

Bahrain Islamic Bank (BISB.BH)

NEUTRAL

CMP	BHD 0.188
Target	BHD 0.201
Potential Upside	6.8%

MSCI GCC Index	404.93
Bahrain All Share Index	1,471.44

Key Stock Data

Sector	Banking
Reuters Code	BISB.BH
Bloomberg Code	BISB BI Equity
Net Out. Shares (mn)	728.590
Market Cap (BHD mn)	136.975
Market Cap (USD mn)	363.422
Avg. 12m Vol. (mn)	0.047
Volatility (30 day)	NA
Volatility (180 day)	N/A

Stock Performance (%)

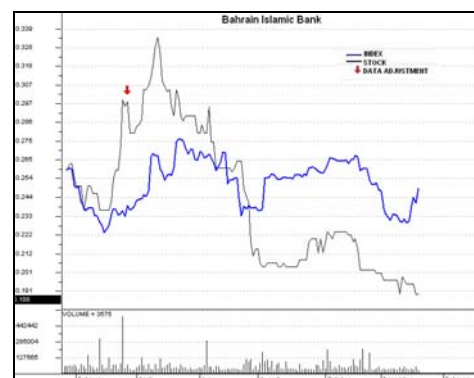
52 week high / low (BHD) 0.335 / 0.188

	1M	3M	12M
Absolute (%)	-4.1	-14.6	-27.4
Relative (%)	-5.6	-10.2	-17.7

Shareholding Pattern (%)

The Investment Dar Company	39.95
Public	29.02
Islamic Development bank	13.00
Kuwait Awqaf Public Foundation	9.33
Kuwait Investment Company	8.70

BISB and Bahrain All Share Index



Quarterly Result Update

- Bahrain Islamic Bank (BISB) reported a total operating income of BHD 20.61 million during 9M09, down 54.9% YoY.
- The company registered a net profit of BHD 0.82 million during 9M09, down 97.5% YoY.
- We have revised our FY2009E total income downward by 44.5% from the earlier estimates on account of lower investment income during 9M09. The net profit estimate for 2009 has also been revised downward by 94.0% on account of more than a six-fold jump in provisions for impairments.
- We are reiterating our earlier **NEUTRAL** recommendation on BISB with a target price of BHD 0.201, implying an upside of 6.8%.

Overview

BHD Million	2008A	2009E	2010E	2011E	2012E
Total Operating Income	55.64	28.50	33.21	37.55	43.95
YoY Change	50.3%	-48.8%	16.5%	13.1%	17.0%
Net Profit	22.31	1.11	6.36	12.30	17.93
YoY Change	-10.8%	-95.0%	472.8%	93.4%	45.8%
Net Spread	2.8%	2.5%	2.5%	2.5%	2.6%
Net Interest Margin	3.3%	2.6%	2.7%	2.7%	2.8%
Adj. EPS (BHD)	0.031	0.002	0.008	0.014	0.018
RoAE	12.6%	0.7%	4.0%	7.2%	9.5%

Operating Income

BISB's total operating income decreased 54.9% to BHD 20.61 million during 9M09 from BHD 45.67 million a year ago, due to a significant decline in non-profit sharing income. Non-profit sharing income plunged 77.0% to BHD 7.28 million from BHD 31.69 million, as income from investment was down 89.9% to BHD 1.64 million, gain on fair value adjustment for investments in properties declined 75.4% to BHD 2.35 million and other income declined 31.4% to BHD 3.65 million. The group's share of income from joint financing and investment accounts decreased 4.7% to BHD 13.33 million from BHD 13.98 million during 9M08, hurt by an 8.2% increase in return on unrestricted investment accounts to BHD 12.97 million. As a result, share of income from joint financing & investment accounts and non-profit sharing income accounted for 64.7% and 35.3% in the total operating income compared to 30.6% and 69.4%, respectively in 9M08.

Net Spread and Financing Margin

Yield on financing activities declined by 55bps to 5.1% in 9M09 from 5.6% in 9M08. However, cost on average depositors' profit sharing liabilities marginally increased by 9bps to 2.6%. As a result, net spread declined to 2.5% from 3.1% and net financing margin stood at 2.6% compared to 3.0% in the same period last year.

Operating Expenses and Provisions

Total operating expenses declined 1.5% to BHD 12.19 million during 9M09 from BHD 12.38 million a year ago as lower staff costs were countered by higher depreciation and other expenses. Staff costs decreased 10.4% to BHD 6.94 million, whereas depreciation and other expenses increased 40.8% and 8.7% to BHD 0.95 million and BHD 4.29 million, respectively. However, a substantial decline in investment income pushed the cost-to-income ratio to 59.1% from 27.1% a year earlier. Provisions for the period stood at BHD 7.61 million, a more than six-fold increase over BHD 1.20 million provided last year.

Profitability

Lower total operating income and higher provisions resulted in a 97.5% decline in net profit during 9M09. Net profit stood at BHD 0.82 million compared to BHD 32.09 million during the previous year period. In tandem with the net profit, adjusted EPS declined to BHD 0.001 from BHD 0.059 in 9M08.

Peer Comparison

For the purpose of peer comparison, we have considered Al Salam Bank (Salam) and Khaleeji Commercial Bank (KHCB).

Financial Performance of Comparable Islamic Banks						
(BHD Million)	Salam		KHCB		BISB	
	2008	9M09	2008	9M09	2008	9M09
Total Profit Sharing Income	11.76	-2.08	14.24	11.98	36.93	26.30
YoY Growth	-6.4%	-120.6%	84.8%	15.2%	17.4%	1.3%
Total Operating Income	49.31	24.10	46.87	28.44	55.64	20.61
YoY Growth	24.8%	-41.8%	59.0%	-44.2%	50.3%	-54.9%
Net Profit	25.54	15.21	27.30	8.25	22.31	0.82
YoY Growth	10.3%	-32.9%	31.0%	-74.6%	-10.8%	-97.5%
Total Financing Activities	145.11	169.44	140.14	192.79	643.39	699.58
YoY Growth	128.7%	22.9%	85.7%	37.4%	25.3%	-2.1%
Total Assets	554.48	666.60	464.99	459.76	873.97	932.44
YoY Growth	39.4%	11.9%	72.5%	-4.3%	32.6%	-0.9%
Customers' Deposits & Unrestricted Investments Accounts	338.36	355.83	285.20	226.67	693.59	759.63
YoY Growth	1.56	0.08	2.29	-0.25	0.49	0.05
Shareholders' Equity	172.48	199.94	137.98	131.27	166.45	159.71
YoY Growth	8.2%	17.9%	2.2%	-8.2%	-11.1%	-20.9%
Cost to Income Ratio	48.2%	36.9%	-29.3%	-54.6%	31.3%	59.1%
Equity to Total Assets Ratio	31.1%	30.0%	29.7%	28.6%	19.0%	17.1%
RoAE	15.4%	11.0%*	20.0%	8.0%*	12.6%	0.7%*
RoAA	5.4%	3.2%*	7.4%	2.3%*	2.9%	0.1%*

Source: Al Salam, KHCB and BISB's financial statements

*Annualised

N/A – Not Applicable

New Projects and Updates

In August 2009, BISB signed a USD 70.00 million Ijara facility with Bahrain's national carrier Gulf Air to finance a part of its purchase of eight A320 aircraft. During July, BISB signed USD 20.00 million towards a syndicated Ijara Islamic financing deal worth USD 140.00 million to state-run Bahrain Mumtalakat Holding Co., which fully owns Gulf Air. Mumtalakat used the funds to help refinance Gulf Air's purchase of Airbus A330 aircraft.

In July 2009, BISB became a shareholder in the Al Dur Power and Water project in Bahrain. French energy giant GDF Suez SA is the largest shareholder in the project with a 45.0% stake. The project will enable the supply of electricity and water to the Electricity and Water Authority of Bahrain under a twenty five-year agreement. The project will have a capacity of producing 1,240 megawatts of power and desalinating 218,000 cubic meters of sea water a day.

Risks and Concerns to Valuation:

- ❖ Any higher-than-expected loan loss provisions may impact our earning estimates
- ❖ Historically, the bank has enjoyed a higher share of non-interest income in total operating income. However, during 9M09, the share drastically declined to 35.3% from 69.4% in 9M08. Any further decline in non-interest income may pressurize the bank's earnings and call for a revision.

Valuation Methodology:

We have used two valuation methods for arriving at BISB's fair value, as explained below:

- I. Target P/BV approach based on the Gordon Growth Model (GGM), and
- II. Comparative P/BV method.

Target P/BV Multiple Approach using the Gordon Growth Model (GGM)

The model uses sustainable return on average equity (RoAE), cost of equity (Ke) and expected growth in earnings (g) to arrive at the target P/BV for the company using the formula:

$$\text{Target P/BV} = (\text{RoAE} - g) / (\text{Ke} - g)$$

Subsequently, we multiplied the target P/BV multiple for 2010E with the 2010E BVPS to arrive at the company's fair value over a medium-term investment horizon.

We have used the following assumptions to arrive at the target P/BV multiple for 2010E.

- i. Sustainable RoAE has been taken as the 5-year average of the RoAE over 2010E-2014E.
- ii. The cost of equity (Ke) has been calculated as 9.68% using the Capital Asset Pricing Model (CAPM).
- iii. The terminal growth rate (g) has been taken as 2.00%.

GGM Valuation Summary	
Sustainable RoAE	8.97%
Cost of Equity (Ke)	9.68%
Perpetual Growth Rate	2.00%
Target P/BV Multiple for 2010E (x)	0.91
2010E BVPS (BHD)	0.204
Fair Value per Share using Target P/BV (BHD)	0.185
CMP (BHD)	0.188
Upside/(-)Downside	-1.53%

Sensitivity Analysis

The following tables present a sensitivity analysis for the estimated fair value per share based on various terminal growth rate, cost of equity and RoAE assumptions. The shaded area represents the most probable outcomes.

Sensitivity Analysis - GGM (Ke vs. g)					
Cost of Equity	Terminal Growth Rate (g)				
	1.00%	1.50%	2.00%	2.50%	3.00%
7.68%	0.243	0.247	0.250	0.255	0.260
8.68%	0.212	0.212	0.213	0.214	0.214
9.68%	0.187	0.186	0.185	0.184	0.182
10.68%	0.168	0.166	0.164	0.161	0.159
11.68%	0.152	0.150	0.147	0.144	0.140

Sensitivity Analysis - GGM (Ke vs. RoAE)					
Cost of Equity	Return on Average Equity (RoAE)				
	6.97%	7.97%	8.97%	9.97%	10.97%
7.68%	0.178	0.214	0.250	0.286	0.322
8.68%	0.152	0.182	0.213	0.243	0.274
9.68%	0.132	0.159	0.185	0.212	0.238
10.68%	0.117	0.140	0.164	0.187	0.211
11.68%	0.105	0.126	0.147	0.168	0.189

Sensitivity Analysis - GGM (RoAE vs. g)					
Return on Average Equity	Terminal Growth Rate (g)				
	1.00%	1.50%	2.00%	2.50%	3.00%
6.97%	0.140	0.136	0.132	0.127	0.121
7.97%	0.164	0.161	0.159	0.155	0.152
8.97%	0.187	0.186	0.185	0.184	0.182
9.97%	0.211	0.211	0.212	0.212	0.213
10.97%	0.234	0.236	0.238	0.241	0.243

Comparative P/BV Multiple Based Valuation

P/BV Multiple Based Valuation Summary	
BISB's 2010E BVPS (BHD)	0.204
Target P/BV (x)	1.06
Fair Value per Share using Target P/E	0.217
CMP (BHD)	0.188
Upside/(-)Downside	15.16%

Banks	Outstanding Shares (Million)	CMP# (BHD)	Market Capitalisation (BHD Million)	BVPS (BHD)	P/BV
Bahrain Islamic Bank	728.59	0.188	136.975	0.858	0.22
Al Salam Bank - Bahrain	1,426	0.093	133	0.140	0.66
Albaraka Banking Group	744	1.470	1,094	1.610	0.91
Khaleeji Commercial Bank	1,050	0.128	134	0.125	1.02
Ahli United Bank	4,732	0.520	2,460	0.466	1.12
National Bank of Bahrain	778	0.600	467	0.310	1.93
BBK	851	0.404	344	0.259	1.56
Average P/BV					1.06

Sources: Zawya and Banks' Financial Statements

CMP as on January 24, 2010

Weighted Average Fair Value

Applying equal weights (GGM – 50% and comparative P/BV – 50%), we have arrived at a final fair value or target price of BHD 0.201, which implies a potential upside of 6.8% over the current market price of BHD 0.188 (as on January 24, 2010).

Weighted Average Fair Value			
Valuation Method	Fair Value per Share (BHD)	Weightage	Weighted Value per Share (BHD)
GGM based P/BV Multiple Method	0.185	50%	0.093
Comparative P/BV Multiple Method	0.217	50%	0.108
Target Price			0.201
CMP			0.188
Upside/(-)Downside			6.8%

Investment Opinion

The banking sector in Bahrain, like most other countries in the region, has not been immune to the global financial crisis. Assets held by the banking sector, which witnessed a compounded growth of 20.7% over 2004-2008, has been consistently declining since 3Q08. As of Oct-09, the sector's total assets stood at USD 218.91 billion, a decline of 14.7% from USD 256.59 billion in Oct-08. A major blow was due to the sector's exposure to foreign assets, which represented 80.86% of the total as of Oct-09. Total foreign assets witnessed a decline of 15.5% to USD 177.02 billion in Oct-09 from USD 209.46 billion in the same period last year. Domestic assets registered a decline of 11.1% to USD 41.89 billion from USD 47.13 billion during this period. The Islamic banking sector was no exception to the overall slowdown in the industry. In contrast to a compounded growth of 45.9% over the 2004 to 2008 period, the sector expanded by a mere 5.4% to USD 25.70 billion in Oct-09 compared to USD 24.39 billion in Oct-08. One of the many reasons associated with the overall weakness in the banking sector was the cautious approach towards lending amid unfavourable credit conditions in the GCC region. Further, the central bank's focus is to secure the financial health and credit quality of the banking system instead of merely expanding the credit portfolio. Looking ahead, challenging economic conditions across GCC countries are likely to impact the sector's credit expansion and quality in the immediate term. However, the sector is well capitalized and profitable enough to absorb any potential losses due to the prevailing conditions. Therefore, we believe that the banking sector in Bahrain will uphold its overall strength during the upcoming years, especially as signs of a revival are visible.

In tandem with the overall slowdown in banking and Islamic banking, BISB's financing activities declined 2.1% to BHD 699.58 million during 9M09 from BHD 714.64 million in 9M08. Further, the bank continued to post higher loan loss provisions for bad debts and finance transactions, especially related to Saad and Algosaibi Groups, which are facing significant problems due to financial irregularities. During 9M09, BISB's loan loss provisions stood at BHD 7.61 million compared to BHD 1.2 million last year. As a result, net income declined drastically to BHD 0.82 million from BHD 32.09 million. On the brighter side, the bank's total deposits (current accounts and unrestricted investment accounts) increased by 4.8% to BHD 759.63 million in 9M09 from BHD 724.55 million in 9M08. The increase in deposits and a conservative approach towards credit expansion reflects the management's focus on building a strong liquidity base to meet any adverse situations arising out of the prevailing economic conditions. After the Saad and Algosaibi crisis, the central bank of Bahrain directed the banks to book up to 50.0% of their exposure in the two conglomerates during 1H09 itself. Therefore, it is likely that BISB did not completely book its exposure in the two Saudi Conglomerates and we anticipate that to happen over the upcoming quarters. We remain cautious on the stock as higher loan loss provisions in the near future may pressurize the bank's bottom-line.

We had updated BISB on February 25, 2009 with a NEUTRAL rating (target price of BHD 0.273, indicating a 4.9% upside). Currently, the bank's stock is trading at a P/E multiple of 23.70x and 13.48x on 2010E and 2011E earnings, and at a P/BV multiple of 0.92x and 0.93x on 2010E and 2011E BVPS, respectively. The stock has witnessed a loss of 4.1% since the beginning of this year oppose to a 0.9% increase in the Bahrain All Share Index. Considering the above factors, we have arrived at a price target of BHD 0.201, implying an upside of 6.8% over the current price of BHD 0.188 (as on January 24, 2010). **Accordingly, we reiterate our earlier NEUTRAL recommendation on Bahrain Islamic Bank.**

Financial Statements

Consolidated Income Statement							
(BHD '000)	2008A	9M08A	9M09A	2009E	2010E	2011E	2012E
Income from Islamic finances	36,934	25,960	26,295	35,590	40,946	47,085	53,959
Return on unrestricted investment accounts before Group's share as a Mudarib	30,885	22,113	21,309	28,103	32,286	37,186	42,678
Group's share as a Mudarib	-13,183	-10,134	-8,344	-11,004	-12,642	-14,561	-16,711
Return on unrestricted investment accounts	17,702	11,979	12,965	17,098	19,644	22,625	25,967
Group's share of income from joint financing and investment accounts	19,232	13,981	13,330	18,491	21,302	24,460	27,992
Income from investments	18,279	16,253	1,635	2,231	2,525	2,847	4,793
Gain on fair value adjustment for investments in properties	11,436	9,519	2,345	3,199	3,207	3,348	3,458
Share of results of associates	663	601	-346	-354	456	608	788
Fee and commission income	4,990	0	0	0	0	0	0
Other Income	1,038	5,314	3,647	4,931	5,719	6,291	6,920
Total income	55,638	45,668	20,611	28,498	33,210	37,555	43,951
EXPENSES							
Staff costs	10,528	7,752	6,942	9,475	9,665	10,051	10,504
Depreciation	929	677	953	1,300	1,460	1,646	1,847
Other expenses	5,971	3,949	4,292	5,852	6,086	6,329	6,582
Total expenses	17,428	12,378	12,187	16,627	17,210	18,026	18,933
Net income before provisions	38,210	33,290	8,424	11,871	16,000	19,529	25,018
Provisions	-15,897	-1,200	-7,607	-10,761	-9,642	-7,231	-7,087
NET INCOME FOR THE YEAR	22,313	32,090	817	1,110	6,358	12,298	17,932

Consolidated Balance Sheet							
(BHD '000)	2008A	9M08A	9M09A	2009E	2010E	2011E	2012E
ASSETS							
Cash and balances with Central Bank of Bahrain and other banks	49,579	32,647	50,312	45,039	42,587	39,072	33,861
Murabaha receivables	368,563	413,221	357,328	358,692	397,718	442,913	491,000
Mudaraba investments	55,436	71,221	69,356	71,738	81,954	94,006	107,311
Musharaka investments	80,526	80,520	85,411	87,584	98,094	110,356	123,599
Investments	127,193	155,671	106,586	109,065	122,428	138,041	154,954
Investments in associates	7,423	7,569	7,224	7,392	8,298	9,356	10,502
Investments in Ijarah assets	9,901	9,774	9,805	10,033	11,262	12,699	14,254
Ijarah Muntahia Bittamleek	67,960	62,888	128,067	143,477	172,746	207,898	248,031
Investments in properties	97,829	96,972	103,411	105,816	118,781	133,929	150,338
Ijarah rental receivables	1,469	2,963	1,469	1,503	1,687	1,903	2,136
Other assets	8,088	7,255	13,468	13,781	15,470	17,443	19,580
Total Assets	873,967	940,701	932,437	954,121	1,071,025	1,207,615	1,355,566
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY							
LIABILITIES							
Customers' current accounts	69,466	68,568	79,342	85,686	96,067	107,491	119,743
Other liabilities	13,935	14,133	13,091	17,164	25,457	37,488	47,370
TOTAL LIABILITIES	83,401	82,701	92,433	102,850	121,524	144,979	167,113
UNRESTRICTED INVESTMENT ACCOUNTS	624,119	655,984	680,292	697,603	786,003	884,360	990,601
EQUITY							
Share capital	66,235	65,926	72,859	72,859	80,145	88,161	96,977
Share premium	43,936	50,869	43,936	43,936	43,936	43,936	43,936
Reserves	42,387	85,221	43,090	36,873	39,416	46,180	56,939
Proposed appropriations	13,889	0	0	0	0	0	0
TOTAL EQUITY	166,447	202,016	159,712	153,495	163,498	178,277	197,852
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND EQUITY	873,967	940,701	932,437	954,121	1,071,025	1,207,615	1,355,566

Consolidated Cash Flow Statement							
(BHD '000)	2008A	9M08A	9M09A	2009E	2010E	2011E	2012E
OPERATING ACTIVITIES							
Net income for the year	22,313	32,090	817	1,110	6,358	12,298	17,932
Adjustments for non-cash items:							
Depreciation	929	677	953	1,300	1,460	1,646	1,847
Provisions for impairment	15,897	1,200	7,607	10,761	9,642	7,231	7,087
Amount written-off during the year	15	0	0	0	0	0	0
Loss/(Gain) on sale of investments in properties	0	-10,645	2,065	2,065	0	0	0
Fair value gain on investment in properties	-11,436	-9,519	-2,345	-3,199	-3,207	-3,348	-3,458
Share of results of associates	-663	-601	346	354	-456	-608	-788
Operating profit before changes in operating assets and liabilities	27,055	13,202	9,443	12,391	13,796	17,218	22,620
Working capital adjustments:							
Mandatory reserve with Central Bank of Bahrain	-18,963	-11,438	6,953	2,860	1,545	2,215	3,283
Murabaha receivables	-38,475	-77,366	2,818	9,871	-39,026	-45,195	-48,088
Mudaraba investments	-22,485	-27,612	-13,920	-16,302	-10,216	-12,052	-13,305
Musharaka investments	-41,100	-41,094	-4,885	-7,058	-10,510	-12,262	-13,243
Ijarah rental receivables	1,494	-49,991	-60,107	-34	-184	-215	-233
Other assets	-1,893	-266	-6,206	-5,693	-1,689	-1,973	-2,137
Customers' current accounts	8,503	7,605	9,876	16,220	10,381	11,424	12,252
Other liabilities	5,772	6,518	-3,696	3,229	8,293	12,030	9,883
Directors' remuneration	0	0	0	0	0	0	0
Charitable contributions	0	0	0	0	0	0	0
Net cash used in operating activities	-80,092	-180,442	-59,724	15,483	-27,609	-28,810	-28,969
INVESTING ACTIVITIES							
Proceeds (Purchase) of investments in properties	-51,443	-59,548	-3,237	-7,987	-12,965	-15,148	-16,408
Ijarah Muntahia Bittamleek	-54,386	0	0	-75,517	-29,269	-35,152	-40,133
Purchase of investments in Ijarah assets	-4,143	-3,881	-31	-132	-1,229	-1,436	-1,556
Purchase of investments	-11,254	-29,972	-20,067	18,128	-13,363	-15,613	-16,912
Purchase of associates	480	0	0	31	-1,058	-1,146	-1,234
Proceeds from disposal of investments	0	31,855	39,158	39,158	0	0	0
Net cash used in investing activities	-120,746	-61,546	15,823	-65,476	-57,885	-68,496	-76,244
FINANCING ACTIVITIES							
Purchase of treasury shares	0	0	-173	-173	0	0	0
Increase in capital	0	0	0	0	0	0	0
Share premium	0	0	0	0	0	0	0
Increase in unrestricted investment accounts	220,904	252,769	56,173	73,484	88,401	98,357	106,241
Dividends paid	-7,535	-7,615	-3,793	-7,286	-954	-1,845	-2,152
Directors' remuneration	0	0	0	0	0	0	0
Zakah paid	-264	-306	-620	-15	-87	-169	-246
Charitable contributions paid	0	0	0	0	0	0	0
Net cash from financing activities	213,105	244,848	51,587	66,182	87,360	96,343	103,843
NET INCREASE IN CASH AND CASH EQUIVALENTS							
	12,267	2,860	7,686	16,189	1,866	-963	-1,369
Cash and cash equivalents at the beginning of the year	6,064	6,064	18,331	18,331	34,520	36,385	35,423
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	18,331	8,924	26,017	34,520	36,385	35,423	34,054

Financial Ratios

	2008A	9M08	9M09	2009E	2010E	2011E	2012E
Profitability							
Return on Average Assets (RoAA)	2.9%	5.3%*	0.1%*	0.1%	0.6%	1.1%	1.4%
Return on Average Equity (RoAE)	12.6%	22.0%*	0.7%*	0.7%	4.0%	7.2%	9.5%
Net Profit Sharing Income / Total Operating Income	34.6%	30.6%	64.7%	64.9%	64.1%	65.1%	63.7%
Non-Profit Sharing Income / Total Operating Income	65.4%	69.4%	35.3%	35.1%	35.9%	34.9%	36.3%
Margins							
Depositors' Profit Sharing Expenses / Profit Sharing Income	47.9%	46.1%	49.3%	48.0%	48.0%	48.1%	48.1%
Profit Sharing Income / Average Profit Sharing Income Earning Assets	6.3%	5.6%*	5.1%*	5.1%	5.2%	5.3%	5.4%
Depositors' Profit Sharing Expenses/ Average Depositors' Profit Sharing Liabilities	3.4%	2.5%*	2.6%*	2.6%	2.6%	2.7%	2.8%
Net Spread	2.8%	3.1%	2.5%	2.5%	2.5%	2.5%	2.6%
Net Financing/Profit Sharing Margin	3.3%	3.0%*	2.6%*	2.6%	2.7%	2.7%	2.8%
Total Operating Expenses to Total Operating Income Ratio	31.3%	27.1%	59.1%	58.3%	51.8%	48.0%	43.1%
Staff Expenses	18.9%	17.0%	33.7%	33.2%	29.1%	26.8%	23.9%
Liquidity & Assets Quality							
Credit to Deposit (C/D) Ratio	92.8%	98.6%	92.1%	92.1%	92.0%	92.5%	93.0%
Customers' Deposits to Shareholders' Equity	416.7%	358.7%	475.6%	510.3%	539.5%	556.4%	561.2%
Loan Loss Reserve / Gross Due from Financing Activities	2.7%	0.5%	3.6%	3.9%	4.6%	4.8%	5.0%
Capital Adequacy							
Shareholders' Equity to Total Assets	19.0%	21.5%	17.1%	16.1%	15.3%	14.8%	14.6%
Shareholders' Equity to Gross Due from Financing Activities	25.2%	28.1%	22.0%	20.6%	19.4%	18.8%	18.6%
Operating Performance							
% Change in Profit Sharing Income	21.3%	46.2%	-4.7%	-3.9%	15.2%	14.8%	14.4%
% Change in Non-Profit Sharing Income	72.0%	133.9%	-77.0%	-72.5%	19.0%	10.0%	21.9%
% Change in Total Operating Income	50.3%	92.8%	-54.9%	-48.8%	16.5%	13.1%	17.0%
% Change in Net Profit	-10.8%	83.6%	-97.5%	-95.0%	472.8%	93.4%	45.8%
Valuation Ratios							
Adj. EPS (BHD)	0.031	0.059*	0.001*	0.002	0.008	0.014	0.018
Adj. BVPS (BHD)	0.23	0.28	0.22	0.21	0.20	0.20	0.20
P/E (x)	6.14	3.20	125.74	123.39	23.70	13.48	10.17
P/BV (x)	0.82	0.68	0.86	0.89	0.92	0.93	0.92
CMP (BHD)	0.188	0.188	0.188	0.188	0.188	0.188	0.188

* Annualised

** Price as on January 24, 2010