

**BBK (BBKB.BH)**
**OVERWEIGHT**

<b>CMP</b>	<b>BHD 0.434</b>
<b>Target</b>	<b>BHD 0.548</b>
<b>Potential Upside</b>	<b>26.2%</b>

MSCI GCC Index	430.34
Bahrain All Share Index	1,537.00

**Key Stock Data**

Sector	Banking
Reuters Code	BBKB.BH
Bloomberg Code	BBK BI Equity
Net Out. Shares (bn)	0.851
Market Cap (BHD bn)	0.369
Market Cap (USD bn)	0.980
Avg. 12m Vol. (mn)	0.496
Volatility (30 day)	NA
Volatility (180 day)	NA

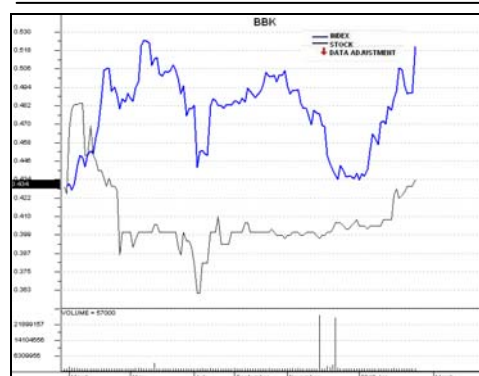
**Stock Performance (%)**

52 week high / low (BHD) 0.484 / 0.360

	1M	3M	12M
Absolute (%)	7.4	8.5	6.0
Relative (%)	3.2	2.3	9.9

**Shareholding Pattern (%)**

Government (Bahrain)	32.16
Ithmaar Bank	25.34
Kuwait Investment Authority	14.68
Public	27.82

**BBK and Bahrain All Share Index**

**Quarterly Result Update**

- **BBK reported a total operating income of BHD 92.56 million during FY09, down 19.3% YoY. The total income was in line with our estimate of BHD 92.00 million.**
- **Net profit increased 29.3% YoY to BHD 35.01 million during FY09, 8.1% higher than our estimate owing to a sharp decline in impairment provisions for investments of non-trading securities.**
- **We are maintaining our FY2010 estimates for total operating income. However, we have raised our FY2010E net profit upward by 0.7% anticipating lower impairment provisions.**
- **We are reiterating our earlier OVERWEIGHT recommendation on BBK with a target price of BHD 0.548, implying an upside of 26.2%.**

**Overview**

BHD Million	2008A	2009A	2010E	2011E	2012E
Total Operating Income	114.68	92.56	96.22	98.57	102.55
Change YoY	31.0%	-19.3%	4.0%	2.4%	4.0%
Net Profit	27.08	35.01	37.28	38.41	41.13
Change YoY	-9.8%	29.3%	6.5%	3.0%	7.1%
Net Spread	3.1%	3.1%	3.1%	3.0%	3.0%
Net Interest Margin	3.1%	3.1%	3.1%	3.0%	3.0%
Adj. EPS (BHD)	0.032	0.042	0.042	0.041	0.042
RoAE	12.1%	15.9%	15.6%	14.9%	14.8%

**Operating Income**

The bank's total operating income declined 19.3% to BHD 92.56 million during FY09 from BHD 114.68 million in FY08 due to lower other income partially offset by continued growth in net interest income. During the period, net interest income was up 7.6% to BHD 61.30 million from BHD 56.98 million in FY08, as interest expense plunged 58.0% to BHD 21.13 million compared to a 23.2% decline in interest income to BHD 82.42 million. Net fees and commission income jumped 10.9% to BHD 22.10 million from BHD 19.93 million in FY08. However, share of profit in associated company and joint venture declined 15.5% to BHD 2.66 million.

**Net Spread and NIM**

The bank's net spread slipped by a marginal 4 bps to 3.1%, as a result of a 166 bps decline in yield on average interest earning assets outweighing a 162 bps decline in cost of funds. However, NIM remained flat at 3.1%.

**Expenses**

During FY09, the bank's total expenses significantly reduced by 34.5% to BHD 57.18 million from BHD 87.35 million in FY08. The decline in expenses was largely attributable to a considerable decrease in net provisions for impairment of non-trading investment securities to BHD 2.95 million from BHD 44.68 million in FY08.

However, net provisions for impairments on loans and advances to customers were up to BHD 11.29 million from BHD 7.55 million in FY08. Staff costs increased 30.5% to BHD 27.87 million from BHD 21.35 million in FY08. Depreciation was up 20.8% to BHD 2.76 million and other expenses increased 7.2% to BHD 12.30 million from BHD 11.48 million in FY08. As a result, the cost-to-income ratio (excluding the impact of impairment provisions) increased to 46.4% from 30.6% in FY08.

### Net Profit

During FY09, the bank's net profit increased 29.3% to BHD 35.01 million driven by continued growth in net interest income and, most importantly, a significant decline in provisions for impairment of non-trading investment securities. Consequently, adjusted EPS was up to BHD 0.04 from BHD 0.03 in FY08.

### Peer Comparison

For the purpose of comparing commercial banking peers in Bahrain, we have considered National Bank of Bahrain (NBB).

(in BHD Million)	Financial Performance of Comparable Banks			
	NBB		BBK	
	2008	2009	2008	2009
Net Interest Income	46	49	57	61
% YoY Growth	9.2%	6.4%	12.7%	7.6%
Total Operating Income	63	72	115	93
% YoY Growth	-3.6%	15.3%	31.0%	-19.3%
Net Profit	35	43	27	35
% YoY Growth	-16.4%	23.2%	-9.8%	29.3%
Loans & Advances (Net)	1,096	1,151	1,352	1,269
% YoY Growth	15.8%	5.1%	19.9%	-6.2%
Total Assets	2,034	2,118	2,166	2,279
% YoY Growth	6.8%	4.1%	3.5%	5.2%
Customers' Deposits	1,519	1,480	1,337	1,517
% YoY Growth	15.1%	-2.6%	19.6%	13.5%
Shareholders' Equity	217	241	209	231
% YoY Growth	-12.9%	11.0%	-11.8%	10.4%
Yield on Average Interest Earning Assets	4.8%	3.6%	5.8%	4.2%
Average Cost of Funds	3.0%	1.3%	2.7%	1.1%
Net Spread	1.8%	2.3%	3.1%	3.1%
Net Interest Margin	2.6%	2.6%	3.1%	3.1%
Cost to Income Ratio	38.3%	35.7%	30.6%	46.4%
Net loans & Advances to Deposit (C/D) Ratio	72.1%	77.8%	101.2%	83.6%
Equity to Total Assets Ratio	10.7%	11.4%	9.7%	10.1%
RoAE	14.9%	18.7%	12.1%	15.9%
RoAA	3.2%	2.1%	1.3%	1.6%

Source: BBK and NBB Financial Statements

## New Projects and Updates

In a bid to strengthen and diversify the bank's investments in the Islamic financial segment, BBK transferred its 50% stake in Sakana Holistic Housing Solutions to its wholly-owned Islamic investment banking unit Capinnova Investment Bank in February 2010. In addition, the bank launched the BBK-ING (L) Invest Middle East & North Africa fund, an open-ended equity fund aimed at achieving long-term capital appreciation by investing in companies listed on exchanges in the MENA region. Earlier in January 2010, BBK launched its e-Remittance to India service, allowing its Indian customers to transfer funds easily at an affordable price.

## Risks and Concerns to Valuation:

- ❖ We expect a recovery in lending activities, albeit at a slower pace in coming years. However, any further decline in lending would bring down the bank's net interest income, thereby calling for a revision of our estimates.
- ❖ The bank's cost-to-income ratio significantly increased to 46.4% during 2009 from 30.6% in 2008. Although, we expect the ratio to stabilize over the coming years, any further increase may impact our bottom line estimates.

## Valuation Methodology:

We have used two valuation methods for arriving at the fair value of BBK, as explained below:

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

## 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 bank 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 bank's fair value over a medium-term investment horizon.

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

- i. Sustainable RoAE has been taken as the 5-year average of the return on average equity (RoAE) over 2010E-2014E.
- ii. The cost of equity (Ke) - 8.3% has been calculated using the Capital Asset Pricing Model (CAPM).
- iii. The terminal growth rate (g) has been taken as 2.0%.

GGM Valuation Summary	
Sustainable RoAE	15.1%
Cost of Equity (Ke)	8.3%
Perpetual Growth Rate	2.0%
<b>Target P/BV Multiple for 2010E (x)</b>	<b>2.067</b>
2010E BVPS (BHD)	0.278
<b>Fair Value per Share using Target P/BV (BHD)</b>	<b>0.574</b>
CMP (BHD)	0.434
<b>Upside/(-)Downside</b>	<b>32.2%</b>

## 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 scenarios. The shaded area represents the most probable outcomes.

Sensitivity Analysis - GGM (Ke vs. g)					
Cost of Equity	Terminal Growth Rate (g)				
	1.0%	1.5%	2.0%	2.5%	3.0%
6.3%	0.734	0.781	0.840	0.913	1.009
7.3%	0.618	0.647	0.682	0.724	0.776
<b>8.3%</b>	0.533	0.552	<b>0.574</b>	0.599	0.630
9.3%	0.469	0.482	0.496	0.512	0.530
10.3%	0.419	0.427	0.436	0.446	0.458

Sensitivity Analysis - GGM (Ke vs. RoAE)					
Cost of Equity	Return on Average Equity (RoAE)				
	13.1%	14.1%	15.1%	16.1%	17.1%
6.3%	0.711	0.776	0.840	0.904	0.968
7.3%	0.577	0.630	0.682	0.734	0.786
<b>8.3%</b>	0.486	0.530	<b>0.574</b>	0.618	0.662
9.3%	0.420	0.458	0.496	0.533	0.571
10.3%	0.369	0.403	0.436	0.469	0.503

Sensitivity Analysis - GGM (RoAE vs. g)					
Return on Average Equity	Terminal Growth Rate (g)				
	1.0%	1.5%	2.0%	2.5%	3.0%
13.1%	0.458	0.471	0.486	0.504	0.525
14.1%	0.496	0.512	0.530	0.552	0.577
<b>15.1%</b>	0.533	0.552	<b>0.574</b>	0.599	0.630
16.1%	0.571	0.593	0.618	0.647	0.682
17.1%	0.609	0.634	0.662	0.695	0.734

## TTM P/E Multiple-Based Valuation

TTM P/E Multiple Based Valuation Summary	
BBK's 2010E EPS (BHD)	<b>0.042</b>
Target P/E (x)	12.50
<b>Fair Value per Share using Target P/E</b>	<b>0.521</b>
CMP (BHD)	0.434
<b>Upside/(-)Downside</b>	<b>20.1%</b>

Banks	Outstanding Shares (Million)	CMP <sup>#</sup> (BHD)	Market Capitalisation (BHD Million)	EPS TTM (BHD)	P/E TTM (x)
Bank of Bahrain and Kuwait (BBK)	851.4	0.434	369	0.042	10.33
National Bank of Bahrain (NBB)	777.6	0.630	490	0.055	11.44
Ahli United Bank (AUB)	4,731.6	0.230	1,088	0.012	18.42
Al Salam Bank (ASBB)	1,426.1	0.096	137	0.010	9.80
<b>Average TTM P/E</b>					<b>12.50</b>

Sources: Zawya and BBK's Financial Statement

# CMP as on February 22, 2010

## Weighted Average Fair Value

Applying equal weights (GGM – 50% and TTM P/E – 50%), we have arrived at a final fair value or target price of BHD 0.548, implying an upside of 26.2% over the current market price of BHD 0.434 (as on February 22, 2010).

Weighted Average Fair Value			
Valuation Method	Fair Value per Share (BHD)	Weight	Weighted Value per Share (BHD)
Target P/BV Multiple Method	0.574	50%	0.287
TTM P/E Multiple Method	0.521	50%	0.261
<b>Target Price</b>			<b>0.548</b>
CMP (BHD)			0.434
<b>Upside/(-)Downside</b>			<b>26.2%</b>

## Investment Opinion

Bahrain's banking sector has not been immune to the global financial crisis. The sector's growth, which stood at a robust CAGR of 20.7% during the period from 2004 to 2008, has been consistently declining since 3Q08. As of Nov-09, the sector's total assets stood at USD 219.98 billion representing a decline of 13.1% from USD 253.17 billion in Nov-08. A major blow came from the sector's exposure to foreign assets, which represented 80.8% of total assets as of Nov-09. Total foreign assets witnessed a decline of 13.5% to USD 177.79 billion as of Nov-09 from USD 205.58 billion in Nov-08. Domestic assets also registered a decline of 11.3% to USD 42.19 billion by the end of Nov-09 from USD 47.59 billion, largely attributable to the industry's conservative lending approach. Furthermore, the central bank is keen on improving credit quality in the country's banking system instead of merely increasing the quantum of lending. Looking ahead, it is clear that the challenging economic conditions across the GCC region will likely impact credit expansion and credit quality in the near future. However, the sector is well capitalized and profitable enough to absorb any potential losses arising out of the prevailing economic conditions. Hence, we believe that the banking sector in Bahrain will be able to sustain the overall financial strength over the coming years, despite the difficult macroeconomic environment.

BBK reported a healthy growth of 29.3% in net earnings driven by the continued growth momentum in NII and fees & commission income. More importantly, the bank's provisions significantly declined by 72.7% to BHD 14.24 million from BHD 52.23 million in the previous year, as the bank built-up sufficient reserves during 2007-2008 in response to the financial turmoil. Net loans and advances declined 6.2% following a shift in the bank's focus from international markets to local and GCC markets. On the other hand, customers' deposits increased 13.5% to BHD 1,516.91 million from BHD 1,336.56 million in FY08. The bank's capital adequacy ratio stood at 17.5%, well above the Central bank of Bahrain's (CBB) regulatory requirement of 12%.

We believe that healthy capital adequacy ratio, access to low cost funds (customer deposits), and a credit-to-deposit ratio of 83.6%, which was lower than the FY08 level of 101.2%, provide further scope to the bank for expanding its lending portfolio. Moreover, the bank is focusing on opportunities driven by Bahrain's economic vision-2030, a long-term government plan to create a diversified and globally competitive economy. Given the fundamental strength of the bank and the opportunities arising out of government policies, we hold an optimistic outlook on BBK's stock.

We had updated BBK on December 31, 2009 with an OVERWEIGHT rating (target price of BHD 0.483 indicating a 18.5% upside). Currently, the bank's stock is trading at a P/E multiple of 10.41x and 10.61x on 2010E and 2011E earnings, and at a P/BV multiple of 1.56x and 1.52x on 2010E and 2011E BVPS, respectively. The stock has gained 6.4% since the beginning of this year in tandem with a 5.4% rise in Bahrain All Share Index. Considering the above factors, we have arrived at a price target of BHD 0.548, which implies an upside of 26.2% from the current price of BHD 0.434 (as on February 22, 2010). **Accordingly, we reiterate our earlier OVERWEIGHT rating on BBK.**

## Financial Statements

(BHD Million)	Consolidated Income Statement				
	2008A	2009A	2010E	2011E	2012E
Interest income	107.31	82.42	89.44	94.36	101.93
Interest expense	50.33	21.13	26.00	29.84	34.70
<b>Net interest income</b>	<b>56.98</b>	<b>61.30</b>	<b>63.44</b>	<b>64.52</b>	<b>67.23</b>
Fees and commission income	23.41	-	27.16	28.39	29.52
Fees and commission expense	(3.48)	-	(3.89)	(4.10)	(4.31)
<b>Net fees and commission income</b>	<b>19.93</b>	<b>22.10</b>	<b>23.28</b>	<b>24.28</b>	<b>25.21</b>
<b>Other Income</b>	<b>114.68</b>	<b>92.56</b>	<b>96.22</b>	<b>98.57</b>	<b>102.55</b>
Staff costs	21.35	27.87	29.27	30.73	31.50
Other expenses	11.48	12.30	12.79	13.40	14.25
Depreciation	2.29	2.76	3.71	4.07	4.43
Net provision for impairment on loans and advances to customers	7.55	11.29	9.42	8.41	7.44
Net provision for impairment of non-trading investment securities	44.68	2.95	3.37	3.15	3.36
<b>Total operating expenses</b>	<b>87.35</b>	<b>57.18</b>	<b>58.55</b>	<b>59.76</b>	<b>60.98</b>
<b>PROFIT BEFORE TAXATION</b>	<b>27.33</b>	<b>35.38</b>	<b>37.67</b>	<b>38.81</b>	<b>41.57</b>
Net tax (provision) / write back - Indian Branches	(0.17)	(0.36)	(0.39)	(0.40)	(0.43)
Kuwait National Labour support tax	(0.15)	0	0	0	0
<b>PROFIT FOR THE YEAR</b>	<b>27.01</b>	<b>35.02</b>	<b>37.28</b>	<b>38.41</b>	<b>41.14</b>
Attributable to:					
<b>Shareholders of the Bank</b>	<b>27.08</b>	<b>35.01</b>	<b>37.28</b>	<b>38.41</b>	<b>41.13</b>
Loss attributable to minority interests	(0.07)	0	0	0	0

## Consolidated Balance Sheet

(BHD Million)	2008A	2009A	2010E	2011E	2012E
<b>ASSETS</b>					
Cash and balances with central banks	201.49	162.41	166.75	180.03	195.92
Treasury bills	4.05	61.66	62.76	65.78	70.26
Financial assets at fair value through statement of income	0.86	0	0	0	0
Deposits and due from banks and other financial institutions	257.10	362.41	368.93	386.66	413.00
Loans and advances to customers	1,352.28	1,268.56	1,287.24	1,343.40	1,431.99
Non-trading investment securities	286.35	357.15	363.58	381.05	407.01
Investments in associated company and joint venture	27.01	27.47	28.93	30.32	32.38
Interest receivable and other assets	15.55	11.24	11.44	11.99	12.80
Premises and equipment	21.10	28.00	30.26	32.18	33.67
<b>TOTAL ASSETS</b>	<b>2,165.79</b>	<b>2,278.89</b>	<b>2,319.89</b>	<b>2,431.41</b>	<b>2,597.04</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Deposits and due to banks and other financial institutions	250.58	239.58	243.92	261.38	290.67
Term borrowings	329.50	257.17	261.80	274.38	293.08
Customers' current, savings and other deposits	1,336.56	1,516.91	1,531.02	1,590.98	1,684.99
Interest payable and other liabilities	39.87	34.24	34.85	36.53	39.02
<b>Total liabilities</b>	<b>1,956.51</b>	<b>2,047.90</b>	<b>2,071.59</b>	<b>2,163.27</b>	<b>2,307.75</b>
<b>EQUITY</b>					
Share capital	81.08	85.14	89.39	93.86	98.55
Treasury stock	-1.36	-2.85	-2.85	-2.85	-2.85
Share premium	39.92	39.92	39.92	39.92	39.92
Statutory reserve	35.50	39.00	39.00	39.00	39.00
General reserve	20.00	27.00	27.00	27.00	27.00
Cumulative changes in fair values	-8.90	0.92	0.92	0.92	0.92
Foreign currency translation adjustments	3.69	-0.46	-0.46	-0.46	-0.46
Retained earnings	17.63	18.85	31.90	47.26	63.72
Proposed appropriations	21.61	23.36	23.36	23.36	23.36
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK</b>	<b>209.16</b>	<b>230.88</b>	<b>248.19</b>	<b>268.02</b>	<b>289.17</b>
Minority interests	0.11	0.11	0.11	0.12	0.13
Total equity	209.27	230.99	248.30	268.14	289.29
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,165.79</b>	<b>2,278.89</b>	<b>2,319.89</b>	<b>2,431.41</b>	<b>2,597.04</b>

<b>Consolidated Cash Flow Statement</b>						
<b>(BHD Million)</b>	<b>2008A</b>	<b>2009A</b>	<b>2010E</b>	<b>2011E</b>	<b>2012E</b>	
<b>OPERATING ACTIVITIES</b>						
<b>Profit before taxation</b>	27.33	35.38	37.67	38.81	41.57	
Adjustments for:						
Net provisions relating to:						
Loans and advances to customers	7.55	0	9.42	8.41	7.44	
Non-trading investment securities	44.68	0	3.37	3.15	3.36	
Share of profit in associated company and joint venture	-3.15	0	-2.80	-2.94	-3.14	
Depreciation	2.29	0	3.71	4.07	4.43	
Realised gains on sale of non-trading investments	-22.36	0	0	0	0	
<b>Operating profit before working capital changes</b>	<b>56.33</b>	<b>0</b>	<b>51.36</b>	<b>51.51</b>	<b>53.67</b>	
(Increase) decrease in operating assets						
Mandatory reserve deposits with central banks	-17.33	0	0	0	0	
Treasury bills maturing after 91 days	4.90	0	-1.11	-3.02	-4.48	
Financial assets at fair value through statement of income	3.64	0	0	0	0	
Deposits and due from banks and other financial institutions	-4.25	0	-6.52	-17.73	-26.34	
Loans and advances to customers	-232.19	0	-20.15	-61.36	-92.61	
Interest receivable and other assets	4.71	0	-0.20	-0.55	-0.82	
Deposits and due to banks and other financial institutions	-103.66	0	4.34	17.46	29.29	
Borrowings under repurchase agreements	-12.57	0	0	0	0	
Customers' current, savings and other deposits	218.97	0	14.11	59.96	94.01	
Interest payable and other liabilities	8.38	0	0.62	1.68	2.49	
<b>Net cash (used in) from operating activities</b>	<b>-73.07</b>	<b>243.12</b>	<b>42.45</b>	<b>47.95</b>	<b>55.20</b>	
<b>INVESTING ACTIVITIES</b>						
Net changes in non-trading investment securities	114.06	0	-6.43	-17.48	-25.96	
Dividends received from associated company	0.89	0	0	0	0	
Investments in joint venture and associated company	-11.62	0	-1.46	-1.39	-2.07	
Purchase of premises and equipment	-3.53	0	-2.26	-1.93	-1.48	
<b>Net cash from (used in) from investing activities</b>	<b>99.80</b>	<b>-72.23</b>	<b>-10.14</b>	<b>-20.79</b>	<b>-29.51</b>	
<b>FINANCING ACTIVITIES</b>						
(Redemption) issue of term borrowings	-9.80	0	4.63	12.58	18.69	
Payment of dividend, directors' remuneration and donations	-22.15	0	-18.96	-20.10	-20.66	
Net cash (used in) from financing activities	-31.95	-91.37	-14.33	-7.51	-1.97	
Foreign currency translation adjustments	-0.20	-4.15	0	0	0	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-5.43</b>	<b>75.36</b>	<b>17.97</b>	<b>19.64</b>	<b>23.73</b>	
Cash and cash equivalents at beginning of the year	405.25	399.83	475.19	493.16	512.81	
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>399.83</b>	<b>475.19</b>	<b>493.16</b>	<b>512.81</b>	<b>536.53</b>	

## Financial Ratios

	2008A	2009A	2010E	2011E	2012E
<b>Profitability</b>					
Return on Average Assets (RoAA)	1.3%	1.6%	1.6%	1.6%	1.6%
Return on Average Equity (RoAE)	12.1%	15.9%	15.6%	14.9%	14.8%
Net Interest Income / Total Operating Income	49.7%	66.2%	65.9%	65.5%	65.6%
Non-Interest Income / Total Operating Income	50.3%	33.8%	34.1%	34.5%	34.4%
<b>Margins</b>					
Interest Expense / Interest Income	46.9%	25.6%	29.1%	31.6%	34.0%
Interest Income / Average Interest Earning Assets	5.8%	4.2%	4.3%	4.4%	4.5%
Interest Expense/ Average Interest Bearing Liabilities	2.7%	1.1%	1.3%	1.4%	1.6%
Net Spread	3.1%	3.1%	3.1%	3.0%	3.0%
Net Interest Margin	3.1%	3.1%	3.1%	3.0%	3.0%
Total Operating Expenses to Total Operating Income Ratio	30.6%	46.4%	47.6%	48.9%	48.9%
<b>Liquidity &amp; Assets Quality</b>					
Net Loans and Advances to Deposit (C/D) Ratio	101.2%	83.6%	84.1%	84.4%	85.0%
Customers' Deposits to Shareholders' Equity	639.0%	657.0%	616.9%	593.6%	582.7%
Deposits and balances due from banks / Due to Banks	102.6%	151.3%	151.2%	147.9%	142.1%
Provisions / Gross Loans & Advances	3.8%	NA	5.6%	5.7%	5.6%
<b>Capital Adequacy</b>					
Shareholders' Equity to Total Assets	9.7%	10.1%	10.7%	11.0%	11.1%
Shareholders' Equity to Net Loans & Advances and Financing Activities	15.5%	18.2%	19.3%	20.0%	20.2%
<b>Operating Performance</b>					
Change in Net-Interest Income	12.7%	7.6%	3.5%	1.7%	4.2%
Change in Non-interest Income	56.0%	-45.8%	4.8%	3.9%	3.7%
Change in Total Operating Income	31.0%	-19.3%	4.0%	2.4%	4.0%
Change in Net Profit	-9.8%	29.3%	6.5%	3.0%	7.1%
<b>Valuation Ratios</b>					
Adj. EPS (BHD)	0.032	0.042	0.042	0.041	0.042
Adj. BVPS (BHD)	0.246	0.271	0.278	0.286	0.293
P/E (x)	13.64	10.33	10.41	10.61	10.40
P/BV (x)	1.77	1.60	1.56	1.52	1.48
CMP (BHD)*	0.434	0.434	0.434	0.434	0.434

\* Price as on February 22, 2010

NA – Not Applicable