Disclosures under PD Module

Kuwait Finance House (Bahrain) B.S.C. (c)

30 June 2009

Table of Contents

1. Group Structure

The public disclosures under this section have been prepared in accordance with the Central Bank of Bahrain ("CBB") requirements outlined in its Public Disclosure Module ("PD"), Section PD 3.1.6 Additional Requirements for Semi Annual Disclosures, CBB Rule Book, Volume II for Islamic Banks. All quantitative disclosures have been presented in Bahraini Dinars (BHD) and rounded up to thousand BHD. Rules concerning the disclosures under this section are applicable to Kuwait Finance House, (Bahrain) B.S.C. (c) ("KFH Bahrain" or "the Bank") being a locally incorporated Bank with an Islamic commercial banking license, and its subsidiaries together known as ("the Group").

The Board at KFH Bahrain seeks to optimize the Bank's performance by enabling the various group business units to realize the Group's business strategy and meet agreed business performance targets by operating within the agreed capital and risk parameters and the Group risk policy framework.

2. Capital Adequacy

The Group manages the capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Bahrain in supervising the Bank.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally-imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank's approach to assessing capital adequacy has been proactive and in line with its risk appetite in the light of its current and future activities. To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the Standardized Approaches for its Credit Risk and Market Risk, and the Basic Indicator Approach for its Operational Risk.

The Bank's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of expectations for each business group, expected growth in off-balance sheet facilities, future sources and uses of funds.

For the purpose of computing CAR the Bank is consolidating its financial subsidiaries (KFH Jordan and Baytik Investment Advisory) only. None of the Bank's investment in subsidiaries exceeds the materiality thresholds specified in Prudential Consolidation and Deduction Module hence not deducted from available capital. All other subsidiaries (i.e. commercial subsidiaries) are risk weighted as per the requirements of the CA Module.

The Bank is in the process of converting certain short term borrowings from Kuwait Finance House K.S.C. (the Parent) into tier 2 Capital which will significantly improve the capital adequacy ratio and liquidity position of the Group.

Table – 1. Capital Structure

CAPITAL STRUCTURE

Capital Structure (PD-1.3.12, 1.3.13,1.3.14,1.3.15) *

Components of capital	Amount
Core capital - Tier 1:	
Issued and Paid up Share Capital	177,140
Less: Employee stock incentive program funded by the Bank (outstanding)	(15,059)
Shares premium accounts	71,403
Statutory reserve	11,807
General reserve	30,890
Retained earnings	-
Minority interest in consolidated subsidiaries	-
Innovative Capital	-
Equity related instruments	-
Other capital instruments	-
Total Tier 1 Capital	276,181
Deductions from Tier 1:	
Interim losses during the year	-
Intangible assets (including goodwill)	-
Unrealized gross losses arising from fair valuing equity securities	11,079
	11,079
Tier 1 Capital before PCD deductions	265,102
Supplementary capital - Tier 2:	
Current interim profits	12,266
Asset revaluation reserve - Property, plant, and equipment (45% only)	7,967
Unrealized gains arising from fair valuing equities (45% only)	-
Investment risk reserve	11,840
Subordinated loan capital	-
Qualifying general provisions	-
Interim profits	-
Tier 2 Capital before PCD deductions	32,073
Total Available Capital before PCD deductions (Tier 1 & 2)	297,175

	Tier I	Tier II
Available Capital before PCD deductions	265,102	32,073
Deductions		
Excess amount over materiality thresholds in case of investment in commercial entities	40,570	40,570
Investment in insurance entity greater than or equal to 20%	1,181	1,181
Excess amount over maximum permitted large exposure limit	5,407	5,407
Other deductions	26,594	26,594
Additional deduction from Tier 1 to absorb deficiency in Tier 2	41,679	-
Total Deductions	115,431	32,073
Total eligible capital	**149,671**	**-**

* For the purposes of guidance we have cross referenced every table with the relevant para number of the CBB's Public Disclosures module.

Table – 2. Capital requirement by type of Islamic financing contracts.

CAPITAL ADEQUACY	
Regulatory Capital Requirements (PD-1.3.17) by each type of Islamic financing contract	
Type of Islamic Financing Contracts	**Capital Requirement**
Murabaha contracts with Banks	496
Murabaha	77,006
Ijarah	15,095
Musharakah	3,693
Total	**96,290**

Table – 3. Capital requirement for market and operational risk

CAPITAL ADEQUACY	
Capital Requirements for Market Risk (PD-1.3.18) & Operational Risk (PD-1.3.19) & 1.3.30(a)	
Particulars	**Capital requirement**
Market Risk - Standardised Approach	8,119
Operational Risk - Basic indicator approach	9,796

Table – 4. Capital ratios

CAPITAL ADEQUACY		
Capital Adequacy Ratios (PD-1.3.20)		
Particulars	**Total capital ratio**	**Tier 1 capital ratio**
	%	
Top consolidated group in Bahrain	14.47	14.47

2.1 Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from lending, trade finance and treasury activities. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties. Financing contracts are mostly secured by collateral in form of mortgage financed or other tangible securities.

Table – 5. Average and gross credit risk exposure

CREDIT RISK: QUANTITATIVE DISCLOSURES				
Credit Risk Exposure (PD-1.3.23(a))				
	Own capital and current account		**Unrestricted Investment Account**	
Portfolios	*** Total gross credit exposure**	**** Average gross credit exposure over the period**	**Total gross credit exposure**	**** Average gross credit exposure over the period**
Balances with Banks and Central Bank of Bahrain	19,778	22,774	32,921	31,863
Murabaha and Mudaraba contracts with Banks	-	-	66,083	36,206
Financing contracts with customers	195,118	207,713	433,116	418,946
Investments – Sukuk	30,562	30,429	-	-
Receivables	103,528	106,030	-	-
Total	**348,986**	**-**	**532,120**	**-**
Credit commitments and contingent items	121,900	145,307	-	-
Grand Total	**470,886**	**-**	**532,120**	**-**

* The total gross credit exposure does not include the impact of collective provisions of BD 12,853 thousand.

** Average credit exposure has been calculated using quarterly management accounts or PIRI forms submitted to CBB.

Table – 6. Portfolio geographic breakdown

CREDIT RISK: QUANTITATIVE DISCLOSURES

Geographic Breakdown (PD-1.3.23(b)

Portfolios	Own capital and current account						Unrestricted Investment Account					
	Geographic area						Geographic area					
	Middle East	North America	Western Europe	NZ / Australia	Others countries	* Total	Middle East	North America	Western Europe	NZ / Australia	Others countries	Total
Balances with Banks and Central Bank of Bahrain	19,778	-	-	-	-	19,778	27,354	4,326	1,239	-	2	32,921
Murabaha and Mudaraba contracts with Banks	-	-	-	-	-	-	66,083	-	-	-	-	66,083
Financing contracts with customers	175,055	-	-	257	19,806	195,118	433,116	-	-	-	-	433,116
Investments – sukuk	30,562	-	-	-	-	30,562	-	-	-	-	-	-
Receivables	103,498	-	21	2	6	103,527	-	-	-	-	-	-
Total	**328,893**	**-**	**21**	**259**	**19,812**	**348,985**	**526,553**	**4,326**	**1,239**	**-**	**2**	**532,120**
Un-funded												
Credit commitments and contingent items	121,900	-	-	-	-	121,900	-	-	-	-	-	-
Grand Total	**450,793**	**-**	**21**	**259**	**19,812**	**470,885**	**526,553**	**4,326**	**1,239**	**-**	**2**	**532,120**

* The total gross credit exposure does not include the impact of collective provisions of BD 12,853 thousand.

Table – 7. Industrial sector breakdown by portfolio

CREDIT RISK: QUANTITATIVE DISCLOSURES										
Industry Sector Breakdown (PD-1.3.23(c))										
	Own capital and current account					**Unrestricted Investment Account**				
Portfolios	**Industry sector**					**Industry sector**				
	Trading and Manufacture	**Banking and financial institutions**	**Construction / Real Estate**	**Others**	*** Total**	**Trading and Manufacture**	**Banking and financial institutions**	**Construction / Real Estate**	**Others**	**Total**
Funded										
Balances with Banks and Central Bank of Bahrain	-	19,778	-	-	19,778	-	32,921	-	-	32,921
Murabaha and Mudaraba contracts with Banks	-	-	-	-	-	-	66,083	-	-	66,083
Financing contracts with customers	26,420	18,058	69,672	80,968	195,118	62,780	42,912	165,561	161,863	433,116
Investments – sukuk	-	14,633	15,929	-	30,562	-	-	-	-	-
Receivables	6,197	3,604	77,060	16,666	103,527	-	-	-	-	-
Total	**32,617**	**56,073**	**162,661**	**97,634**	**348,985**	**62,780**	**141,916**	**165,561**	**161,863**	**532,120**
Un-funded										
Credit commitments and contingent items	40,211	22,169	35,264	24,256	121,900	-	-	-	-	-
Grand Total	**72,828**	**78,242**	**197,925**	**121,890**	**470,885**	**62,780**	**141,916**	**165,561**	**161,863**	**532,120**

* The total gross credit exposure does not include the impact of collective provisions of BD 12,853 thousand.

Table – 8. Exposures in excess of 15% limit

CREDIT RISK: QUANTITATIVE DISCLOSURES		
Concentration of risk (PD-1.3.23(f)) Exposure as a percentage of Capital Base		
Counterparties	Own capital and current account	Unrestricted Investment Account
	Concentration of risk	Concentration of risk
Counterparty # 1	41%	-
Counterparty # 2	28%	-
Counterparty # 3	19%	-

Restructured Islamic Financing Contracts:

As at 30 June 2009, the restructured financing facilities (included in Financing Contracts with Customers) amounts to BD 73,092 thousand. The restructuring does not have any significant impact on provision and present and future earnings of the Group as the exposures are sufficiently collateralized and restructuring is based on the market terms. The concession provides to the restructured relationships mainly relates to the extension of the repayment dates.

Table – 9. Maturity breakdown of credit exposures

CREDIT RISK: QUANTITATIVE DISCLOSURES								
Residual Contractual Maturity Breakdown (PD-1.3.23(g))								
	Own capital and current account							
Portfolios	**Maturity breakdown**							
	not later than one month	**1-3 month**	**3-12 month**	**1-5 years**	**5-10 years**	**10-20 years**	**Over 20 years**	*** Total**
Balances with Banks and Central Bank of Bahrain	-	-	-	-	-	-	19,779	19,779
Murabaha and Mudaraba contracts with Banks	-	-	-	-	-	-	-	-
Financing contracts with customers	16,631	17,097	32,766	110,380	12,837	5,348	59	195,118
Investments – Sukuk	-	-	2,524	28,038	-	-	-	30,562
Receivables	-	4,908	33,033	65,587	-	-	-	103,528
Total	**16,631**	**22,005**	**68,323**	**204,005**	**12,837**	**5,348**	**19,838**	**348,987**

* The total gross credit exposure does not include the impact of collective provisions of BD 12,853 thousand.

CREDIT RISK: QUANTITATIVE DISCLOSURES

Residual Contractual Maturity Breakdown (PD-1.3.23(g))

Portfolios	Unrestricted Investment Account							
	Maturity breakdown							
	not later than one month	1-3 month	3-12 month	1-5 years	5-10 years	10-20 years	Over 20 years	Total
Balances with Banks and Central Bank of Bahrain	11,756	-	-	-	-	-	21,165	32,921
Murabaha and Mudaraba contracts with Banks	66,083	-	-	-	-	-	-	66,083
Financing contracts with customers	39,520	40,628	77,862	231,753	30,504	12,709	141	433,117
Investments – Sukuk	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Total	**117,359**	**40,628**	**77,862**	**231,753**	**30,504**	**12,709**	**21,306**	**532,121**

Table – 10. Breakup of impaired loans by industry sector

CREDIT RISK: QUANTITATIVE DISCLOSURES

Impaired Loans, Past Due Loans and Allowances (PD-1.3.23(h))

				Own capital and current account								
Industry sector	Total Portfolio	Good/ Standard	Past due but not impaired	Non-performing or past due or impaired Islamic financing contracts				Specific allowances				*Collective provision
					Over 3 months	Over 1 year	Over 3 years	Balance at the beginning of the period	Charges during the period	Charge-offs during the period	Balance at the end of the period	
Trading and manufacturing	26,420	20,832	5,538	50	-	25	25	-	-	-	-	*
Banking and financial institutions	32,691	32,691	-	-	-	-	-	-	-	-	-	*
Construction & real estate	85,601	85,209	392	-	-	-	-	107	2	-	109	*
Others	81,987	79,664	1,253	1,070	-	1,070	-	910	-	-	910	*
Total	**226,699**	**218,396**	**7,183**	**1,120**	**-**	**1,095**	**25**	**1,017**	**2**	**-**	**1,019**	

* This amounts to BD 12,853 thousands representing collective impairment provision against exposures which, although not specifically identified, have a greater risk of default then when originally granted.

Impaired Loans, Past Due Loans and Allowances (PD-1.3.23(h))													
				Unrestricted Investment Account									
Industry sector	Total Portfolio	Good/ Standard	Past due but not impaired	Non-performing or past due or impaired Islamic financing contracts				Specific allowances				Collective provision
					Over 3 months	Over 1 year	Over 3 years	Balance at the beginning of the period	Charges during the period	Charge-offs during the period	Balance at the end of the period	
Trading and manufacturing	72,871	72,871	-	-	-	-	-	-	-	-	-	-
Banking and financial institutions	108,995	108,995	-	-	-	-	-	-	-	-	-	-
Construction & real estate	165,561	165,561	-	-	-	-	-	-	-	-	-	-
Others	161,863	161,863	-	-	-	-	-	-	-	-	-	-
Total	**509,290**	**509,290**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table – 11. Breakup of provision by geographic area

CREDIT RISK: QUANTITATIVE DISCLOSURES						
Impaired Loans, Past Due Loans And Allowances (PD-1.3.23(i))						
	Own capital and current account			**Unrestricted Investment Account**		
Geographic area	**Past due and impaired Islamic financing contracts**	**Specific impairment provision**	**Collective impairment provision**	**Past due Islamic financing contracts**	**Specific impairment provision**	**Collective impairment provision**
Bahrain	8,303	1,019	*	-	-	-
Other GCC	-	-	-	-	-	-
Middle East	-	-	-	-	-	-
North America	-	-	-	-	-	-
Europe	-	-	-	-	-	-
Asia / Pacific	-	-	-	-	-	-
Others countries	-	-	-	-	-	-
Total	**8,303**	**1,019**	**-**	**-**	**-**	**-**

* This amounts to BD 12,853 thousands representing collective impairment provision against exposures which, although not specifically identified, have a greater risk of default then when originally granted.

Table – 12. Breakup of eligible collateral by portfolio

CREDIT RISK MITIGATION (CRM): DISCLOSURES FOR STANDARDIZED APPROACH		
Credit Risk Exposure Covered By CRM (PD-1.3.25 (b) and (c))		
Portfolios	**Total exposure covered by**	
	Eligible collateral	**Guarantees**
Murabaha	63,725	-
Ijarah	125,702	-
Total	**189,427**	**-**

Table – 13. Counter party credit risk

DISCLOSURES FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK (CCR)			
General Disclosures (PD-1.3.26 (b))			
Current credit exposure by type Islamic financing contracts	**Gross positive fair value**	**Netting benefits**	**Netted current credit exposures**
Murabaha	356,752	-	356,752
Ijara	228,354	-	228,354
Total	**585,106**	**-**	**585,106**

The break-up of eligible collateral is as follow:

Type of Collateral	Total
Cash	7,441
Pledged Assets	950
Commercial Real Estate	181,006
	189,427

Over and above the eligible collateral under the Capital Adequacy Module; the Bank maintains additional collateral in the form of mortgage of residential properties and corporate guarantees and other tangible assets, which could be invoked to claim the amount owed.

2.2 Market Risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, profit rates, commodity prices, equity prices and credit spreads will reduce the group's income or the value of its portfolios. The Group is also exposed to benchmark profit rate and potential foreign exchange risks arising from financial assets and liabilities not held for trading. The Bank also accepts the definition of market as defined by Central Bank of Bahrain (CBB) as "the risk of losses in on- and off-balance-sheet positions arising from movements in market prices."

Foreign Exchange Risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Board has set limits on positions by currency. Positions are monitored on a daily basis to ensure risk is maintained within established limits..

The bank has the following foreign subsidiaries, namely:

S. No.	Name of Subsidiary	Located In	Net Assets (2009) BD in 000's	Net Assets (2008) BD in 000's
1	Al Kindi Pharmaceutical Industries	Hashemite Kingdom of Jordan	2,342	3,021
2	KFH – Jordan	Hashemite Kingdom of Jordan	33,849	19,427
3	Motherwell Bridge Limited	United Kingdom	15,821	11,858

The bank is exposed to the currency risk due the fact that the assets and liabilities of the above subsidiaries are denominated in their respective functional currencies. The assets and liabilities are translated into Bahraini dinar using the closing rate at the balance sheet date for the purpose of consolidated financial statements. The impact of foreign currency translation is recognized in the statement of changes of equity and will be routed to P&L at the time of disposal of investment in subsidiaries.

Quantitative disclosures

Table – 14. Minimum and maximum capital requirement for market risk

MARKET RISK: DISCLOSURES FOR BANKS USING THE STANDARDIZED APPROACH			
Level Of Market Risks In Terms Of Capital Requirements (PD-1.3.27 (b))			
Particulars	**Price risk**	**Equity position risk**	**Foreign exchange risk**
Capital requirements	200	-	5,149
Maximum value	276	-	5,149
Minimum value	200	-	3,636

This disclosure is based on the figures from the PIRI for the two quarters of 2009.

2.3 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. It is an inherent risk faced by all business and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

Table – 15. Indicators of operational risk

OPERATIONAL RISK : QUANTITATIVE DISCLOSURES FOR BASIC INDICATOR APPROACH	
Indicators of operational risk (PD-1.3.30 (b))	
Particulars	**Total**
Gross Income (average)	41,795
Amount of non-Shari'a-compliant income	-
Number of Shari'a violations that were identified and reported during the financial year	-

2.4 Equity Positions in the Banking Book

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

Table – 16. Total and average gross exposures

EQUITY POSITION IN BANKING BOOK - DISCLOSURE REQUIREMENTS				
Total and Average Gross Exposure - (PD-1.3.31 (b) and (c))				
Type and Nature of Investment	**Total gross exposure**	*** Average gross exposure**	**Publicly traded**	**Privately held**
Equity investments	270,529	248,903	19,148	251,381
Managed funds	10,171	9,856	-	10,171
Total	**280,700**	**258,759**	**19,148**	**261,552**

* Average exposure has been calculated using quarterly management accounts or PIRI forms submitted to CBB.

Table – 17. Breakup of capital requirement for equity groupings

EQUITY POSITION IN BANKING BOOK - DISCLOSURE REQUIREMENTS	
Capital Requirement - (PD-1.3.31 (f))	
Equity Grouping	**Capital Requirement**
Listed	1,164
Unlisted	118,346
Managed Funds	1,907
Total	**121,417**

Table – 18. Gain and loss reported

EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS	
Gains / Losses Etc. (PD-1.3.31 (d) and (e))	
Particulars	**Total**
Cumulative realized gains (losses) arising from sales or liquidations in the reporting period	1,392
Total unrealized gains (losses) recognized in the balance sheet but not through P&L	775
Unrealized gross losses included in Tier One Capital	11,079
Unrealized gains included in Tier Two Capital	-

2.5 Unrestricted Investment Accounts

The supervisor, CBB, may require the Bank to make good losses or lower profit on certain unrestricted investments for the purpose of income smoothing. Thus the Bank is exposed to some of the price risk on assets funded by unrestricted IAH. The CBB has prescribed that the Bank maintains capital to cover the price risk arising from 30% of assets funded by unrestricted IAH on a pro-rata basis.

URIA funds are invested in short term highly liquid investments, medium term murabahas and ijarah muntahia bittamleek. No priority is granted to any party for the purpose of distribution of profits. According to the terms of acceptance of URIA, 100% of the funds are invested after deductions for mandatory reserve and sufficient cash reserve requirement. The profit distributable to URIA holder is computed by allocating, in the ratio of URIA and self financing, the income from the assets in which the funds are invested. The profit computed in this manner is paid to URIA holders, net of agreed mudarib fee of the Bank.

Table – 19. Breakup of URIA

UNRESTRICTED INVESTMENT ACCOUNTS: Unrestricted Investment Account (PD-1.3.33 (a), (e) &(g))			
	Amount	Financing to Total URIA %	Ratio of profit distributed
On demand	42,155	8%	6%
Term deposit	492,742	92%	94%
Total	534,897	100%	100%

Table – 20. Percentage of return on average URIA assets

UNRESTRICTED INVESTMENT ACCOUNTS: Unrestricted Investment Account (PD-1.3.33 (d))	
	Annualized Percentage
Average profit paid on average URIA assets	4.84%

* Average assets funded by URIA have been calculated using monthly management accounts.

Table – 21. Percentage of mudarib fee to total URIA profits

UNRESTRICTED INVESTMENT ACCOUNTS: Unrestricted Investment Account (PD-1.3.33 (f) and (n))			
	URIA return before Mudarib Fees	Share of Profit paid to Bank as Mudarib	Percentage
Mudarib fee to total URIA profits	12,554	1,148	9.14%

Table – 22. Percentage of Islamic financing contracts financed by URIA to total URIA

UNRESTRICTED INVESTMENT ACCOUNTS:		
Unrestricted Investment Account (PD-1.3.33 (h))		
Shari'a-Compliant contract	**Financing**	**Financing to Total URIA %**
Balances at Banks	35,698	6.67%
Short-term investments and treasury securities	66,083	12.35%
Murabaha	224,119	41.90%
Ijarah	208,997	39.07%
Total	534,897	100.00%

Table – 23. Percentage of counterparty type contracts financed by URIA to total URIA

UNRESTRICTED INVESTMENT ACCOUNTS:		
Unrestricted Investment Account (PD-1.3.33 (i))		
Counterparty type	**Financing**	**Financing to Total URIA %**
Claims on Sovereigns	35,698	6.67%
Claims on Banks	66,083	12.35%
Claims on Corporate	390,699	73.04%
Others	42,417	7.93%
Total	534,897	100.00%

Table – 24. Percentage of profit paid to URIA holders to total URIA investment

UNRESTRICTED INVESTMENT ACCOUNTS:		
Unrestricted Investment Account (PD-1.3.33 (l) & (m))		
	*** Share of Profit paid to IAH before transfer to/from reserves %**	*** Share of Profit paid to IAH after transfer to/from reserves %**
URIA	4.84%	4.84%

* Annualized percentage

Table – 25. Range of declared rate of return

UNRESTRICTED INVESTMENT ACCOUNTS:				
Unrestricted Investment Account (PD-1.3.33 (q))				
	1-month	**3-months**	**6-months**	**12-months**
Declared rate of return	3.50%	4.00%	4.50%	5.00%

Table – 26. Movement of URIA by type of assets

UNRESTRICTED INVESTMENT ACCOUNTS:			
Unrestricted Investment Account (PD-1.3.33 (r) & (s))			
Type of Assets	**Opening Actual Allocation**	**Net Movement during the period**	**Closing Actual Allocation**
Cash and Balance with CBB	32,173	3,525	35,698
Banks Murabaha	64,421	1,662	66,083
Murabaha	155,823	68,296	224,119
Ijara	58,057	150,940	208,997
Total	**310,474**	**224,423**	**534,897**

Note: There are no limits imposed on the amount that can be invested in any one of the above assets.

Table – 27. Capital charge on URIA by type of claims

UNRESTRICTED INVESTMENT ACCOUNTS:			
Unrestricted Investment Account (PD-1.3.33 (v))			
Type of claims	**RWA**	**RWA for capital adequacy purposes**	**Capital charge**
Claims on Banks	14,583	4,375	547
Claims on Corporate	161,132	48,340	6,042
Regulatory Retail Portfolio	36,434	10,930	1,366
Mortgages	75,694	22,708	2,839
Total	**287,843**	**86,353**	**10,794**

Table – 28. Percentage of profit earned and profit paid to total URIA funds

UNRESTRICTED INVESTMENT ACCOUNTS:					
Unrestricted Investment Account (PD-1.3.33 (w))					
	**** URIA funds (Average)**	**Profit Earned**	**As a percentage of funds invested**	**Profit Paid**	**As a percentage of funds invested**
2009 (Percentages are annualized)	471,557	12,554	5.32%	11,406	4.84%
2008	211,917	10,862	5.13%	9,865	4.66%
2007	78,055	1,807	2.32%	1,662	2.13%
2006	*	*	*	*	*
2005	*	*	*	*	*
2004	*	*	*	*	*

* Data not available

** Average assets funded by URIA have been calculated using monthly management accounts.

Table – 29. Administrative expenses allocated to URIA

UNRESTRICTED INVESTMENT ACCOUNTS:	
Unrestricted Investment Account (PD-1.3.33 (x))	
Unrestricted IAH	**Administrative Expenses**
Amount of Administrative expenses allocated to URIA	3,659

2.6 Restricted Investment Accounts

RIA funds are invested and managed in accordance with Shari'a requirements.

Table – 30. History of profit paid to RIA holders

RESTRICTED INVESTMENT ACCOUNTS:							
Restricted Investment Account (PD-1.3.35 (a) & (b))							
	2009 (6 months)	2008	2007	2006	2005	2004	2003
Return to RIA holders	2,142	3,852	2,122	944	-	-	-

Table – 31. Breakup of RIA by type of deposits

RESTRICTED INVESTMENT ACCOUNTS:	
Restricted Investment Account (PD-1.3.33 (a))	
	Amount
RIA Funds	67,656

Table – 32. Percentage of profit paid to RIA holders to RIA assets

RESTRICTED INVESTMENT ACCOUNTS:	
Restricted Investment Account (PD-1.3.33 (d))	
	Annualized Percentage
Return on average* RIA assets	5.55%

* Average RIA funds have been calculated using monthly management accounts.

Table – 33. Mudarib fee as a percentage of total RIA profits

RESTRICTED INVESTMENT ACCOUNTS:	
Restricted Investment Account (PD-1.3.33 (f))	
	Percentage
Mudarib fee to total (gross) RIA profits	17.71%

Table – 34. Share of Islamic financing contracts in total RIA financing

RESTRICTED INVESTMENT ACCOUNTS:		
Restricted Investment Account (PD-1.3.33 (h))		
Shari'a-Compliant contract	**Financing**	**Financing to Total Financing %**
Murabaha	61,311	90.62%
Ijara	6,345	9.38%
Total	**67,656**	**100.00%**

Table – 35. Percentage of counterparty type contracts financed by RIA to total RIA

RESTRICTED INVESTMENT ACCOUNTS:		
Restricted Investment Account (PD-1.3.33 (i))		
Counterparty type	**Financing**	**Financing to Total Financing %**
Claims on Banks	-	-
Claims on corporate	67,656	100.00%
Total	**67,656**	**100.00%**

Table – 36. Share of profit paid to RIA holders as a percentage of total RIA

RESTRICTED INVESTMENT ACCOUNTS:						
Restricted Investment Account (PD-1.3.33 (l) (m) & (n))						
Type of RIA	**Total RIA**	**RIA return before Mudarib Fees**	**RIA return after Mudarib Fees**	**Share of Profit paid to Bank as Mudarib**	**Share of Profit paid to IAH before transfer to/from reserves %**	**Share of Profit paid to IAH after transfer to/from reserves %**
	a	**b**	**C**	**d**	**e = c / a**	**f = c / a**
Murabaha	61,311	2,345	1,930	415	3.15%	3.15%
Ijarah	6,345	258	212	46	3.34%	3.34%
Total	**67,656**	**2,603**	**2,142**	**461**	**3.17%**	**3.17%**

Table – 37. Average declared rate of return of RIA

RESTRICTED INVESTMENT ACCOUNTS:			
Restricted Investment Account (PD-1.3.33 (q))			
	6-month	**12-month**	**24-month**
Average declared rate of return/ profit rate of return	7.80%	7.03%	5.83%

Table – 38. Treatment of assets financed by RIA in the calculation of RWA for capital adequacy purposes

RESTRICTED INVESTMENT ACCOUNTS:		
Restricted Investment Account (PD-1.3.33 (v))		
Type of IAH	**Exposure**	**Risk Weighted Amount while calculating CAR**
Murabaha	61,311	-
Ijarah	6,345	-
Total	**67,656**	**-**

Table – 39. Profit earned and profit paid as a percentage of total RIA funds

RESTRICTED INVESTMENT ACCOUNTS:					
Restricted Investment Account (PD-1.3.33 (w))					
	*** RIA funds (Average)**	**Profit Earned**	**As a percentage of RIA funds**	**Profit Paid**	**As a percentage of RIA funds**
2009 ((Percentages are annualized)	77,228	2,603	6.74%	2,142	5.55%
2008	71,729	4,839	6.75%	3,852	5.37%
2007	28,475	2,739	9.62%	2,122	7.45%
2006	14,913	1,258	8.44%	944	6.33%
2005	N/A	N/A	N/A	N/A	N/A

* Average RIA funds have been calculated using monthly management accounts.

2.7 Liquidity Risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.

Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

Table – 40. Liquidity Risk Exposure Indicators

LIQUIDITY RISK: QUANTITATIVE DISCLOSURE	
Liquid assets to short-term liabilities (PD-1.3.37)	
As at 30 June 2009	19.2%
During the period:	
Average	17.3%
Highest	25.6%
Lowest	14.0%

Table – 41. Maturity Analysis

LIQUIDITY RISK: QUANTITATIVE DISCLOSURE

Maturity Analysis By Different Maturity Buckets. (PD-1.3.38)

	Upon one year			Over one year				
	Up to 3 months BD 000s	3 months to 12 months BD 000s	Subtotal up to 12 months	1 to 5 years BD 000s	5 to 10 years BD 000s	Over 10 years BD 000s	Subtotal Over 1 year	Total BD 000s
Assets								
Cash and balances with banks and Central Bank of Bahrain	15,549	-	15,549	-	-	40,943	40,943	56,492
Murabaha due from banks	66,083	-	66,083	-	-	-	-	66,083
Financing contracts with customers	113,876	110,638	224,514	342,122	43,341	18,257	403,720	628,234
Investments	19,149	2,579	21,728	142,721	57,788	4,012	204,521	226,249
Investment in associates	-	-	-	85,012	-	-	85,012	85,012
Investment properties	-	-	-	-	126,051	-	126,051	126,051
Receivables, prepayments and other assets	5,811	39,110	44,921	77,652			77,652	122,573
Goodwill and intangibles	-	-	-	33,461	-	-	33,461	33,461
Premises and equipment	-	-	-	48,395	-	-	48,395	48,395
Total	**220,468**	**152,327**	**372,795**	**729,363**	**227,180**	**63,212**	**1,019,755**	**1,392,550**
Liabilities and unrestricted investment accounts								
Murabaha and due to banks	108,219	-	108,219	122,416	-	-	122,416	230,635
Murabaha contracts non-banks	90,967	62,001	152,968	-	-	-	-	152,968
Customers' current accounts	40,032	25,391	65,423	-	-	-	-	65,423
Other liabilities	19,453	12,948	32,401	154	-	-	154	32,555
Unrestricted investment accounts	91,300	91,300	182,600	352,297	-	-	352,297	534,897
Total	**349,971**	**191,640**	**651,799**	**474,867**	**-**	**-**	**364,679**	**1,016,478**
Net	**(129,503)**	**(39,313)**	**(168,816)**	**254,496**	**227,180**	**63,212**	**544,888**	**376,072**

2.8 Profit Rate Risk

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of funding due to the sources of finance. Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments.

Table – 42. Profit rate shock

PROFIT RATE RISK IN THE BANKING BOOK			
200bp Profit Rate Shocks (PD-1.3.40 (b)) Total			
Assets	**Credit exposure**	**Change in basis points**	**Effect on net income for the year**
Murabaha due form Banks	66,083	200	1,322
Financing contracts with customers	248,054	200	4,961
Investments – Sukuk	30,562	200	611
Liabilities		**Change in basis points**	**Effect on net income for the year**
Murabaha due to Banks	230,634	200	(4,613)
Murabaha contracts with non-banks	152,968	200	(3,059)
Unrestricted investments accounts	534,897	200	(10,698)
		Total	(11,476)

2.9 Financial performance and position

Table – 43. Ratios

Financial Performance and Position					
(PD-1.3.9(b))					
Quantitative Indicator	Year 2009 (Annualized)	Year 2008	Year 2007	Year 2006	Year 2005
ROAE	5%	15%	26%	27%	26%
ROAA	1%	4%	6%	6%	7%
Staff cost to operating income ratio	19%	15%	15%	17%	19%

Formula is as follows:
ROAE = Net Income/Average equity
ROAA= Net profit/ Average Assets