Unicorn Investment Bank B.S.C. (c)

Public Disclosure Document

As at 30 June 2010

Unicorn
Investment Bank

Public Disclosure Document

For the six months ended 30 June 2010

1.0 CONSOLIDATED FINANCIAL PERFORMANCE SUMMARY

		(Audited)				
(Amounts in US$ thousands)	**30 June 2010 (Reviewed)**	2009	2008	2007	2006	2005
Profit/(Loss) before impairments & fair value write-downs & write-backs	**(10,757)**	20,999	77,578	50,435	30,139	23,637
Net (loss)/profit	**(159,651)**	2,235	35,011	49,591	30,139	23,637
Total assets	**725,850**	1,033,619	978,770	488,419	293,342	149,389
Total liabilities	**472,627**	609,967	524,859	140,096	23,851	18,739
Shareholders' equity	**217,398**	379,709	329,640	314,433	254,071	119,362
Total equity	**253,223**	423,652	453,911	348,323	269,491	130,650
Return on average assets (per cent) annualised	**(36.3)%**	0.2%	4.8%	12.7%	13.6%	17.7%
Return on average shareholders' equity (per cent) annualised	**(106.9)%**	0.5%	10.9%	17.4%	16.1%	21.0%
Cost:income ratio (per cent)	**136.3%**	79.2%	45.0%	59.4%	55.0%	55.1%
Leverage ratio (per cent)	**200.6%**	150.5%	90.9%	22.4%	n/a	n/a
Capital adequacy ratio (per cent)	**16.8%**	23.1%	30.3%	44.7%	70.8%	120.0%

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2.0 CAPITAL MANAGEMENT AND ALLOCATION

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

Unicorn is required to comply with the regulatory capital adequacy guidelines promulgated by the CBB, based on the standards established by the Basel Committee on Banking Supervision **(the "Basel Committee")** of the Bank for International Settlements **(BIS)**. In accordance with CBB guidelines, Unicorn must maintain a minimum target capital adequacy ratio of 12.5% on a consolidated basis, and 8.5% on a solo basis.

2.1 Capital Structure

The following table details the regulatory capital resources for Unicorn detailing between Tier 1 and Tier 2 capital.

Composition of capital

(Amounts in US$ millions)	**Basel II 30 June 2010**	Basel II 31 December 2009
Tier 1 capital		
Paid-up share capital	**215.6**	215.6
Share premium	**141.7**	141.7
Reserves	**(87.2)**	15.6
Non-Controlling Interest	**35.8**	37.3
Less: goodwill	**-**	(2.0)
Less: unrealised net fair value losses on investment securities	**(63.2)**	(12.4)
Less: 50% of investment in Dawood Islamic Bank	**(5.3)**	(10.9)
Less: 50% of investment in t'azur	**(2.7)**	(5.4)
Less: 50% of investment in Condor Holdings Limited	**(31.5)**	(44.7)
Less: excess amounts over maximum permitted large exposure limits*	**(14.4)**	(14.3)
Less: additional deduction from Tier 1 to absorb deficiency in Tier 2 capital	**(3.8)**	(25.2)
Total qualifying Tier 1 capital	**185.0**	295.3
Tier 2 capital		
Subordinated Murabaha	**50.0**	50.0
Fair value gains	**0.3**	0.3
Less: regulatory discount (55%) on fair value gains	**(0.2)**	(0.2)
Less: 50% of investment in Dawood Islamic Bank	**(5.3)**	(10.9)
Less: 50% of investment in t'azur	**(2.7)**	(5.4)
Less: 50% of investment in Condor Holdings Limited	**(31.5)**	(44.7)
Less: excess amounts over maximum permitted large exposure limits*	**(14.4)**	(14.3)
Addition to Tier 2 to absorb Tier 2 capital deficiency	**3.8**	25.2
Total qualifying Tier 2 capital	**-**	-
Total eligible regulatory capital	**185.0**	295.3

2.2 Capital Management

Unicorn's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of business growth expectations for each business group; future sources and uses of funds, including seed capital requirements and expected sell-down and placement targets; and the Bank's future dividend policy.

* The Group total concentration of risk to individual counterparties where the exposure is in excess of the 15% individual obligor limit is US$28.8 million, which has been allocated equally between Tier 1 and Tier 2.

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2.2 Capital Management (continued)

The following tables detail the risk-weighted assets, regulatory capital requirements and regulatory capital ratios for Unicorn Group. The figures are based on the Basel II standardised approach for credit risk and the Basel II basic indicator approach for operational risk.

2.3 Credit risk-weighted assets

Under the CBB standardised approach, credit risk exposures are assigned to one of fifteen standard portfolios as shown below, risk weighted accordingly.

	Risk-weighted equivalents		Basel II risk-weightings
(Amounts in US$ millions)	**30 June 2010**	31 December 2009	
Claims on sovereigns	**1.0**	-	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	**40.8**	98.9	20% - 100%
Claims on investment firms	**-**	-	50%
Claims on corporates	**231.7**	206.1	100%
Regulatory retail portfolios	**-**	-	n/a
Residential property	**-**	-	n/a
Commercial real estate	**192.9**	204.5	200%
Past due exposures	**-**	-	n/a
Investments in equities and funds:			
Investments in listed equities	**2.4**	11.8	100%
Investments in unlisted equities	**150.0**	239.5	150%
Investments in unrated funds	**70.9**	66.1	150%
Real estate holdings	**-**	-	100%
Other assets	**26.4**	26.9	100%
Underwriting assets	**-**	-	n/a
Credit risk-weighted assets	**716.1**	853.8	

2.4 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 the five categories shown in the table below.

The details of Unicorn market risk capital charge and the equivalent market risk-weighted assets are:

(Amounts in US$ millions)	**30 June 2010**	31 December 2009
Price risk	**-**	-
Equities position risk	**-**	-
Sukuk risk	**-**	-
Foreign exchange risk	**6.8**	9.8
Commodities risk	**-**	-
Total capital requirement for market risk	**6.8**	9.8
CBB multiplier	**12.5**	12.5
Market risk-weighted assets	**85.5**	122.5

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2.5 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 (weighted by an arbitrary 15%) 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 details of Unicorn's operational risk capital charge, and the equivalent operational risk-weighted exposure are shown below:

(Amounts in US$ millions)	**31 December 2009**	31 December 2008
Total gross operating income	**199.1**	134.6
3 year average gross income	**162.6**	91.4
Basic indicator factor	**0.2**	0.2
Capital charge for operational risk	**24.4**	13.7
CBB multiplier	**12.5**	12.5
Operational risk-weighted exposure	**304.9**	171.4

2.6 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 exposures which are then used to calculate the Bank's capital adequacy ratio. Risk-weighted assets decreased by US$174.7 million (13.6%) in 30 June 2010, from US$1,281.2 million as at 31 December 2009 to US$1,106.5 million as detailed below:

(Amounts in US$ millions)	**Basel II 30 June 2010**	Basel II 31 December 2009
Credit risk-weighted assets	**716.1**	853.8
Market risk-weighted assets	**85.5**	122.5
Operational risk-weighted exposure	**304.9**	304.9
Total risk-weighted assets	**1,106.5**	1,281.2

2.7 Capital adequacy ratio

(Per cent)	**Basel II 30 June 2010**	Basel II 31 December 2009
Tier 1 capital adequacy ratio	**16.7**	23.1
Total capital adequacy ratio	**16.7**	23.1

The impairments and provisions charged in 2010 resulted in a reduction in the Bank's capital adequacy position. The Basel II Tier 1 capital adequacy ratio declined from 23.1% at 31 December 2009 to 16.7% at 30 June 2010. The Basel II total capital adequacy ratio similarly declined, from 23.1% to 16.7% over the same period.

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2.7 Capital adequacy ratio (continued)

Despite these reductions, the 2010 half-year Basel II capital adequacy ratios remain well above the CBB minimum target ratio of 12.5%.

The minimum capital required by Unicorn to maintain compliant at 12.5% is shown in the table below. Unicorn is currently well capitalised, with total regulatory capital of US$185.0 million compared with the 2010 half-year minimum requirement of US$138.2 million.

2.8 Minimum capital requirements

(Amounts in US$ millions)	**Basel II 30 June 2010**	Basel II 31 December 2009
Credit risk	**89.5**	106.7
Market risk	**10.6**	15.3
Operational risk	**38.1**	38.1
Total capital requirements	**138.2**	160.1

3.0 RISK MANAGEMENT

3.1 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. Institutional Banking has established a credit analysis unit which conducts credit assessments for its interbank placement activities and other client groups in close cooperation with Risk Management and proposes limits for review and approval by Risk Committee **("RC")**. Further, Risk Management is independently analyzing the applications and is rating the respective counterparties. Based on this an independent recommendation is forwarded to the RC for approval (this Risk process is in place for all client groups). RC 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 2010**	Gross maximum exposure 31 December 2009 (Audited)
Balances with banks	**53,356**	135,891
Due from financial and non-financial institutions	**311,949**	301,043
Investment securities	**11,238**	25,661
Other assets – (fees and recoverable expenses outstanding from clients, accounts receivable from Victron, dividend receivable and receivable from sales of investments)	**16,298**	99,912
Total	**392,841**	562,507
Guarantees	**3,357**	3,863
Total credit risk exposure	**396,198**	566,370

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3.1.1 Gross and Average Credit Risk

The table below shows the gross credit risk exposure of the Bank, classified as per the disclosure in the financial statements:

As at 30 June 2010 (Amounts in US$ thousands)	Funded exposure	Unfunded exposure	Total gross credit exposure	Average gross credit exposure*
Balances with banks	53.4	-	53.4	70.6
Due from financial institutions	311.9	-	311.9	352.0
Investment securities	11.2	-	11.2	20.2
Other assets - fees and recoverable expenses outstanding from clients	16.3	-	16.3	54.8
	392.8	-	392.8	497.6
Guarantees	3.4	-	3.4	3.5
Total credit risk exposure	396.2	-	396.2	501.1

* Average gross credit exposures have been calculated based on the average of balances outstanding on a quarterly basis during period ended 30 June 2010.

3.1.2 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 2010 was US$59.7 million (31 December 2009: US$84.9 million), relating to "due from financial institutions".

Exposures in excess of the 15% limit for the six months ended 30 June 2010 is as follows:

Counterparties	Concentration of risk
Counterparty # 1	16.62%
Counterparty # 2	20.39%
Counterparty # 3	15.62%
Counterparty # 4	17.20%

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

	30 June 2010		
(Amounts in US$ thousands)	Banks & financial institutions	Others	Total
Bahrain	43,187	18,928	62,115
Other Middle East	27,430	227,804	255,234
North America	26,798	3,708	30,506
Asia Pacific	22,898	13,491	36,389
Europe	11,714	240	11,954
Total	132,027	264,171	396,198

	31 December 2009 (Audited)		
(Amounts in US$ thousands)	Banks & financial institutions	Others	Total
Bahrain	160,746	17,929	178,675
Other Middle East	89,684	111,501	201,185
North America	113,774	3,043	116,817
Asia Pacific	60,361	4,491	64,852
Europe	4,698	143	4,841
Total	429,263	137,107	566,370

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3.1.2 Risk concentration of the maximum exposure to credit risk (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 2009 Audited
Industry Sector				
Banking and finance	**130,488**	**357**	**130,844**	428,203
Industrial	**6,072**	**-**	**6,072**	5,445
Real estate and construction	**140,005**	**-**	**140,005**	91,468
Technology	**516**	**3,000**	**3,516**	3,000
In-house funds	**1,205**	**-**	**1,205**	1,060
Trade	**80,360**	**-**	**80,360**	6,015
Government	**4,838**	**-**	**4,838**	2,000
Individual	**28,167**	**-**	**28,167**	29,179
Total	**392,842**	**3,357**	**396,198**	566,370

3.1.3 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.

3.1.4 Credit quality per class of financial assets

The Group does not currently apply a standard credit rating to its investment business. The Group assessed investment quality according to the policies of the respective business areas in 2009. However, this has now changed with the rollout of the new and updated scoring models in 2010 which from now on will be used for any new deal (while the existing investments are currently going through a rating process). Following is an analysis of credit quality by class of financial assets:

	30 June 2010				
(Amounts in US$ thousands)	**Neither past due nor impaired**	**Past due but not impaired**	**Individually impaired**	**Impairment/ provisions**	**Total**
Balances with banks	**53,356**	**-**	**-**	**-**	**53,356**
Due from financial and non-financial institutions	**311,949**	**-**	**-**	**-**	**392,841**
Investment securities	**11,238**	**-**	**14,421**	**(14,421)**	**11,238**
Other assets – (fees and recoverable expenses outstanding from clients, accounts receivable from Victron, dividend receivable and receivable from sales of investments)	**16,298**	**-**	**25,000**	**(25,000)**	**16,298**
Total	**392,841**	**-**	**39,421**	**(39,421)**	**392,841**

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3.1.4 Credit quality per class of financial assets (continued)

	31 December 2009 (Audited)				
(Amounts in US$ thousands)	Neither past due nor impaired	Past due but not impaired	Individually impaired	Impairment/ provisions	Total
Balances with banks	135,891	-	-	-	135,891
Due from financial and non-financial institutions	301,043	-	-	-	301,043
Investment securities	18,400	-	14,421	(7,160)	25,661
Other assets – (fees and recoverable expenses outstanding from clients, accounts receivable from Victron, dividend receivable and receivable from sales of investments)	80,707	19,205	5,000	(5,000)	99,921
Total	536,041	19,205	19,421	(12,160)	562,507

3.2 Liquidity Management

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

- The Bank manages liquidity via its Asset and Liability Committee **("ALCO")** process.
- 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 statement of financial position requirements, plus its budgeted expenses for the liquidity horizon and its forecast investment commitments over the liquidity horizon.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	30 June 2010				
(Amounts in US$ thousands)	**On demand**	**Less than 3 months**	**3 -12 months**	**1 - 5 years**	**Total**
Due to financial and non-financial institutions	**-**	**201,940**	**183,043**	**-**	**384,982**
Subordinated Murabaha	**-**	**-**	**1,225**	**50,000**	**51,225**
Other liabilities	**-**	**7,806**	**7,000**	**4,578**	**19,384**
Total financial liabilities	**-**	**209,746**	**191,268**	**54,578**	**455,592**
Total undiscounted financial liabilities	**-**	**213,284**	**196,642**	**68,578**	**478,503**

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3.2 Liquidity Management (continued)

	31 December 2009 (Audited)				
(Amounts in US$ thousands)	On demand	Less than 3 months	3 -12 months	Over 1 year	Total
Due to financial and non-financial institutions	-	214,493	181,930	125,000	521,423
Subordinated Murabaha	-	-	-	50,000	50,000
Other liabilities	-	10,581	4,000	7,407	21,988
Total financial liabilities	-	225,074	185,930	182,407	593,411
Total undiscounted financial liabilities	-	226,245	194,240	202,713	623,198

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

	30 June 2010				
(Amounts in US$ thousands)	**On demand**	**Less than 3 months**	**3 -12 months**	**1 -5 years**	**Total**
Commitments	**992**	**-**	**7,389**	**3,018**	**11,399**
Guarantees	**3,357**	**-**	**-**	**-**	**3,357**
Total	**4,349**	**-**	**7,389**	**3,018**	**14,756**

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

	31 December 2009 (Audited)				
(Amounts in US$ thousands)	On demand	Less than 3 months	3 -12 months	1 -5 years	Total
Commitments	13,551	-	12,027	4,110	29,688
Guarantees	3,863	-	-	-	3,863
Total	17,414	-	12,027	4,110	33,551

3.3 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.

3.4 Market Risk: Non-trading
3.4 (a) 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 and non-financial institutions, investment in Sukuk and due to financial and non-financial institutions

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3.4 Market Risk: Non-trading (continued)

3.4 (a) Profit rate 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 2010	Change in profit rate (+/-)	Effect on net profit (+/-)	31 December 2009 (Audited)	Change in profit rate (+/-)	Effect on net profit (+/-)
Variable Rate:						
Assets						
Due from financial and non-financial institutions	**311,949**	**200**	**2,024**	301,043	200	4,319
Investment in Sukuk	**11,238**	**200**	**225**	15,661	200	313
Liabilities						
Due to financial and non-financial institutions	**384,983**	**200**	**(7,700)**	521,423	200	(8,484)
Fixed rate:						
Liabilities						
Subordinated Murabaha	**51,225**	**-**	**-**	50,000	-	-
Total			**(5,451)**			(3,852)

During 2009, the Bank obtained a US$50 million facility from a related party which is convertible at the discretion of the related party into ordinary shares of the Bank, in December 2015; at a mutually agreed price and subject to legal and regulatory requirements. The average effective profit rate on the subordinated murabaha is 6%.

3.4 (b) 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.

	As at 30 June 2010			31 December 2009 (Audited)		
(Amounts in US$ thousands)	Exposure (US$ equivalent)	Effect on net profit (+/-)	Effect on equity (+/-)	Exposure (US$ equivalent)	Effect on net profit (+/-)	Effect on equity (+/-)
Currency						
Kuwaiti Dinar	**56**	**11**	**-**	462	92	-
Turkish Lira	**10,314**	**-**	**2,063**	10,290	-	2,058
Malaysian Ringgit	**3,182**	**-**	**636**	2,974	-	595
Euro	**(22,974)**	**(4,595)**	**-**	2,350	470	-
Jordanian Dinar	**7,239**	**1,448**	**-**	-	-	-

3.4 (c) 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.

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3.4 (c) Equity price risk (continued)

The effect on income and equity (as a result of a change in the fair value of equity instruments as at 30 June 2010 due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US$22.2 million and US$3.3 million, respectively (31 December 2009: US$29.7 million and US$5.1 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.

The Bank investment securities portfolio is as follows:

(Amounts in US$ thousands)	**30 June 2010**	31 December 2009 Audited
Carried at fair value through statement of income	**147,753**	198,109
Available for sale investments at fair value:		
Quoted	**20,655**	27,734
Unquoted	**12,486**	22,156
	180,894	247,999

The Bank realised and unrealised gains/losses for the investment securities portfolio recognised in the statement of income is as follows:

	30 June 2010	30 June 2009
Impairments	**8,418**	-
Fair value movements on investment securities	**(51,467)**	28,279
Gain on sale of investment securities	**4,283**	422

3.4 (d) Payment 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.

3.4 (e) 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 competent people are in place throughout the Group.

The Bank has so far met the 2010 regulatory requirements for Basel II implementation, and as part of Basel II implementation, the Bank has put an operational risk framework in place.

Capital charge for operational risk (Amounts in US$ thousands)	**31 December 2009**	31 December 2008
Gross Income	**199,136**	178,953
Average for preceding three years	**162,596**	110,525
Alpha (15% of Gross revenue)	**15%**	15%
Capital charge for operational risk	**24,389**	16,579

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3.5 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.

	30 June 2010						
(Amounts in US$ thousands)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Undated	Total
ASSETS							
Cash and balances with banks	**53,388**	**-**	**-**	**-**	**-**	**-**	**53,388**
Due from financial and non-financial institutions	**76,843**	**126,973**	**40,478**	**64,570**	**3,085**	**-**	**311,949**
Investment securities	**-**	**-**	**-**	**46,857**	**134,037**	**-**	**180,894**
Investments in associates	**-**	**-**	**-**	**-**	**123,844**	**-**	**123,844**
Investment properties	**-**	**-**	**-**	**-**	**26,664**	**-**	**26,664**
Other assets	**3,727**	**440**	**15,905**	**-**	**-**	**922**	**20,994**
Premises and equipment	**-**	**-**	**-**	**-**	**-**	**8,117**	**8,117**
Total assets	**133,958**	**127,413**	**56,383**	**111,427**	**287,630**	**9,039**	**725,850**
LIABILITIES							
Due to financial and non-financial institutions	**68,164**	**133,776**	**58,234**	**124,809**	**-**	**-**	**384,983**
Subordinated Murabaha	**-**	**-**	**-**	**-**	**51,225**	**-**	**51,225**
Other liabilities	**3,333**	**4,473**	**-**	**24,036**	**-**	**4,578**	**36,419**
Total financial liabilities	**71,497**	**138,249**	**58,234**	**148,844**	**51,225**	**4,578**	**472,627**
Net liquidity gap	**62,462**	**(10,836)**	**(1,851)**	**(37,417)**	**236,405**	**4,461**	**253,224**
Net cumulative gap	**62,462**	**51,626**	**49,775**	**12,358**	**248,763**	**253,224**	

	31 December 2009 (Audited)						
(Amounts in US$ thousands)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Undated	Total
ASSETS							
Cash and balances with banks	135,918	-	-	-	-	-	135,918
Due from financial institutions	149,188	101,979	-	-	-	-	251,167
Due from non-banks	-	46,770	-	-	3,106	-	49,876
Investments securities	-	-	-	82,494	165,505	-	247,999
Investment in associates	-	-	-	-	151,348	-	151,348
Investment properties	-	-	-	-	29,164	-	29,164
Other assets	3,498	93,689	18,512	-	-	1,011	116,710
Premises and equipment	-	-	-	-	-	8,797	8,797
Assets held for sale	-	-	-	40,622	-	-	40,622
Goodwill and intangible assets	-	-	-	-	-	2,018	2,018
Total assets	288,603	242,439	18,512	123,116	349,123	11,826	1,033,619
LIABILITIES							
Due to financial and non-financial institutions	156,954	57,538	140,185	41,746	125,000	-	521,423
Subordinated Murabaha	-	-	-	-	50,000	-	50,000
Other liabilities	3,340	7,241	-	7,000	-	7,407	24,988
Liabilities held for sale	-	-	-	13,556	-	-	13,556
Total liabilities	160,294	64,779	140,185	62,302	175,000	7,407	609,967
Net liquidity gap	128,309	177,660	(121,673)	60,814	174,123	4,419	423,652
Net cumulative gap	128,309	305,969	184,296	245,110	419,233	423,652	

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3.6 Related Party Transactions

Related parties comprise major shareholders, directors and senior management of the Group; members of the Shari'ah Supervisory Board of the Group; and 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 a commercial basis and strictly in accordance with the related underlying contracts.

3.6 (a) Compensation of senior management

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

(Amounts in US$ thousands)	**30 June 2010**	30 June 2009
Short-term employee benefits	**4,386**	7,201
Post employment benefits	**333**	309
Share-based payments	**-**	1,841
	4,719	9,351

3.6 (b) 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 related parties arose from the ordinary course of business at normal commercial rates.

	30 June 2010 (Reviewed)			31 December 2009 (Audited)		
(Amounts in US$ thousands)	**Shareholders/ Directors**	**Senior management**	**Other entities**	Shareholders/ Directors	Senior management	Other entities
Assets						
Due from financial and non-financial institutions	**-**	**-**	**21,509**	-	-	85,304
Investment securities	**-**	**-**	**122,841**	-	-	143,399
Investments in associates and joint ventures	**-**	**-**	**123,844**	-	-	151,348
Other assets	**-**	**61**	**12,604**	-	110	81,053
Liabilities						
Due to financial & non-financial institutions	**-**	**-**	**41,521**	-	-	47,422
Subordinated Murabaha	**-**	**-**	**51,225**	-	-	50,000
Other liabilities	**1,149**	**2,497**	**7,922**	1,040	1,032	8,242
Shareholders' equity						
Equity transaction costs	**-**	**-**	**-**	10,953	6,780	-

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3.6 Related Party Transactions (continued)

3.6 (b) Transactions, arrangements and agreements involving related parties (continued)

	30 June 2010			31 December 2009 (Audited)		
(Amounts in US$ thousands)	Shareholders/ Directors	Senior management	Other entities	Shareholders/ Directors	Senior management	Other entities
Statement of Income (30 June 2010 and 30 June 2009)						
Investment banking fees	**-**	**-**	**16,825**	-	-	7,376
Other investment banking income	**-**	**-**	**2,786**	-	-	10,033
Net expense from financial and non-financial institutions	**-**	**-**	**(1,213)**	-	-	(486)
Share of profit/(loss) of associates and joint ventures	**-**	**-**	**4,262**	-	-	(1,517)
Impairments and provisions	**-**	**-**	**(25,000)**	-	-	(5,000)
Victron Inc. expenses	**-**	**-**	**-**	-	-	(121)
Directors' remuneration and expenses	**(331)**	**-**	**-**	(325)	-	-
Shari'ah Supervisory Board remuneration and expenses	**-**	**-**	**(222)**	-	-	(192)

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

3.7 Restricted Investment Accounts

The Bank offers Restricted Investment Accounts **("RIA's")** to both financial and non-financial institutions. All RIA offering documents are prepared and issued with input from business lines, Shari'ah Assurance, Financial Control, Legal and Risk Management departments to ensure all investors have sufficient information to consider all risk factors allowing them to make an informed decision. The Bank has clear guidelines and procedures for the development, management and risk mitigation of its RIA's. The Bank has established a robust operational and functional infrastructure to have effective internal control systems in place in ensuring RIA holders interests are protected at all times. The Bank is fully aware of its fiduciary duties and responsibilities in managing RIA's.