. Lease payments from these aircraft provide steady dividends to Falak's shareholders. The portfolio 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. Falak has taken steps to re-position or sell two of its smaller aircraft, with the intention of eliminating costs associated with these aircraft thereby improving Falak income. Once they have been successfully sold or leased, the expenses associated with these aircraft will cease to affect Falak's income in 2012.

As mentioned above, the remaining aircraft in the portfolio are under lease agreements with the airlines with the respective leases ending in 2015, commencing with the first lease ending in 2013. Falak normally starts re-marketing or sale of each respective aircraft coming off lease at least 12 months prior to lease expiry through its aviation expert partner and portfolio manager, Novus. It must be noted that different model aircraft have different demand profiles and accordingly lease or sale decisions depend on the prevailing market conditions at the time of commencement of sale or remarketing period for each respective aircraft.

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.

Kosan Crisplant continues its growth trajectory following order delays associated with the financial crisis. Margins increased significantly in 2011 due to a combination of better pricing on key contracts and a continuing focus on high margin segments such as service and spares. KC won several key orders from major customers including many where KC qualified as the sole supplier due to its technical expertise. Costs on the other hand were carefully managed with ongoing migration of activity to low cost countries and rationalization of underperforming subsidiaries. Earnings in the coming year are expected to be strong given the record order level the company currently holds.

This is taking place in spite of Geopolitical events having some impact on the timing of a number of orders in the MENA region.

Overall we are optimistic about KC's future performance and we feel that these factors are good indicators of the company's future prospects and exit potential.

BWA

BWA is a specialty water treatment chemicals company headquartered in the UK and is a world-leader in the development and supply of specialty chemicals used to prevent scaling, corrosion, and the formation of organic impurities in industrial, manufacturing and other processes that use water.

The company was acquired in late 2008 and in 2011, Seera sold it to a US based company. The return on investment from the sale was around 75% with an IRR of around 25% over the holding period of approximately two and a half years. BWA was an example of a portfolio company which has sound business fundamentals and which emerged as a very profitable investment. The successful completion of the full investment cycle for a major investment such as BWA is a very good achievement by Seera and validates the Bank's investment approach in its ability to build value in its portfolio companies.

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 shall apply skill and care in exercising their duties to the Bank and are subject to fiduciary duties. Directors shall be 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 will ensure 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.

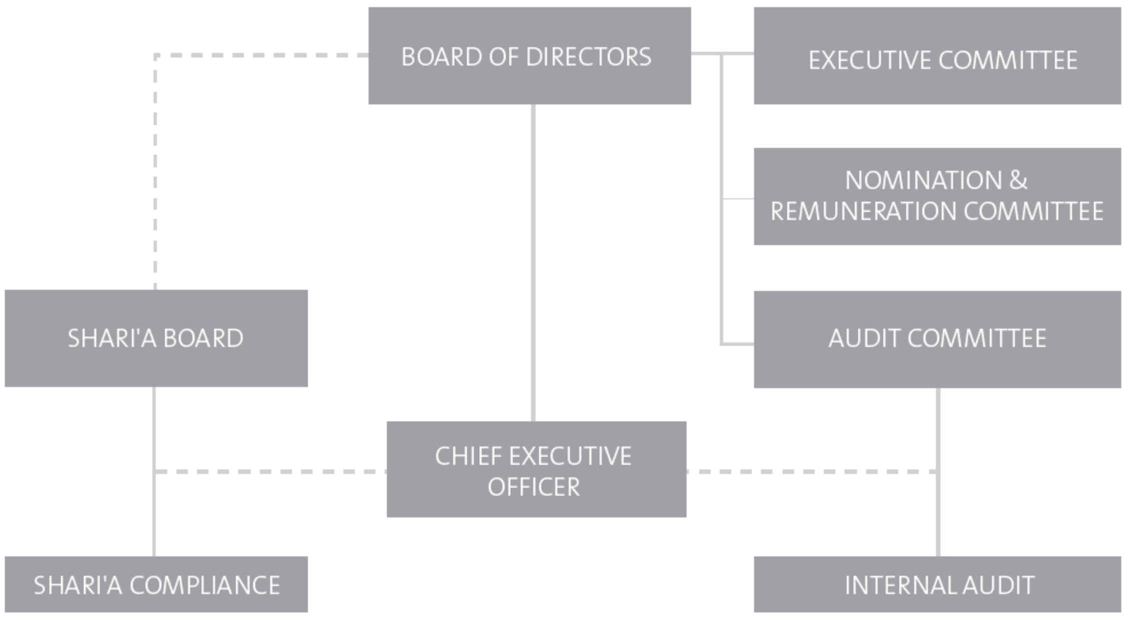
Effective corporate governance entails the deployment of several key instruments which govern the operations of the Banks. These include:

- Board of Directors and Board Committees
- Shari'a Supervisory Board
- Management Committees
- Key support roles such as Shari'a Compliance, Compliance 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 of the Bank. Seera has in place charters which clearly define the role of the Board of Directors, its committees and the way they operate as well as the Chairman's role. The aim is to ensure that Seera is headed by an effective, collegial and informed Board of Directors. One of the key characteristics of this 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 and 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 Committee 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 of monitoring and reviewing Shari'a Compliance Department's performance.

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

The Group is 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.

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 whistle blower 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 and 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 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 and 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 and analysis on the performance of individual investments and their portfolio, and on relevant market updates. 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 is in compliance with all the requirements of the HC Module except as follows:

Guidance HC-1.4.6 mentions that the Chairman of the Board of Directors should be an independent director. Also, Rule HC-1.4.8 states that the Chairman must not be an Executive Director. The Board's Chairman, Mr. Asaad Al Banwan; being the Officer of a Controller, is not considered to be an independent director, taking into account that NIC holds 34.3 % of the Bank's shares making it a controller under CBB's regulations.

The Bank is of the view that this does not compromise the high standards of corporate governance that the Bank maintains since it follows strict policies to manage conflicts of interest in Board decisions, and the Central Bank of Bahrain has already been notified of this since 2007.

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 31st December 2011, total audit related expenses for the Bank amounted to USD 114,058.

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 2011 Board and Committee meetings' attendance.

	Minimum Number of Meetings per Year	Actual Number Held in 2011	Total Number of Members	Number Attended Per Meeting				
				March 2	May 5	Sept 22	Dec 7	Dec 15
Board of Directors	4	4	10	8	7	9		8
Executive Committee	None	1	5				5	
Audit Committee	4	4	3	2	2	2		2
Nomination & Remuneration Committee	2	2	3			3		3

Out of the 10 Board members making up the Board, 3 members have not met the 75% minimum attendance requirements. This issue has been discussed and is being directly addressed by the Board of Directors.

Board Evaluation

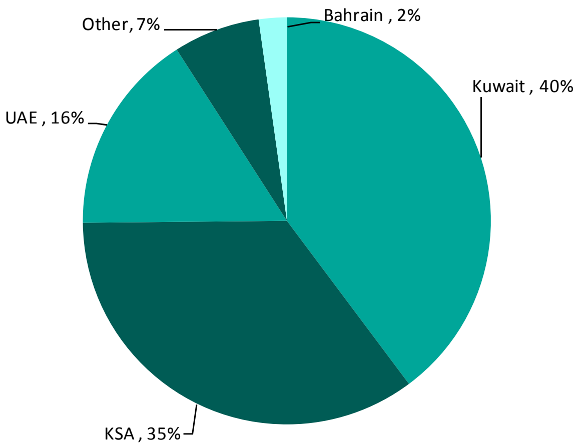
The Board of Directors has conducted its 2011 performance assessment of the Board and its committees. This was done through the completion of questionnaires covering the effectiveness of the Board and its committees and the contribution of each Director against their primary responsibilities on the Board 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, notwithstanding attendance requirements not being met by 3 Directors as per above.

Director Elections

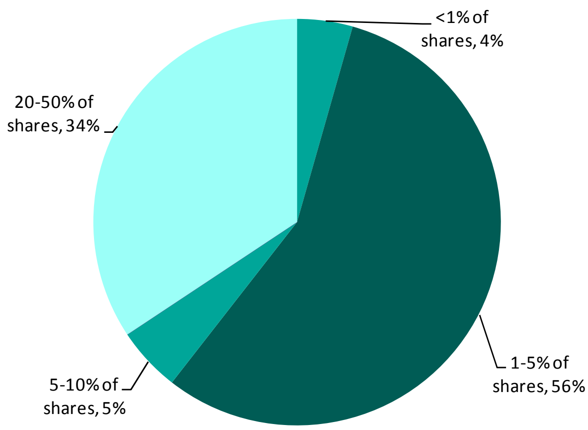
Board terms are generally three years. New Directors are elected by shareholders at annual general meetings by a majority of votes whereby shareholders have voting rights which correspond to their shareholdings. Shareholders with more than 10% of shares may appoint a Director for every 10% of their shareholdings. 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	2011	2010	2009	2008	2007*
TOTAL INCOME	87.2	16.5	7.0	18.2	29.7
TOTAL EXPENSES	13.8	10.3	11.0	15.7	15.2
UNREALISED LOSSES AND PROVISIONS	(12.0)	1.0	(31.0)	(16.2)	6.4
NET (LOSS) / INCOME	61.4	7.2	(35.1)	(13.8)	20.9
TOTAL ASSETS	526.8	417.7	306.8	376.7	383.4
TOTAL EQUITY	343.0	300.9	276.0	312.0	318.7

KEY RATIOS

Islamic Financing to Equity Ratio (leverage)	0.3	0.3	0.1	0.2	0.2
Capital Adequacy	61.5%	61.1%	56.7%	52.7%	68.3%
Return on average assets **	15.5%	1.7%	-1.2%	0.7%	4.3%
Return on average equity **	22.8%	2.2%	-1.4%	0.8%	4.8%
Cost to Income	15.9%	62.1%	157.1%	86.3%	51.2%
Liquid Assets to Total Assets	39.7%	14.7%	15.6%	17.7%	57.4%

*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 ("the Group") as of 31 December 2011, and the related consolidated statements of income, cash flows and changes in owners' equity for the year then ended. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, the results of its operations, its cash flows and changes in owners' equity for the year then ended in accordance with the 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 during the year ended 31 December 2011 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.

Ernst & Young

21st February 2012

Manama, Kingdom of Bahrain

SHARI'A BOARD REPORT

SHARI'A BOARD REPORT ON THE ACTIVITIES OF SEERA INVESTMENT BANK FOR THE PERIOD ENDED 31 DECEMBER 2011

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 2011 and found them compatible with the already issued fatwas and rulings.

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

A representative of the Bank's management explained and clarified the contents of consolidated Balance Sheet, attached notes and Consolidated Statement of Income for the period ended on 31st December 2011 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

Shaikh Yousif A. Alshubaily
Member

Shaikh Mohammed A. AlTabtabaei
Member

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 US$ '000	2010 US$ '000
ASSETS			
Cash and balances with banks	4	**12,045**	18,486
Due from banks and financial institutions	5	**197,271**	34,286
Non-trading investments	6	**18,752**	21,494
Investments in leases	7	**-**	93,390
Investment in ijarah assets	8	**260,597**	-
Net assets of disposal group classified as held for sale	9	**14,630**	14,953
Investment property	10	**10,476**	10,476
Goodwill and intangible assets	11	**-**	165,206
Other assets	12	**6,017**	49,844
Property and equipment	13	**7,008**	9,590
TOTAL ASSETS		**526,796**	417,725
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Term financing	14	**164,104**	-
Due to banks and financial institutions		**-**	101,338
Other liabilities	15	**19,644**	15,455
TOTAL LIABILITIES		**183,748**	116,793
OWNERS' EQUITY			
Share capital	16	**291,286**	291,286
Reserves	16	**9,009**	4,565
Retained earnings / (Accumulated losses)		**26,896**	(27,396)
Equity attributable to shareholders of the parent		**327,191**	268,455
Non-controlling interest		**15,857**	32,477
TOTAL OWNERS' EQUITY		**343,048**	300,932
TOTAL LIABILITIES AND OWNERS' EQUITY		**526,796**	417,725

Mr. Asaad Al Banwan
Chairman of the Board

Mr. Khalid Al Nasser
Board Member

Mr. Abdulla Janahi
Chief Executive Officer

The attached notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2011

	Notes	2011 US$ '000	2010 US$ '000
Rental income from investments in leases		-	34,313
Rental Income from investments in ijarah assets		35,906	-
Rental expense from investments in leases		-	(26,409)
Depreciation on investment in ijarah assets	8	(16,007)	-
Management fees relating to leases		(1,265)	(1,382)
Financing cost relating to term financing obtained to purchase ijarah assets		(9,187)	-
Net income from investment in ijarah assets / leases		**9,447**	6,522
Profit on amounts due from banks and financial institutions		1,185	205
Profit on amounts due to banks and financial institutions		(227)	(219)
Net funding income / (cost)		**958**	(14)
Realised gain on disposal of an investment	3	76,048	-
Net income from non-banking activities	17	-	7,153
Income from non-trading investments	18	126	2,209
Fee and other income		632	674
TOTAL INCOME		**87,211**	16,544
Expenses			
Staff expenses		7,973	5,981
General and administration expenses	19	3,497	3,020
Foreign exchange loss / (gain)		932	(392)
Depreciation on property and equipment	13	1,433	1,661
TOTAL EXPENSES		**13,835**	10,270
NET INCOME FOR THE YEAR BEFORE UNREALISED LOSS AND PROVISIONS		**73,376**	6,274
Unrealised loss on investment property	10	-	(978)
(Provisions) / write back	20	(12,000)	1,950
NET PROFIT FOR THE YEAR		**61,376**	7,246
Attributable to:			
Shareholders of the parent		60,325	5,545
Non-controlling interest		1,051	1,701
		61,376	7,246

The attached notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 US$ '000	2010 US$ '000
OPERATING ACTIVITIES			
Net profit for the year		**61,376**	7,246
Adjustments for:			
Provision for employees' end of service benefits	15	**246**	332
Depreciation relating to investments in ijarah assets	8	**16,007**	-
Depreciation relating to property and equipment	13	**1,433**	1,661
Gain on disposal of property and equipment		**(1)**	(78)
Amortisation of intangible assets	17	**-**	5,088
Income from non-trading investments	18	**-**	(2,209)
Provisions / (write back)		**12,000**	(1,950)
Unrealised loss on investment property	10	**-**	978
Realised gain on disposal of investment	3	**(74,713)**	-
		16,348	11,068
Changes in operating assets and liabilities:			
Due to banks and financial institutions		**(14,973)**	(15,794)
Other assets		**1,487**	(5,131)
Other liabilities		**4,094**	(2,595)
Net cash from / (used in) operating activities		**6,956**	(12,452)
INVESTING ACTIVITIES			
Proceeds from disposal of an investment		**182,358**	-
Proceeds from disposal of non-trading investments		**509**	9,415
Proceeds from disposal of property and equipment		**7**	97
Purchase of property and equipment	13	**(11)**	(110)
Net cash from investing activities		**182,863**	9,402
FINANCING ACTIVITIES			
Term financing		**(19,110)**	-
Dividend received	18	**126**	-
Non-controlling interest		**(487)**	(450)
Net cash used in financing activities		**(19,471)**	(450)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**170,348**	(3,500)
Cash and cash equivalents at beginning of the year		**52,772**	42,303
Cash and cash equivalents of investment sold	3	**(13,804)**	13,969
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	**209,316**	52,772

The attached notes 1 to 31 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2011

	Equity attributable to shareholders of the parent							
	Share capital US$ '000	*Statutory reserve US$ '000*	*Investment fair value reserve US$ '000*	*Foreign currency translation reserve US$ '000*	*Retained Earnings/ (Accumulated losses) US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total owners' equity US$ '000*
Balance at 1 January 2011	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932
Net income for the year	-	-	-	-	60,325	60,325	1,051	61,376
Dividends paid by a subsidiary	-	-	-	-	-	-	(487)	(487)
Disposal of an investment (Note 3)	-	-	-	(1,657)	-	(1,657)	(17,184)	(18,841)
Transferred to statutory reserve	-	6,033	-	-	(6,033)	-	-	-
Unrealised gain on re-measurement to fair value	-	-	68	-	-	68	-	68
Balance at 31 December 2011	**291,286**	**8,590**	**419**	**-**	**26,896**	**327,191**	**15,857**	**343,048**
Balance at 1 January 2010	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012
Net income for the year	-	-	-	-	5,545	5,545	1,701	7,246
Dividends paid by subsidiaries	-	-	-	-	-	-	(450)	(450)
Acquisition of a subsidiary	-	-	-	-	-	-	15,824	15,824
Exchange differences on translation of foreign operations	-	-	-	1,657	-	1,657	292	1,949
Transferred to statutory reserve	-	555	-	-	(555)	-	-	-
Unrealised losses on re-measurement to fair value	-	-	(67)	-	418	351	-	351
Balance at 31 December 2010	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932

The attached notes 1 to 31 form an integral part of these consolidated financial statements

1 INCORPORATION AND ACTIVITIES

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

The Bank operates under an Islamic Wholesale Banking License issued by the Central Bank of Bahrain ["the CBB"]. The Bank and its subsidiaries ["the Group"] aim to provide a full range of investment banking products and services that are compliant with Shari'a principles.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 21 February 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"], the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, 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"] issued by the International Accounting Standards Board ["IASB"].

2.2 Accounting convention

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, and certain 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$"], being the functional currency of the Group. All values are rounded to the nearest thousand ["US$ '000"] except when indicated otherwise.

The following is a summary of significant accounting policies adopted in preparing the consolidated financial statements. These accounting policies are consistent with those used in the previous year, except as noted below:

2.2.1 New and amended accounting standards, interpretations and framework

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

Conceptual Framework for Financial Reporting by Islamic Financial Institutions

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOFI. The amended framework introduces the concept of substance and form, compared to the concept of form over substance. The framework states that it is necessary that information, transactions and other events are accounted for and presented in accordance with their substance and economic reality as well as the legal form.

Based on the revised framework, which was effective from 1 January 2011, the full structure of Falak Aviation Fund B.S.C. (c) has been consolidated line by line which has resulted in the recognition of ijarah assets (aircraft) amounting to US$ 286.6 million and the related term financing amounting to US$ 183.2 million. As a result, comparative amounts are not comparable in this regard.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Accounting convention (continued)

2.2.1 New and amended accounting standards, interpretations and framework (continued)

Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"
The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investments in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by Islamic Financial Institutions.

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

2.3 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 (including special purpose entities that the Group controls) is prepared using consistent accounting policies, with the exception of the carrying value of investments in ijarah assets which are fair valued by the subsidiary but carried at cost less depreciation and impairment at the consolidated level. Appropriate adjustments have been processed as required to ensure consistency with the Group's 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 have been 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.

The following is the Group's significant subsidiary as at 31 December 2011:

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

The Group had the following significant subsidiaries as at 31 December 2010:

Falak Aviation Fund B.S.C. (c)	Kingdom of Bahrain	86%
BWA UK Acquisition Company Limited	United Kingdom	85%

2.4 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 less than ninety days.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Due from banks and financial institutions

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

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

2.6 Non-trading investments

These are classified as investments designated at fair value through equity.

Initial recognition

All investments are recognised on the acquisition date and are recognised initially at their fair value plus transaction costs.

Re-measurement to fair value

Investments designated at fair through equity are remeasured at fair value and the resultant fair value gain or loss is directly reported in equity under 'investments fair value reserve' until the investment is sold, realised or deemed to be impaired, at which time the realised gain or loss is reported in the consolidated statement of income.

The losses arising from impairment of such investments are recognised in the consolidated statement of income in "impairment losses" and removed from the investment fair value reserve. 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.

2.7 General provision

The Group maintains a general provision to reflect potential losses that may occur as a result of currently unidentifiable risks in relation to its investments. The amount reflects estimated losses affecting these investments attributable to unknown events that may have already occurred at the date of the consolidated financial statements, and not estimated losses attributable to future events. These provisions are reversed through the consolidated statement of income, if the balance exceeds the required level.

2.8 Investments in leases

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

2.9 Investment in ijarah assets

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

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

Ijarah assets are derecognised on disposal or when no future economic benefits are expected from 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Net assets of disposal group classified as held for sale

Net assets of disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Net assets of disposal group are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

2.11 Investment property

Investment property is held to earn rentals or for capital appreciation. It is initially recorded at cost, being the fair value of the consideration, including acquisition charges associated with the property.

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

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

2.12 Goodwill and intangible assets

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.13 Property and equipment

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

Freehold land is not depreciated. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Buildings	20 years
Others	3-5 years

Expenditure for maintenance and repairs is expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Property and equipment (continued)

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.

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Due to banks and financial institutions

Amounts due to banks and financial institutions are initially recognised at cost, being the fair value of consideration received plus accrued profit. Subsequently, they are carried at amortised cost less amounts repaid.

2.16 Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Recognition of income and expenses

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

Rental income and rental expense on investments in leases
Rental income and rental expense on investments in leases are recognised on the basis of contractual amounts receivable / payable on a time apportioned basis.

Revenue on sale of goods
Revenue from the sale of goods is recognised when the goods are physically delivered to the customer and is stated net of taxes and trade discounts.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Recognition of income and expenses (continued)

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

Fee income
Fee income is recognised when earned.

Taxation
There is no taxation in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with fiscal regulations of the respective countries in which the subsidiaries operate.

2.18 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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2.19 Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Assets (including goodwill) and liabilities of foreign operations are translated at the exchange rates prevailing at the statement of financial position date. Income and expense items are translated at average exchange rates for the relevant year. All resulting exchange differences are taken directly to equity.

On disposal of a foreign operation, the component of equity relating to that particular foreign operation is recognised in the consolidated statement of income.

2.20 Significant accounting judgements and estimates
The preparation of the consolidated financial statements requires management to exercise judgement and make estimates that affect the amounts reported in the consolidated financial statements. The most significant use of judgement and estimates are as follows:

Going concern
The Group's management 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Significant accounting judgements and estimates (continued)

Fair value of unquoted investments at fair value through equity
Where the fair value of the Group's investment portfolio cannot be derived from an active market, they are determined using a variety of valuation techniques. These techniques rely on market observable data where possible. Judgement by management is required to establish fair values through the use of appropriate valuation models. The judgements include consideration of comparable assets, discount rates and the assumptions used to forecast cash flows.

Fair value of investment property
The fair value of investment property is determined by independent real estate valuation experts based on input from management and using market observable data, where possible. This involves judgement by management as to the comparable assets, discount rates and cash flows.

2.21 Impairment
The Group assesses at each statement of financial position date whether there is objective evidence that a specific asset or a group of assets may be impaired. An asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event(s) have an impact on the estimated future cash flows of the asset or the group of the assets that can be reliably estimated.

The Group treats non trading investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

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

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

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

2.23 Determination of fair values
For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the consolidated statement of financial position date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on an assessment of the value of future cash flows. For financial contracts, future cash flows are determined by the Group at current profit rates for financing contracts with similar terms and risk characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Provisions

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

2.25 Offsetting financial instruments

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

2.26 Zakah

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

3 DISPOSAL OF AN INVESTMENT

During the year the Bank entered into a Master Sale Agreement and disposed off its 85% equity interest in an investment. The gain recognised by the Bank from the disposal amounted to US$ 76 million. The share of profit recognised on the investment up to the date of disposal amounted to US$ 1.335 million (December 2010 : US$ 7.153 million).

4 CASH AND BALANCES WITH BANKS

	2011 US$ '000	*2010 US$ '000*
Balances with banks	**12,044**	18,484
Cash in hand	**1**	2
	12,045	18,486

5 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2011 US$ '000	*2010 US$ '000*
Commodity murabaha	**137,402**	11,503
Deferred income	**(142)**	(1)
	137,260	11,502
Wakala receivables	**60,011**	22,784
	197,271	34,286

6 NON-TRADING INVESTMENTS

	2011 US$ '000	*2010 US$ '000*
Investments designated at fair value through equity		
Quoted investment designated at fair value through equity (note 6.1)	**1,465**	1,906
Unquoted investments designated at fair value through equity	**20,633**	21,121
Specific provision	**(3,346)**	(1,533)
Unquoted investments designated at fair value through equity	**17,287**	19,588
	18,752	21,494

6.1 This represents an investment quoted on the Kuwait Stock Exchange.

7 INVESTMENTS IN LEASES

	2011 US$ '000	2010 US$ '000
Falak Lease One Limited	-	12,305
Falak Lease Two Limited	-	12,306
Falak Lease Three Limited	-	13,375
Falak Lease Four Limited	-	15,264
Falak Lease Seven Limited	-	17,309
Falak Lease Eight Limited	-	12,500
Falak Lease Nine Limited	-	3,130
Falak Lease Ten Limited	-	2,884
Falak Lease Eleven Limited	-	12,317
	-	101,390
General provision	-	(8,000)
	-	93,390

8 INVESTMENTS IN IJARAH ASSETS

	Cost at 1 January 2011 US$ '000	Depreciation charge US$ '000	Net book value at 31 December 2011 US$ '000	Net book value at 31 December 2010 US$ '000
Falak Fin One Limited	39,739	1,484	38,255	-
Falak Fin Two Limited	40,042	1,404	38,638	-
Falak Fin Three Limited	42,693	1,748	40,945	-
Falak Fin Four Limited	36,599	1,619	34,980	-
Falak Fin Seven Limited	44,359	2,180	42,179	-
Falak Fin Eight Limited	32,848	3,077	29,771	-
Falak Fin Nine Limited	5,046	1,631	3,415	-
Falak Fin Ten Limited	5,526	1,438	4,088	-
Falak Fin Eleven Limited	37,752	1,426	36,326	-
	284,604	16,007	268,597	-
General provision			(8,000)	-
			260,597	-

9 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal group is a company incorporated in the Cayman Islands which has a stake of 92.02% in a Danish operator that is a global leader in the provision of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders. As at 31 December 2011, the Group has retained a 21.5% stake in this Danish company and management remains committed to sell the investment and is actively marketing at a price that is reasonable. As at 31 December 2011, the total assets and liabilities amounted to US$ 91,231 thousand and US$ 29,824 thousand respectively (31 December 2010: US$ 46,260 thousand and US$ 29,789 thousand respectively).

10 INVESTMENT PROPERTY

	2011 US$ '000	2010 US$ '000
Opening carrying value	**10,476**	11,454
Unrealised loss on investment property	**-**	(978)
Closing carrying value	**10,476**	10,476

The investment property represents land in the Kingdom of Bahrain. It is stated at fair value, determined based on valuations performed by three independent professional valuers as at 31 December 2011 and 31 December 2010. These valuers are industry specialists in valuing these types of investment properties.

11 GOODWILL AND INTANGIBLE ASSETS

	2011 US$ '000	2010 US$ '000
Goodwill	**-**	156,217
Intangible assets	**-**	14,077
Amortised during the year (note 17)	**-**	(5,088)
	-	8,989
	-	165,206

12 OTHER ASSETS

	2011 US$ '000	2010 US$ '000
Trade receivables	**-**	20,738
Deferred tax asset	**-**	9,478
Inventories	**-**	11,848
Other assets	**6,017**	7,780
	6,017	49,844

13 PROPERTY AND EQUIPMENT

	Freehold land US$ '000	*Building US$ '000*	*Others US$ '000*	*Total US$ '000*
Cost				
At 1 January 2011	4,316	4,079	5,343	13,738
On disposal of subsidiary	(1,154)	-	-	(1,154)
Additions	-	-	11	11
Disposals	-	-	(13)	(13)
At 31 December 2011	**3,162**	**4,079**	**5,341**	**12,582**
Accumulated depreciation				
At 1 January 2011	-	832	3,316	4,148
Charge for the year	-	204	1,229	1,433
Disposals	-	-	(7)	(7)
At 31 December 2011	**-**	**1,036**	**4,538**	**5,574**
Net book value				
At 31 December 2011	**3,162**	**3,043**	**803**	**7,008**
At 31 December 2010	4,316	3,247	2,027	9,590

14 TERM FINANCING

	Total 2011 US$ '000	*Total 2010 US$ '000*
Falak Fin One Limited	**22,752**	-
Falak Fin Two Limited	**22,962**	-
Falak Fin Three Limited	**25,358**	-
Falak Fin Four Limited	**19,362**	-
Falak Fin Seven Limited	**23,837**	-
Falak Fin Eight Limited	**21,861**	-
Falak Fin Nine Limited	**3,013**	-
Falak Fin Ten Limited	**3,013**	-
Falak Fin Eleven Limited	**21,946**	-
	164,104	-

The above financing has been obtained to purchase ijarah assets carries profit rates of between 3.3% and 6.8%, and matures between 2013 and 2015.

15 OTHER LIABILITIES

	2011 US$ '000	*2010 US$ '000*
Trade payables	**-**	8,167
Accrued expenses	**6,099**	3,637
Unearned rental income	**1,423**	912
Provision for employees end of service benefits	**1,089**	843
Legal and professional fees payable related to investment in leases	**1,033**	676
Rental expenses payable	**-**	670
Other liabilities	**10,000**	550
	19,644	15,455

15 OTHER LIABILITIES (continued)

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

	2011 US$ '000	2010 US$ '000
Opening balance	**843**	737
Charge for the year	**246**	332
Utilised and paid during the year	**-**	(226)
Closing balance	**1,089**	843

16 OWNERS' EQUITY

16.1 Share capital

	2011 US$ '000	2010 US$ '000
Authorised: 2,500,000,000 ordinary shares of US$ 1 each	**2,500,000**	2,500,000
Issued and fully paid up: 291,286,000 ordinary shares of US$ 1 each	**291,286**	291,286

16.2 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.

16.3 Investment fair value reserve

Unrealised gains on 'investment property' and certain 'investments carried at fair value through statement of income' as deemed appropriate by management, recorded in the consolidated statement of income are appropriated to the 'investment revaluation 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.

16.4 Foreign currency translation reserve

The foreign currency translation reserve represents the net foreign exchange gain (loss) arising from translating the consolidated financial statements of the Group's quoted investment from its functional currency into United States Dollars.

17 NET INCOME FROM NON-BANKING ACTIVITIES

	2011 US$ '000	2010 US$ '000
Revenue from sale of goods	**-**	100,717
Cost of goods sold	**-**	(64,744)
Gross Profit	**-**	35,973
Selling and distribution expenses	**-**	(4,564)
Administrative expenses	**-**	(11,398)
Amortisation of intangible assets	**-**	(5,088)
Finance cost	**-**	(5,165)
Taxation	**-**	(2,605)
Total expenses from non-banking activities	**-**	(28,820)
Net income from non-banking activities	**-**	7,153

18 INCOME FROM NON-TRADING INVESTMENTS

	2011 US$ '000	2010 US$ '000
Gain on disposal of investment designated at fair value through equity	-	2,209
Dividend income	126	-
	126	2,209

19 GENERAL AND ADMINISTRATION EXPENSES

	2011 US$ '000	2010 US$ '000
Legal and professional	1,241	1,228
Rent and maintenance	242	403
Communication charges	244	260
Board of directors and committees meetings' expenses and attendance allowances	120	120
Marketing and advertisement	29	85
Travel expenses	61	41
Other expenses (including proposed board remuneration)	1,560	883
	3,497	3,020

20 PROVISIONS

	2011		
	Specific		General
	Non-trading Investments US$ '000	Other investments US$ '000	US$ '000
Balance at beginning of the year	1,346	10,000	8,000
Write back of provisions		(10,000)	-
New provisions made	2,000	-	10,000
Balance at the end of the year	3,346	-	18,000

	2010		
	Specific		General
	Non-trading Investments US$ '000	Other investments US$ '000	US$ '000
Balance at beginning of the year	3,296	10,000	8,000
Write back of provisions	(1,950)	-	-
New provisions made	-	-	-
Balance at the end of the year	1,346	10,000	8,000

Past Due Exposures – In accordance with the Bank's policy and Central Bank of Bahrain guidelines, transactions on which payment of profit or repayment of principal are 90 days past due are being defined as non-performing.

21 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:

	2011 **US$ '000**	2010 US$ '000
Cash and balances with banks	**12,045**	18,486
Due from banks and financial institutions (original maturity within 90 days)	**197,271**	34,286
	209,316	52,772

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group's quoted investment designated at fair vale through equity qualifies for disclosure under Level 1 and its carrying value as at 31 December 2011 is US$ 1,465 thousand (31 December 2010: US$ 1,906 thousand). The Group does not have financial instruments qualifying for Level 2 or Level 3 disclosure. The other investments designated at fair vale through equity amounting to US$ 19,287 thousand (31 December 2010: US$ 19,588 thousand) are carried at cost less impairment.

23 CAPITAL MANAGEMENT

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

The primary objectives of the Bank's capital management are to ensure that the Group complies with externally imposed capital requirements and maintains healthy capital ratios in order to support its business and maximise shareholder value.

Regulatory capital consists of Tier 1 Capital, which comprises principally of share capital, statutory reserve, accumulated losses and non controlling interest. The other component of regulatory capital, Tier 2 Capital, consists of investment fair value reserves. Certain adjustments are made to these balances as prescribed by the CBB. Risk-weighted assets are calculated in accordance with the prudential rules laid down by the CBB.

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 years.

23 CAPITAL MANAGEMENT (continued)

Regulatory capital

	Note	2011 US$'000	2010 US$'000
Tier 1 capital	23.1	**311,285**	250,979
Tier 2 capital		**(31,155)**	(32,260)
Total capital base (a)		**280,130**	218,719
Risk weighted assets (b)	23.3	**455,509**	358,150
Capital adequacy (a/b x 100)		**61.50%**	61.07%
Minimum requirement		**12.0%**	12.0%

23.1 Tier 1 Capital

	2011 US$'000	2010 US$'000
Share capital	**291,286**	291,286
Statutory reserve	**8,590**	2,557
Other reserve	**419**	1,657
Accumulated gains / (losses)	**26,896**	(27,396)
Non-controlling interest	**15,857**	15,293
Core Tier 1 Capital	**343,048**	283,397
Deductions	**(31,763)**	(32,418)
Tier 1 Capital	**311,285**	250,979
Negative balance of Tier 2	**(31,155)**	(32,260)
Tier 1 Capital net of negative Tier 2 Capital	**280,130**	218,719

23.2 Tier 2 Capital

	2011 US$ '000	2010 US$ '000
Investments designated at fair vale thorugh equity (45%)	**189**	158
Core Tier 2 Capital	**189**	158
Deductions	**(31,344)**	(32,418)
Tier 2 Capital	**(31,155)**	(32,260)

23.3 Risk weighted assets

	2011 US$ ‘000	2010 US$ ‘000
Credit risk weighted assets	**296,478**	309,315
Market risk weighted assets	**35,838**	23,438
Operational risk weighted assets	**123,193**	25,397
	455,509	358,150

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.

23 CAPITAL MANAGEMENT (continued)

23.3 Risk weighted assets (continued)

Market risk weighted assets

The Bank does not maintain a trading book and, as a result, market risk-weighted assets result from the net foreign currency positions of the Group.

Operational risk weighted assets

In calculating operational risk-weighted assets, the Bank uses the basic indicator approach which calculates operational risk-weighted assets as a proportion of the average of three years' revenues.

23.4 Tier 1 Capital Adequacy Ratio

	2011	*2010*
Capital Adequacy on Tier 1 Capital	**68.34%**	70.08%

24 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and services. The Group has two reportable segments being geographical segment and industrial segment.

Geographical segment

The geographical segment is a distinguishable component that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment which may have risks and returns that may be different from the components operating in other economic

Industrial segment

The industrial segment is a distinguishable component that is engaged in providing an individual product or service or a group of related product or services which may have risks and returns that may be different from those of other business segments.

	2011		*2010*	
	Assets US$'000	***Liabilities US$'000***	*Assets US$'000*	*Liabilities US$'000*
Geographical segment:				
Bahrain	**246,320**	**16,170**	83,649	16,096
Europe	**135,571**	**166,490**	237,456	97,952
Others	**144,905**	**1,088**	96,620	2,745
	526,796	**183,748**	417,725	116,793
Industrial segment:				
Banking and financial institutions	**211,489**	**166,104**	54,945	101,337
Aviation	**262,255**	**2,772**	95,816	1,582
Real estate	**21,380**	**-**	23,664	-
Utilities	**6,380**	**-**	6,397	-
Manufacturing	**16,163**	**-**	224,902	11,587
Others	**9,129**	**14,872**	12,001	2,287
	526,796	**183,748**	417,725	116,793

24 SEGMENTAL INFORMATION (continued)

Segment total operating income, net operating expenses and net income / (loss) were as follows:

	2011			2010		
	Total operating income US$'000	Net operating expenses US$'000	Net income / (loss) US$'000	Total operating income US$'000	Net operating expenses US$'000	Net income (loss) US$'000
Geographical segment:						
Bahrain	13,142	(30,471)	(17,329)	4,819	(11,248)	(6,429)
Europe	88,456	(9,945)	78,511	35,973	(28,820)	7,153
Others	1,620	(1,426)	194	34,313	(27,791)	6,522
	103,218	(41,842)	61,376	75,105	(67,859)	7,246
Industrial segment:						
Banking and financial institutions	1,084	(23,835)	(22,751)	2,195	(10,270)	(8,075)
Aviation	25,454	(16,007)	9,447	34,313	(27,791)	6,522
Real estate	-	(2,000)	(2,000)	-	(978)	(978)
Utilities	-	-	-	1,950	-	1,950
Manufacturing	76,680	-	76,680	36,569	(28,820)	7,749
Others	-	-	-	78	-	78
	103,218	(41,842)	61,376	75,105	(67,859)	7,246

25 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.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2011				2010
	Shareholders	Directors	Others	Total	Total
Assets					
Quoted investment designated at fair vale through equity	-	-	-	-	1,906

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

	Shareholders	Directors	Others	Total	2010 Total
Income					
Fee income	115	-	-	115	108
Gain on disposal of property and equipment	-	-	-	-	78
Expenses					
Board of directors and committees meetings' expenses and attendance allowances	-	1,069	-	1,069	69
Shari'a Supervisory Board meetings' expenses and attendance allowances	-	51		51	51
Fees expense	1	-	-	1	23

25 RELATED PARTIES (continued)

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:

	2011 ***US$'000***	*2010* *US$'000*
Short term employee costs	**1,315**	1,958
Termination costs	**205**	265
	1,520	2,223

The aggregate annual senior management remuneration for 2011 amounted to around US$ 2,212K (total Salaries and other benefits paid to all Officers reporting directly to the CEO, including CEO, a total of 9 Officers). The total 2011 Performance Bonus paid amounted to US$ 1,666K excluding a deferred portion amounting to around US$ 1,459K payable before the end of the year.

26 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	*1 to 5 years US$ '000*	*Total US$ '000*
At 31 December 2011			
Capital and other commitments	**525**	**-**	**525**
	525	**-**	**525**
At 31 December 2010			
Capital and other commitments	749	3	752
	749	3	752

27 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.

28 RISK MANAGEMENT

Risk management plays a critical role in the Group’s decision making process. It is managed through a Management Investment Committee and the Asset Liability and Risk Management Committee. Both committees comprise of senior management drawn from key areas of the Group in implementing risk strategy and policies, monitoring and managing the key risks to which the bank is exposed. The Group is exposed to credit risk, concentration risk, profit rate risk, liquidity risk, equity price risk, foreign currency risk and operational risk.

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

28.1 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 Bank 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 Risk Management Department and the relevant mitigating factors presented by the relevant business team.

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

Risk Management Department
The Risk Management Department is responsible for developing and implementing appropriate risk management strategies and methodologies for the Group. It ensures that there are adequate control procedures in place such that the risks exposed to are within the approved limits.

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

28 RISK MANAGEMENT (continued)

28.2 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. Counterparty limits are set by the Board of Directors and monitored by the Risk Management Department and reviewed regularly.

The Group does not engage in commercial or retail banking. Its exposure to credit risk arises largely through placement of liquid funds 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 and 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 following table analyses the geographical and counterparty type concentrations of the Group's maximum exposure to credit risk:

(i) Maximum exposure to credit risk

	2011 US$'000	*2010 US$'000*
Balances with banks	**12,044**	18,484
Due from banks and financial institutions	**197,271**	34,286
Investments in leases	**-**	93,390
Other assets	**4,833**	37,996
	214,148	184,156

Exposures by geographical region

As at 31 December 2011:

	Bahrain US$'000	***Europe US$'000***	***Other GCC countries US$'000***	***Other Middle East & Asia US$'000***	***North America US$'000***	***Total US$'000***
Balances with banks	**1,563**	**4,959**	**58**	**-**	**5,464**	**12,044**
Due from banks and financial institutions	**112,259**	**-**	**85,012**	**-**	**-**	**197,271**
Other assets	**835**	**-**	**2,340**	**1,658**	**-**	**4,833**
	114,657	**4,959**	**87,410**	**1,658**	**5,464**	**214,148**

28 RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

Exposures by geographical region

	Bahrain US$'000	*Europe US$'000*	*Other GCC countries US$'000*	*Other Middle East & Asia US$'000*	*North America US$'000*	*Total US$'000*
As at 31 December 2010:						
Balances with banks	644	10,014	333	1,398	6,095	18,484
Due from banks and financial institutions	20,584	-	13,702	-	-	34,286
Investments in leases	34,988	47,057	-	11,345	-	93,390
Other assets	1,381	24,593	1,794	4,623	5,605	37,996
	57,597	81,664	15,829	17,366	11,700	184,156

Exposure by industry:

As at 31 December 2011:

	Aviation US$'000	*Banking and finance US$'000*	*Manufacturing US$'000*	*Other US$'000*	*Total US$'000*
Balances with banks	**-**	**12,044**	**-**	**-**	**12,044**
Due from banks and financial institutions	**-**	**197,271**	**-**	**-**	**197,271**
Investments in leases		**-**	**-**	**-**	**-**
Other assets	**1,658**	**2,172**	**67**	**936**	**4,833**
	1,658	**211,487**	**67**	**936**	**214,148**
As at 31 December 2010:					
Balances with banks	-	18,484	-	-	18,484
Due from banks and financial institutions	-	34,286	-	-	34,286
Investments in leases	93,390	-	-	-	93,390
Other assets	2,426	1,665	31,496	2,409	37,996
	95,816	54,435	31,496	2,409	184,156

28.3 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 due to banks and financial institutions and have repricing dates no longer than three months. During 2011, a +/- 200bp change in the profit rate, with all other variables constant, would have resulted in a +/- US$ 1,778 thousand (31 December 2010: +/-200bp resulted in +/- US$ 349 thousand) impact on the consolidated statement of income.

28 RISK MANAGEMENT (continued)

28.3 Market risk (continued)

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

	2011	2010
Investments in leases	-	7.29%
Due from banks and financial institutions	**0.78%**	0.61%
Due to banks and financial institutions	-	1.50%

Currency risk

Currency risk represents fluctuations in exposures held by the Group in currencies other than the US$. The Group may engage, in the normal course of business, in transactions denominated in currencies other than its functional currency. The Bank risk management policy regulates such exposure by hedging currency exposures with 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 Group has the following significant foreign currency exposures at the consolidated statement of financial position date:

	2011		
	Assets US$'000	Liabilities US$'000	Net US$'000
Danish Krone	**14,630**	-	**14,630**
Kuwaiti Dinars	**1,494**		**1,494**
Great Britain Pounds	**6,423**	-	**6,423**
Euro	**13,273**	-	**13,273**

	2010		
	Assets US$'000	Liabilities US$'000	Net US$'000
Danish Krone	14,953	-	14,953
Kuwaiti Dinars	1,943	-	1,943
Great Britain Pounds	6,454	-	6,454
Euro	15,039	(14,973)	66

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 balance sheet date and calculating the impact of the change in exchange rate.

	Change in exchange rates (+/-) %	Net income and equity (+/-) US$'000
Danish Krone	**10**	**1,463**
Kuwaiti Dinars	**10**	**149**
Great Britain Pounds	**10**	**642**
Euro	**10**	**1,327**

Equity price risk

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

28 RISK MANAGEMENT (continued)

28.3 Market risk (continued)

Equity price risk (continued)

As at 31 December 2011 the Group had investments in quoted equities on the Kuwait Stock Exchange. The table below reflects the sensitivity of the investment portfolio to changes in these inputs. The sensitivity of 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**	**147**

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

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

	2011 US$ '000	*2010 US$ '000*
Foreign exchange risk	**35,838**	23,438
Regulatory capital requirement (Multiple 12.5)	**2,867**	1,875

During the year, the maximum capital requirement as per Standardized Method was US$ 2.9 million on 31 December 2011 while the minimum capital requirement was US$ 1,909 on 30 September 2011.

28.4 Operational risk

Operational risk is the risk of loss arising from human error, fraud, and control or system failure which may cause legal, regulatory and financial loss. The Group has implemented a strong corporate governance framework and control mechanism to prevent such potential operational risks. The Bank's internal audit function performs regular independent audits of each critical area and reports to the Board Audit Committee on a regular basis.

The Group has in place an operational risk policy that set guidelines to manage the Group's exposure to loss and protects its assets and outlines the principles of the Group's operational risk management framework. This policy is supplemented by specific operational risk management procedures. The operational risk management framework provides directives associated with the operational risk in terms of identification, assessment, monitoring and reporting, mitigation and control of operational risks.

The policy also sets out the responsibility and accountability of all parties related to the operational risk represented by the Board of Directors, Audit Committee, Asset Liability and Risk Management Committee, Risk Management Department, staff, contractors and Internal Audit.

28 RISK MANAGEMENT (continued)

28.4 Operational risk (continued)

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

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

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

	2011	*2010*
	US$ '000	*US$ '000*
Average gross income	**65,703**	13,545
Operational risk weighted assets	**123,193**	25,397
Regulatory capital requirement (at 12%)	**14,783**	3,048

29 SOCIAL RESPONSIBILITY

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

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Group's financial instruments are not significantly different from their book values as at the consolidated statement of financial position date.

31 EARNINGS AND EXPENSES PROHIBITED BY SHARI'A

The Group has not received any income which was non shariah compliant as at 31 December 2011 (31 December 2010 nil).

Credit risk

(i) Maximum exposure

As at 31 December 2011:

	Gross funded credit exposures US$ '000	Net funded credit exposures US$ '000	Credit risk weighted exposures US$ '000	Regulatory capital requirements US$ '000
Investments	**304,455**	**242,585**	**221,998**	**26,640**
Due from banks and financial institutions				
Murabaha receivables	**137,260**	**137,260**	**30,453**	**3,654**
Wakala receivables	**60,011**	**60,011**	**25,504**	**3,060**
Other assets	**25,070**	**25,070**	**18,523**	**2,223**
	526,796	**464,926**	**296,478**	**35,577**

As at 31 December 2010:

	Gross funded credit exposures US$ '000	Net funded credit exposures US$ '000	Credit risk weighted exposures US$ '000	Regulatory capital requirements US$ '000
Investments	247,681	182,655	284,955	34,195
Due from banks and financial institutions				
Murabaha receivables	11,502	11,502	3,651	438
Wakala receivables	22,784	7,811	1,562	187
Other assets	20,622	20,622	19,147	2,298
	302,589	222,590	309,315	37,118

The year-end credit exposure position as disclosed above is representative of the risk positions of the Group during the period and accordingly, the average gross exposures have not been disclosed. Under CBB prudential guidelines investment in a commercial entity is not consolidated.

(ii) Geographical region and counterparty

Net funded credit exposures by geographical region

As at 31 December 2011:

		Due from banks and financial institutions			
	Investment US$ '000	Murabaha receivable US$ '000	Wakala receivables US$ '000	Other US$ '000	Total US$ '000
Europe	**132,143**	**-**	**-**	**5,428**	**137,571**
Bahrain	**62,949**	**97,254**	**15,005**	**9,471**	**184,679**
Other GCC Countries	**1,235**	**40,006**	**45,006**	**2,398**	**88,645**
Other Middle East and Asia	**46,258**	**-**	**-**	**2,307**	**48,565**
North America	**-**	**-**	**-**	**5,466**	**5,466**
	242,585	**137,260**	**60,011**	**25,070**	**464,926**

As at 31 December 2010:

	Investment US$ '000	Murabaha receivable US$ '000	Wakala receivables US$ '000	Other US$ '000	Total US$ '000
Europe	110,946	-	-	4,995	115,941
Bahrain	45,463	4,501	1,110	10,461	61,535
Other GCC Countries	1,713	7,001	6,701	1,860	17,275
Other Middle East and Asia	24,533	-	-	2,905	27,438
North America	-	-	-	401	401
	182,655	11,502	7,811	20,622	222,590

Credit risk (continued)

(ii) Geographical region and counterparty (continued)

Counterparty type:

Net funded credit exposures by counterparty:

As at 31 December 2011:

	Investment US$'000	Murabaha receivable US$'000	Wakala receivables US$'000	Other US$'000	Total US$'000
Investment in securities	221,205	-	-	-	221,205
Claims on banks	-	137,260	60,011	12,044	209,315
Holdings of real estate	21,380	-	-	6,781	28,161
Claims on corporates	-	-	-	4,833	4,833
Other assets	-	-	-	1,412	1,412
	242,585	137,260	60,011	25,070	464,926

Net funded credit exposures by counterparty

As at 31 December 2010:

	Investment US$'000	Murabaha receivables US$'000	Wakala receivables US$'000	Other assets US$'000	Total US$'000
Investment in securities	158,991	-	-	-	158,991
Claims on banks	-	11,502	7,811	4,680	23,993
Holdings of real estate	23,664	-	-	7,313	30,977
Claims on corporates				6,489	6,489
Other assets	-	-	-	2,140	2,140
	182,655	11,502	7,811	20,622	222,590

(iii) Analysis of exposure to credit risk by external credit ratings

No financial assets are past due or impaired. The table below analyses the Group's maximum credit exposure where the credit quality is reflected by Standard and Poor's, Moody's and Fitch credit ratings where relevant of the counterparties:

	2011 US$ '000	2010 US$ '000
Credit rating:		
AAA to AA-	52,047	14,144
A+ to A-	107,272	5,839
BBB+ to BBB-	15,044	1,570
BB+ to B-	19,930	2,376
Unrated	270,633	198,661
	464,926	222,590

Credit risk (continued)

(iv) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The Group has established guidelines assigning limits for countries, industry, currencies etc.

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

	2011		*2010*	
	Assets US$'000	***Liabilities US$'000***	*Assets US$'000*	*Liabilities US$'000*
Geographical region:				
Bahrain	**246,320**	**16,170**	76,507	16,713
Other Gulf Cooperation Council (GCC) Countries	**88,876**	**1,088**	17,468	211
Europe	**137,571**	**166,490**	180,775	1,110
Other Middle East and Asia	**48,564**		27,438	807
North America	**5,465**	**-**	401	-
	526,796	**183,748**	302,589	18,841

	2011		*2010*	
	Assets US$'000	***Liabilities US$'000***	*Assets US$'000*	*Liabilities US$'000*
Industry sector:				
Banking and financial institutions	**211,489**	**166,104**	41,141	14,973
Aviation	**262,255**	**2,772**	95,815	1,582
Real estate	**21,380**	**-**	23,664	-
Utilities	**6,380**	**-**	6,397	-
Manufacturing	**16,163**	**-**	124,725	-
Services	**-**	**-**	3	-
Others	**9,129**	**14,872**	10,844	2,286
	526,796	**183,748**	302,589	18,841

Credit risk (continued)

(v) Large exposures

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

As at 31 December 2011:

	Large exposure (banks) US$ '000	% of exposure to capital		Large exposure (non - banks) US$ '000	% of exposure to capital
Bank A	30,525	8.7%	Counterparty A	114,113	32.6%
Bank B	30,004	8.6%	Counterparty B	40,120	11.5%
Bank C	20,003	5.7%	Counterparty C	35,354	10.1%
Bank D	20,003	5.7%	Counterparty D	33,776	9.7%
Bank E	16,507	4.7%	Counterparty E	30,205	8.6%
Bank F	15,022	4.3%	Counterparty F	14,631	4.2%
Bank G	15,010	4.3%	Counterparty G	10,907	3.1%
Bank H	15,003	4.3%	Counterparty H	6,380	1.8%
Bank I	10,007	2.9%	Counterparty I	1,235	0.4%
Bank J	10,006	2.9%			
Bank K	10,004	2.9%			
Bank L	5,504	1.6%			
Bank M	5,493	1.6%			
Bank N	3,175	0.9%			
Bank O	1,714	0.5%			
Bank P	1,248	0.4%			

As at 31 December 2010:

	Large exposure (banks) US$ '000	% of exposure to capital		Large exposure (non - banks) US$ '000	% of exposure to capital
Bank A	7,001	2.5%	Counterparty A	107,369	37.9%
Bank B	6,701	2.4%	Counterparty B	37,985	13.4%
Bank C	4,500	1.6%	Counterparty C	17,309	6.1%
Bank D	2,376	0.8%	Counterparty D	15,264	5.4%
Bank E	1,099	0.4%	Counterparty E	14,953	5.3%
Bank F	1,052	0.4%	Counterparty F	13,188	4.7%
			Counterparty G	12,500	4.4%
			Counterparty H	12,317	4.3%
			Counterparty I	6,397	2.3%
			Counterparty J	3,130	1.1%
			Counterparty K	2,884	1.0%
			Counterparty L	1,398	0.5%

Credit risk (continued)

(vi) Liquidity risk

Liquidity risk is inherent in all banking institutions and arises mainly from mismatching of timing in the cash flows and can be affected by a range of institution specific and market-wide events including credit events, mergers and acquisitions and economic shocks. Liquidity is monitored regularly by the Asset Liability and Risk Management Committee ["AL&RMCO"].

The Group policies and procedures lay out guidelines that will optimise use of excess liquidity and ensure availability of funds to meet the Group's obligations when they fall due. The Group's funding guidelines include: 1) The mobilisation and placement of short term funds through placements and murabaha transactions by Treasury, 2) All funding objectives should be aligned to the strategic objectives of the Bank, 3) The composition, characteristics and diversification of the Bank's funding structure will be monitored by AL&RMCO and executed by Treasury, Treasury will maintain the counterparty relationships to obtain the necessary lines of funding, 4) AL&RMCO will monitor the concentration of funding sources across products and counterparties and effect measures to mitigate undue concentrations, 5) Treasury will implement the deals within the approved guidelines, including the approved products and the counterparties.

The maturity profile of assets and liabilities as at 31 December 2011 based on contractual maturity is as follows:

	Upto 1 month US$'000	1 to 3 months US$'000	3 to 6 months US$'000	6 months to 1 year US$'000	Sub-total 1 year US$'000	1 to 3 years US$'000	Over 3 years US$'000	Sub-total over 1 year US$'000	No fixed maturity US$'000	Total US$'000
Assets										
Cash and balances with banks	**12,045**	-	-	-	**12,045**	-	-	-	-	**12,045**
Due from banks and financial institutions	**93,252**	**104,019**	-	-	**197,271**	-	-	-	-	**197,271**
Non-trading investments	-	-	-	-	-	-	-	-	**18,752**	**18,752**
Investments in leases		-	-	-	-			-	**260,597**	**260,597**
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	-	-	**14,630**	**14,630**
Investment property	-	-	-	-	-	-	-	-	**10,476**	**10,476**
Other assets	-	-	-	-	-	-	-	-	**6,017**	**6,017**
Property and equipment	-	-	-	-	-	-	-	-	**7,008**	**7,008**
	105,297	**104,019**	-	-	**209,316**	-	-	-	**317,480**	**526,796**
Liabilities										
Term financing	**6,026**	-	-	-	**6,026**	**45,714**	**112,364**	**158,078**	-	**164,104**
Due to banks and					-					
financial institutions	-	-	-	-	-	-	-	-	-	-
Other liabilities	**5,039**	-	-	-	**5,039**	-	-	-	**14,605**	**19,644**
	11,065	-	-	-	**11,065**	**45,714**	**112,364**	**158,078**	**14,605**	**183,748**
Net	**94,232**	**104,019**	-	-	**198,251**	**(45,714)**	**(112,364)**	**(158,078)**	**302,875**	**343,048**

Credit risk (continued)

(vi) Liquidity risk

The maturity profile of assets and liabilities as at 31 December 2010 based on contractual maturity is as follows:

	Upto 1 month US$'000	*1 to 3 months US$'000*	*3 to 6 months US$'000*	*6 months to 1 year US$'000*	*Sub-total 1 year US$'000*	*1 to 3 years US$'000*	*Over 3 years US$'000*	*Sub-total over 1 year US$'000*	*No fixed maturity US$'000*	*Total US$'000*
Assets										
Cash and balances with banks	4,682	-	-	-	4,682	-	-	-	-	4,682
Due from banks and financial institutions	18,262	16,024	-	-	34,286	-	-	-	-	34,286
Non-trading investments	-	-	-	-	-	-	-	-	21,494	21,494
Investments in leases	5,540	-	-	-	5,540	22,669	65,181	87,850	-	93,390
Net assets of disposal group classified as held for sale	-	-	-	-	-	-	-	-	122,321	122,321
Investment property	-	-	-	-	-	-	-	-	10,476	10,476
Other assets	-	-	-	-	-	-	-	-	7,504	7,504
Property and equipment	-	-	-	-	-	-	-	-	8,436	8,436
	28,484	16,024	-	-	44,508	22,669	65,181	87,850	170,231	302,589
Liabilities										
Due to banks and financial institutions	-	14,973	-	-	14,973	-	-	-	-	14,973
Other liabilities	-	-	-	-	-	-	-	-	3,868	3,868
	-	14,973	-	-	14,973	-	-	-	3,868	18,841
Net	28,484	1,051	-	-	29,535	22,669	65,181	87,850	166,363	283,748

Credit risk (continued)

Equity Gains or Losses in Banking book

	2011	*2010*
	US$ '000	*US$ '000*
Cumulative realized loss arising from sales or liquidations in the reporting period	**-**	-
Cumulative realized gain arising from sales or liquidations in the reporting period	**76,048**	2,209
Total unrealized losses recognized in the statement of financial position but not through statement of income	**-**	-
Total unrealized gains recognized in the statement of financial position but not through statement of income	**419**	1,657
Total unrealized losses included in Tier 1 capital	**-**	-
Total unrealized gains included in Tier 1 capital	**-**	-
Unrealized gains included in Tier 2 capital	**189**	158

BOARD OF DIRECTORS COMPOSITION

MR. ASAAD AHMED AL BANWAN

Chairman of the Board and the Executive Committee
Elected on 2nd August, 2006 and reelected for second term on 5th May, 2010

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

H.R.H. PRINCE KHALID BIN ALWALEED BIN TALAL AL SAUD

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

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

MR. YOUSEF SULTAN AL MAJID

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

Mr. Al Majid has over 30 years of extensive experience in banking and investment finance. He is currently the Chairman of the National Investments Company in Kuwait. Mr. Al Majid has actively participated and served on boards of several reputable regional and international institutions in the fields of banking, investment, hospitality, real estate, and manufacturing. He currently serves as a Board member of Bawabat Al-Kuwait Holding in Kuwait and Foras Investment Company in Saudi Arabia. Mr. Al Majid holds a Bachelors degree in Industrial Engineering from Wichita State University, Kansas.

MR. KHALID BIN NASSER AL NASSER

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

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

Mr. Al Hemeiri is currently the Managing Director of Royal Group, UAE. He holds a Bachelors degree 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. ABDULLA RASHED OMRAN AL SHAMSI

Independent Non-Executive Board Member
Member of the Audit Committee
Elected on 5th May, 2010

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

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 term on 5th May, 2010

Mr. Al Bakri is 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 has over 25 years of broad experience in industry, development and finance. 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, A.K. Bakri & Sons Ltd & Subsidiaries, Bakri International Energy Co. Ltd & Subsidiaries, Bakri Navigation Company Ltd & Subsidiaries, Al Khomasia Shipping & Maintenance Co. & Subsidiaries, Red Sea Marine Services Ltd & Subsidiaries and of Allied Cooperative Insurance Group (ACIG) of Saudi Arabia. Mr. Al Bakri holds a Bachelors degree in Nuclear Engineering from King Abdul-Aziz University.

MR. WALEED KHALIFA AL FELAIJ

Independent Non-Executive Board Member
Member of the Nomination and Remuneration Committee
Elected on 2nd August, 2006 and reelected for second term on 5th May, 2010

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

MR. YOUSEF BIN NASSER AL NASSER

Independent Non-Executive Board Member
Elected on 5th May, 2010

Mr. Yousef Al Nasser is the Chief Executive Officer of the Al Nasser Group, Saudi Arabia. He has over 15 years of experience in the logistics, construction and motor vehicles sectors. 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. WALEED ABDULLA AL EISA

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

Mr. Al Eisa has over 25 years of Investment Banking experience. He is currently Senior Manager at the Asset Management Division of Kuwait Investment Company. Prior to that, Mr. Al Eisa headed the European Equity Investment and Fixed Income area. Mr. Al Eisa completed several international assignments in Europe, North America and the Far East. Mr. Al Eisa holds a Bachelors degree from California State University.

* 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 H.R.H Prince Khalid Bin Alwaleed Al Saud, Mr. Khalid Bin Nasser Al Nasser, Mr. Waleed Khalifa Al Felaij, Mr. Yousef Bin Nasser Al Nasser and Mr. Waleed Abdulla Al Eisa who own 5 m, 10 m, 5 m, 5 m and 100 K shares respectively

SHARI'A SUPERVISORY BOARD COMPOSITION

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

SHAIKH ESAM M ISHAQ

SHARI'A BOARD CHAIRMAN

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

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

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

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

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

Director: Zawaya Property Development, Kingdom of Bahrain.

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

DR. MOHAMMAD ALTABTABAEI

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

DR. YOUSEF ABDULLAH ALSHUBAILY

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

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

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

GAVIN SASSON

HEAD OF POST ACQUISITION MANAGEMENT

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

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.

SOHAIL TOHAMI

HEAD OF TREASURY AND ACTING HEAD OF PLACEMENT

Mr. Tohami has more than 10 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.

AMR ELIMAM

HEAD OF STRATEGIC PLANNING AND CORPORATE COMMUNICATIONS

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

FULYA KOCH

HEAD OF RISK MANAGEMENT

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

SAMEER OUNDHAKAR

VICE PRESIDENT, POST ACQUISITION MANAGEMENT

Sameer Oundhakar has over 10 years of experience in the Financial Services sector. Before joining Seera, he was with the Boston Consulting Group in London where he worked with several financial services and private equity clients. Mr. Oundhakar began his career in India with Larsen & Tourbo as an Engineering trainee. He then joined HSBC, where he was the Head of Electronic Banking for India. In 2003, he moved to the UK with American Express and worked in the Strategic Planning Group on developing and implementing several strategic initiatives. Mr. Oundhakar also worked with Threadneedle Asset Management in roles encompassing strategic alliances and distribution strategy. 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.

ISMAIL YOUNIS AHMED

HEAD OF HUMAN RESOURCES & ADMINISTRATION

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

TAWFIQ AL-SARI

HEAD OF FINANCIAL CONTROL

Mr. Al-Sari has almost 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.

ABDULRAHMAN ALSHAIKH

HEAD OF SHARI'A COMPLIANCE

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

MOHAMMED KAMAL

HEAD OF INFORMATION TECHNOLOGY

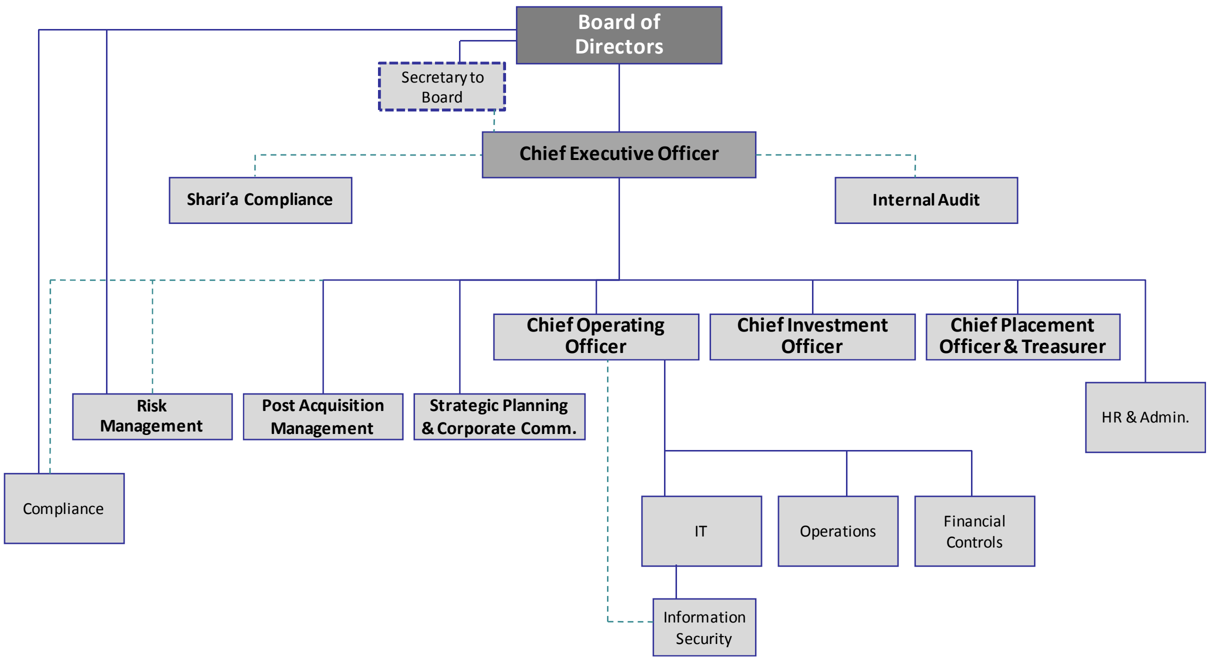
Mr. Kamal is responsible for Seera's IT operations which include core banking system implementation and aligning the IT strategy with Bank's business and compliance mandate. Prior to joining Seera Mr. Kamal was a Senior IT Specialist at the Bahrain Petroleum Company (BAPCO) where he was specialized in Information Technology & Security infrastructures and where he completed several large scale IT projects. Mr. Kamal has approximately 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

COMPLIANCE OFFICER

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 almost 7 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.

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. During the year, Ms. Sumaya Redha left Seera and Ms. Arwa Al Sharaf was appointed as Seera's Compliance Officer.

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