Unicorn Investment Bank B.S.C. (c)
Public Disclosure Document

30 June 2009

CONSOLIDATED FINANCIAL PERFORMANCE SUMMARY

(Amounts in US$ thousands)	30 June 2009	31 December 2008	2007	2006	2005
(Loss)/Profit before impairments & fair value write-downs/backs	**(8,942)**	73,783	50,435	30,139	23,637
Net profit	**1,743**	35,011	49,591	30,139	23,637
Total assets	**1,090,701**	978,770	488,419	293,342	149,389
Due from financial institutions	**308,600**	396,614	72,480	89,803	51,729
Investment securities	**320,929**	328,560	211,393	123,456	31,398
Total liabilities	**621,042**	524,859	140,096	23,851	18,739
Due to financial institutions	**558,710**	399,573	70,371	NIL	NIL
Shareholders' equity	**386,195**	329,640	314,433	254,071	119,362
Total equity	**469,659**	453,911	348,323	269,491	130,650
* Return on average assets (ROAA, per cent)	**0.3%**	4.8%	12.7%	13.6%	17.7%
* Return on average shareholders' equity (ROAE per cent)	**1.0%**	10.9%	17.4%	16.1%	21.0%
Cost:income ratio after impairments & fair value write-downs (per cent)	**99.2%**	81.8%	59.4%	55.0%	55.1%
Liquidity Ratio (per cent)	**150.0%**	129.1%	245.3%	n/a	n/a
Tier 1 capital adequacy ratio (per cent)	**25.4%**	30.8%	43.3%	67.9%	120.0%
Total capital adequacy ratio (per cent)	**25.4%**	30.8%	44.7%	70.8%	120.0%

* ROAA & ROAE are annualised

CAPITAL MANAGEMENT AND ALLOCATION

Unicorn Investment Bank (Unicorn) B.S.C. (c) is a closed, unlisted company incorporated in the Kingdom of Bahrain and licensed as a Wholesale Bank (Islamic Principles) with the Central Bank of Bahrain (CBB). It has subsidiaries in the Kingdom of Bahrain, Saudi Arabia, United States, Malaysia, Turkey and associated undertakings in Pakistan and Bahrain.

Unicorn is required to comply with the regulatory capital adequacy guidelines promulgated by the CBB. These guidelines are based on the standards established by the Basel Committee on Banking Supervision (the Basel Committee) of the Bank for International Settlements (BIS). The BIS/CBB guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance-sheet exposure. Capital is also set aside for operational risk and for the market risk associated with trading activities. In accordance with the CBB guidelines, the Bahraini banks (including Unicorn) must maintain a minimum target capital adequacy ratio of 12.5% on a consolidated basis, and 8.5% on a solo basis.

Unicorn's capital is divided into two tiers: Tier 1, comprising paid-up share capital, reserves and minority interests, less goodwill and regulatory capital deductions; and Tier 2, comprising a proportion of fair value reserves, less regulatory capital deductions.

Risk-weighted assets comprise credit risk-weighted assets and market risk-weighted assets. Credit risk-weighted assets are measured by means of a hierarchy of risk-weightings classified according to the nature of each asset (on and off-balance-sheet) and counterparty. Market risk-weighted assets are determined by taking into account market-related risks such as foreign exchange, profit rate and equity position risks, and counterparty risk. Capital is also required to cover operational risk-weighted exposure.

Capital Structure

The following table details the regulatory capital resources for Unicorn as at 30 June 2009 and 31 December 2008. The figures are shown after the payment of the dividends for the respective years:

Composition of capital

(Amounts in US$ millions)	**Basel II 30 June 2009**	Basel II 31 December 2008
Tier 1 capital		
Paid-up share capital	**215.58**	215.58
Share premium	**141.71**	142.01
Reserves	**(17.68)**	42.92
Minority interests	**68.63**	0.04
Less: goodwill	**(70.51)**	(1.99)
Less: unrealised fair value losses on investment securities	**(0.82)**	(31.98)
Less: 50% of investment in Dawood Islamic Bank	**(11.57)**	(5.85)
Less: 50% of investment in T'azur	**(5.95)**	(6.37)
Less: excess amounts over maximum permitted large exposure limits	**(4.99)**	(19.06)
Less: additional deduction from Tier 1 to absorb deficiency in Tier 2 capital	**(10.51)**	(17.69)
Total qualifying Tier 1 capital	**303.89**	317.61
Tier 2 capital		
Fair value gains	**27.23**	48.96
Less: regulatory discount (55%) on fair value gains	**(14.98)**	(26.93)
Less: 50% of investment in Dawood Islamic Bank	**(11.57)**	(5.85)
Less: 50% of investment in T'azur	**(5.95)**	(6.37)
Less: excess amounts over maximum permitted large exposure limits	**(5.24)**	(27.50)
Addition to Tier 2 to absorb Tier 2 capital deficiency	**10.51**	17.69
Total qualifying Tier 2 capital	**-**	-
Total eligible regulatory capital	**303.89**	317.61

CAPITAL MANAGEMENT AND ALLOCATION (continued)

Credit risk-weighted assets

Under the CBB standardised approach, credit risk exposures are assigned to one of fifteen standard portfolios: claims on sovereigns; claims on international organisations; claims on non-central government public sector entities; claims on multilateral development banks; claims on banks; claims on investment firms; claims on corporates; regulatory retail portfolios; residential property; commercial real estate; past due exposures; investments in equities (split between listed and unlisted) and funds (split between rated and unrated); real estate holdings; other assets; and underwriting exposures. Unicorn's credit risk exposures are assigned to seven of the fifteen standard portfolios.

(Amounts in US$ millions)	Risk-weighted equivalents		Basel II risk-weightings
	30 June 2009	31 December 2008	
Claims on sovereigns	-	-	n/a
Claims on international organisations	-	-	n/a
Claims on non-central government public sector entities	-	-	n/a
Claims on multilateral development banks	-	-	n/a
Claims on banks	**151.6**	**167.6**	20% - 100%
Claims on investment firms	-	-	50%
Claims on corporates	**114.0**	**78.5**	100%
Regulatory retail portfolios	-	-	n/a
Residential property	-	-	n/a
Commercial real estate	**232.6**	**194.1**	200%
Past due exposures	-	-	n/a
Investments in equities and funds:			
Investments in listed equities	**48.7**	**6.4**	100%
Investments in unlisted equities	**212.9**	**265.6**	150%
Investments in unrated funds	**92.3**	**62.8**	150%
Real estate holdings	-	-	100%
Other assets	**24.5**	**16.0**	100%
Underwriting assets	-	-	n/a
Credit risk-weighted assets	**876.7**	**791.0**	

Market risk-weighted assets

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in profit rates, foreign exchange rates, equity prices and commodities. Under the CBB standardised approach, market risk exposures are calculated for five categories: price risk; equities position risk; Sukuk risk; foreign exchange risk; and commodities risk. The market risk-weighted exposures are determined by multiplying the market risk capital charge by a factor representing the reciprocal of the minimum CBB capital adequacy ratio requirement for the risk category in question.

Unicorn does not currently engage in any trading activities and its only market risk exposure arises from the net open foreign currency positions arising from its foreign currency assets and liabilities. The market risk-weighted exposures for these positions are determined by multiplying the market risk capital charge by 12.5 (i.e. the reciprocal of the minimum CBB capital adequacy ratio requirement for foreign exchange risk of 8%).

CAPITAL MANAGEMENT AND ALLOCATION (continued)

Market risk-weighted assets (continued)

The details of Unicorn's market risk capital charge, and the equivalent market risk-weighted assets, as at 30 June 2009 and 31 December 2008 are shown below:

(Amounts in US$ thousands)	30 June 2009	31 December 2008
Price risk	-	-
Equities position risk	-	-
Sukuk risk	-	-
Foreign exchange risk	**11,932**	5,536
Commodities risk	-	-
Total capital requirement for market risk	**11,932**	5,536
CBB multiplier	**12.5**	12.5
Market risk-weighted assets	**149,146**	69,197

Operational risk-weighted exposure

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. Under the Basel II basic indicator approach for operational risk, gross income is a broad indicator that serves as a proxy for the scale of the Bank's operations and hence the likely scale of operational risk exposure within the business. The operational risk capital charge is therefore calculated by multiplying the Bank's gross income by a factor (15%). This factor serves as a proxy for the industry-wide relationship between the operational risk loss experience for the business and the aggregate gross income for the business. The total operational risk capital charge is calculated as the summation of the three-year average gross income multiplied by the 15% factor. For the purposes of this calculation, gross income excludes extraordinary or exceptional income, such as realised gains on sale and fair value gains on investment securities. Total operational risk-weighted exposures are determined by multiplying the operational risk capital charge by 12.5 (i.e. the reciprocal of the minimum CBB capital adequacy ratio requirement for operational risk of 8%).

The details of Unicorn's operational risk capital charge, and the equivalent operational risk-weighted exposure, as at 31 December 2008 and 31 December 2007 are shown below:

(Amounts in US$ thousands)	31 December 2008	31 December 2007
Investment banking gross income	35,468	109,699
Victron Inc. income	99,104	-
Total gross operating income	134,572	109,699
3 year average gross income	91,428	53,114
Basic indicator factor	15%	15%
Capital charge for operational risk	13,714	7,967
CBB multiplier	12.5	12.5
Operational risk-weighted exposure	171,425	99,588

CAPITAL MANAGEMENT AND ALLOCATION (continued)

Risk-weighted assets

The total operational risk-weighted exposure is added to the credit and market risk-weighted assets to give the total risk-weighted exposure which are then used to calculate the Bank's capital adequacy ratio.

(Amounts in US$ millions)	**Basel II 30 June 2009**	Basel II 31 December 2008
Credit risk-weighted assets	**876.6**	791.0
Market risk-weighted assets	**149.1**	69.2
Operational risk-weighted exposure	**171.4**	171.4
Total risk-weighted assets	**1,197.1**	1,031.6

Capital adequacy ratio

(Per cent)	**Basel II 30 June 2009**	Basel II 31 December 2008
Tier 1 capital adequacy ratio	**25.4**	30.8
Total capital adequacy ratio	**25.4**	30.8

RISK MANAGEMENT

Credit Risk

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Institutional Banking has established a credit analysis unit which conducts credit assessments for its interbank placement activity and proposes limits for review and approval by ALCO. ALCO periodically reviews these limits for appropriateness in prevailing market conditions.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. There is no significant use of master netting and collateral agreements.

(Amounts in US$ thousands)	**Gross maximum exposure 30 June 2009**	Gross maximum exposure 31 December 2008 Audited
Balances with banks	**54,379**	23,531
Due from financial institutions	**308,600**	396,614
Due from non-banks	**61,054**	14,120
Investment securities	**31,825**	29,382
Other assets – fees and recoverable expenses outstanding from clients	**16,114**	16,625
Total	**471,972**	480,272
Guarantees	**4,328**	4,167
Total credit risk exposure	**476,300**	484,439

RISK MANAGEMENT (continued)

Gross and average credit risk

The following are gross credit risk exposures of the Bank classified as per disclosure in the financial statements:

(Amounts in US$ thousands)	Funded exposure	Unfunded exposure	Total gross credit exposure	Average gross credit exposure*
Balances with banks	54,379	-	54,379	31,943
Due from financial institutions	308,600	-	308,600	337,084
Due from non banks	61,054	-	61,054	37,447
Investment securities	31,825	-	31,825	30,869
Other assets - fees and recoverable expenses outstanding from clients	16,114	-	16,114	19,494
	471,972	**-**	**471,972**	**456,837**
Guarantees	4,328	-	4,328	4,274
Total credit risk exposure	**476,300**	**-**	**476,300**	**461,111**

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

Risk concentration of the maximum exposure to credit risk

Concentration of risks is managed by counterparty, geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 30 June 2009 was US$81.9 million (31 December 2008: US$44.1 million), relating to "due from financial institutions".

The analysis by geographical region of the Group's financial assets having credit risk exposure is as follows:

(Amounts in US$ thousands)	Banks & financial institutions 30 June 2009	Others 30 June 2009	Total 30 June 2009
Bahrain	**125,624**	**20,328**	**145,952**
Other Middle East	**168,433**	**75,453**	**243,886**
North America	**19,969**	**15,033**	**35,002**
Asia Pacific	**20,020**	**-**	**20,020**
Europe	**29,740**	**1,700**	**31,440**
Total	**363,786**	**112,514**	**476,300**

(Amounts in US$ thousands)	Banks & financial institutions 31 December 2008 Audited	Others 31 December 2008 Audited	Total 31 December 2008 Audited
Bahrain	211,309	3,304	214,613
Other Middle East	139,195	42,218	181,413
North America	8,263	17,120	25,383
Asia Pacific	4,244	-	4,244
Europe	57,132	1,654	58,786
Total	420,143	64,296	484,439

RISK MANAGEMENT (continued)

The distribution of assets and off-balance-sheet items by industry sector are as follows:

(Amounts in US$ thousands)	Assets	Off-balance-sheet	Total 30 June 2009	Total 31 December 2008 Audited
Industry Sector				
Financial services	**377,268**	**1,328**	**378,596**	435,524
Industrial	**16**	**-**	**16**	141
Real estate and construction	**31,799**	**-**	**31,799**	30,529
Technology	**39,077**	**3,000**	**42,077**	17,120
In-house funds	**1,654**	**-**	**1,654**	1,125
Other	**22,158**	**-**	**22,158**	-
Total	**471,972**	**4,328**	**476,300**	484,439

Collateral and other credit enhancements

The Group has no material usage of collateral or other credit enhancements since these are not acceptable within the Group's Islamic banking business model.

Credit quality per class of financial assets

The Group does not currently apply a standard credit rating to its investment business. The Group assesses investment quality according to the policies of the respective business areas. Management considers the credit quality of the Group's financial assets to be of materially standard quality as at 30 June 2009.

LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity management

Liquidity is defined as the Group's ability to make payments, when they fall due. When the Group cannot raise funds to meet its obligations at market rates, it faces a liquidity crisis. This may reflect: poor performance; severe tightening of market liquidity; general deterioration in the perceived credit-worthiness of the Group in the view of the financial markets; a failure to manage the cashflows of the Group's assets and liabilities to meet short term funding requirements; or a serious lack of profitability.

Liquidity methodology

The key features of the Group's liquidity methodology are:

- In accordance with the Basel recommendations on liquidity management, the Group measures liquidity according to two criteria: "normal business", reflecting day-to-day expectations regarding the funding of the Group; and "crisis scenario", reflecting simulated extreme business circumstances in which the Group's survival may be threatened.

- ALCO has determined the most appropriate liquidity horizon for the Group as 3 months for the normal business scenario and 6 months for the crisis business scenario. This means that holding sufficient liquid funds for 3 months is acceptable for normal business purposes but 6 months would be more prudent in the event of a liquidity crisis.

- The Group's liquidity policy is to hold sufficient liquid assets to cover its committed balance sheet requirements, plus its budgeted expenses for the liquidity horizon, plus its forecast investment commitments over the liquidity horizon.

- ALCO has determined that it is prudent to hold liquid assets representing at least 120% of liquidity requirements for normal business purposes and 150% for a crisis scenario. This means that the Group holds a significant buffer to protect against further unforeseen liquidity requirements.

- ALCO manages the Group's liquidity position according to the following risk dashboard methodology to highlight management concerns:

LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

Liquidity methodology (continued)

Risk dashboard	Normal business scenario	Crisis scenario	Actions due
Green	Higher than 120%	Higher than 150%	Position acceptable
Amber	Greater than 110%, less than 120%	Greater than 110%, less than 150%	Breach of soft limit; ALCO monitors position closely and recommends reprioritisation of investment decisions
Red	Less than 110%	Less than 110%	Breach of Board limit; ALCO considers whether to invoke liquidity contingency plan

Liquidity strategy

The Group is actively managing its liquidity activities during the 2009 to ensure the Group maintains a stable funding base and strong liquidity during the prevailing period of global market crisis. Cash flow planning and stress analysis has been enhanced and discretionary expenditures deferred. The Group also significantly strengthened its fund raising activities with the specific objective of lengthening the maturity profile of the Group's short term borrowings.

Liquidity strategy	Note
Medium term funding	The Group obtained 3-year medium term financing totalling US$125 million early in 2008. This provided major relief against short term funding pressures.
Equity capital	The Group raised new equity capital during 2008 through an international private placement. Approximately US$110 million of the new capital raise proceeds had been received as at 31 December 2008.
Short term funding and interbank activities	The Group has actively expanded its short term funding capacity from the interbank markets to diversify its funding sources by counterparty and maturity. The Group continues to lengthen its liability maturity profile and has commenced treasury activity in Malaysia to further diversify the Group's funding operations.

Liquidity contingency plan

In the event of a liquidity crisis, the Group's liquidity framework defines a methodology and operational plan for ensuring adequate funds continue to be available. In summary, the liquidity contingency plan establishes roles and responsibilities for crisis identification and co-ordination; assessment of the severity and implications of the crisis; determination of the cash flow requirements; determination of investment liquidation requirements under fire sale conditions and necessary emergency finance; and management of corporate communications with external parties, regulators and the media.

During late 2008, the Group effectively invoked the liquidity contingency plan to protect the Bank against the potential risks of the distressed global economy and the tight global financial market conditions. The Bank continues to adhere to the contingency plan in 2009.

LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

Liquidity contingency plan (continued)

The table below summarises the maturity profile of the Group's financial liabilities as at 30th June 2009 based on contractual undiscounted repayment obligations.

(Amounts in US$ thousands)	Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 30 June 2009					
Due to financial institutions	**211,550**	**82,160**	**140,000**	**125,000**	**558,710**
Due to non-banks	**937**	**937**	**2,814**	**15,278**	**19,966**
Other liabilities	**-**	**4,560**	**19,364**	**4,886**	**28,810**
Total financial liabilities	**212,487**	**87,657**	**162,178**	**145,164**	**607,486**
Total undiscounted financial liabilities	**212,487**	**88,160**	**167,326**	**152,361**	**620,334**

(Amounts in US$ thousands)	Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 31 December 2008 Audited					
Due to financial institutions	9,945	264,628	-	125,000	399,573
Due to non-banks	-	-	-	22,874	22,874
Other liabilities	-	64,250	20,659	3,947	88,856
Total financial liabilities	9,945	328,878	20,659	151,821	511,303
Total undiscounted financial liabilities	9,945	330,835	25,246	162,661	528,687

The table below shows the contractual expiry by maturity of the Group's commitments.

(Amounts in US$ thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
As at 30 June 2009					
Commitments	**12,880**	**4,631**	**1,836**	**4,705**	**24,052**
Guarantees	**4,328**	**-**	**-**	**-**	**4,328**
Total	**17,208**	**4,631**	**1,836**	**4,705**	**28,380**
As at 31 December 2008 Audited					
Commitments	12,970	23,372	1,086	5,067	42,495
Guarantees	4,167	-	-	-	4,167
Total	17,137	23,372	1,086	5,067	46,662

MARKET RISK

Market risk is the risk the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either trading or non-trading portfolios. The Group does not currently engage in trading activity. Non-trading positions are managed and monitored using sensitivity analysis. The Group has significant market risk exposures from its foreign currency investments.

Market Risk: Non-trading

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Board has set limits on profit rate positions by maturity. The Group currently has limited exposure to profit rate risk. The Group's assets and liabilities that are exposed to profit rate risk include: sums due from financial institutions, due from non-banks, investment in Sukuk, due to financial institutions and due to non-banks.

MARKET RISK (continued)

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant. The effect of decreases in profit rate is expected to be equal and opposite to the effect of the increases shown.

(Amounts in US$ thousands)	30 June 2009	Change in profit rate (+/-) 30 June 2009	Effect on net profit (+/-) 30 June 2009	31 December 2008	Change in profit rate (+/-) 31 December 2008	Effect on net profit (+/-) 31 December 2008
Assets						
Due from financial institutions	**308,600**	**200**	**6,172**	396,614	200	7,932
Investment in Sukuk	**15,831**	**200**	**317**	10,150	200	203
Due from non-banks	**49,021**	**200**	**980**	-	-	-
Liabilities						
Due to financial institutions	**558,710**	**200**	**(11,174)**	399,573	200	(7,991)
Due to non-banks	**19,966**	**200**	**(399)**	22,874	200	(457)
Total			**(4,104)**			(313)

	Less than 3 months		3 to 12 months		1 to 5 years		Total
(Amounts in US$ thousands)	Amount	Effective profit rate	Amount	Effective profit rate	Amount	Effective profit rate	357,621
Assets with fixed profit rate	357,621	0.55%	-		5,670		357,621
Assets with floating profit rate	-		-		5,670	11.60%	5,670
	357,621		-		5,670		363,291
Liabilities with fixed profit rate	293,710	2.60%	140,000	4.68%	-	-	433,710
Liabilities with floating profit rate	1,875	6.10%	2,813	6.10%	140,278	3.68%	144,966
	295,585		142,813		140,278		578,675

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

The table below indicates the currencies to which the Group has significant exposure. The analysis shows the impact of a 20% movement in the currency rate against the United States Dollar, with all other variables held constant on the consolidated statement of income and the consolidated statement of changes in equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

(Amounts in US$ thousands) Currency	Exposure (US$ equivalent) 30 June 2009	Effect on net profit (+/-) 30 June 2009	Effect on equity (+/-) 30 June 2009	Exposure (US$ equivalent) 31 December 2008	Effect on Net profit (+/-) 31 December 2008	Effect on equity (+/-) 31 December 2008
Kuwaiti Dinar	**31,413**	**6,072**	**211**	22,695	4,330	209
Jordanian Dinar	**60,438**	**12,088**	**-**	38,526	7,705	-
Pakistan Rupee	**25,929**	**559**	**4,626**	14,003	463	2,338
Turkish Lira	**21,419**	**2,134**	**2,149**	10,674	-	2,135
Malaysian Ringgit	**4,550**	**-**	**910**	(3,602)	-	720
Euro	**5,235**	**362**	**685**	5,826	-	1,165
Pound Sterling	**158**	**32**	**-**	163	-	-
Japanese Yen	**4**	**-**	**-**	5	-	-

MARKET RISK (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in the levels of equity prices and the value of individual stocks. Equity price risk arises from the Group's investment portfolio. The Group conducts significant investment activity in private equity, mainly in unquoted entities. The Group manages this risk through diversification of its investments in terms of geographical distribution and industry concentration and by arranging representation on the Board of Directors within the investee company, wherever possible. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Group.

The effect on income and equity (as a result of a change in the fair value of equity instruments as at 30 June 2009 due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US$32.066 million and US$11.300 million, respectively (2008: US$39.626 million and US$4.201 million, respectively). The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties prepay or request repayment earlier than expected.

The Group is not exposed to any significant prepayment risk.

OPERATIONAL RISK

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group.

The Bank has met the 2008 regulatory requirements for Basel II implementation, and as part of Basel II implementation, the Bank has put an operational risk framework in place.

(Amounts in US$ thousands) **Capital charge for operational risk**	**31 December 2008**	31 December 2007
Gross Income	**134,572**	109,699
Average for preceding three years	**91,428**	53,114
Alpha (15% of Gross revenue)	**15%**	15%
Capital charge for operational risk	**13,714**	7,967

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

(Amounts in US$ thousands) As at 30 June 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Undated	Total
ASSETS						
Cash and balances with banks	112,607	-	-	-	-	112,607
Due from financial institutions	-	308,600	-	-	-	308,600
Due from non-banks	-	49,021	12,033	-	-	61,054
Investment securities	-	106,514	60,444	153,971	-	320,929
Investments in associates	-	-	-	11,907	23,133	35,040
Investment properties	-	-	-	29,164	-	29,164
Inventories	-	-	9,272	-	-	9,272
Other assets	-	26,057	14,506	906	-	41,469
Premises and equipment	-	-	-	11,745	-	11,745
Assets held for sale	-	-	40,175	-	-	40,175
Goodwill and intangible assets	-	-	-	120,646	-	120,646
Total assets	112,607	490,192	136,430	328,339	23,133	1,090,701
LIABILITIES						
Due to financial institutions	-	293,710	140,000	125,000	-	558,710
Due to non-banks	937	937	2,814	15,278	-	19,966
Other liabilities	-	4,560	19,364	4,886	-	28,810
Liabilities held for sale	-	-	13,556	-	-	13,556
Total liabilities	937	299,207	175,734	145,164	-	621,042
Net liquidity gap	111,670	190,985	(39,304)	183,175	23,133	469,659
Net cumulative gap	111,670	302,655	263,351	446,526		

(Amounts in US$ thousands) As at 31 December 2008 Audited	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Undated	Total
ASSETS						
Cash and balances with banks	23,560	-	-	-	-	23,560
Due from financial institutions	-	396,614	-	-	-	396,614
Due from non-banks	-	14,120	-	-	-	14,120
Investment securities	-	-	76,137	252,423	-	328,560
Investments in associates	-	-	-	24,427	-	24,427
Investment properties	-	-	-	38,538	-	38,538
Inventories	-	-	10,695	-	-	10,695
Other assets	-	23,729	19,100	-	1,009	43,838
Premises and equipment	-	-	-	-	6,778	6,778
Assets held for sale	-	-	39,187	-	-	39,187
Goodwill and intangible assets	-	-	-	-	52,453	52,453
Total assets	23,560	434,463	145,119	315,388	60,240	978,770
LIABILITIES						
Due to financial institutions	-	263,885	9,851	125,837	-	399,573
Due to non-banks	-	-	-	22,874	-	22,874
Other liabilities	-	84,268	1,141	-	3,447	88,856
Liabilities held for sale	-	-	13,556	-	-	13,556
Total liabilities	-	348,158	24,548	148,711	3,447	524,859
Net liquidity gap	23,560	86,310	120,571	166,677	56,793	453,911
Net cumulative gap	23,560	109,870	230,441	397,118		

RELATED PARTY TRANSACTIONS

Compensation of senior management personnel

Senior management personnel are those that possess significant decision-making and direction-setting responsibilities within the Group.

(Amounts in US$ thousands)	30 June 2009	30 June 2008
Short term employee benefits	**3,011**	15,061
Post employment benefits	**309**	258
Share-based payments	**1,841**	725
	5,161	16,044

Transactions, arrangements and agreements involving related parties

Related parties comprise major shareholders, directors and senior management personnel of the Group, members of the Shari'ah Supervisory Board of the Group, close members of their families and entities owned or controlled by them. Pricing policies and terms of the transactions relating to these related parties are approved by management.

Related parties also comprise the Group's investment companies and funds that hold clients' investments. The Group manages its investment companies and funds on a fiduciary basis on behalf of its clients, who are third parties and are the beneficiaries of a majority of the economic interest of the underlying investments in the investment companies and funds. All transactions with these investment companies and funds are undertaken on an arm's length basis and strictly in accordance with the related underlying contracts.

	As at 30 June 2009			As at 31 December 2008 (Audited)		
(Amounts in US$ thousands)	Shareholders/ Directors	Senior management	Other entities	Shareholders/ Directors	Senior management	Other entities
Assets						
Due from non-banks	**-**	**-**	**16,003**	-	-	-
Investment securities	**-**	**-**	**175,238**	-	-	252,132
Investments in associates	**-**	**-**	**35,040**	-	-	24,427
Other assets	**-**	**56**	**21,396**	-	95	16,155
Liabilities						
Due to financial institutions	**-**	**-**	**48,853**	-	-	109,858
Due to non-banks	**-**	**-**	**5,450**	-	-	5,329
Other liabilities	**1,108**	**-**	**4,955**	2,877	-	66,535
Equity						
Equity transaction costs	**10,953**	**6,780**	**6,989**	-	-	-

Transactions with related parties included in the interim consolidated statement of income are as follows:

(Amounts in US$ thousands)	30 June 2009	30 June 2008
Investment banking fees	**7,376**	24,827
Net expense from financial institutions	**(486)**	(101)
Other investment banking income	**10,033**	28,940
Share of loss of associates	**(1,517)**	(740)
Bad debt provision	**(5,000)**	-
Victron Inc. expenses	**(121)**	(130)
Directors' remuneration	**(325)**	(325)
Shari'ah Supervisory Board remuneration	**(192)**	(192)

Outstanding balances at the period end arise in the normal course of business.