

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

32. MARKET RISK

a) The principle tool used to measure and control market risk exposure is Value-at-Risk (VaR). The VaR is the estimated loss that will arise on the trading portfolio over a pre-defined time horizon from an adverse market movement for a specified confidence level. Based on the approval of the Central Bank of Bahrain, the Bank has been computing market risk using an internal model based on RiskMetrics methodology since 1999. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 10 day time horizon.

The summary of the VaR position of the Bank at 31 December 2009 and during the period is as follows:

Amounts in BD'000	2009				2008			
	At 31 Dec	Average	Maximum	Minimum	At 31 Dec	Average	Maximum	Minimum
Foreign currency risk	1,025	1,377	1,704	912	1,705	1,326	1,791	1,025
Interest rate risk	440	256	548	17	87	68	160	27
Other price risk	258	254	269	218	218	102	218	-
Total	1,723	1,887			2,010	1,496		

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

b) The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows or fair values of financial instruments because of changes in market interest rates. The interest rate risk management process is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to an interest rate shock of 200bps increase/ decrease. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

Amounts in BD'000	2009		2008	
	200 bps parallel increase	200 bps parallel decrease	200 bps parallel increase	200 bps parallel decrease
At 31 December	(9,582)	9,582	(3,249)	3,249
Average for the year	(8,328)	8,328	(2,983)	2,983
Minimum for the year	(5,470)	5,470	(13)	13
Maximum for the year	(9,764)	9,764	(4,422)	4,422

(c) The Bank holds investments in quoted equities as part of the available for sale securities. Equity risk is the potential adverse impact due to movements in individual equity prices or general market movements in stock markets. The Bank manages this risk through diversification of investments in terms of geographical distribution and industrial concentration.

Overall non-trading interest rate risk positions are managed by the Treasury division, which uses investment securities, placements with banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities. The use of derivatives to manage interest rate risk is described in note 16.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

33. SEGMENT INFORMATION

For management purposes, the Bank is organised into the following main strategic business units (SBUs) - Personal Banking, Business Banking and Treasury & Investments. These SBUs are the basis on which the Bank reports its operating segment information.

The Personal Banking and Business Banking SBUs provide various banking products and services to the Bank's customers. The SBUs are differentiated based on their respective customer segments. Personal Banking caters to individuals. Business Banking caters to governments, corporates, small and medium enterprises and financial institutions.

The Treasury & Investments SBU has the overall responsibility of managing the Bank's liquidity, interest rate, foreign exchange and market risk. The SBUs activities comprise borrowing and lending in the interbank market, purchase of treasury bills, proprietary dealing in and customer related foreign exchange, investments and trading in securities, derivatives, managed funds and equities in international markets and selling of Bank's own private label funds to clients.

Financial information about the operating segments is presented in the following table:

Amounts in BD'000	Personal Banking		Business Banking		Treasury & Investments		Total	
For the year ended 31 December	2009	2008	2009	2008	2009	2008	2009	2008
Revenue								
Interest income	22,994	21,986	31,051	37,480	12,154	24,943	66,199	84,409
Less: interest expense	(4,400)	(9,323)	(10,491)	(19,794)	(2,292)	(9,236)	(17,183)	(38,353)
Inter-segment interest income/(expense)	4,166	10,588	1,948	5,375	(6,114)	(15,963)	-	-
Net interest income	22,760	23,251	22,508	23,061	3,748	(256)	49,016	46,056
Other income	8,024	8,516	4,555	6,080	10,682	2,008	23,261	16,604
Operating income	30,784	31,767	27,063	29,141	14,430	1,752	72,277	62,660
Result	17,585	22,283	16,922	21,082	11,337	(6,109)	45,844	37,256
Unallocated corporate expenses							(3,022)	(2,517)
Profit for the year							42,822	34,739

Other information:

Segment assets	320,185	307,267	926,017	887,609	871,546	839,223	2,117,748	2,034,099
Segment liabilities & Equity	658,552	651,887	936,815	989,244	522,381	392,968	2,117,748	2,034,099
Depreciation for the year	636	505	572	387	111	89	1,319	981
Provision for impaired assets	1,719	(888)	1,795	(412)	171	5,212	3,685	3,912

During 2009, the total capital expenditure amounted to BD 2.05 million (US\$ 5.45 million) [2008: BD 1.69 million (US\$ 4.49 million)].

Segment revenues and expenses are directly attributable to the business segments. The benefit of the Bank's capital has been distributed among the segments in proportion to their total assets employed. Expenses of departments whose services are jointly utilised by more than one segment have been allocated to the relevant segments on an appropriate basis.

Inter-segment interest income and expense represent the interest cost on the excess funds which are automatically transferred by all the other business segments to Treasury and Investments. The interest rate for calculating interest of such transfers is set once every three months separately for local and foreign currency and is based on the weighted average of market rates for various maturities for each currency.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

While the Bank conducts its banking business primarily through its Strategic Business Units, it operates from various geographical locations:

- (i) Domestic operations, through its network of branches in Bahrain and
- (ii) Overseas operations through its branches in the United Arab Emirates and Saudi Arabia.

Financial information about geographical locations is presented in the following table:

Amounts in BD 000's	Domestic		Overseas		Total	
For the year ended 31 December	2009	2008	2009	2008	2009	2008
Operating income	70,305	60,146	1,972	2,514	72,277	62,660
Profit for the year	42,702	34,267	120	472	42,822	34,739
As at 31 December						
Segment assets	2,003,759	1,884,237	113,989	149,862	2,117,748	2,034,099
Segment liabilities & Equity	2,003,759	1,884,237	113,989	149,862	2,117,748	2,034,099

34. MATURITY PROFILE AND LIQUIDITY RISK

a) Maturity Profile

The table below shows the maturity profile of total assets and liabilities and equity based on contractual terms, except for Asset Backed Securities and Mortgage Backed Securities which are based on expected weighted average tenor as it is better representative of the product's maturity profile considering the inherent nature of the products.

Amounts in BD'000	Up to 3	3 to 6	6 to 12	1 to 3	3 to 5	5 to 10	10 to 20	Over 20	Total
As at 31 December 2009	months	months	months	years	years	years	years	years	
Assets									
Cash and balances at central banks	81,213	-	-	-	-	-	-	-	81,213
Treasury bills	114,915	10,012	-	-	-	-	-	-	124,927
Placements with banks and other financial institutions	214,921	31,170	-	-	-	-	-	-	246,091
Trading securities	1,637	-	-	-	-	-	-	-	1,637
Loans and advances	234,615	66,394	188,197	378,065	161,737	77,463	43,924	1,028	1,151,423
Investment Securities	10,948	13,684	47,297	267,860	69,243	9,659	-	64,430	483,121
Accrued interest receivable & other assets	7,225	432	70	882	800	15	-	19,912	29,336
Total assets	665,474	121,692	235,564	646,807	231,780	87,137	43,924	85,370	2,117,748
Liabilities and equity									
Due to banks and other financial institutions	259,600	-	216	-	-	-	-	-	259,816
Borrowings under repurchase agreements	125,586	-	-	-	-	-	-	-	125,586
Customers' deposits	1,320,158	132,168	27,630	436	-	-	-	-	1,480,392
Accrued interest payable & other liabilities	10,043	407	137	2	-	-	-	-	10,589
Equity	27,566	-	-	-	-	-	-	213,799	241,365
Total liabilities and equity	1,742,953	132,575	27,983	438	-	-	-	213,799	2,117,748

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. (a) Maturity Profile (continued)

Amounts in BD'000 As at 31 December 2008	Up to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	5 to 10 years	10 to 20 years	Over 20 years	Total
Assets									
Cash and balances at central banks	82,398	-	-	-	-	-	-	-	82,398
Treasury bills	6,608	9,969	-	-	-	-	-	-	16,577
Placements with banks and other financial institutions	397,085	-	13,398	-	-	-	-	-	410,483
Trading securities	385	-	-	-	-	-	-	-	385
Loans and advances	188,532	31,429	119,226	307,879	253,548	153,272	38,983	2,842	1,095,711
Investment Securities	30,596	19,317	34,517	158,285	79,623	4,035	-	72,803	399,176
Accrued interest receivable & other assets	9,836	924	404	-	-	-	-	18,205	29,369
Total assets	715,440	61,639	167,545	466,164	333,171	157,307	38,983	93,850	2,034,099
Liabilities and equity									
Due to banks and other financial institutions	253,741	-	216	-	-	-	-	-	253,957
Borrowings under repurchase agreements	31,824	-	-	-	-	-	-	-	31,824
Customers' deposits	1,306,219	118,405	94,626	6	-	-	-	-	1,519,256
Accrued interest payable & other liabilities	10,485	800	392	-	-	-	-	-	11,677
Equity	23,678	-	-	-	-	-	-	193,707	217,385
Total liabilities and equity	1,625,947	119,205	95,234	6	-	-	-	193,707	2,034,099

b) Liquidity Risk

The table below shows the undiscounted cash flows of the Bank's financial liabilities and undrawn loan commitments on the basis of their earliest contractual liability. The Bank's expected cash flows on these instruments vary significantly from this analysis; for example demand deposits from customers are expected to maintain stable or increased balances and undrawn loan commitments are not all expected to be drawn down immediately. For derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) the gross nominal undiscounted cash inflow/(outflow) are considered while in the case of derivatives that are net settled the net amounts have been considered.

Amounts in BD'000 As 31 December 2009	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Non derivative liabilities						
Due to banks and other financial institutions	259,816	(260,122)	(259,906)	-	(216)	-
Borrowings under repurchase agreements	125,586	(125,602)	(125,602)	-	-	-
Customers' deposits	1,480,392	(1,485,268)	(1,322,613)	(133,938)	(28,273)	(444)
Total non derivative liabilities	1,865,794	(1,870,992)	(1,708,121)	(133,938)	(28,489)	(444)
Derivative liabilities						
Trading: outflow	115	(327,235)	(281,791)	(45,444)	-	-
Trading: inflow	-	328,508	283,034	45,474	-	-
Risk management: outflow	-	-	-	-	-	-
Risk management: inflow	-	-	-	-	-	-
Total derivative liabilities	115	1,273	1,243	30	-	-
Banking commitments	5,137	(5,137)	(1,171)	(1,442)	(1,265)	(1,259)
Financial guarantees	-	(1,521)	(885)	(252)	(276)	(108)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. (b) Liquidity Risk (continued)

Amounts in BD'000 As 31 December 2008	Carrying amount	Gross nominal inflow/(outflow)	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Non derivative liabilities						
Due to banks and other financial institutions	253,957	(254,404)	(254,188)	–	(216)	–
Borrowings under repurchase agreements	31,824	(31,850)	(31,850)	–	–	–
Customers' deposits	1,519,256	(1,533,342)	(1,297,981)	(137,749)	(97,606)	(6)
Total non derivative liabilities	1,805,037	(1,819,596)	(1,584,019)	(137,749)	(97,822)	(6)
Derivative liabilities						
Trading: outflow	–	(184,180)	(152,214)	(31,966)	–	–
Trading: inflow	99	182,435	150,379	32,056	–	–
Risk management: outflow	–	–	–	–	–	–
Risk management: inflow	–	–	–	–	–	–
Total derivative liabilities	99	(1,745)	(1,835)	90	–	–
Banking commitments	35,176	(35,176)	(21,458)	–	(11,508)	(2,210)
Financial guarantees	–	(2007)	(845)	(638)	(378)	(145)

35. RETIREMENT BENEFIT COSTS

The Bank's obligations to defined contribution pension plans for employees who are covered by the social Insurance pension scheme in Bahrain and its overseas branches are recognized as an expense in the income statement. The Bank's contribution for 2009 amounted to BD 0.89 million (US\$ 2.37 million) [2008: BD 0.86 million (US\$ 2.29 million)].

Other employees are entitled to leaving indemnities payable in accordance with the employment agreements or under the respective labour laws. The movement in the provision for leaving indemnities during the year is as follows:

Provision for leaving indemnities

Movements during the year	2009		2008	
	BD'000	US\$'000	BD'000	US\$'000
At 1 January	1,718	4,569	5,097	13,556
Charged for the year	1,198	3,186	1,577	4,194
Paid during the year	(406)	(1,080)	(4,956)	(13,181)
At 31 December	2,510	6,675	1,718	4,569

Effective 2001, the Bank introduced a voluntary Staff Savings Scheme for Bahraini employees. The employees and the Bank contribute monthly on a fixed percentage of salaries basis to the Scheme. The Scheme is managed and administrated by a board of trustees who are the employees of the Bank. The Bank's contribution to the Scheme for 2009 amounted to BD 0.60 million (US\$ 1.60 million) [2008:BD 0.53 million (US\$ 1.41 million)]. As 31 December 2009, after considering the employer's and employees' contributions, net income accretions and net pay-outs from the Scheme, the net balance of the Scheme, amounted to BD 5.69 million (US\$ 15.13 million) [31 December 2008:BD 4.78 million (US\$ 12.71 million)].

36. LEGAL CLAIMS

As at 31 December 2009, there were legal suits pending against the Bank aggregating BD 0.15 million (US\$ 0.40 million) [31 December 2008: BD 0.17 million (US\$ 0.45 million)]. Based on the opinion of the Bank's legal advisors, management believes that no liability is likely to arise from the suits and does not consider it necessary to carry any specific provision in this respect.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

37. EARNINGS AND DIVIDEND PER SHARE

	2009		2008	
	BD millions	US\$ millions	BD millions	US\$ millions
Net income	42.82	113.89	34.74	92.39
Dividend proposed at 35% (2008: 30 %)	27.22	72.39	23.33	62.04
Weighted average number of shares issued (millions)				
Ordinary shares as at 1 January	777.6	777.6	648.0	648.0
Effect of bonus shares issued during 2008	-	-	129.6	129.6
Weighted average number of ordinary shares (millions)	777.6	777.6	777.6	777.6
Earnings per share	55.1 fils	15 cents	44.7 fils	12 cents
Dividend per share	35.0 fils	9 cents	30.0 fils	8 cents

Diluted earnings per share has not been presented as the Bank has no commitments that would dilute earnings per share.

38. ACCOUNTING CLASSIFICATION AND FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted market prices, when available, are used to measure fair value. In cases where quoted market prices are not available, fair values are based on present value estimates or other appropriate valuation techniques.

a) The following table provides disclosure of the accounting classification and estimated fair value of financial instruments, for which it is practical to estimate

Fair value:

In BD 000's At 31 December 2009	Fair value						Total carrying amount	Fair value
	Trading	through profit or loss	Held to maturity	Loans and receivables	Available for sale	Amortised cost		
Cash and balances at central banks	-	-	-	81,213	-	-	81,213	81,213
Trading securities	1,637	-	-	-	-	-	1,637	1,637
Treasury bills	-	-	-	124,927	-	-	124,927	124,927
Placements with banks and other financial institutions	-	-	-	246,091	-	-	246,091	246,091
Loans and advances	-	-	-	1,151,423	-	-	1,151,423	1,151,423
Investment securities	-	8,107	-	-	475,014	-	483,121	483,121
Accrued interest receivable & other assets	-	-	-	10,744	-	-	10,744	10,744
Total	1,637	8,107	-	1,614,398	475,014	-	2,099,156	2,099,156
Due to banks and other financial institutions	-	-	-	-	-	259,816	259,816	259,816
Borrowings under repurchase agreements	-	-	-	-	-	125,586	125,586	125,586
Customers' deposits	-	-	-	-	-	1,480,392	1,480,392	1,480,392
Accrued interest payable & other liabilities	-	-	-	-	-	7,686	7,686	7,686
Total	-	-	-	-	-	1,873,480	1,873,480	1,873,480

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

38. Accounting Classification and Fair Values (continued)

In BD 000's At 31 December 2008	Trading	Fair value through profit or loss	Held to maturity	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
Cash and balances at central banks	-	-	-	82,398	-	-	82,398	82,398
Trading securities	385	-	-	-	-	-	385	385
Treasury bills	-	-	-	16,577	-	-	16,577	16,577
Placements with banks and other financial institutions	-	-	-	410,483	-	-	410,483	410,483
Loans and advances	-	-	-	1,095,711	-	-	1,095,711	1,095,711
Investment securities	-	26,683	-	-	372,493	-	399,176	399,176
Accrued interest receivable & other assets	-	-	-	11,164	-	-	11,164	11,164
Total	385	26,683	-	1,616,333	372,493	-	2,015,894	2,015,894
Due to banks and other financial institutions	-	-	-	-	-	253,957	253,957	253,957
Borrowings under repurchase agreements	-	-	-	-	-	31,824	31,824	31,824
Customers' deposits	-	-	-	-	-	1,519,256	1,519,256	1,519,256
Accrued interest payable & other liabilities	-	-	-	-	-	9,722	9,722	9,722
Total	-	-	-	-	-	1,814,759	1,814,759	1,814,759

(a) Assets for which fair value approximates book value: The fair value is considered to approximate their respective book values due to their short-term nature and negligible probability of credit losses.

(b) Treasury bills: The fair value of unquoted treasury bills is considered to approximate their respective book values due to their short-term nature and negligible probability of credit losses.

(c) Securities: The fair value of the quoted debt and equity securities, managed funds and capital protected notes are based on market prices. The fair value of unquoted equity securities are estimated with reference to the financial performance and other relevant available financial and economic data.

(d) Loans and advances : The Bank has reviewed the loans and advances portfolio and estimates that the fair value of the portfolio approximates its carrying value, since the majority of loans are floating rate loans which have been disbursed at market rates, and adequate provisions have been taken for those loans with doubt as to collectibility.

(e) Other financial assets: The fair value of other financial assets including accrued interest receivable approximate their respective book values due to their short term nature. Derivatives with positive fair values are included in other assets. The fair value of derivatives is based on market prices and or valuation models as appropriate.

(f) Liabilities for which fair value approximates book value: The fair value is considered to approximate their respective book values due to their short term nature.

(g) Customers' deposits : The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is deemed to equal the amount repayable on demand, which is represented by the carrying value of the deposits. For interest bearing fixed maturity deposits, the Bank estimates that fair value will approximate their book value as the majority of deposits are of short term nature and as all deposits are at market rates.

(h) Other financial liabilities: The fair value of other financial liabilities including accrued interest payable approximate their respective book values due to their short term nature. Derivatives with negative fair values are included in other liabilities. The fair value of derivatives is based on market prices and or valuation models as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

38 b. Fair Value Hierarchy

The Bank measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data. The table below analyses financial assets and liabilities carried at fair value, by valuation method.

Amounts in BD 000's At 31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets held for trading	1,637	-	-	1,637
Financial assets designated at fair value through profit or loss:				
Managed Funds	-	1,852	-	1,852
Capital Protected Notes	-	6,255	-	6,255
Available for sale financial assets:				
Debt securities	362,312	53,990	-	416,302
Equity securities	49,729	-	14,872	64,601
Derivative financial assets	-	161	-	161
Total	413,678	62,258	14,872	490,808
Derivative financial assets	-	276	-	276

The following table analyses the movement in level 3 financial assets during the year.

Amounts in BD 000's	Available for Sale Financial Assets
At 1 January 2009	15,478
Total gains/(losses):	
in income statement	(44)
in other comprehensive income	(562)
Purchases	-
Settlements	-
Transfers into / (out) of Level 3	-
At 31 December 2009	14,872
Total gain / (loss) for the period included in income statement for assets/liabilities held at 31 December 2009	(44)

Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category which relates to available sale financial assets is assessed as not significant to the other comprehensive income and total equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

39. AVERAGE BALANCES

The following are the average daily balances for full year:

	2009		2008	
	BD'000	US\$'000	BD'000	US\$'000
Total assets	1,989,909	5,292,311	1,976,279	5,256,061
Total liabilities	1,767,243	4,700,114	1,740,374	4,628,654
Equity	222,666	592,197	235,905	627,407
Contingent liabilities and undrawn loan commitments	128,627	342,093	189,808	504,809

40. CAPITAL ADEQUACY

The Bank operates as an independent banking institution with headquarters in Bahrain and branches in Bahrain, United Arab Emirates and Saudi Arabia.

The capital adequacy ratio has been calculated in accordance with the Basel 2 and Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The Bank uses the Standardised Approach for computing Credit Risk. Operational Risk is computed using the Basic Indicator Approach. For the purpose of computing Market Risk in the trading portfolio, the Bank calculates Value at Risk (VaR) using an internal model based on RiskMetrics RiskManager system and adding specific capital charge for trading securities. The details of the Bank's capital adequacy calculations under Basel 2 as at 31 December are shown below:

Based on year end balances	2009		2008	
	BD'000	US\$'000	BD'000	US\$'000
Tier 1 Capital	216,531	575,880	202,363	538,200
Tier 2 Capital	20,641	54,896	22,089	58,747
Total Capital Base	237,172	630,776	224,452	596,947
Risk Weighted Exposure:				
Credit Risk	870,776	2,315,894	974,331	2,591,306
Market Risk	72,547	192,944	76,283	202,880
Operational Risk	120,223	319,742	112,284	298,628
Total Risk Weighted Exposure	1,063,546	2,828,580	1,162,898	3,092,814
Capital Adequacy Ratio		22.3%		19.3%
Tier 1 Capital Adequacy Ratio		20.4%		17.4%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

40. Capital Adequacy (continued)

Based on average balances	2009		2008	
	BD'000	US\$'000	BD'000	US\$'000
Tier 1 Capital	184,835	491,582	171,333	455,673
Tier 2 Capital	37,259	99,093	47,664	126,766
Total Capital Base	222,094	590,675	218,997	582,439
Risk Weighted Exposure:				
Credit Risk	907,097	2,412,492	1,027,403	2,732,455
Market Risk	73,804	196,287	59,987	159,540
Operational Risk	114,269	303,907	106,277	282,651
Total Risk Weighted Exposure	1,095,170	2,912,686	1,193,667	3,174,646
Capital Adequacy Ratio		20.3%		18.3%
Tier 1 Capital Adequacy Ratio		16.9%		14.4%

41. DEPOSIT PROTECTION SCHEME

Deposits held with the Bank's Bahrain operations are covered by the deposit protection scheme (the Scheme) which was established by the Central Bank of Bahrain. The Scheme applies to all non-banking private sector deposits held with the Bahrain offices of the Bank subject to specific exclusions mainly relating to maximum deposit amounts, maximum total amount covered in one calendar year and maximum total amount of the Deposit Protection Board's financial resources. No up-front contribution is required to the Scheme and no liability is due until one of the member commercial banks is unable to meet its depository obligations.

42. COMPARATIVES

The comparative figures have been re-grouped where necessary to conform with the current presentation. The grouping has not affected profit for the year; total assets; and total liabilities and equity of the Bank.