



**Quantitative Public Disclosures  
At 30 June 2009**

## INDEX

<b>S. No.</b>		<b>Page No.</b>
1	Background	3
2	Basel 2 Framework	3
3	Methodology	3
4	Consolidated capital structure	4
5	Regulatory capital requirements for credit risk	5
6	Gross credit exposures	6
7	Geographical distribution of credit exposures	7
8	Industry distribution of credit exposures	8
9	Maturity breakdown of credit exposures	9
10	Related-party balances under credit exposure	10
11	Past due and impaired investments in financings	11
12	Past due and impaired investments in financings by geographical areas	12
13	Details of restructured credit facilities	12
14	Disclosures related to counterparty credit risk	12
15	Legal contingencies	13
16	Equity position in Banking book	13
17	Profit rate risk in Banking book	13
18	Regulatory capital requirements for market risk	13
19	Regulatory capital requirements for operational risk	14
20	Tier one and total capital ratios	14

## **1. Background**

The new public disclosure module of the Central Bank of Bahrain (CBB) rulebook was introduced with effect from 1<sup>st</sup> January 2008. The new module requires semi-annual disclosures with respect to quantitative information under PD 3.1.6 and PD 1.3 to be disclosed on the Bank's website along with the half yearly financial information. The disclosure in this document covers all the applicable quantitative disclosures at 30 June 2009 required by the new public disclosure module. These disclosures are mainly related to compliance with the Basel 2 Pillar 3 disclosure requirements.

## **2. Basel 2 Framework**

CBB has issued Basel 2 guidelines which became effective from 1<sup>st</sup> January 2008. These guidelines have been issued for the implementation of Basel 2 capital adequacy framework for Banks incorporated in the Kingdom of Bahrain.

The Basel 2 framework provides a more risk based approach to the assessment of risk and the calculation of regulatory capital as compared to the erstwhile Basel 1 framework. The Basel 2 framework is expected to strengthen the risk management practices across the financial institutions.

The Basel 2 framework is based on three pillars as follows:-

- Pillar 1: Minimum capital requirements including calculation of the capital adequacy ratio
- Pillar 2: Supervisory review process which includes the Internal Capital Adequacy Assessment Process
- Pillar 3: Market discipline which includes the disclosure of risk management and capital adequacy information.

## **3. Methodology**

As per the requirements of CBB's Basel 2 capital adequacy framework, the method for calculating the capital adequacy ratio for the consolidated Ithmaar Group is summarized as follows:

- Line by line consolidation is performed for the risk exposures and eligible capital of all the subsidiaries within Ithmaar Group except for the following:
  - With respect to Ithmaar's banking subsidiaries incorporated outside Bahrain which are operating under Basel 2 compliant jurisdictions, full aggregation is performed of the risk weighted exposures and eligible capital as required under PCD module.
  - With respect to Ithmaar's Islamic Banking subsidiaries incorporated in the Kingdom of Bahrain, full aggregation is performed of the risk weighted exposures and eligible capital as required under PCD module.
- Pro-rata aggregation of risk weighted exposures and eligible capital of Ithmaar's significant investments (20% – 50%) in Banking and other financial entities as required under PCD module.

**4. Consolidated Capital Structure for capital adequacy purpose:**

	<u>(USD in '000)</u>
<b>A Tier 1 Capital</b>	
Issued and fully paid-up ordinary capital	571,616
<b><u>Reserves</u></b>	
General reserve	111,250
Retained profit brought forward	124,108
Legal/ statutory reserves	38,090
Share premium	160,831
Others	(26,397)
Current interim cumulative net losses	(34,976)
Unrealized gross losses arising from fair valuing equity securities	(10,399)
Minority interest in the equity of subsidiaries	171,188
Aggregation/Pro-rata aggregation of investments in Banking and other financial entities	<u>640,411</u>
<b>Sub-Total</b>	1,745,722
<b>Regulatory deductions:</b>	
Goodwill	<u>(239,780)</u>
<b>Total Tier 1 capital before PCD deductions</b>	<b>1,505,942</b>
<b>B Tier 2 Capital</b>	
Unrealized gains arising from fair valuations (45%)	5,191
Aggregation/Pro-rata aggregation of investments in Banking and other financial entities	<u>78,927</u>
<b>Total Tier 2 capital before PCD deductions</b>	<b>84,118</b>
<b>C Total Available Capital (A+B)</b>	<b>1,590,060</b>
<b>D General deductions under PCD Module</b>	
Significant minority investments in Banking, securities and other financial entities which are pro-rata aggregated	(186,617)
Deduction of unconsolidated financial subsidiaries where ownership is >50% which are aggregated	(487,133)
Excess amount over maximum permitted large exposure limit	<u>(69,784)</u>
<b>Total Deductible Items</b>	<b>(743,534)</b>
<b>E Total Eligible Capital (C-D)</b>	<b>846,526</b>

**5. Disclosure of the regulatory capital requirements for credit risk under standardized approach:**

	(USD in '000)	
	Risk weighted assets	Capital requirement
Banks	18,813	2,258
Corporate Portfolio	60,959	7,315
Equity portfolio	548,476	65,817
Holding of Real estate	563,146	67,578
Other assets	475,862	57,103
Aggregation/Pro-rata aggregation of investments in Banking and other financial entities	3,555,180	426,621
<b>Total</b>	<b>5,222,436</b>	<b>626,692</b>

**6. Gross credit exposures:**

	(USD in '000)	
	Gross credit exposure	Average gross credit exposure
<b>Credit risk exposure relating to on balance sheet assets are as follows:</b>		
Cash and cash equivalents	1,177,541	1,305,411
Investments in financings	2,096,360	2,133,563
Investment securities	763,314	676,348
Accounts receivable	251,681	223,289
Other assets	765,912	711,551
<b>Total on balance sheet credit exposure</b>	<b>5,054,808</b>	<b>5,050,162</b>
<b>Credit risk exposure relating to off balance sheet items are as follows:</b>		
Financial guarantees and irrevocable letters of credit	509,399	516,420
Financing commitments, Undrawn facilities and other credit related liabilities	725,356	615,855
<b>Total off balance sheet credit exposure</b>	<b>1,234,755</b>	<b>1,132,275</b>
<b>Total credit exposure</b>	<b>6,289,563</b>	<b>6,182,437</b>

Average gross credit exposures have been calculated based on the average of balances outstanding on a quarterly basis during the period ended 30 June 2009.

7. Geographical distribution of credit exposures:

(USD in '000)

	Asia/ Pacific	Middle East	Europe	North America	Others	Total
<b>On-balance sheet items</b>						
Cash and cash equivalents	116,738	793,751	219,648	26,292	21,112	1,177,541
Investments in financing	1,266,336	516,317	77,045	207,803	28,859	2,096,360
Investment securities	517,686	174,839	18,420	48,372	3,997	763,314
Accounts receivable	18,958	170,655	40,409	21,659	-	251,681
Other assets	135,059	486,018	144,835	-	-	765,912
<b>Total on balance sheet items</b>	<b>2,054,777</b>	<b>2,141,580</b>	<b>500,357</b>	<b>304,126</b>	<b>53,968</b>	<b>5,054,808</b>
<b>Off balance sheet items</b>	<b>841,668</b>	<b>151,355</b>	<b>198,243</b>	<b>6,472</b>	<b>37,017</b>	<b>1,234,755</b>
<b>Total credit exposure</b>	<b>2,896,445</b>	<b>2,292,935</b>	<b>698,600</b>	<b>310,598</b>	<b>90,985</b>	<b>6,289,563</b>

The Group uses the geographical location of the credit exposures as the basis to allocate to the respective geographical region as shown above.

8. Industry distribution of credit exposures:

								(USD in '000)
	Banks and finance institution	Trading and manufacturing	Property and construction	Services	Private individuals	Textile	Others	Total
<b>On-balance sheet items</b>								
Cash and cash equivalents	1,113,888	28,685	-	34,968	-	-	-	1,177,541
Investments in financing	850,530	391,684	216,190	329,187	52,482	216,608	39,679	2,096,360
Investment securities	219,846	20,567	59,229	428,463	-	825	34,384	763,314
Accounts receivable	105,458	2,471	127,157	2,311	8,762	113	5,409	251,681
Other assets	286,734	-	440,796	38,382	-	-	-	765,912
<b>Total on balance sheet items</b>	<b>2,576,456</b>	<b>443,407</b>	<b>843,372</b>	<b>833,311</b>	<b>61,244</b>	<b>217,546</b>	<b>79,472</b>	<b>5,054,808</b>
<b>Off balance sheet items</b>								
	<b>395,441</b>	<b>79,236</b>	<b>150,571</b>	<b>206,648</b>	<b>8,157</b>	<b>117,066</b>	<b>277,636</b>	<b>1,234,755</b>
<b>Total credit exposure</b>	<b>2,971,897</b>	<b>522,643</b>	<b>993,943</b>	<b>1,039,959</b>	<b>69,401</b>	<b>334,612</b>	<b>357,108</b>	<b>6,289,563</b>



9. Maturity breakdown of credit exposures:

(USD in '000)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5-10 Years	10-20 Years	Over 20 Years	Total
<b>On-balance sheet items</b>								
Cash and cash equivalents	718,598	348,697	110,246	-	-	-	-	1,177,541
Investments in financing	645,698	404,054	525,235	370,056	86,614	64,703	-	2,096,360
Investment securities	2,469	168,526	270,138	289,678	32,503	-	-	763,314
Accounts receivable	59,242	8,388	86,057	88,681	9,313	-	-	251,681
Other assets	12,018	2,673	334	275,417	269,118	195,012	11,340	765,912
<b>Total on balance sheet items</b>	<b>1,438,025</b>	<b>932,338</b>	<b>992,010</b>	<b>1,023,832</b>	<b>397,548</b>	<b>259,715</b>	<b>11,340</b>	<b>5,054,808</b>
<b>Off-balance sheet items</b>	<b>774,513</b>	<b>167,329</b>	<b>197,811</b>	<b>53,786</b>	<b>41,316</b>	<b>-</b>	<b>-</b>	<b>1,234,755</b>
<b>Total credit exposure</b>	<b>2,212,538</b>	<b>1,099,667</b>	<b>1,189,821</b>	<b>1,077,618</b>	<b>438,864</b>	<b>259,715</b>	<b>11,340</b>	<b>6,289,563</b>

**10. Related-party balances under credit exposure:**

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are entered into on an arms length basis. The related party balances included under credit exposure at 30 June 2009 were as follows:

	<u>(USD in '000)</u>
Associated companies	4,899
Affiliated companies	223,550
Directors & key management	884
<b>Total</b>	<b><u>229,333</u></b>

**Concentration of risk to individual counterparties where the credit exposure is in excess of the 15% individual obligor limit:**

	<u>(USD in '000)</u>
Banks	567,173
Non-Banks	534,676
<b>Total</b>	<b><u>1,101,849</u></b>

**11. Past due and impaired investments in financings and related provisions for impairment:**

	(USD in '000)		
	Gross exposure	Impairment provisions	Net exposure
<b>Analysis by industry</b>			
Manufacturing	147,614	50,767	96,847
Agriculture	10,942	-	10,942
Construction	5,090	1,580	3,510
Financial	8,840	-	8,840
Trade	31,945	19,032	12,913
Personal / Consumer finance	95,632	10,069	85,563
Commercial real estate financing	10,110	5,287	4,823
Technology, media and telecommunications	1,113	834	279
Transport	13,430	348	13,082
Other sectors	25,142	12,921	12,221
<b>Total</b>	<b>349,858</b>	<b>100,838</b>	<b>249,020</b>
<b>Ageing analysis</b>			
Over 3 months up to 1 year	249,701	40,400	209,301
Over 1 year up to 3 years	43,199	14,522	28,677
Over 3 years	56,958	45,916	11,042
<b>Total</b>	<b>349,858</b>	<b>100,838</b>	<b>249,020</b>
<b>Movement in impairment provisions</b>		<b>Specific provisions</b>	
At 1 January 2009		75,793	
Net charge during the period		27,031	
Exchange and other movements		(1,986)	
<b>At 30 June 2009</b>		<b>100,838</b>	

**12. Past due and impaired investments in financings by geographical areas:**

(USD in '000)			
Analysis by Geography	Gross exposure	Impairment provisions	Net exposure
Asia / Pacific	312,907	74,875	238,032
Middle East	32,927	21,939	10,988
Europe	4,024	4,024	-
<b>Total</b>	<b>349,858</b>	<b>100,838</b>	<b>249,020</b>

**13. Details of credit facilities outstanding at year ended 31 December 2008 that have been restructured during the period:**

Restructured financings during the six months period ended 30 June 2009 aggregated to \$75.2 million. This restructuring resulted in a positive impact of \$3.6 million on present earnings during the period ended 30 June 2009. Further, this restructuring is expected to have positive impact of \$5.1 million on the Group's future earnings. Extension of maturity dates was the basic nature of concessions given to all the restructured facilities.

**14. Disclosures related to counterparty credit risk:**

For regulatory capital adequacy purposes, the Group uses the current exposure method to calculate the exposure for counterparty credit risk for derivative and foreign exchange instruments in accordance with the credit risk framework in the CBB's Basel 2 capital adequacy framework.

The calculation of exposure at default, risk weighted assets and capital requirements for the counterparty credit risk of derivative and foreign exchange instruments analyzed by standard portfolio, is presented in the table below:

Exposure at Default					(USD in '000)
	Current exposure	Future exposure	Total exposure	Risk weighted assets	Capital requirement
Banks	1,446	2,124	3,570	786	94
Corporate	260	172	432	397	48
<b>Total</b>	<b>1,706</b>	<b>2,296</b>	<b>4,002</b>	<b>1,183</b>	<b>142</b>

**15. Legal contingencies:**

At 30 June 2009, the Group had contingent liabilities towards customer claims aggregating to \$45.1 million. The management is of the view that these claims are not likely to result into potential liabilities.

**16. Equity position in Banking book:**

At 30 June 2009, the Group's available for sale investment securities aggregated to \$763.3 million. Out of the total investment securities, \$156.6 million were listed investment securities and the remaining \$606.7 million represented unlisted investment securities.

Cumulative net realized gains arising from sale of investment securities during the six month period ended 30 June 2009 aggregated to \$3.3 million.

Unrealized net loss recognized directly in equity aggregated to \$8 million during the six month period ended 30 June 2009. Unrealized gains and losses from fair valuation of equities in Banking book are included in the calculation of regulatory capital as per CBB's Basel 2 capital adequacy framework.

At 30 June 2009, capital requirements using standardized approach aggregated to \$0.5 million for listed investment securities and \$65.3 million for unlisted investment securities before aggregation/pro-rata aggregation of investments in Banking and other financial entities.

**17. Profit rate risk in the Banking book:**

	(USD in '000)			
	USD	PKR	GBP	BHD
Total profit rate exposure	164,212	391,356	13,250	284,175
Rate shock (assumed) (+/-)	1%	1%	1%	1%
<b>Total estimated impact (+/-)</b>	<b>1,642</b>	<b>3,914</b>	<b>133</b>	<b>2,842</b>

**18. Disclosure of regulatory capital requirements for market risk under the standardized approach:**

	Risk weighted assets	Capital Charge	Maximum	Minimum
Foreign exchange risk	87,738	10,529	94,788	87,738
Aggregation/Pro-rata aggregation of market risks from investments in Banking and other financial entities	88,167	10,523	88,167	50,190
<b>Total</b>	<b>175,905</b>	<b>21,052</b>	<b>182,955</b>	<b>137,928</b>

**19. Disclosure of regulatory capital requirements for operational risk under the basic indicator approach:**

For regulatory reporting, the capital requirement for operational risk is calculated based on basic indicator approach. According to this approach, the Group's average gross income over the preceding three financial years is multiplied by a fixed alpha coefficient. The alpha coefficient has been set at 15% under CBB Basel 2 guidelines.

The capital requirement for operational risk at 30 June 2009 aggregated to \$77.5 million.

**20. Tier one capital ratios and Total capital ratios:**

	Tier One Capital Ratio	Total Capital Ratio
Ithmaar Consolidated	12.70%	14.01%
Significant Bank subsidiaries whose regulatory capital amounts to over 5% of group consolidated regulatory capital whether on a stand-alone or sub-consolidated basis are as follows:		
Shamil Bank of Bahrain B.S.C (c)	17.42%	17.42%
Faysal Bank Limited	10.38%	12.05%