

**Bahrain Islamic Bank B.S.C.**  
**Basel II, Pillar III Disclosures**  
**30 June 2009**  
**(Unaudited)**

**Bahrain Islamic Bank B.S.C.**

**Basel II, Pillar III Disclosures**

for the period ended 30 June 2009 (Unaudited)

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**1 Background**

The Public Disclosures under this section have been prepared in accordance with the Central Bank of Bahrain (the "CBB") requirements outlined in its Public Disclosure Module ("PD Module"), Section PD-3: Disclosure requirements, CBB Rule Book, Volume II for Islamic Banks. Rules concerning the disclosures under this section are applicable to Bahrain Islamic Bank B.S.C. (the "Bank") being a locally incorporated Bank with a retail banking license, and its subsidiary together known as (the "Group").

**2 Capital Adequacy**

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 maximise shareholders' value.

The Group'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 financing facilities growth expectations for each business group, expected growth in off-balance sheet facilities and future sources and uses of funds. To assess its capital adequacy requirements in accordance with CBB requirements, the Group adopts the Standardized Approach for its Credit Risk, Basic Indicator Approach for its Operational Risk and Standardized Measurement Approach for its Market Risk. All assets funded by unrestricted investment accounts are subject to Board approval.

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### 2 Capital Adequacy (continued)

**Table – 1. Capital Structure (PD-1.3.12, 1.3.13,1.3.15) \***

The following table summarizes the eligible capital as of 30 June 2009 after deductions for Capital Adequacy Ratio (CAR) calculation.

<b>Components of capital</b>	<i>Tier 1</i> <i>BD'000</i>	<i>Tier 2</i> <i>BD'000</i>
Issued and fully paid ordinary shares	72,686	-
General reserves	1,000	-
Legal / statutory reserves	10,268	-
Share premium	43,936	-
Retained profit brought forward	13,319	-
<b>Less:</b>		
Unrealized gross losses arising from fair valuing equity securities	(2,692)	-
<b>Tier 1 Capital before PCD deductions</b>	<b>138,517</b>	<b>-</b>
Current interim profits (reviewed by external auditors)		272
Unrealized gains arising from investment in properties (45% only)		7,244
Unrealized gains arising from fair valuing equities (45% only)		379
<b>Tier 2 Capital before PCD deductions</b>		<b>7,895</b>
<b>Total available capital</b>		<b>146,412</b>
<b>Deductions</b>		
Significant minority investments in banking, securities and other financial entities unless pro-rata consolidated	(2,579)	(2,579)
Excess amount over materiality thresholds in case of investment in commercial entities	(2,519)	(2,519)
Investment in insurance entity greater than or equal to 20%	(687)	(687)
<b>Total Deductions</b>	<b>(5,785)</b>	<b>(5,785)</b>
<b>Tier 1 and Tier 2 eligible capital</b>	<b>132,732</b>	<b>2,110</b>
<b>TOTAL ELIGIBLE CAPITAL</b>		<b>134,842</b>
		<i>Amount of exposures</i> <i>BD'000</i>
Total Credit Risk Weighted Assets		486,294
Total Market Risk Weighted Assets		65,656
Total Operational Risk Weighted Assets		54,096
<b>TOTAL REGULATORY RISK WEIGHTED ASSETS</b>		<b>606,046</b>
<b>CAPITAL ADEQUACY RATIO</b>		<b>22.25%</b>
Minimum requirement		12%

\* For the purposes of guidance we have cross referenced every table with the relevant para number of the Central Bank of Bahrain's Public Disclosures Module.

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**2 Capital Adequacy (continued)**

**Table – 2. Capital requirement by type of Islamic financing contracts (PD-1.3.17)**

The following table summarises the amount of exposures as of 30 June 2009 subject to standardized approach of credit risk and related capital requirements by type of Islamic financing contracts;

<b>Type of Islamic Financing Contracts</b>	<b>Amount of exposures BD'000</b>	<b>Risk weighted assets BD'000</b>	<b>Capital requirements BD'000</b>
Murabaha receivables	385,003	66,030	7,924
Ijarah Muntahia Bittamleek	92,253	19,707	2,365
Musharaka investments	80,574	22,363	2,684
Mudaraba investments	19,874	3,653	438
Investment in Sukuk	73,970	17,461	2,095
Others	245,578	357,080	42,849
	<b>897,252</b>	<b>486,294</b>	<b>58,355</b>

**Table – 3. Capital requirement for market risk (PD-1.3.18-19)**

The following table summarises the amount of exposures as of 30 June 2009 subject to standardized approach of market risk and related capital requirements;

	<b>Self Financed BD'000</b>	<b>PSIA BD'000</b>
Market Risk - Standardised Approach		
Foreign exchange risk	4,192	3,535
<b>Total of Market Risk - Standardised Approach</b>	<b>4,192</b>	<b>3,535</b>
<b>Multiplier</b>	<b>12.5</b>	<b>12.5</b>
	<b>52,400</b>	<b>44,188</b>
Eligible Portion for the purpose of the calculation	100%	30%
<b>RWE to be used in CAR Calculation</b>	<b>52,400</b>	<b>13,256</b>
<b>TOTAL MARKET RISK EXPOSURES</b>		<b>65,656</b>
<b>TOTAL MARKET RISK EXPOSURES - CAPITAL REQUIREMENT</b>		<b>7,879</b>

**2 Capital Adequacy (continued)**

**Table – 4. Capital Requirements for operational risk (PD-1.3.30 (a & b))**

The following table summarises the amount of exposures as of 30 June 2009 subject to basic indicator approach of operational risk and related capital requirements;

	<i>Capital charge BD'000</i>
<b>Indicators of operational risk</b>	
Average Gross income	28,851
<b>Multiplier</b>	12.5
	<u>360,638</u>
Eligible Portion for the purpose of the calculation	15%
<b>TOTAL OPERATIONAL RISK EXPOSURE</b>	<u>54,096</u>
<b>TOTAL OPERATIONAL RISK EXPOSURES - CAPITAL REQUIREMENT</b>	<u>6,491</u>

**Table – 5. Capital Adequacy Ratios (PD-1.3.20)**

The following are Capital Adequacy Ratios as of 30 June 2009 for total capital and Tier 1 capital;

	<b>Total capital ratio</b>	<b>Tier 1 capital ratio</b>
Top consolidated level	<u>22.25%</u>	<u>21.90%</u>

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**3 Risk Management**

**3.1 Credit Risk**

**Table – 6. Credit Risk Exposure (PD-1.3.23(a))**

The following table summarises the amount of gross funded credit exposure as of 30 June 2009 and average gross funded exposures over the period from 1 January 2009 to 30 June 2009 allocated in own capital and current account and profit sharing investment account;

	Own Capital and Current Account		Profit Sharing Investment Account (PSIA)		Average credit risk exposure over the period BD'000
	Total credit exposure BD'000	*Average exposure over the period BD'000	Total credit exposure BD'000	Average exposure over the period BD'000	
Cash and balances with Central Bank of Bahrain and other banks	26,299	21,458	24,150	19,891	19,891
Murabaha receivables	6,679	6,627	394,014	390,982	390,982
Mudaraba investments	32,862	36,122	19,543	27,456	27,456
Musharaka investments	1,344	1,385	79,280	81,726	81,726
Investments	56,823	55,952	74,800	73,846	73,846
Investments in associates	6,668	6,840	-	-	-
Investments in Ijarah assets	9,839	9,865	-	-	-
Ijarah Muntahia Bittamleek	1,538	1,239	90,715	73,093	73,093
Investments in properties	102,925	100,473	-	-	-
Ijarah rental receivables	1,469	1,469	-	-	-
Other assets	10,711	12,560	-	-	-
<b>Total</b>	<b>257,157</b>	<b>253,990</b>	<b>682,502</b>	<b>666,994</b>	<b>666,994</b>

\*Average Balances are computed based on month end balances

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**3 Risk Management (continued)**

**3.1 Credit Risk (continued)**

**Table – 7. Credit Risk – Geographic Breakdown (PD-1.3.23(b))**

The following table summarises the geographic distribution of gross exposures as of 30 June 2009, broken down into significant areas by major types of credit exposure:

	Own Capital and Current Account					Profit Sharing Investment Account (PSIA)				
	* Geographic area					* Geographic area				
	North America BD'000	Europe BD'000	Middle East BD'000	Asia BD'000	Total BD'000	North America BD'000	Europe BD'000	Middle East BD'000	Asia BD'000	Total BD'000
Cash and balances with Central Bank of Bahrain and other banks	14,127	3,036	8,924	212	26,299	-	-	24,150	-	24,150
Murabaha receivables	-	391	6,288	-	6,679	-	23,087	370,927	-	394,014
Mudaraba investments	3,853	8,945	17,048	3,016	32,862	-	740	18,803	-	19,543
Musharaka investments	-	-	1,344	-	1,344	-	-	79,280	-	79,280
Investments	192	544	56,087	-	56,823	-	-	74,800	-	74,800
Investments in associates	-	-	6,668	-	6,668	-	-	-	-	-
Investments in Ijarah assets	-	-	9,839	-	9,839	-	-	-	-	-
Ijarah Muntahia Bittamleek	-	-	1,538	-	1,538	-	-	90,715	-	90,715
Investments in properties	-	-	102,925	-	102,925	-	-	-	-	-
Ijarah rental receivables	-	-	1,469	-	1,469	-	-	-	-	-
Other assets	-	-	10,711	-	10,711	-	-	-	-	-
<b>Total</b>	<b>18,172</b>	<b>12,916</b>	<b>222,841</b>	<b>3,228</b>	<b>257,157</b>	<b>-</b>	<b>23,827</b>	<b>658,675</b>	<b>-</b>	<b>682,502</b>

\* Geographical distribution of exposure into significant areas by major type of credit exposure is based on counterparty country of incorporation.



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**3 Risk Management (continued)**  
**3.1 Credit Risk (continued)**

**Table – 8. Credit Risk – Industry Sector Breakdown (PD-1.3.23(c))**

The following table summarises the distribution of gross exposures as of 30 June 2009 by industry, broken down into major types of credit exposure.

	Own Capital and Current Account				Profit Sharing Investment Account (PSIA)			
	Financial Industry sector		Real estate		Financial Industry sector		Real estate	
	Trade institution	Others	Trade institution	Others	Trade institution	Others	Trade institution	Others
	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000
Cash and balances with Central Bank of Bahrain and other banks	-	21,914	-	4,385	-	24,150	-	-
Murabaha receivables	985	3,114	708	1,872	58,099	183,694	41,777	110,444
Mudaraba investments	-	32,862	-	-	-	19,543	-	-
Musharaka investments	-	44	408	892	-	2,574	24,094	52,612
Investments	1,183	31,620	22,150	1,870	-	58,725	559	15,516
Investments in associates	-	6,668	-	-	-	-	-	-
Investments in Ijarah assets	-	-	-	9,839	-	-	-	-
Ijarah Muntahia Bittamleek	7	17	951	563	419	994	56,087	33,215
Investments in properties	-	-	102,925	-	-	-	-	-
Ijarah rental receivables	-	-	-	1,469	-	-	-	-
Other assets	-	-	-	10,711	-	-	-	-
<b>Total</b>	<b>2,175</b>	<b>96,239</b>	<b>127,142</b>	<b>31,601</b>	<b>58,518</b>	<b>289,680</b>	<b>122,517</b>	<b>211,787</b>
								<b>682,502</b>

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**3 Risk Management (continued)**  
**3.1 Credit Risk (continued)**

**Table – 9. Credit Risk – Financing Facilities to Highly Leveraged or Other High Risk Counterparties (PD-1.3.23(e))**

Following balances representing the financing facilities to other high risk counterparties as of 30 June 2009:

Counterparties	Own Capital and Current Other High Risk BD'000	Profit Sharing and Investment Account (PSIA) BD'000	Other High Risk BD'000	Total BD'000
Counterparty # 1	639	37,722		38,361
Counterparty # 2	70	4,127		4,197
	<b>709</b>	<b>41,849</b>		<b>42,558</b>

**Table – 10. Credit Risk – Concentration of Risk (PD-1.3.23(f))**

Following balances representing the concentration of risk to individual counterparties as of 30 June 2009:

Counterparties	Own Capital and Current Account BD'000	Profit Sharing and Investment Account (PSIA) BD'000	Total BD'000
Counterparty # 1 *	586	34,587	35,173
Counterparty # 2 *	457	26,973	27,430
	<b>1,043</b>	<b>61,560</b>	<b>62,603</b>

\* The exposure is in excess of the 15% individual obligor limit.

**3 Risk Management (continued)**  
**3.1 Credit Risk (continued)**

**Table – 11. Credit Risk – Residual Contractual Maturity Breakdown (Own Capital and Current Account) (PD-1.3.23(g))**

The following table summarises the residual contractual maturity of own capital and current account breakdown of the whole credit portfolio as of 30 June 2009, by major types of credit exposure:

	Own Capital and Current Account									
	Maturity breakdown									
	Up to One month BD'000	1-3 month BD'000	3-6 month BD'000	6-12 month BD'000	1-3 years BD'000	Over 3 years BD'000	No fixed maturity BD'000	Total BD'000		
<b>Assets</b>										
Cash & balance with the Central Bank of Bahrain and Other Bank	25,348	-	-	-	-	-	-	951	26,299	
Murabaha receivables	3,079	575	685	574	626	878	-	6,417		
Mudaraba Investments	310	-	21	-	-	31,408	-	31,739		
Musharaka Investments	252	93	85	199	212	502	-	1,343		
Investments	157	19,521	-	200	490	385	-	34,019	54,772	
Investment in associates	-	-	-	-	-	-	-	6,668	6,668	
Investment in Ijarah assets	-	-	-	-	26	768	-	9,839	9,839	
Ijara Muntahia Bittamleek	63	31	61	589	-	-	-	1,538	1,538	
Investment in properties	-	-	-	-	-	-	-	102,925	102,925	
Ijara rental receivables	-	-	1,469	-	-	-	-	1,469	1,469	
Other assets	-	-	6,428	-	-	-	-	4,283	10,711	
<b>Total Assets</b>	<b>29,209</b>	<b>20,220</b>	<b>8,749</b>	<b>1,562</b>	<b>1,354</b>	<b>33,941</b>	<b>158,685</b>	<b>253,720</b>		
<b>LIABILITIES and EQUITY</b>										
Current accounts	3,133	3,133	11,750	60,317	-	-	-	78,333		
Other liabilities	13,464	-	-	-	-	-	-	13,464		
<b>Total Liabilities</b>	<b>16,597</b>	<b>3,133</b>	<b>11,750</b>	<b>60,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,797</b>		
Equity	-	-	-	-	-	-	-	161,923	161,923	
<b>Total Liabilities and Equity</b>	<b>16,597</b>	<b>3,133</b>	<b>11,750</b>	<b>60,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,923</b>	<b>253,720</b>	

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**3 Risk Management (continued)**  
**3.1 Credit Risk (continued)**

**Table – 12. Credit Risk – Residual Contractual Maturity Breakdown (Profit Sharing Investment Account) (PD-1.3.23(g))**

The following table summarises the residual contractual maturity of profit sharing investment account breakdown of the whole credit portfolio as of 30 June 2009, by major types of credit exposure:

	Profit Sharing Investment Account (PSIA)							No fixed maturity	Total
	Maturity breakdown								
Up to One month	1-3 month	3-6 month	6-12 month	1-3 years	Over 3 years				
BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	BD'000	
Cash & balance with the Central Bank of Bahrain and Other Bank	-	-	-	-	-	-	-	24,150	24,150
Murabaha receivables	181,648	33,924	40,393	33,872	36,927	51,822	-	378,586	
Mudaraba Investments	18,287	-	1,254	-	-	-	-	19,541	
Musharaka Investments	14,865	5,506	5,004	11,741	12,526	29,589	-	79,231	
Investments	9,283	-	-	11,822	28,914	22,719	-	72,738	
Investment in associates	-	-	-	-	-	-	-	-	
Investment in Ijarah assets	-	-	-	-	-	-	-	-	
Ijara Muntahia Bittamleek	3,733	1,819	3,614	34,774	1,538	45,237	-	90,715	
Investment in properties	-	-	-	-	-	-	-	-	
Ijara rental receivables	-	-	-	-	-	-	-	-	
Other assets	-	-	-	-	-	-	-	-	
<b>Total Assets</b>	<b>227,816</b>	<b>41,249</b>	<b>50,265</b>	<b>92,209</b>	<b>79,905</b>	<b>149,367</b>	<b>24,150</b>	<b>664,961</b>	
<b>UNRESTRICTED INVESTMENT ACCOUNTS</b>									
Unrestricted Investment accounts	329,897	102,271	60,538	166,228	5,192	1	834	664,961	
<b>Total Unrestricted Investment accounts</b>	<b>329,897</b>	<b>102,271</b>	<b>60,538</b>	<b>166,228</b>	<b>5,192</b>	<b>1</b>	<b>834</b>	<b>664,961</b>	

**3 Risk Management (continued)****3.1 Credit Risk (continued)****Table – 13. Credit Risk – Impaired Exposures, Past Due Exposures and Allowances (Own capital and current account by industry sector) (PD-1.3.23(h))**

The following table summarises the own capital and current account impaired facilities, past due facilities and allowances disclosed by major industry sector as of 30 June 2009.

	Own Capital and Current Account					
	Non-performing or past due or impaired	Aging of Past Due Loans			Specific allowances	
Islamic financing contracts BD'000	90 To 180 days BD'000	270 days BD'000	Over 270 days BD'000	Charges during the period BD'000	Charge- during the period BD'000	Balance at the end of the period BD'000
Trade	163	130	17	16	30	59
Others	433	284	101	48	85	203
<b>Total</b>	<b>596</b>	<b>414</b>	<b>118</b>	<b>64</b>	<b>115</b>	<b>262</b>

**3 Risk Management (continued)**

**3.1 Credit Risk (continued)**

**Table – 14. Credit Risk – Impaired Exposures, Past Due Exposures and Allowances (profit sharing investment account by industry sector) (PD-1.3.23(h))**

The following table summarises the profit sharing investment account impaired facilities, past due facilities and allowances disclosed by major industry sector as of 30 June 2009:

	<i>Profit Sharing Investment Account (PSIA)</i>						
	<i>Non-performing or past due or impaired Islamic financing contracts</i>	<i>Aging of Past Due Loans</i>			<i>Specific allowances</i>		
		<i>90 To 180 Days</i>	<i>270 Days</i>	<i>Over 270 Days</i>	<i>Charges during the period</i>	<i>Charge- during the period</i>	<i>Balance at the end of the period</i>
	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	<i>BD'000</i>	
Trade	9,642	7,681	1,010	951	1,775	3,502	
Others	25,607	16,778	5,975	2,854	5,033	11,976	
<b>Total</b>	<b>35,249</b>	<b>24,459</b>	<b>6,985</b>	<b>3,805</b>	<b>6,808</b>	<b>15,478</b>	

**3 Risk Management (continued)****3.1 Credit Risk (continued)****Table – 15. Credit Risk – Impaired Exposures, Past Due Exposures and Allowances (own capital and current account and profit sharing investment account by geographical area) (PD-1.3.23(i))**

The following table summarises the own capital and current account and profit sharing investment account impaired facilities, past due facilities and allowances disclosed by geographical area as of 30 June 2009;

	<i>Own Capital and Current Account</i>		<i>Profit Sharing Investment Account</i>	
	<i>Past due Islamic financing contracts BD'000</i>	<i>Specific impairment provision BD'000</i>	<i>Past due Islamic financing contracts BD'000</i>	<i>Specific impairment provision BD'000</i>
Middle East	596	262	35,249	15,478
<b>Total</b>	<b>596</b>	<b>262</b>	<b>35,249</b>	<b>15,478</b>

**Table – 16. Credit Risk – Restructured Financing Facilities (PD-1.3.23(j))**

The following table summarises the own capital and current account and profit sharing investment account restructured financing facilities as of 30 June 2009;

	<i>Own capital and current account</i>		<i>Profit Sharing Investment Account (PSIA)</i>	
	<i>Impact of restructured financing facilities on Present and future earnings BD'000</i>	<i>Aggregate amount provision BD'000</i>	<i>Impact of restructured financing facilities on Present and future earnings BD'000</i>	<i>Aggregate amount provision BD'000</i>
446	2	43	26,284	143
<b>Total</b>	<b>446</b>	<b>2</b>	<b>26,284</b>	<b>143</b>
				<b>2,528</b>

**3 Risk Management (continued)**

**3.1 Credit Risk (continued)**

**Table – 17. Credit Risk Mitigation CRM (PD-1.3.25 (b) and (c))**

The following table summarises the exposure as of 30 June 2009 by type of Islamic financing contracts covered by eligible collateral after the application of haircuts;

	<i>Outstanding exposure BD'000</i>	<i>Exposure covered by eligible collateral BD'000</i>
Murabaha receivables	74,545	160,749
Musharaka investments	79,247	154,986
Ijarah Muntahia Bittamleek	46,297	91,581
<b>Total</b>	<b>200,089</b>	<b>407,316</b>

**Table – 18. Counterparty Credit (PD-1.3.26 (b))**

The following table summarises the counterparty credit risk exposure covered by eligible collateral after the application of haircuts as of 30 June 2009;

	<i>BD'000</i>
Gross positive fair value of contracts	573,570
Netting Benefits	-
Netted Current Credit Exposure	<u>573,570</u>
Collateral held:	
-Cash	28,705
-Others	378,611
<b>Total</b>	<b><u>407,316</u></b>



**3 Risk Management (continued)**

**3.2 Market Risk**

**Table – 19. Market Risk Capital Requirements (PD-1.3.27 (b))**

The following table summarises the capital requirement for foreign exchange risk as of 30 June 2009;

	<i>Foreign exchange risk BD'000</i>
Foreign exchange risk	<b>65,656</b>
Foreign exchange risk capital requirement	<b>7,879</b>
Maximum value capital requirement	<b>8,019</b>
Minimum value capital requirement	<b>7,879</b>

**3.3 Equity Positions in the banking book**

**Table – 20. Equity Position Risk in Banking Book (PD-1.3.31 (b) (c) & (f))**

The following table summarises the amount of total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2009;

	<i>Total gross exposure BD'000</i>	<i>* Average gross exposure BD'000</i>	<i>Publicly traded BD'000</i>	<i>Privately held BD'000</i>	<i>Risk weighted assets BD'000</i>	<i>Capital requirement</i>
Sukuks	76,067	75,098	-	76,067	56,010	6,721
Equity investments	55,556	54,700	22,292	33,264	84,779	10,173
Funds	32,531	35,656	-	32,531	55,748	6,690
<b>Total</b>	<b>164,154</b>	<b>165,454</b>	<b>22,292</b>	<b>141,862</b>	<b>196,537</b>	<b>23,584</b>

\*Average Balances are computed based on month end balances.

**Table – 21. Equity Gains or losses in Banking Book (PD-1.3.31 (d) and (e))**

The following table summarises the cumulative realised and unrealised gains or (losses) during the period ended 30 June 2009;

	<i>BD'000</i>
Cumulative realized gains arising from sales or liquidations in the reporting period	<b>420</b>
Total unrealized losses recognized in the balance sheet but not through P&L	<b>(1,583)</b>
Unrealized losses included in Tier 1 Capital	<b>(2,692)</b>
Unrealized gains included in Tier 2 Capital	<b>379</b>

**3 Risk Management (continued)**

**3.4 Unrestricted Investment Accounts ("URIA")**

The Group may require to decrease or increase losses or profit on certain unrestricted investments for the purpose of income smoothing. Thus the Group is exposed to some of the price risk on assets funded by unrestricted Investment Account Holders ("IAH"). The CBB requires the Group to maintain capital to cover the price risk arising from 30% of assets funded by unrestricted IAH on a pro-rata basis.

The Group is currently in the process of developing written policies and procedures applicable to its portfolio of unrestricted investment accounts. URIA funds are invested and managed in accordance with Shari'a requirements.

**Table – 22. Unrestricted Investment Account (PD-1.3.33 (a))**

The following table summarises the breakdown of unrestricted investment accounts as of 30 June 2009;

	<i>BD'000</i>
Customers	498,452
Banks and other financial institutions	166,223
Profit equalisation reserve	-
Investment risk reserve	286
<b>Total</b>	<b>664,961</b>

**Table – 23. Unrestricted Investment Account Ratios (PD-1.3.33 (d) & (f))**

The following table summarises the annualised return on average assets and mudarib share as a percentage of the total investment profit for the period ended 30 June 2009;

Return on Average Assets	3.28%
Mudarib share of the total investment profits upto	65%

**Table – 24. Unrestricted Investment Account Ratios (PD-1.3.33 (c), (e) & (g))**

The following table summarises the investment risk reserve, profit distributed to PSIA and financing to PSIA ratios to the total of PSIA by type of investment account holder for the period ended 30 June 2009;

<i>Type of Investment Account Holder</i>	<i>IRR to IAH</i>	<i>Profit distributed to IAH</i>	<i>Financing to IAH</i>
Saving accounts	0.04%	0.36%	9.77%
Defined accounts - 1 month	0.04%	0.83%	2.34%
Defined accounts - 3 months	0.04%	1.34%	0.66%
Defined accounts - 6 months	0.04%	1.50%	0.59%
Defined accounts - 9 months	0.04%	1.71%	0.02%
Defined accounts - 1 year	0.04%	1.69%	3.31%
Investment certificates	0.04%	2.03%	0.51%
IQRA Deposits	0.04%	1.55%	0.05%
Tejoori Deposit	0.04%	0.33%	4.08%
Staff Saving Scheme	0.04%	2.06%	0.07%
Time deposits - clients	0.04%	2.54%	50.29%
Bank's deposits	0.04%	0.73%	28.31%

**3 Risk Management (continued)**

**3.4 Unrestricted Investment Accounts ("URIA") (continued)**

**Table – 25. Unrestricted Investment Account Financing to Total Financing (PD-1.3.33 (h))**

The following table summarises the percentage of financing for each type of Shari'a-compliant contract to total financing as of 30 June 2009;

	<i>Financing to Total Financing</i>
Murabaha receivables	59.08%
Mudaraba investments	3.05%
Musharaka investments	12.36%
Ijarah Muntahia Bittamleek	14.16%
Investment in Sukuk	11.35%

**Table – 26. Unrestricted Investment Account by Counterparty Type (PD-1.3.33 (i))**

The following table summarises the percentage of financing for each category of counterparty to total financing as of 30 June 2009;

<b>Counterparty type</b>	<i>Financing to Total Financing</i>
Claims on Sovereigns	6.28%
Claims on Banks	24.26%
Claims on Corporate, Takaful Companies & Investment Firms	8.57%
Retail Portfolio	36.59%
Mortgage	27.58%

**Table – 27. Unrestricted Investment Account Share of Profit (PD-1.3.33 (l) (m) & (n))**

The following table summarises the share of profits earned by and paid out to unrestricted investment accounts and the Group as Mudarib for the period ended 30 June 2009;

Share of profit earned by IAH before transfer to/from reserves and mudarib share	<b>15,819</b>
Percentage share of profit earned by IAH before transfer to/from reserves and mudarib share	<b>4.95%</b>
Share of profit paid out to IAH after transfer to/from reserves and mudarib share	<b>10,482</b>
Percentage share of profit paid out to IAH after transfer to/from reserves and mudarib share	<b>3.28%</b>
Share of profit paid to Bank as mudarib	<b>5,051</b>
Mudarib share to total investment profit	<b>31.93%</b>

**3 Risk Management (continued)**

**3.4 Unrestricted Investment Accounts ("URIA") (continued)**

**Table – 28. Profit Equalisation and Investment Risk Reserve Movement (PD-1.3.33 (o) & (p))**

The following table summarises the movement on Profit Equalisation Reserve (PER) and Investment Risk Reserve (IRR) and utilization and computation of PER and/or IRR during the period ended 30 June 2009;

	<i>Profit equalisation reserve BD'000</i>	<i>Investment risk reserve BD'000</i>
Opening Balance	2,369	167
Amount appropriated	-	119
Amount utilized	(2,369)	-
<b>Closing Balance</b>	<b>-</b>	<b>286</b>

**Table – 29. Unrestricted Investment Account Percentage Return to Profit Rate of Return (PD-1.3.33 (q))**

The following table summarises the average declared rate of return or profit rate on profit sharing investment accounts for the period ended 30 June 2009;

	<i>3 month</i>	<i>6 month</i>	<i>12 month</i>	<i>36 month</i>
Percentage of average declared rate of return to profit rate of return	3.00%	3.25%	3.41%	4.00%

**Table – 30. Unrestricted Investment Account Type of Assets (PD-1.3.33 (r) & (s))**

The following table summarises the types of assets in which the funds are invested and the actual allocation among various types of assets for the period ended 30 June 2009;

	<i>Opening actual allocation BD'000</i>	<i>Movement BD'000</i>	<i>Closing actual allocation BD'000</i>
Murabaha receivables	355,787	22,799	378,586
Mudaraba investments	21,875	(2,334)	19,541
Musharaka investments	77,734	1,497	79,231
Investment in Sukuk	71,870	868	72,738
Ijarah Muntahia Bittamleek	65,604	25,111	90,715
<b>Total</b>	<b>592,870</b>	<b>47,941</b>	<b>640,811</b>

**3 Risk Management (continued)**

**3.4 Unrestricted Investment Accounts (“URIA”) (continued)**

**Table – 31. Unrestricted Investment Account Profit Earned and Paid (PD-1.3.33 (w))**

The following table summarises the amount and percentage of profits earned by the Group and paid out to profit sharing investment accounts over the past five years

	<i>Profit earned (jointly financed)</i>		<i>Profit paid to (PSIA)</i>	
	<i>BD'000</i>	<i>%age</i>	<i>BD'000</i>	<i>%age</i>
<b>2009 *</b>	<b>15,819</b>	<b>2.47%</b>	<b>10,482</b>	<b>1.64%</b>
2008	36,934	9.16%	17,702	4.39%
2007	31,463	10.35%	15,609	5.13%
2006	24,705	12.48%	12,660	6.40%
2005	12,348	7.31%	5,056	2.99%

\*This represents the amount and percentage of profit earned and paid out to profit sharing investment accounts for the period ended 30 June 2009.

**3.5 Liquidity Risk**

**Table – 32. Liquidity Ratios (PD-1.3.37)**

The following table summarises the liquidity ratios for the past five years;

	<b>* 2009</b>	2008	2007	2006	2005
Commodities Murabaha / Total Asset:	<b>15.20%</b>	10.96%	27.52%	41.25%	32.83%
Islamic Financing / Customer Deposit: excluding banks	<b>83.85%</b>	98.38%	88.75%	58.69%	51.39%
Customer Deposits / Total Assets	<b>72.38%</b>	49.00%	36.42%	35.56%	44.76%
Liquid Assets / Total Assets	<b>20.69%</b>	16.63%	30.31%	44.79%	36.09%
Growth in Customer Deposits	<b>6.54%</b>	78.43%	55.50%	10.16%	6.28%

\*This represents the liquidity ratios for the period ended 30 June 2009.

**3.6 Profit Rate Risk**

**Table – 33. Profit Rate Risk in Banking Book (PD-1.3.40 (b))**

The following table summarises the effect on the value of assets, liabilities and economic capital for a benchmark change of 200bp in profit rates as of 30 June 2009;

	<i>Effect on value of assets BD'000</i>	<i>Effect on value of liabilities BD'000</i>	<i>Effect on value of economic capital BD'000</i>
Upward rate shocks:	<b>2,940</b>	<b>3,938</b>	<b>(998)</b>
Downward rate shocks:	<b>(2,940)</b>	<b>(3,938)</b>	<b>998</b>

**3 Risk Management (continued)**

**3.6 Profit Rate Risk (continued)**

**Table – 34. Quantitative Indicators of Financial Performance and Position (PD-1.3.9(b))**

The following table summarises the basic quantitative indicators of financial performance for the past 5 years;

	<b>* 2009</b>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Return on average equity *	<b>2.65%</b>	12.60%	25.00%	17.80%	12.00%
Return on average assets *	<b>0.49%</b>	2.90%	5.00%	3.50%	2.50%
Cost to Income Ratio	<b>33.46%</b>	31.30%	32.00%	39.00%	41.00%

\* Annualised where applicable.

**4 Glossary of Terms**

CA Module	Capital Adequacy Module
CAR	Capital Adequacy Ratio
FX	Foreign Exchange
IAH	Investment Account Holder
IRR	investment Risk Reserve
PCD	Prudential Consolidation and Deduction Requirements Module
PD	Public Disclosure
PER	Profit Equalisation Reserve
PSIA	Profit Sharing Investment Account
RWE	Risk Weighted Exposures
URIA	Unrestricted Investment Accounts