

UNIVERSITY OF BAHRAIN

جامعة البحرين

AN EVALUATION
OF THE FINANCIAL
PERFORMANCE OF THE
LOCAL COMMERCIAL
BANKS IN BAHRAIN

MBA PROJECT PREPARED BY

MR. ABDULHAKIM AL-ABDULHAKIM

PROJECT NO. 1234-7

1991

PROJECT SUPERVISOR DR. A. TUNALI

PROJECT READERS DR. T. GURSOY

DR. M. AL-ABDULHAKIM



AN EVALUATION
OF THE FINANCIAL
PERFORMANCE OF THE
LOCAL COMMERCIAL
BANKS IN BAHRAIN

هدية
PRESENT

MBA PROJECT PREPARED BY:

(JASSIM ABDULLA ABBAS)

STUDENT NO. 820817

JANUARY 1991

PROJECT SUPERVISOR : DR. S. TUREN

PROJECT READERS : DR. T. GURSOY

: DR. M. AKRAM

ACKNOWLEDGEMENT

I would like to record my thanks to Dr. Sharif Turen the supervisor of this project. Dr. Sharif has devoted a large portion of his time for the supervision of this project, and his directions and advice to me.

I would also like to thank Dr. Akram and all the people who helped me in completing this project.

CONTENT		Page No.
-----		-----
	Acknowledgement	001
1.0	Introduction	005
2.0	Background of Commercial Banking Industry in Bahrain	006
3.0	Glossary of Terms	010
4.0	Growth Ratio Analysis	017
4.1.0	National Bank of Bahrain	017
4.1.1	Bank History	017
4.1.2	Total Assets	017
4.1.3	Loans and Advances	019
4.1.4	Investments	020
4.1.5	Customer Deposits	021
4.1.6	Shareholders Equity	023
4.1.7	Net Earnings	024
4.2.0	Bank of Bahrain and Kuwait	027
4.2.1	Bank History	027
4.2.2	Total Assets	028
4.2.3	Loans and Advances	028
4.2.4	Investments	030
4.2.5	Customer Deposits	031
4.2.6	Shareholders' Equity	032
4.2.7	Net Earnings	033
4.3.0	Al Ahli Commercial Bank	036
4.3.1	Bank History	036
4.3.2	Total Assets	036
4.3.3	Loans and Advances	038
4.3.4	Investments	039
4.3.5	Customer Deposits	039
4.3.6	Shareholders' Equity	040
4.3.7	Net Earnings	041
4.4.0	Grindlays Bahrain Bank	044
4.4.1	Bank History	044
4.4.2	Total Assets	044
4.4.3	Loans and Advances	046
4.4.4	Investments	046
4.4.5	Customer Deposits	046
4.4.6	Shareholders' Equity	047
4.4.7	Net Earnings	048

4.5.0	Bahraini Saudi Bank	050
4.5.1	Bank History	050
4.5.2	Total Assets	050
4.5.3	Loans and Advances	050
4.5.4	Investments	052
4.5.5	Customer Deposits	053
4.5.6	Shareholders' Equity	053
4.5.7	Net Earnings	054
4.6.0	Bahrain Islamic Bank	057
4.6.1	Bank History	057
4.6.2	Total Assets	059
4.6.3	Loans and Advances	062
4.6.4	Investments	062
4.6.5	Customer Deposits	064
4.6.6	Shareholders' Equity	065
4.6.7	Net Earnings	065
5.0.0	Ratio Analysis	068
5.1.0	Profitability Ratios	069
5.1.1	Return on Assets	069
5.1.2	Return on Equity	070
5.1.3	Gross Income on Risk Weighted Assets	070
5.1.4	Gross Revenue on Risk Weighted Assets	073
5.2.0	Capital Adequacy Ratios	074
5.2.1	Risk Assets Ratio	074
5.2.2	Capital Funds Leverage	075
5.3.0	Liquidity Ratios	076
5.3.1	Loans to Deposits	077
5.3.2	Quick Assets Ratio	078
5.4.0	Conclusion	079
6.0.0	Evaluation and Management of a Hypothetical Portfolio	080
6.1.0	Selection of the Stocks	080
6.2.0	Holding Period Return Measurement	083
6.3.0	Ex-Post Standard Deviation of Securities	084
6.4.0	Ex-post Correlation Coefficient	085
6.5.0	Calculation of Portfolio Returns	086
6.6.0	Calculation of Portfolio Standard Deviation	089
6.7.0	Relative Risk of Security	092
6.8.0	Calculation of Security Beta	096
6.9.0	Conclusion	096

7.0.0	Concentration and Other Determinants of Bank Profitability in Bahrain.	098
7.1.0	Introduction	098
7.2.0	Data Collection	098
	7.2.1 Key Financial Figures	098
	7.2.2 Dependent Variables	099
	7.2.3 Independent Variables	101
7.3.0	Functional form of the Equation	103
7.4.0	Correlation Calculations	104
7.5.0	Results	111
8.0.0	Conclusion	112

INTRODUCTION

Introduction

The banking sector in the Gulf had been undergoing substantial change for the past several years. This did not only reflect the underlying economic and political forces of change in the region, but also the developments taking place in the world financial system.

The special nature of the banking business makes an evaluation of bank creditworthiness different from studies of companies in other industries.

This project outlines basic approach to setting up banks figures and is designed to highlight trends and ratio analysis which are essential to both a qualitative and quantitative analysis of a bank.

For the purpose of this project , the following six Bahraini banks have been selected:

- National Bank of Bahrain (NBB)
- Bank of Bahrain and Kuwait (BBK)
- Al-Ahli Commercial Bank (ACB)
- Grindlays Bahrain Bank (GBB)
- Bahraini Saudi Bank (BSB)
- Bahrain Islamic Bank (BIB)

The data through which this study was made, have been gathered from the published annual reports of these banks.

The scope of this study covers eleven years for NBB, BBK and ACB (1979-1989); ten years for BIB (1980-1989); and five years for GBB and BSB (1985-1989.) In so far as possible data were standardised to remove differences in individual bank accounting practices.

Graphic aids have also been used to present and compare certain important ratios for individual banks and the total of six banks.

Background of Commercial Banking Industry In Bahrain

2.0 BACKGROUND OF COMMERCIAL BANKING INDUSTRY IN BAHRAIN

In the chronicle of banking in Bahrain, the Eastern Bank (now Standard Chartered Bank) will be entered a clear first. Established in 1920, it instituted banking services not only for Bahrain but also for the Gulf as a whole, which it continued to provide on its own until 1944 when it was joined by the British Bank of the Middle East. The following is a summary of Commercial banking commencement dates in Bahrain :

Year	Bank Name
-----	-----
1920	Standard Chartered Bank
1944	British Bank of Middle East
1957	National Bank of Bahrain
1960	Arab Bank Ltd.
1967	Rifadain Bank
1969	Habib Bank Ltd.
1969	Citibank NA
1969	United Bank Ltd.
1971	Chase Manhattan Bank
1971	Bank Melli Iran
1972	Bank of Bahrain & Kuwait
1972	Banque Du Caire
1973	Grindlays Bahrain Bank
1974	Bank Saderat Iran
1975	Algemene Bank Nederland
1975	Banque de Paris et des Pays Bas
1976	National Bank of Abu Dabi
1978	Al-Ahli Commercial Bank
1979	Bahrain Islamic Bank
1983	Bahraini Saudi Bank

Of the full commercial banks operating in Bahrain at the end of 1986, 6 banks are incorporated in Bahrain and the rest are branches of foreign banks. The first of the Bahraini registered banks is the National Bank of Bahrain which was established by Amiri Decree No. 31 of 1956 and commenced business in 1957. 49% of its capital is held by the Government and the remaining 51% by the Bahraini private sector. Bank of Bahrain and Kuwait comes second with 50%/50% shareholding by Bahrainis & Kuwaitis. Al Ahli Commercial Bank is the third in this category and is 100% owned by the Bahraini private sector. The fourth is the Bahrain Islamic Bank which operates on interest-free basis according to the sharia (Islamic) principles. Its founders are, however, companies/financial institutions from Bahrain, Kuwait, Saudi Arabia and the United Arab Emirates holding 19.1%, 26.1%, 13.0% and 4.3% of the paid-up capital respectively. The balance of 37.5% of the paid-up capital was left for subscription by Bahraini Public. The fifth and sixth Bahrain incorporated banks are Grindlays Bahrain Bank and the Bahraini Saudi Bank. The former is owned 60% by Bahrainis and 40% by foreigners while the latter is owned 50%/50% by Bahraini and Saudi nationals.

As can be concluded from the above historical sketch, the emergence of banks on the Bahrain scene was relatively slow up to the late sixties. But despite their number being small and their services elementary in the context of modern banking, those pioneers were able to cater to the needs of those early days when services required were mainly confined to financing of trade and providing deposit facilities for customers.

Lacking investment outlets locally, banks typically placed excess funds with their head offices or invested them in UK treasury bills and government securities. But as the tempo of economic activity gathered momentum more banks started to appear so that as many as 14 banks were established between 1969 and 1979. So much so that as early as 1975 the monetary authorities felt the need for slowing down and later became selective in granting new licences. It was felt that the already existing banks covered adequately the banking services required in Bahrain. Even those banks which opened their doors in 1975 and 1976 namely Banque de Paris et Des Pays Bas and National Bank of Abu Dhabi did so on the basis of licences granted earlier and except for Al Ahli Commercial Bank, Bahrain Islamic Bank and the Bahraini Saudi Bank no new licences have been granted after 1976.

DEVELOPMENTS IN COMMERCIAL BANKING ACTIVITIES

It is doubtful whether the people who first came to Bahrain with the Eastern Bank in 1920 and their contemporaries could have envisaged the remarkable development that has taken place in Bahrain since then. They did, however, witness the transformation of the economy from pearl fishing as the main occupation through oil production and more recently into a service centre. Oil which was discovered in Bahrain in 1932 indeed constituted a major turning point in the economic development of the State but in course of time the Bahraini authorities became aware that oil reserves would naturally be depleted one day. Accordingly the Government embarked in later years on extensive programmes of diversification involving substantial capital outlays. Within those programmes and the resultant boosting of general economic activity, commercial banks have expanded at a commensurate rate.

The growth of commercial banking activity in terms of total assets and liabilities followed similar patterns to the developments in the Bahraini economy.

The global commercial banking activity will be analysed in more details in the subsequent chapters of this report.

The constituents of the Bahrain financial sector include, operations of the former are of considerable interest in the context of a study on the Islamic Banking System which is emerging as a force, in the area of international finance. The Bahrain Islamic Bank is "special" or "unique" only in the sense that unlike ordinary commercial banks whose operations are fundamentally based on interest (Riba), those of this bank are interest free. The Housing Bank is distinct from commercial banks as it specializes in providing long term finance for the construction of residential and commercial buildings, for development of real estate and for reclamation of land.

Although most of the Islamic Financial Institutions that exist at present are barely a decade old, they already manage assets estimated at around 10 billion US Dollars. They have expanded rapidly since the mid seventies. In 1973, a Committee of the Organization of Islamic Conference (OIC) consisting of Saudi Arabia, Libya, Jordan, Sudan, Morocco, Yemen, Iran, Afghanistan, Pakistan, Indonesia, Malaysia, Turkey, Senegal and Mali met in Cairo and recommended the establishment of an Islamic economic system throughout the Muslim world. Since then numerous Islamic banks have appeared all over the world. In Bahrain, the list of financial institutions namely Massraf Faisal Al-Islami of Bahrain and Al Baraka Islamic Investment Bank (both of which are offshore banking units).

Bidding for funds, Islamic banks are guided by the common principle that depositors, instead of receiving a fixed return in the form of interest, share the risk of investment with the respective banks and hence split the resulting profits or otherwise bear part of the losses. On the side of uses of funds, the Islamic banks, likewise, cannot charge interest on their loans at pre-determined rates. In keeping with the ban on interest, they perform their functions on interest-free principle and undertake certain operations, of which the main types are briefly described below.

- a) Mudaraba: where banks lend funds while clients provide management expertise. The two parties split profits on a predetermined basis but the respective banks alone bear losses.
- b) Murabaha: where the respective banks buy commodities and resell them by adding their mark-up as in ordinary trading transactions. This is in accordance with the injunction of the Holy Quran which says : "Allah has made buying and selling lawful and usury unlawful".

c) Musharaka: where banks and clients jointly contribute capital to projects and share profits or losses.

In section 4.6.0. of this report, Bahrain Islamic Bank's annual report has been analysed and its activity/performance is compared to the other Bahraini banks and the industry.

Glossary of Terms

3.0 Glossary of Terms *

This section is designed to define the ratios which will be used in the following chapters. The calculations of all ratios for each bank are shown in appendices 18 to 23.

3.1 Equity

Refers to "Total Core Capital." It does not include assets revaluation reserves, hybrid capital instruments or subordinated debt.

a) "Core" Versus "Supplementary" Capital

The distinction between "Core" versus "supplementary" capital lies in that the former is able to absorb losses while the bank continues in operation, whereas the latter offers protection on a winding-up basis. Core capital includes common stock, non-cumulative perpetual preferred stock and legal stock and legal reserves less goodwill, and must equal at least 4% of risk-weighted assets. Supplementary capital includes undisclosed reserves, revaluation reserves (including latest reserves), hybrid debt capital instruments, and subordinated debt, less investments in unconsolidated subsidiaries. Supplementary capital may not exceed core capital for the purpose of assessing capital adequacy. Core capital and supplementary capital together must at least equal 8% of risk weighted assets.

b) Risk Weighted Assets(R.W.A.)

$$[(\text{Assets} \times \text{Risk Weight}) + (\text{Conting} \times \text{Risk Weight})]$$

The Basle Agreement set out recommended risk weights to be applied to on-balance sheet assets. For simplicity, five weightings are available (0%, 10%, 20%, 50% and 100%) with higher weightings given to riskier assets. Off-balance sheet items are weighted to reflect the instrument type as well as the counterparty risk. Although these weightings will not reflect varying levels of the riskiness of assets bearing the same classification among different banks, it does recognize different risk levels of Balance Sheet items.

c) Quick Assets (QA)

Quick assets are assets that can be liquidated within a short period of time and include liquid assets, due from banks and marketable securities.

* SOURCE : GIB PUBLICATIONS

d) Free Capital Funds (FCF)

[Capital Funds-Net Fixed Assets -Subs. & Affil.]

FCF contains elements from the Basle Agreement where asset revaluation reserves, hybrid capital instruments and subordinated debt are added as "supplementary" capital, less "unconsolidated" investments in subsidiaries or affiliates, less net fixed assets. It shows the amount of "free" capital that is available for a bank's operation.

3.2 Profitability:

a) Return on Assets (ROA)

[Net Income/Assets]

ROA is a measure of the profitability of the underlying assets and, unlike ROE, it is immune from the distorting effects of high leverage on profitability.

b) Return on Equity (ROE)

[Net Income/Equity]

Must be viewed in line with ROA figures. An under-capitalized bank is bound to show much higher ROE figures than a well-capitalized one, all other things held equal.

c) Gross Income on Risk Weighted Assets (GIRWA)

[Gross Income/Risk Weighted Assets]

Measures the income generating capacity of the bank relative to its risk weighted assets. A declining trend in GIRWA which corresponds to an increasing trend in ROE and ROA indicates a shift towards riskier assets, and vice versa. GIRWA also measures the bank's effectiveness in anticipating changing interest rate trends if compared with GIORWA. More details are given in section 5 of this report.

d) Gross Revenue on Risk Weighted Assets (GRRWA)

[(Gross Income + Interest Exp.)/Risk Weighted Assets]

Measures only the revenues generated relative to risk weighted assets by adding back interest expense to gross income. A low GRRWA corresponding with a high GIRWA indicates effective anticipation of interest rate trends, and vice versa.

- e) Non-Interest Income to Gross Income (NIIGI)

[1 -(Non Interest Income/Gross Income)]
- Measures the extent to which a bank relies on traditional interest income for its profitability. The higher the NIIGI the less reliant the bank is on interest income and the greater its ability to generate fee income and the like.
- f) Operating Expense on Risk Weighted Assets (OERWA)

[Operating Expenses/Risk Weighted Assets]
- Measures a bank's efficiency in managing its risk assets. Higher OERWA indicates lower efficiency. This ratio must be interpreted in the light of the previous indicators.
- g) Profit Margin (PM)

[Operating Profit/(Gross Income+Interest Expense)]
- Measures operating profits (before provisions, taxes and extraordinary items) as a percentage of gross revenues. The profit margin performance is often traceable to other indicators such as GIRWA, GRRWA, NIIGI and OERWA.
- h) Divident Payout Ratio (DPR)

[Dividends/Net Income]
- Measures the proportion of net income that is paid out in dividends. A high DPR restricts the internal generation of capital. DPR in excess of 100% indicates dividend paid out of retained earnings accumulated in previous years.
- i) Capital Generation Ratio (CGR)

[(Net Income-Dividends) / Equity]
- Shows the extent to which the bank has generated funds internally through retention of current profits. A high CGR and DPR indicate an extremely profitable bank.
- j) Dividend Return on Equity (DROE)

[Dividends/Equity]
- Shows how much the shareholders are receiving in dividends relative to their equity investment. A consistently higher DROE implies higher share prices and hence a better ability to attract new capital.

3.3 Capital Adequacy:

a) Risk Asset Ratio (RAR)

[Free Capital Funds/Risk Weighted Assets]

Measures free capital funds in relation to risk weighted assets. It measures the available cushion in terms of funds available for operations relative to the underlying riskiness of the assets. A declining trend may reflect a shift towards riskier assets. The higher the figure, the stronger the capital base.

b) Capital Fund Leverage (CFL)

[(Total Assets/Capital Funds)-1]

Measures total liabilities relative to capital funds (where subordinated debt is considered part of capital funds, not liabilities). This shows the bank ability to protect against losses on a liquidating basis. The lower the figure, the greater the protection.

c) Risk Asset Ratio (RAR)

[Free Capital Funds/Risk Weighted Assets]

Approximates the criterion of capital adequacy which measures capital funds (including subordinated debt as "supplementary" capital), against Risk Weighted Assets, excluding unconsolidated investments in subsidiaries. It differs from RAR in that net fixed assets are not deducted from assets or capital.

d) Leverage

[(Total Assets/Equity)-1]

Is a stricter measure of capital adequacy than leverage in that subordinated debt is excluded. The lower the figure, the stronger the capital base.

e) Equity on Risk Weighted Assets (ERWA)

[Equity/Risk Weighted Assets]

Measures the adequacy of capital relative to risk weighted assets. A declining trend in ERWA which corresponds to decreasing leverage indicates a shift towards riskier assets.

f) Capital Funds on Risk Weighted Assets (CFRWA)

[Capital Funds/Risk Weighted Assets]

Is almost identical to ERWA except that subordinated debt is taken into account as "supplementary" capital.

3.4 Liquidity:

a) Loans to Deposits (L/D)

[Net Loans/Total Deposits]

Measures net loans against total deposits to assess the extent to which deposits have been converted into loans. The higher the figure, the less liquid the bank is.

b) Loans to Free Funds (L/FF)

[Loans/(Cust Dep+M&LT Liab+Free Capital Funds)]

L/FF is another measure of liquidity. Free funds take into account funds available from deposits and medium and long terms liabilities in addition to free capital funds. The higher the figure, the less liquid the bank.

c) Quick Assets Ratio (QAR)

[Quick Assets/Total Assets]

Measures the proportion of total assets that can be liquidated within a very short time. In commercial banking quick assets are Cash, Deposits with Central Bank, Treasury Bills, other liquid assets and total dues from banks. The higher the figure, the more liquid the bank is.

d) Customer Deposits to Total Deposits (CD/TD)

[Customer Deposits/Total Deposits]

Measures the extent to which a bank relies on its customer deposit base for funding. Customer deposits are generally a cheaper source of funds and the larger the figure the more favourable the effect would be on profitability. A low figure shows reliance on higher cost interbank deposits and term liabilities for funding and may force a bank into higher yielding, riskier loans.

e) Liquid Asset Ratio (LAR)

[(Liquid Assets+Due From Banks)/Total Assets]

Is similar to quick assets, except that marketable securities are excluded. Again, the higher the ratio, the more liquid the bank is.

f) Due From Banks/Due to Banks (DFB/DTB)

[Due From Banks/Due to Banks]

Measures the extent to which a bank relies on the interbank market for funding. A ratio below 100% shows that the bank is a net inter-bank borrower while a ratio over 100% shows the bank a net inter-bank lender. The higher the ratios, the more liquid the bank is.

3.5 Asset Quality

a) Provision Charges to Gross Loans (PCGL)

[Prov Doubt Debts/(Net Loans+Prov Doubt Debts)]

Measures the adequacy of current year provision charges relative to gross loans. A low PCGL, however, does not necessarily indicate inadequate provisioning. It may be due to excess provisioning in previous years or to superior asset quality. A high PCGL, on the other hand, may indicate poor asset quality or inadequate provisioning in previous years.

b) Provisions on Total Loans (P/TL)

[Loan Loss Provisns/(Loans+Loan Loss Provisns)]

P/TL is a measure of asset quality. The higher the figure the better the bank is equipped against potential loan losses. This figure must be interpreted carefully, however, in light of the underlying quality of the bank's loans.

c) Provision on Risk Weighted Assets (P/RWA)

[Loan Loss Provisns/Credit Risk Assets]

Measure the adequacy of provisions relative to risk weighted assets. A high level of contingents may necessitate higher provisions

3.6 Business Opportunity:

a) Securities to Deposits

[Marketable Securities/Total Deposits]

Measures the bank's ability to attract suitable loan business. A high securities to deposits ratio indicates that the bank is unable to find good lending opportunities.

b) Contingents to Assets

[Contingent Liabilities/Total Assets]

Measure contingents against total assets. An increasing ratio might explain a declining trend in profitability and capital adequacy on a risk-adjusted basis. This measures the bank's reliance on off-balance sheet items for revenues and is a good indicator of off-balance sheet risks relative to on-balance sheet risks.

Growth Ratio Analysis

National Bank of Bahrain

4.0 GROWTH RATIO ANALYSIS

4.1. National Bank of Bahrain (NBB)

4.1.1 Bank History

The national bank of Bahrain was incorporated in 1957 by a charter from H.H. the Amir of Bahrain with limited liabilities. Its total assets at the time of incorporation in 1957 were BD 5 millions approximately, and by the end of 1989 its total assets were BD 661 millions. The ranking of the Bank is the second in the local commercial banking industry's total assets in Bahrain. By the end of 1989 it had authorised capital of BD 100 million from which BD 28 million was issued and fully paid for BD 1 per share. The market share price traded in the Bahrain Stock Exchange as at 31st December 1989 was BD 3.270 per share. Most of the staff in the bank are Bahraini and they represent 95% of the staff. The statement of condition as at 31st December 1979 to 1989 is shown on the table 4.1 and the Bank's statement of income, expenses and appropriation for the years ended 1979 to 1989 are presented in table 4.2.

4.1.2 Total Assets (TA)

Year	1979	1980	1981	1982	1983
B.D.(000)	210964	297332	390080	444460	500950
Growth %	(8.9)	40.9	31.2	13.9	26.2
Year	1984	1985	1986	1987	1988
B.D.(000)	639340	532690	568840	650520	545820
Growth %	14	(16.7)	6.8	14.4	(16.1)
Year	1989	R	G		
B.D.(000)	660640	-	-		
Growth %	21	13.6	12.1		

- The decrease in 1979 was an outcome of the Bank's planned actions in 1979 to reduce international money market activities as a consequence of the continuing severe fluctuations in interest rates, both regionally and internationally.

$\bar{R}$ = ARITHMETIC MEAN $\bar{G}$ = GEOMETRIC MEAN

(TABLE 4.1) NATIONAL BANK OF BAHRAIN
STATEMENT OF CONDITION AS AT 31st DECEMBER 1979 TO 1989 (BD 000s)

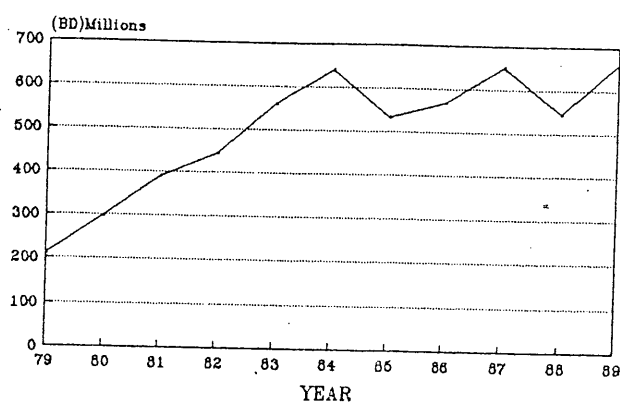
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	7217	10175	16762	18900	16550	5400	8860	3980	5510	7670	7790
DEPOSITS WITH CENTRAL BANK	6624	7072	5562	5320	5170	7560	9300	8300	10230	9860	11140
TREASURY BILLS	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	13841	17247	22324	24220	21720	12960	18160	12280	15740	17530	18930
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	55726	124031	176662	210210	285440	342050	284940	354680	329850	310540	340890
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	55726	124031	176662	210210	285440	342050	284940	354680	329850	310540	340890
MARKETABLE SECURITIES	14467	15971	17430	15350	11806	11070	9320	31830	41880	76170	103410
QUICK ASSETS	84034	157249	216416	249780	318966	366080	312420	398790	387470	404240	463230
LOANS & ADVANCES (NET)	119060	130099	158237	179990	220410	248010	196740	146010	224450	119100	168870
(LOAN LOSS PROVISIONS)	0	0	0	0	0	0	0	0	0	0	0
NET LOANS	119060	130099	158237	179990	220410	248010	196740	146010	224450	119100	168870
UNQUOTED INVESTMENTS	0	0	0	0	5454	5450	6610	7700	22910	7160	7740
INVESTMENTS IN SUBS. & AFFIL.	0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE VALUE OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	4705	4522	5205	5050	4700	4510	3920	3490	3400	3260	3700
OTHER ASSETS	3165	5462	10222	9640	11420	15290	13000	12850	12290	12060	17100
TOTAL ASSETS	210964	297332	390080	444460	560950	639340	532690	568840	650520	545820	660640
DUE TO BANKS - CURRENT	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	4020	4334	7749	8470	12930	6780	4250	5010	4670	5170	5400
TOTAL DUE TO BANKS	4020	4334	7749	8470	12930	6780	4250	5010	4670	5170	5400
ALL DEPOSITS	186548	266288	331338	367940	470790	552800	452980	489630	570420	461810	565890
TOTAL CUSTOMER DEPOSITS	186548	266288	331338	367940	470790	552800	452980	489630	570420	461810	565890
TOTAL DEPOSITS	190568	270622	339087	376410	483720	559580	457230	494640	575090	466980	571290
OTHER LIABILITIES	3632	5985	12559	11310	12840	13640	10150	9010	8960	8770	15870
DIVIDEND	552	720	1400	4200	8400	8400	4200	2800	2800	4200	5600
SUBORDINATED DEBT	0	0	0	0	0	0	0	0	0	0	0
PAID UP CAPITAL	4000	8000	14000	21000	28000	28000	28000	28000	28000	28000	28000
LEGAL RESERVES	1250	3000	13000	15000	8000	8000	8000	8000	8000	8000	8000
CAPITAL RESERVES	0	0	0	0	0	0	0	0	0	0	0
SHARE PREMIUM	0	0	0	0	0	0	0	0	0	0	0
GENERAL RESERVE	10912	8955	10034	16540	19990	19540	23360	24500	26000	28000	30000
RETAINED EARNINGS	50	50	0	0	0	2180	1750	1890	1670	1870	1880
FOREIGN CURRENCY ADJ.	0	0	0	0	0	0	0	0	0	0	0
TOTAL CORE CAPITAL	16212	20005	37034	52540	55990	57720	61110	62390	63670	65870	67880
TOTAL CAPITAL FUNDS	16764	20725	38434	56740	64390	66120	65310	65190	66470	70070	73480
TOTAL LIABILITIES & CAPITAL	210964	297332	390080	444460	560950	639340	532690	568840	650520	545820	660640
GTEES, SLIC, ACCEPTANCES, ETC.	33272	50970	61401	189982	254716	207287	160634	158919	146323	123865	110066
BID + PERF BONDS, NIPS, ETC.	0	0	0	0	0	0	0	0	622	622	597
LCS + EXCH RATE SWAPS, CONTRACTS	4970	11261	17854	44056	28749	48502	30614	63511	90116	72571	73236
INTEREST RATE CONTRACTS	3625	1034	5053	10152	5308	7668	4562	5270	1817	9066	1566
CAPITAL COMMITMENTS	20	433	114	66	250	225	55	64	70	70	136
TOTAL CONTINGENTS & COMMITMENTS	41887	63698	84422	244256	289023	263682	195865	227764	238948	206194	185601
RISK WEIGHTED ASSETS *	182294	229829	286503	446356	567034	565713	449670	441243	532283	415777	490456
CREDIT RISK ASSETS *	167803	199509	240696	394166	492807	476180	372844	349493	431022	333995	397360
FREE CAPITAL FUNDS *	12059	16203	33229	51690	59690	61610	61390	61700	63070	66810	69780

SOURCE : NATIONAL BANK OF BAHRAIN ANNUAL REPORTS

- The increase in 1980 resulted from the Bank's actions and plans to move forward in 1980 upon completions of the reorganisation and consolidation of the Bank during the previous three years.

- The increase in 1981 resulted from its growth and make full use of the resources and its disposal.

TOTAL ASSETS NATIONAL BANK OF BAHRAIN



- The increase in assets in 1982, 1983 and 1984 resulted from a growth in the Bank's interbank and lending activities.

- Because of adverse economic conditions started in 1984 the Bank continued to follow the same conservative policies which were pursued during the previous years.

- The increase in 1985 was the result of a policy decision by the bank to expand its activities in the field of marketable securities and in interbank activities.

- The increase in 1986 was mainly due to the substantial growth in loans and advances and also increase in Investment Securities.

- The Bank continued to maintain a strong liquid position in 1989. This was reflected in the increase in Cash, Due from Bank's and Money Market Investments.

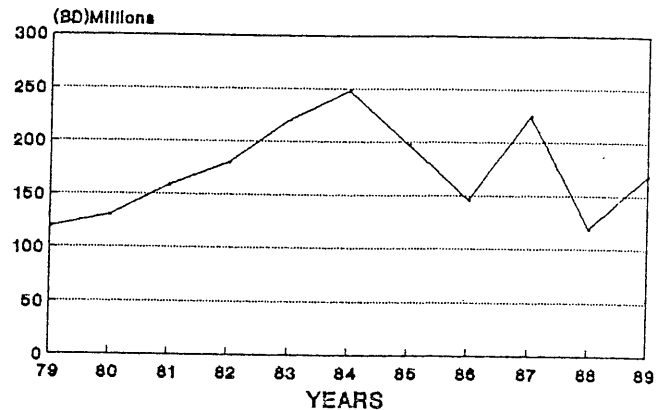
4.1.3 Loans and Advances

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D.(000)	119060	130099	158237	179990	220410
Growth %	30.4	9.3	21.6	13.7	22.5
Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D.(000)	248010	196740	146010	224450	119100
Growth %	12.5	(20.7)	(25.9)	53.8	(46.9)
Year	1989	R	G		
-----	-----	-----	-----		
B.D.(000)	168870	-	-		
Growth %	41.8	8.2	3.6		

NET LOANS NATIONAL BANK OF BAHRAIN

- The increase in 1979 resulted from renewed marketing and business development efforts undertaken after two years of consolidating past growth.

- The increase in 1980 and 1981 resulted from the future expansion of credit administration and marketing division



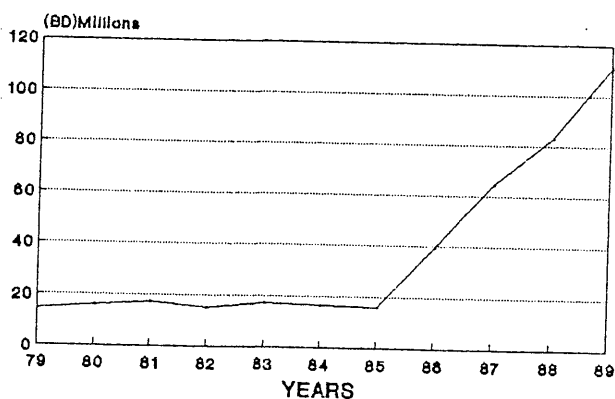
- The increase in 1982, 1983 and 1984 resulted from a growth in the banks inter bank and lending activities. Loans, advances and overdrafts as a percentage of total customer deposits improved from 68.1% in 1983 to 65.2 % in 1984 which was another indicator of the continuing strength of Bank's financial position.
- Because of the adverse economic condition which started in 1985, net loans decreased from BD 248 millions in 1984 to BD 167 millions in 1989. This economic condition affected most of business segments, thus reduced loans to these business segments. The lending opportunities declined in 1986 as a result, most of customers repaid their loans. The decline in 1988 was repayment of maturing short term loans and advances towards the end of 1988: However, the net loans and advances in 1989 increased again.

4.1.4 Investments

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D. (000)	14467	15971	17430	15350	17260
Growth %	9.8	10.4	9.1	(11.9)	12.4
Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D. (000)	16520	15930	39530	64790	83330
Growth %	(4.3)	(3.6)	148.1	64.1	28.6
Year	1989	R	G		
-----	-----	-----	-----		
B.D. (000)	111150	-	-		
Growth %	33.4	28.6	22.6		

- The net increase in 1979 was a result of the purchase of floating rate certificates of deposit of several leading international banks and sale of some fixed rate bonds purchased in prior years.
- The net increase in 1980 was primarily the result of new equity investments in several Bahraini share companies and the sale of some fixed rate bonds which were purchased in prior years.
- The net increase in 1981 resulted mainly from investments in local corporation and financial institutions.

TOTAL INVESTMENTS NATIONAL BANK OF BAHRAIN

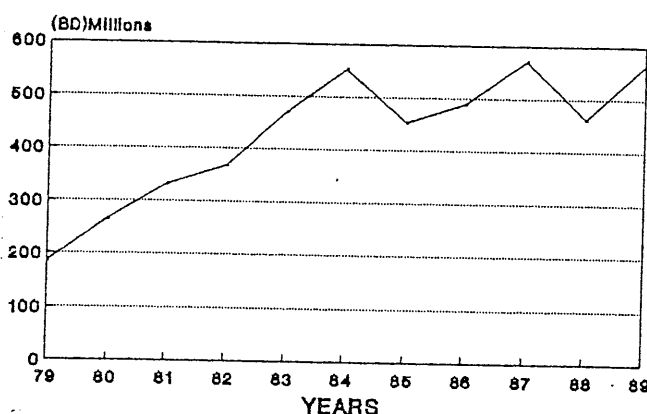


- The net decrease in 1982 mainly resulted from liquidation of the Bank's bond portfolio during the last quarter of the year as market conditions improved.
- The increase in 1983 mainly was as a result of purchasing Bahrain Government Development Bonds.
- The investment of securities started increasing from 1986 and continued throughout the period until 1989. Money Market Instruments increased by 164.67%, this was mainly due to the Bank's active participation in the Treasury Bills programme which was conducted by the Bahrain Monetary Agency.

4.1.5 Customer Deposits

Year	1979	1980	1981	1982	1983
B.D.(000)	186548	266288	331338	367940	470790
Growth %	(7.8)	42.7	24.4	11.0	28.0
Year	1984	1985	1986	1987	1988
B.D.(000)	552800	452980	489630	570420	461810
Growth %	17.4	(18.1)	8.1	16.5	(19.0)
Year	1989	R	G		
B.D.(000)	565890	-	-		
Growth %	22.5	13.4	11.7		

CUSTOMER DEPOSITS NATIONAL BANK OF BAHRAIN



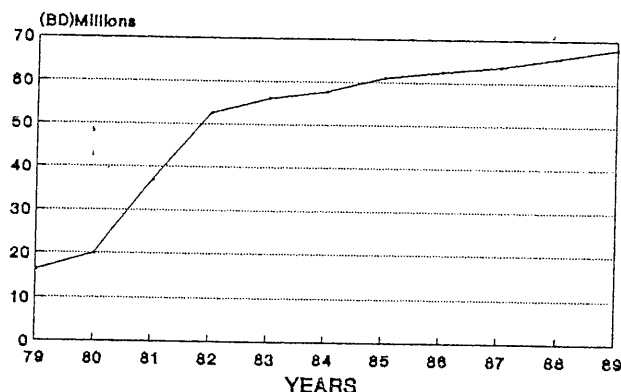
- Accompanying the decrease in TA in 1979, the Bank's deposits reflected a similar decrease. The primary decrease was in current accounts; Saving accounts continued with the positive growth pattern of the past.
- In 1980 the Time Deposits from non - banks increased by 75.3%. This very significant increase was a result of depositors desire of getting higher interest rates. The increase in BD. time deposits more than offset the decrease in BD current deposit which was 21%.
- Total customer deposits as a percentage of loans and advances improved in 1981 from 134% to 147%. This improvement demonstrates that the financial position of the Bank was continuously getting stronger.
- The increase in customer deposits in 1982 demonstrates increased customer confidence in the Bank. Simultaneously Time deposits decreased by 7.1%.
- The bulk of the growth in 1983 was in Saving Accounts and Time Deposits from customers. Time Deposits from Banks also increased substantially by 90.63%.
- In 1984 the bulk of the growth was in Saving Accounts and time deposits from customers. Time Deposits from Bank showed an increase of 36.3%.
- In 1985 Time Deposits from Banks decreased because of reduced funding requirements.
- Total deposits increased again in 1986 and 1987, this was due to placing greater reliance on funding assets by customer deposits.
- The increase in 1989 was mainly due to the introduction of Savers Choice Money Market accounts which offered customers an attractive rate of interest.

4.1.6 Shareholders' Equity

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D.(000)	16212	20005	37034	52540	55990
Growth %	23.5	23.4	85.1	41.9	6.6
Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D.(000)	57720	61110	62390	63670	65870
Growth %	3.1	5.9	2.1	2.1	3.4
Year	1989	R	G		
-----	-----	-----	-----		
B.D.(000)	67880	-	-		
Growth %	3.1	17.7	15.4		

- The continuing retention of a major portion of annual earnings in 1979 and 1980 enabled the Bank to grow and report consistently increasing profits without having to obtain additional equity from the shareholders to support the growth.
- The increase in 1981 and 1982 resulted from retaining a major portion of the annual earnings and a rights issue in December 1981. The first increase was resolved by approving 50% bonus share dividend affected by the capitalisation of BD 4 millions of General Reserve. The record increase was resolved by making a rights issue of one share for every six shares held at a nominal value of BD 10 plus a share premium of BD 50 per share.
- The growth in 1983 was achieved as a result of transferring BD 3.45% millions to the Retained Earnings Accounts. The increase in 1984 and 1985 was as a result of retaining profits of the year. The growth continued until 1989 due to retained earnings account.

**TOTAL CORE CAPITAL
NATIONAL BANK OF BAHRAIN**



4.1.7 Net Earnings

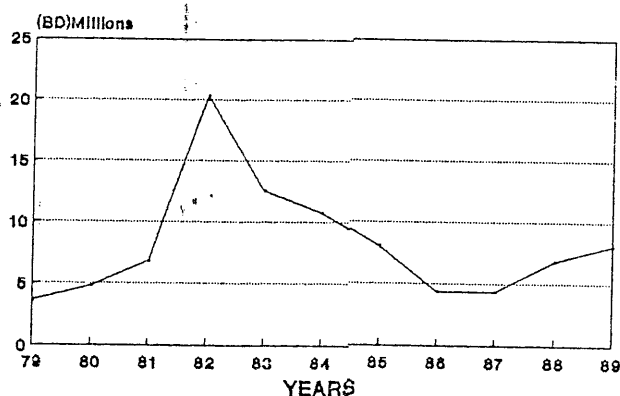
Year	1979	1980	1981	1982	1983
B.D.(000)	3680	4795	6823	20340	12540
Growth %	25.8	30.3	42.3	198.1	(38.3)
Year	1984	1985	1986	1987	1988
B.D.(000)	10740	8040	4370	4360	6810
Growth %	(14.4)	(25.1)	(45.6)	(2.0)	56.2
Year	1989	R	G		
B.D.(000)	8070	-	-		
Growth %	18.5	22.2	8.2		

- The record earnings for 1979 were the result of a significant increase in the net interest margin, a 48% increase in foreign exchange profits.

- The record earnings for 1980 were the result of a 58.3% increase in net interest margin, a 28.1% increase in foreign exchange profits and a substantial increase in other income items.

- The increased earnings for 1981 were result of 34.3% increase in net interest margin and a 15.1% increase in other income.

NET INCOME NATIONAL BANK OF BAHRAIN



- The increase for 1982 broken down into ordinary earnings which reflects a 67.3% growth and exceptional income from financing subscriptions in various share issues. These increase resulted from 52.1% increase in net interest and 64.1% increase in other income.
- Total earnings for 1983 increased by 9.9% but net interest income had not grown because prevailing interest rates were lower than 1982 and also interest margins had to be reduced in order to remain competitive.
- In 1984 the general difficult economic conditions in most of the parts of the world had some negative impact on the international banking scene, which also affected the income of commercial banks in Bahrain, the effect continued until 1987.

(Table 4.2) NATIONAL BANK OF BAHRAIN

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1979 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOM	21136	26981	47273	56550	51910	63150	59310	48350	42410	49970	60310
(INTEREST EXPENSE)	13262	19459	37342	41450	36780	46790	43000	33200	27560	32290	41750
NET INTEREST INCOME	7874	7522	9931	15100	15130	16360	16310	15150	14850	17680	18560
FEES & COMMISSIONS	0	0	0	8930	0	0	0	0	0	0	0
TRADING INCOME	0	0	0	0	0	0	0	0	0	0	0
OTHER INCOME	1957	3428	2555	4200	3540	2750	2170	2190	1990	2160	2210
GROSS INCOME	9831	10950	12486	28230	18670	19110	18480	17340	16840	19840	20770
ADMIN. COSTS & DIRECTORS' FEES	1855	2032	2555	3530	3730	3800	3680	3530	3580	3790	4110
DEPRECIATION	0	0	0	0	0	0	0	0	0	0	0
OTHER EXPENSE	1325	1734	2108	2360	2400	2570	2500	2450	2370	2360	2680
OPERATING EXPENSES	3180	3766	4663	5890	6130	6370	6180	5980	5950	6150	6790
OPERATING PROFIT	6651	7184	7823	22340	12540	12740	12300	11360	10890	13690	13980
{ PROVISION FOR DOUBTFUL DEBTS }	2971	2389	1000	2000	0	2000	4260	6990	6530	6880	5910
(PROV. FOR DECL. IN INVT. VALUE)	0	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX & EXTRAORD ITEMS	3680	4795	6823	20340	12540	10740	8040	4370	4360	6810	8070
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT	3680	4795	6823	20340	12540	10740	8040	4370	4360	6810	8070
BEGINNING RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0
MINORITY INTEREST	40	42	59	60	70	70	50	60	70	70	70
BONUS SHARES ISSUED	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	552	720	1400	4200	8400	8400	4200	2800	2800	4200	5600
LEGAL RESERVES	250	1750	0	9000	0	0	0	0	0	0	0
GENERAL RESERVE	2838	2043	5029	6510	3450	1730	3390	1290	1270	2200	2000
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
OTHER RESERVES	0	240	335	570	620	540	400	220	220	340	400
ENDING RETAINED EARNINGS	0	0	0	0	0	0	0	0	0	0	0

SOURCE : NATIONAL BANK OF BAHRAIN ANNUAL REPORTS

- Net interest income for 1985 was maintained almost at the same level as 1984, whereas other income showed a reduction of 21.1% due to lower foreign exchange profits, commission income and start-up expenses of Visa Credit Card Department.
- The reduction in 1986 and 1987 resulted mainly from the reduction in interest rate on loans and advances and from a drop in interest earned on interbank deposits.
- The significant improvement in 1988 was due mainly to the sharp increase in Net Interest Income. Other incomes also increased as a result of improved earnings from Foreign Exchange and other Commission Income.
- The Bank has been able to increase its net profit in 1989. Net profit reached to BD 8 millions. Interest income increased by 20%.

**Bank of Bahrain
and Kuwait**

4.2.0 Bank Of Bahrain and Kuwait (B.B.K.)

4.2.1 Bank History

The Bank was incorporated in Bahrain on the 16th of March 1971, by charter from H.H. the Amir of the State of Bahrain. It was authorised to operate as a Bank by a Government Degree dated 26th July 1971. Actual banking operations commenced on 16th February 1972.

B.B.K. is Bahraini Shareholding company with limited liability owned jointly and equally by nationals of the State of Bahrain and the State of Kuwait. The original authorised and fully paid-up capital of BD 1 million was subscribed to equally by six Kuwaiti financial institutions and by 3738 Bahraini citizens. By the end of 1987 authorized capital stood at BD 100 Million of which BD 55 Million was issued and fully paid. The Bank also has an O.B.U. which was established in January 1976.

In early 1978 the bank opened a full service branch in Kuwait, designed to serve the retail and commercial communities in Kuwait. By the end of 1979 the bank had seven branches plus the Head Office's retail banking facilities in Bahrain. In 1984 four new branches were opened and by 1987 branches were in operation in the following areas: Muharraq, East Riffa, Isa Town, Central Market, Sheikh Abdulla Road Diplomatic Area, Bahrain Centre, Busaiteen, Old Palace Avenue, Mina Sulman, Sheikh Hamad Road, Shaikh Isa Road, Bahrain Commercial Complex, Adliya and West Rifaa. In addition there are foreign branches in: Kuwait, Republic of Turkey, and Republic of India.

The list of the shareholders of B.B.K. is as follows:

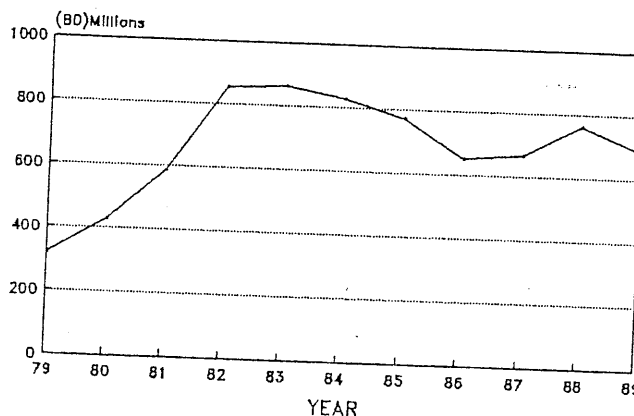
- Citizens of the State of Bahrain	24.76%
- Pension Fund Commission	11.96%
- General Organisation for Social Insurance	10.60%
- Military Pension Funds	2.67%
- The National Bank of Kuwait S.A.K.	6.75%
- Al Ahli Bank of Kuwait K.S.C.	6.75%
- The Commercial Bank of Kuwait S.A.K.	6.75%
- The Gulf Bank K.S.C.	6.75%
- The Bank of Kuwait and the Middle East K.S.C.	6.75%
- Kuwait Foreign Trading Contracting & Investment Company S.A.K.	3.75%
- Kuwait Investment Company S.A.K.	3.75%
- Kuwait International Investment company S.A.K.	2.00%

Table 4.3 presents the statement of condition as at 31st December 1979 to 1989, and the Bank's statement of income, expenses and appropriation for the years ended 1979 to 1989 are presented in table 4.4.

4.2.2 Total Assets

Year	1979	1980	1981	1982	1983
B.D.(000)	318539	427944	586472	854448	863782
Growth %	43	34.3	37	45.7	1.1
Year	1984	1985	1986	1987	1988
B.D.(000)	828778	772696	652845	666725	764218
Growth %	(4.1)	(6.8)	(15.7)	2.1	14.6
Year	1989	R	G		
B.D.(000)	687576	-	-		
Growth %	(10)	9.9			

8.0 TOTAL ASSETS
BANK OF BAHRIN AND KUWAIT



- The large portion of 1979 and 1980 growth was attributed to the expansion of the Kuwait Branch's Business.
- A major part of the increase in 1981 and 1982 attributed to an increase in both domestic and international loans and adding high quality investments to Bank's portfolio.

- The decline in total assets started from 1983. The decline is attributable primarily to lower interbank activity. The economic environment continued to cast a shadow on results of banks in the region. Total assets in 1988 were higher because the domestic market has experienced some increased activity, specially in industrial and tourist sectors.

6.2.3 Loans and Advances

Year	1979	1980	1981	1982	1983
B.D.(000)	146466	238154	316305	448556	484135
Growth %	32	62.6	32.8	41.8	7.9
Year	1984	1985	1986	1987	1988
B.D.(000)	509808	516652	429707	361724	343027
Growth %	5.3	1.3	(16.8)	(15.8)	(5.2)
Year	1989	R	G		
B.D.(000)	328459	-	-		
Growth %	(4.2)	11.0	8.4		

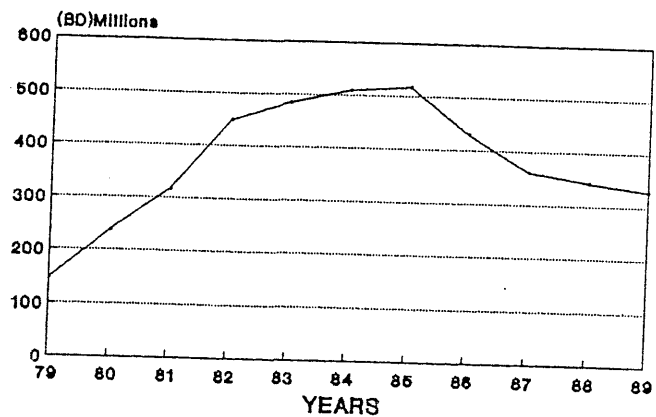
(Table 4.3) BANK OF BAHRAIN AND KUWAIT
STATEMENT OF CONDITION AS AT 31st DECEMBER 1979 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	18319	10526	103779	207283	165363	96986	65880	59157	118345	7422	9532
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	18319	10526	103779	207283	165363	96986	65880	59157	118345	7422	9532
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	138134	154486	136312	112408	78378	96823	51791	37158	38156	190780	99487
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	138134	154486	136312	112408	78378	96823	51791	37158	38156	190780	99487
MARKETABLE SECURITIES	6750	15093	16944	61809	115316	97090	113238	100200	121134	193368	215838
QUICK ASSETS	163203	180105	257035	381500	359057	290899	230909	196515	277635	391570	324857
LOANS & ADVANCES (NET)	146466	238154	316305	448556	484135	509808	516652	429707	361724	343027	328459
(LOAN LOSS PROVISIONS)	0	0	0	0	0	0	0	0	0	0	0
NET LOANS	146466	238154	316305	448556	484135	509808	516652	429707	361724	343027	328459
UNQUOTED INVESTMENTS	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.	1369	1495	2244	4090	4304	4571	5986	5667	5555	5529	10309
PROV. FOR DECLINE IN VAL.OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	1720	1756	2142	4937	5456	5455	7836	10860	13627	13740	14023
OTHER ASSETS	5781	6434	8746	15365	10830	18045	11313	10096	8184	10352	9928
TOTAL ASSETS	318539	427944	586472	854448	863782	828778	772696	652845	666725	764218	687576
DUE TO BANKS - CURRENT	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	157326	210213	208771	735906	740206	709767	664044	546702	584908	192685	105238
TOTAL DUE TO BANKS	157326	210213	208771	735906	740206	709767	664044	546702	584908	192685	105238
ALL DEPOSITS	128488	177052	314585	0	0	0	0	0	0	489218	491903
TOTAL CUSTOMER DEPOSITS	128488	177052	314585	0	0	0	0	0	0	489218	491903
TOTAL DEPOSITS	285814	387265	523356	735906	740206	709767	664044	546702	584908	681903	597141
OTHER LIABILITIES	7689	10916	15746	23080	15902	18659	13561	11736	9883	10879	14674
DIVIDEND	500	750	1300	4117	10806	6175	0	0	0	0	0
SUBORDINATED DEBT	6895	6930	6677	6527	6451	0	0	25050	25050	25050	25050
PAID UP CAPITAL	5000	7500	13000	20583	30875	30875	30875	55000	55000	55000	55000
LEGAL RESERVES	1790	1840	2507	5509	7158	8290	8290	8290	8290	8290	0
CAPITAL RESERVE	0	0	0	15038	4746	4746	4746	0	0	0	0
SHARE PREMIUM	4500	5000	14000	30261	30261	30261	30261	5460	5460	5460	0
GENERAL RESERVE	6295	7676	9841	13220	17027	19027	19027	0	0	0	0
RETAINED EARNINGS	56	67	45	207	350	1714	1714	1714	-21728	-20723	-1836
FOREIGN CURRENCY ADJ.	0	0	0	0	0	-736	178	-1107	-138	-1641	-2453
TOTAL CORE CAPITAL	17641	22083	39393	84818	90417	94177	95091	69357	46884	46386	50711
TOTAL CAPITAL FUNDS	32725	40679	63116	118542	123576	119011	108652	106143	81817	82315	90435
TOTAL LIABILITIES & CAPITAL	318539	427944	586472	854448	863782	828778	772696	652845	666725	764218	687576
GTEEs,SLC, ACCEPTANCES,ETC.	29562	38736	84973	148670	144595	155228	134336	127234	86433	73776	72224
BID + PERF. BONDS, NIPS, ETC.	0	0	456	1603	1570	1448	950	667	3412	3471	3368
LCS + EXCH RATE SWAPS, CONTRACTS	65022	93784	162845	237102	234643	200156	153932	77069	52005	91513	187027
INTEREST RATE CONTRACTS	82	9582	1119	3503	8149	10179	16536	9032	4933	12548	14563
CAPITAL COMMITMENTS	0	0	0	0	0	6350	4411	2111	0	0	0
TOTAL CONTINGENT & COMMITMENTS	94666	142102	249393	390878	388957	373361	310165	216113	146783	181308	277182
RISK WEIGHTED ASSETS *	229194	348550	487083	745279	818673	843975	820191	691923	597460	679345	686164
CREDIT RISK ASSETS *	195782	310740	451019	707257	791760	806056	797693	673944	581398	630209	655610
FREE CAPITAL FUNDS *	29636	37428	58730	109515	113816	108985	94830	89616	62635	63046	66103

NET LOANS BANK OF BAHRAIN AND KWUAIT

- In 1979 and 1980 there has been good growth in loans and advances in particular the Offshore Banking Unit.

- In 1981 the growth was mainly related to increased activity in construction and infrastructures development heightened commercial and trade-related financing.



- The increase in 1982 reflects primarily growth in domestic commercial loans and to a lesser extent international loans. The Bank also increased its portfolio of consumer loans reflecting improved margin in this sector throughout the year.

- Due to continued challenging periods for the bank and bad economic environment the decline started in 1985 and continued through the period until 1989. Net loans and advances decrease from BD 517 millions in 1985 to BD 328 million in 1989 which represents a decline of 36.6% in four years.

4.2.4 Investment

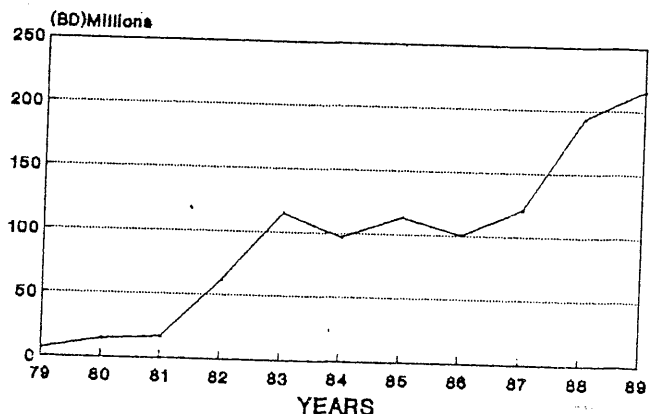
Year	1979	1980	1981	1982	1983
B.D.(000)	6750	15093	16944	61809	115316
Growth %	-	132	16.36	243	86

Year	1984	1985	1986	1987	1988
B.D.(000)	97090	113238	100200	121134	193368
Growth %	(15.8)	16.6	(11.5)	20.9	59.6

Year	1989	R	G
B.D.(000)	215838	-	-
Growth %	11.6	55.9	41.5

TOTAL INVESTMENTS BANK OF BAHRAIN AND KUWAIT

- The main increase was in 1982. This increase attributed to the acquisition of a portfolio of Eurobonds and C/D's as well as investments in the new AL - UBAF Arab International Bank and Bahrain Commercial Facilities Co.

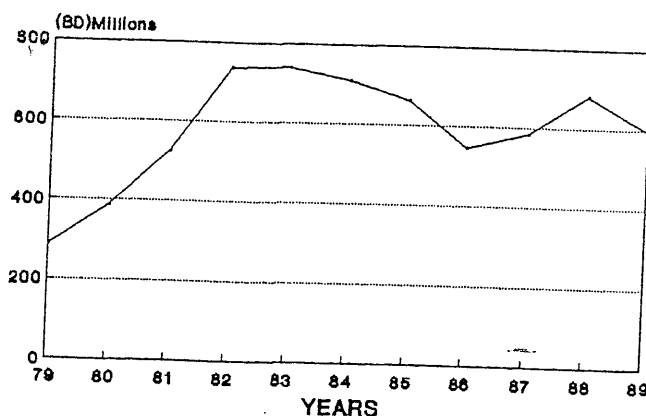


- The increase in 1983 reflects mainly to the investment in Kuwaiti Dinar Bonds.
- During 1987, 1988 and 1989, the Bank's own funds were placed with several external portfolio managers. This has resulted in the growth of investment during these periods.

6.2.5 Customer Deposits

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D.(000)	285814	387265	523356	735906	740206
Growth %	40	35.5	35.1	40.6	0.58
Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D.(000)	709767	664044	546702	584908	681903
Growth %	(4.1)	(6.4)	(17.7)	7.0	16.6
Year	1989	R	G		
-----	-----	-----	-----		
B.D.(000)	597141	-	-		
Growth %	(12.4)	9.5	7.6		

TOTAL DEPOSITS BANK OF BAHRAIN AND KUWAIT



- The increase in Customer Deposits in 1979 and 1980 was due to Bank's great emphasis on the development of a customer oriented branch network.
- The volume of non-bank and bank deposits increased 35% to BD 523 million in 1981. particularly encouraging on the domestic side was the strong growth in non-bank deposits which registered a 61% gain during the year. Fixed deposits, whose rates are regulated by law, declined throughout 1981, specially during the last quarter when numerous customers shifted to shorter term, higher yielding instruments of which the negotiable certificate of deposits was most preminent. This shift in the Bank's liability structure served to raise the overall cost of funds and to squeeze margins. Improved market liquidity during early 1982 indicates that this trend has levelled off and management was cautiously optimistic about maintaining spreads. The trend in regard to both saving and deposit accounts, which are important in funding the Bank's loan portfolio,

was positive, but at a rate less favorable than 1980. Again, this phenomenon was caused by the independent decisions of numerous customers to shift funds into investments bearing higher interest rates.

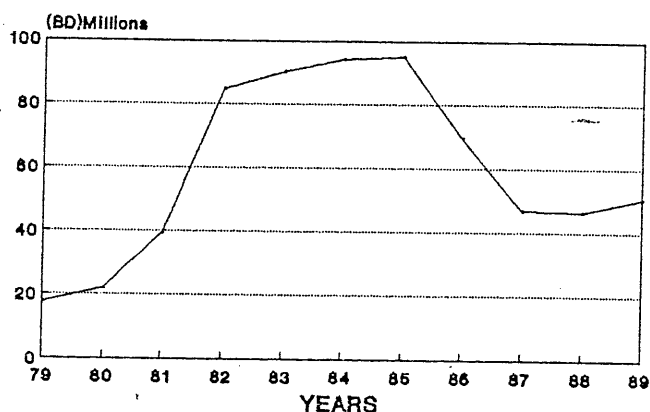
- The Customer Deposits were increasing from 1979 to 1982. The trend has changed from 1983. It started declining and the lowest was in 1985, as mentioned previously, unfavorable economic conditions in the region started sometimes in 1983. However, the bank was able to increase its total deposits in 1987 and 1988 but there was slight reduction in 1989.

4.2.6. Shareholders' Equity

Year	1979	1980	1981	1982	1983
B.D.(000)	17641	22083	39393	84818	90417
Growth %	-	25.2	78.4	115.3	6.6
Year	1984	1985	1986	1987	1988
B.D.(000)	94177	95091	69357	46884	46386
Growth %	4.2	1.0	(27.1)	(32.7)	(1.1)
Year	1989	R	G		
B.D.(000)	50711	-	-		
Growth %	9.3	17.9	11.10		

- In 1981 the free 1 -for - 3 bonus share capital proposal raised the capital outstanding to BD 10 millions by capitalising BD 2.5 million from the Bank's general reserve. In addition the special rights issue gave the shareholders the right to acquire 3 additional shares for every 10 held at a reduced price of BD 40 per share. This raised BD 12 million of fresh capital which was fully paid.

TOTAL CORE CAPITAL BANK OF BAHRAIN AND KUWAIT



- In 1982 the bank conducted a special rights issue in which shareholders acquired one additional share for each 4 pre-split shares held as of December 1981. As a result of this rights offering, BBK issued 3.25 million new shares raising BD 19.5 million.

- In 1986 addition to capital increased by issuing more shares and obtaining a subordinated loan at zero interest for three years. Management had decided to transfer BD 53.4 million from reserve and retained earnings to bad and doubtful debt provision.
- In 1987 the decline in 1987 was mainly due to loss adjustment for the year but it started increasing in 1988 and 1989 because of recovering from its net profits.

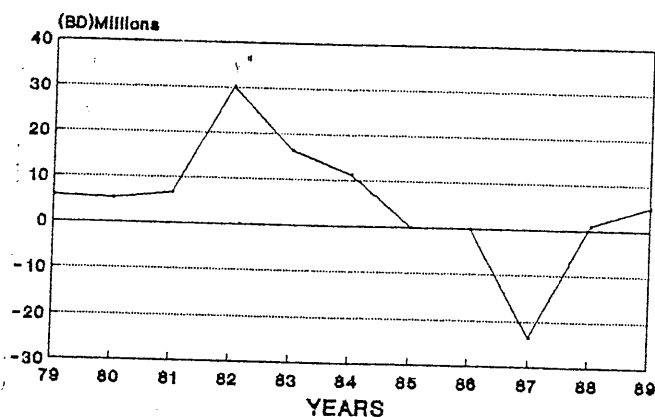
6.2.7 Net Earnings

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D.(000)	5762	5252	6670	30126	16489
Growth %	-	(8.9)	27.0	351.7	(45.3)

Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D.(000)	11321	0	0	-23442	1005
Growth %	(31.3)	(100)	-	-	59.5

Year	1989
-----	-----
B.D.(000)	5137
Growth %	411

NET INCOME BANK OF BAHRAIN AND KUWAIT



- The Bank's operations in Bahrain in 1979 was growing at a pace commensurate with continuing moderate rate of expansion in the local economy.
- The increase in net ordinary earnings in 1980 resulted from continued strong loan demand and imported foreign exchange income.
- The positive result in 1981 was attributed to a large increase in average earning assets as well as the larger employment of capital and improved investment opportunities for surplus non-interest-bearing deposits.
- The increase in ordinary operating earnings in 1982 makes the largest one year percentage gain since the founding of the Bank eleven years ago. One reason was that the Bank was called to play a key role in the formation of a selecting group of offshore companies. The non-

(Table 4.4) BANK OF BAHRAIN AND KUWAIT

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1979 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	30634	47816	64934	104321	86402	88379	72161	52524	46205	43754	51960
(INTEREST EXPENSE)	28452	44181	58585	91281	70328	77726	64943	50073	40798	30098	39953
NET INTEREST INCOME	2182	3635	6349	13040	16074	10653	7218	2451	5407	13656	12007
FEES & COMMISSIONS	0	0	0	0	0	0	0	0	0	0	0
TRADING INCOME	161	222	321	377	415	668	611	722	382	449	865
OTHER INCOME	3419	1395	0	16709	0	0	0	0	0	4014	8938
GROSS INCOME	5762	5252	6670	30126	16489	11321	7829	3173	5789	18119	21810
ADMIN. COSTS & DIRECTORS' FEES	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION	0	0	0	0	0	0	0	0	0	0	0
OTHER EXPENSE	0	0	0	0	0	0	0	0	0	9046	9535
OPERATING EXPENSES	0	0	0	0	0	0	0	0	0	9046	9535
OPERATING PROFIT	5762	5252	6670	30126	16489	11321	7829	3173	5789	9073	12275
(PROVISION FOR DOUBTFUL DEBTS)	0	0	0	0	0	0	7829	3173	29231	8068	7000
(PROV. FOR DECL. IN INVT. VALUE)	0	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX & EXTRAORD ITEMS	5762	5252	6670	30126	16489	11321	0	0	-23442	1005	5275
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	138
NET PROFIT	5762	5252	6670	30126	16489	11321	0	0	-23442	1005	5137
BEGINNING RETAINED EARNINGS	50	56	67	45	207	350	1714	1714	1714	-21728	-20723
MINORITY INTEREST	36	60	60	84	84	84	0	0	0	0	0
BONUS SHARES ISSUED	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	500	750	1300	4117	10806	6175	0	0	0	0	0
LEGAL RESERVES	600	550	667	3013	1649	1132	0	0	0	0	-13750
GENERAL RESERVE	4620	3881	4665	7712	3807	2000	0	0	0	0	0
CAPITAL RESERVE	0	0	0	15038	0	0	0	0	0	0	0
OTHER PROVISIONS	0	0	0	0	0	566	0	0	0	0	0
ENDING RETAINED EARNINGS	56	67	45	207	350	1714	1714	1714	-21728	-20723	-1836

SOURCES : BANK OF BAHRAIN AND KUWAIT ANNUAL REPORTS

recurring earnings associated with this activity have been classified as exceptional income and amounted BD 16.7 million.

- The increase in ordinary earnings was attributable in part to a strong gain in net interest income, as sharp rise in fees for other services and an increase in foreign exchange profits. These positive factors were partly offset by increase in operating expenses and a moderate increase in the provision for loan losses.
- The increase in 1983 includes after tax share of the earnings in BBK's Omani affiliate. Also contributing to the bank's earnings performance was the attention given to asset quality (loan and advances) and the control of non-earning assets. The Bank also formed a risk reviews department.
- Year 1984 has been an extremely challenging one for BBK. It experienced the combined effects of declining oil prices and production which has curtailed stimulative Government spending, the Iraq/Iran war which has rapped inventor confidence, and the collapse of the unofficial stock market in Kuwait. The net impact of these major forces has had a profound effect on the economics of GCC members states in which BBK operate.
- The principal factors causing the decline in 1985 were interest superevisions on non-accrual loans and higher provisions for loan losses.
- The economic environment generally continued to cast a shadow on BBK results for 1986. For BBK, as well as other banks in the region, the causes remain the same, lack lurtter regional market with limited new business opportunities, and contintuing assets quality considerations which adversely affected earnings.
- The net loss for 1987 was BD 23.4 millions. This was mainly due to transfer of BD 29.2 million to provision for doubtful debts.
- 1988 was a good year for the bank, it has generated a net profit of BD 1.005 million. This has been achieved despite the prevailing market conditions.
- The bank has been able to significantly increase its profitability in 1989. Net profit was BD 5.137million compared to BD 1.005 million in 1988. Market conditions in the Gulf Region were stable.

Al-Ahli Commercial Bank

4.3 Al-Ahli Commercial Bank

4.3.1 Bank History

Al-Ahli started operations in 1978 with authorised capital of BD 8 Millions made up of 800,000 shares of BD 10 each. At the end of 1979 BD 3,980,280 of authorised capital was paid for and total of 400,000 shares issued from which 396,056 were fully paid for and 3,944 were partly paid for. In 1986, 50,000,000 shares of BD 1 were authorised as capital of the Bank of which 8,000,000 were issued and fully paid.

In 1981 due to rising operational costs and increased demand for faster accurate and more efficient services, a decision was made to automate all of the bank's operations. By 1983, current and saving accounts, interest accruals, time deposits and foreign exchange transactions were computerized and since then the bank has put a lot of efforts into improving the system.

A branch of Al-Ahli Bank was opened in Gudaibiya in 1983 in accordance with the bank's long-term objective of establishing a branch network in busy commercial and residential areas for the convenience of customers. In 1984 the bank's head office moved to the Car Park Building on Government road and in the old premises Sheikh Mubarak Building, another branch was established.

Table 4.5 presents the statement of condition as at 31st December 1979 to 1989. Table 4.6 presents the income, expenses and appropriation for the years ended 1979 to 1989.

4.3.2 Total Assets

Year	1979	1980	1981	1982	1983
-----	-----	-----	-----	-----	-----
B.D.(000)	26009	56386	80611	115849	136737
Growth %	-	116.8	43.0	43.7	18.0

Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
B.D.(000)	158365	167309	144482	155221	165324
Growth %	15.8	5.6	(13.6)	7.4	6.5

Year	1989	R	G
-----	-----	-----	-----
B.D.(000)	168243	-	-
Growth %	1.8	24.5	20.5

(TABLE 4.5) AL-AHLI COMMERCIAL BANK
BALANCE SHEET FOR THE PERIOD 1979 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	1024	2447	2466	9360	4624	5462	6560	3292	3886	3922	6517
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	200	1220	610
TOTAL LIQUID ASSETS	1024	2447	2466	9360	4624	5462	6560	3292	4086	5142	7127
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	9146	18133	28093	23696	44026	47349	59774	46927	65572	84518	86398
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	9146	18133	28093	23696	44026	47349	59774	46927	65572	84518	86398
MARKETABLE SECURITIES	159	266	630	1929	3335	3391	1975	2320	10029	2181	2293
QUICK ASSETS	10329	20846	31189	34985	51985	56202	68309	52539	79687	91841	95818
LOANS & ADVANCES	15402	35173	48451	79789	83876	101170	96706	91158	81336	80823	82667
(LOAN LOSS PROVISIONS)	152	352	485	1000	1300	1800	2200	3900	10300	10981	16881
NET LOANS	15250	34821	47966	78789	82576	99370	94506	87258	71036	69842	65786
UNQUOTED INVESTMENTS	0	0	0	0	0	0	1494	1494	1364	1369	1369
INVESTMENTS IN SUBS. & AFFIL.	0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE VALUE OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	180	166	456	424	663	1265	1232	1191	1105	1347	698
OTHER ASSETS	250	553	1000	1651	1699	1994	2234	2466	2645	1541	5188
TOTAL ASSETS	26009	56386	80611	115849	136737	158365	167309	144482	155221	165324	168243
DUE TO BANKS - CURRENT	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	483	4535	21074	10998	2496	3835	8112	8116	13921	16987	6733
TOTAL DUE TO BANKS	483	4535	21074	10998	2496	3835	8112	8116	13921	16987	6733
ALL DEPOSITS	20069	44757	51105	81219	110305	127851	132171	112546	123104	129176	145186
TOTAL CUSTOMER DEPOSITS	20069	44757	51105	81219	110305	127851	132171	112546	123104	129176	145186
TOTAL DEPOSITS	20552	49292	72179	92217	112801	131686	140283	120662	137025	146153	151919
OTHER LIABILITIES	679	1483	2476	5423	4094	5898	5344	2891	3222	3166	4313
DIVIDEND	297	438	480	720	1360	1360	800	400	0	0	0
SUBORDINATED DEBT	0	0	0	0	0	0	0	0	0	0	0
PAID UP CAPITAL	3980	3986	4000	6000	8000	8000	8000	8000	8000	8000	8000
LEGAL RESERVES	89	202	281	1160	1400	1634	1864	1869	1869	1971	1971
CAPITAL RESERVE	0	0	0	6510	4510	4510	4510	4510	3060	3060	0
SHARE PREMIUM	0	0	0	2000	2000	2000	2000	2000	2000	2000	2000
GENERAL RESERVE	400	900	1100	1800	2550	3200	4050	4050	0	400	0
RETAINED EARNINGS	12	85	95	19	22	77	458	100	45	564	40
FOREIGN CURRENCY ADJ.	0	0	0	0	0	0	0	0	0	0	0
TOTAL CORE CAPITAL	4481	5173	5476	17489	18482	19421	20882	20529	14974	15995	12011
TOTAL CAPITAL FUNDS	4778	5611	5956	18209	19842	20781	21682	20929	14974	15995	12011
TOTAL LIABILITIES & CAPITAL	26009	56386	80611	115849	136737	158365	167309	144482	155221	165324	168243
GTEES, SLC, ACCEPTANCES, ETC.	6988	8080	15570	27037	38810	58524	60924	35728	24156	22308	19618
BID + PERF. BONDS, NIFS, ETC.	67	54	336	654	505	510	468	235	129	124	99
LCS + EXCH RATE SWAPS, CONTRACTS	283	865	2198	0	0	154	899	410	2244	877	472
INTEREST RATE CONTRACTS	172	3194	3364	11000	4138	2232	15214	3585	5798	4503	4539
CAPITAL COMMITMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENT & COMMITMENTS	7510	12193	21468	38691	43453	61420	77505	39958	32327	27812	24728
RISK WEIGHTED ASSETS *	32196	62917	95005	135979	173505	214625	226482	184372	196225	204306	214846
CREDIT RISK ASSETS *	7237	8546	16808	29293	42398	62201	63313	38248	34698	24726	22055
FREE CAPITAL FUNDS *	4598	5445	5500	17785	19179	19516	20450	19738	13869	14648	11313

SOURCE: AL-AHLI COMMERCIAL BANK ANNUAL REPORTS

4.3.4 INVESTMENTS

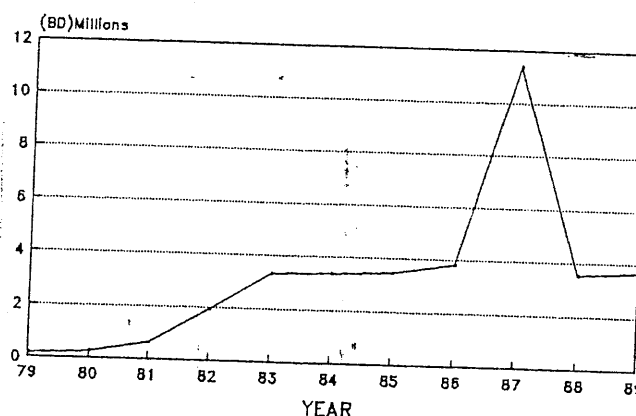
Year	1979	1980	1981	1982	1983
B.D.(000)	159	266	630	1929	3335
Growth %	-	67.3	137	206	72.9

Year	1984	1985	1986	1987	1988
B.D.(000)	3391	3469	3814	11393	3550
Growth %	1.6	2.3	9.9	198.7	(68.8)

Year	1989
B.D.(000)	3662
Growth %	3.2

The bank was able to increase its investments in securities in 1982 and 1983. There were no significant growth in investments through the period 1984 to 1986. However, the bank's total investments almost doubled in 1987. This increase was due to investment of BD 7.8 millions in Marketable Securities. These securities were sold in 1988.

INVESTMENT
AL-AHLI COMMERCIAL BANK



4.3.5 CUSTOMER DEPOSITS

Year	1979	1980	1981	1982	1983
B.D.(000)	20069	44757	51105	81219	110305
Growth %	-	123	14.2	58.9	35.8

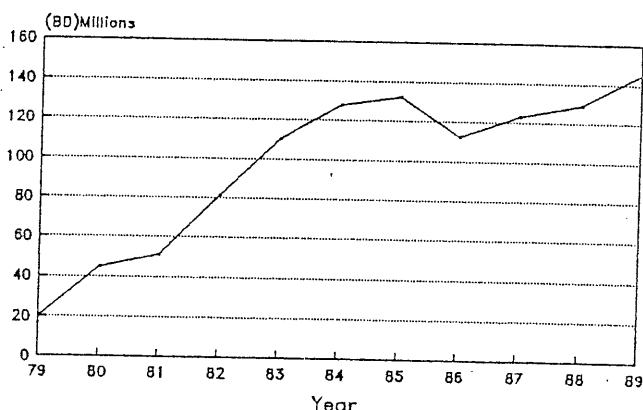
Year	1984	1985	1986	1987	1988
B.D.(000)	127851	132171	112546	123104	129176
Growth %	13.7	3.4	(14.8)	9.4	4.9

Year	1989
B.D.(000)	145186
Growth %	12.4

In 1980 the bank was able to increase its consumers saving account, this was due to the increased interest rate in saving accounts from 5% p.a. to 5.5 % p.a. calculated on the total daily credit balance.

Total customer deposits increased from BD 20 million in 1979 to BD 145 million in 1989. This increase indicates a strong customer deposit base and less reliance on interbank finance. This increase also indicate ACB'S efficiency in attracting more customers by providing better services. The only decline was in 1985 and that was also due to the bad economic conditions in the region.

CUSTOMER DEPOSITS AL-AHLI COMMERCIAL BANK



4.3.6 Shareholders Equity

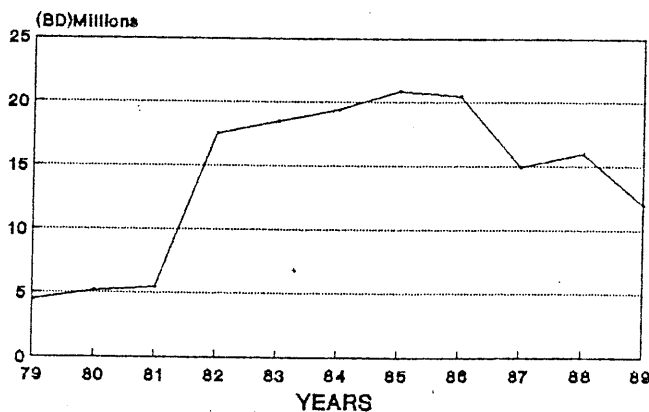
Year	1979	1980	1981	1982	1983
B.D.(000)	4481	5173	5476	17489	18482
Growth %	134	15.4	5.9	219.4	5.7

Year	1984	1985	1986	1987	1988
B.D.(000)	19421	20882	20529	14974	15995
Growth %	5.1	7.5	(1.7)	(27.1)	6.8

Year	1989	R	G
B.D.(000)	12011	-	-
Growth %	(24.9)	21.2	10.4

The increase in 1982 was attributed from retaining a substantial portion of the Bank's profit in general reserves. The Bank also made a rights issue whereby during 1982 shareholders were given the privilege to subscribe to one share at BD 20 each for every two shares owned. This resulted in increasing the issued and fully paid capital from BD 4 million to BD 6 million.

TOTAL CORE CAPITAL AL-AHLI COMMERCIAL BANK



The premium arising from the rights issue has been credited to share premium account. Following the rights issue, a 10 for 1 split was made changing the par value from BD 10 to 1 per share.

Shareholders approved in 1983 an increase in the authorised share capital from BD 8 million to BD 50 million. At the same time, a resolution was passed to increase the issued and fully paid share capital from BD 6 millions to BD 8 millions by distribution of one bonus share for three shares held to be paid up by transfer from the Bank's capital reserve.

The reduction in 1987 was a result of transferring capital and general reserves of BD 5.5 million to statement of income. The decline in 1987 was mainly resulted from charging a higher loan loss provision from the reserve balance.

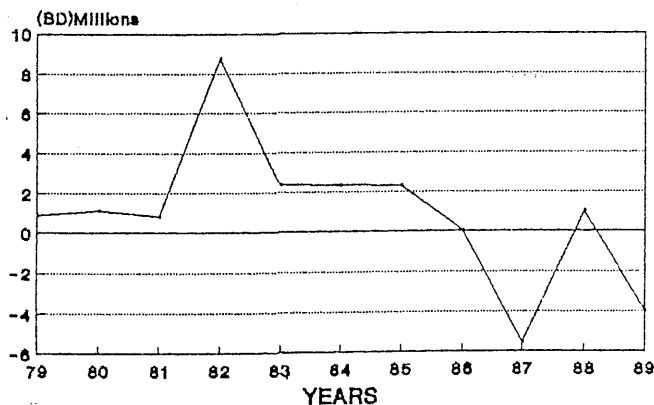
4.3.7 Net Income

Year	1979	1980	1981	1982	1983
B.D.(000)	894	1141	794	8773	2393
Growth %	-	27.6	(30.4)	1004.9	(72.7)
Year	1984	1985	1986	1987	1988
B.D.(000)	2339	2301	47	-5555	1021
Growth %	(2.3)	(1.6)	(98)	(11919)	118.4
Year	1989				
B.D.(000)	-3984				
Growth %	(490.2)				

A significant portion of 1979 and 1980 increases were attributed to the specialised handling of subscriptions of exempt companies and non-rewining facilities extended to the subscribers.

The Net Income of 1981 was reduced, but if we exclude the previous years extraordinary income, the results were encouraging. The increase represents 67.5% improvement in ordinary earnings.

NET INCOME AL-AHLI COMMERCIAL BANK



(TABLE 4.6) AL-AHLI COMMERCIAL BANK

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1979 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	2550	5685	8776	13666	13251	16056	16432	13352	10223	11761	14382
(INTEREST EXPENSE)	882	3765	6865	10055	8847	10869	11223	8979	6709	7881	10410
NET INTEREST INCOME	1668	1920	1911	3611	4404	5187	5209	4373	3514	3880	3972
FEES & COMMISSIONS	0	0	0	7233	0	0	0	0	0	0	0
TRADING INCOME	29	106	76	195	207	277	274	0	0	0	0
OTHER INCOME	99	308	215	315	343	611	587	709	702	783	892
GROSS INCOME	1796	2334	2202	11354	4954	6075	6070	5082	4216	4663	4864
ADMIN. COSTS & DIRECTORS' FEES	426	574	831	1172	1448	1668	1801	1756	1661	1649	1626
DEPRECIATION	49	50	59	101	110	122	213	250	243	229	236
OTHER EXPENSE	275	369	385	793	517	1166	1355	1329	1197	1083	1086
OPERATING EXPENSES	750	993	1275	2066	2075	2956	3369	3335	3101	2961	2948
OPERATING PROFIT	1046	1341	927	9288	2879	3119	2701	1747	1115	1702	1916
(PROVISION FOR DOUBTFUL DEBTS)	152	200	133	515	300	500	400	1700	6400	681	5900
(PROV. FOR DECL. IN INVT. VALUE)	0	0	0	0	186	280	0	0	150	0	0
PROFIT BEFORE TAX & EXTRAORD ITEMS	894	1141	794	8773	2393	2339	2301	47	-5435	1021	-3984
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	120	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT	894	1141	794	8773	2393	2339	2301	47	-5555	1021	-3984
BEGINNING RETAINED EARNINGS	-86	12	85	95	19	22	77	458	100	45	564
MINORITY INTEREST	10	17	25	40	40	40	40	0	0	0	0
BONUS SHARES ISSUED	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	297	438	480	720	1360	1360	800	400	0	0	0
LEGAL RESERVES	89	113	79	879	240	234	230	5	0	102	0
GENERAL RESERVE	400	500	200	700	750	650	850	0	-4050	400	-400
CAPITAL RESERVE	0	0	0	6510	0	0	0	0	-1450	0	-3060
OTHER PROVISIONS	0	0	0	0	0	0	0	0	0	0	0
ENDING RETAINED EARNINGS	12	85	95	19	22	77	458	100	45	564	40

SOURCE: AL-AHLI COMMERCIAL BANK ANNUAL REPORTS

The Bank's earnings in 1982, after deduction of depreciation and provisions, reached a record breaking year-end figure of BD 8.77 million. The unusual growth in income was principally attributed to the profit pooled by the three national banks handling subscription of Exempt Company share issues.

The Bank's net income in 1983 decreased by 73%, but if we exclude the previous year's nonordinary earnings of BD 7.23 million, the ordinary earnings of the year reflects an increase of 55.4%

Earnings in 1984 before provision for possible loan losses and evaluation of investments increased by 8.3%. This favorable result was partially offset by two factors. The first was the continued debt servicing problems of domestic and regional borrowers which necessitated a substantial increase in the bank's provision for possible loan losses and provision for interest accrual on non-performing loans. The second was the significant expenditures on technology and the one time fitting out cost of the new Head Office.

Despite the volatile economic environment and lack-luster market conditions which prevailed throughout 1986 and 1987, ACB retained a net operating income of BD 845,000 before exceptional provisions of BD 6.4 millions. The addition to the provisions produced a net loss for the 1987 of BD 5.55 millions.

Operating profit for 1988 was BD 1.7 millions before exceptional provisions. the Bank's net earnings were BD 1 million compared with a net loss of BD 5.5 millions in 1987. The year-end earnings result is considered a great achievement in the Bank's recovery over 1987.

In 1989 interest income increased by 22.3% despite a marginal fall in operating assets because of increased interest rates. However, these increased rates were counter productive as these raised Bank's cost of funds. The interest expense increased by 32%, thus reducing profit spread. This was also due to the Bank's conservative policy in recognizing income. There were also a higher loan loss provision.

Grindlays Bahrain Bank

4.4 GRINDLAYS BAHRAIN BANK (GBB)

4.4.1 Bank History

The Bank effectively commenced operation on the 1st May 1984 having acquired the business of Grindlays Bank PLC's Bahrain branch on that date. The shareholders of the Bank comprise a combination of prominent Bahraini citizens and business houses, Bahrain government and quasi government institutions holding between them 60% of the paid up shares. Grindlays Bank P.L.C., London holds the remaining 40% of the Bank's share capital.

Grindlays Bahrain Bank's acquisition of the business of Grindlays Bank in Bahrain provides immediately a good income stream and core of profitable business comprising well distributed corporate lending assets and a sound customer deposit base of funds. It is the Bank Board's objective to develop these business relationships and to build on the opportunities open to the Bank by virtue of Bank's new capitalisation and status as a domestic Bahrain Bank.

In remarking on Bank's connections with Grindlays Bank P.L.C. it is of note that in September 1984 the Australia and New Zealand Banking Group (ANZ Bank) of Australia acquired 100 % of the shares of Grindlays Bank.

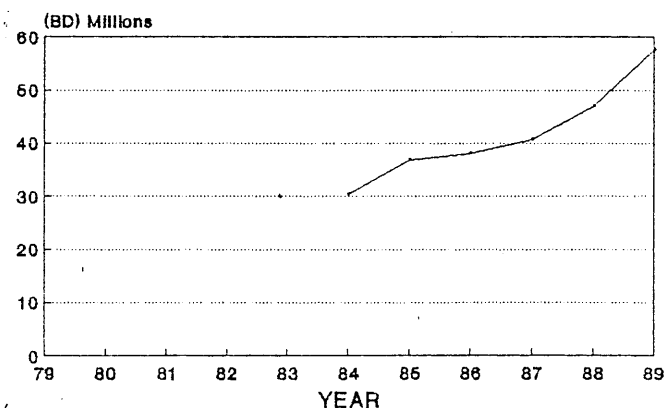
In combined balance sheet terms the ANZ / Grindlays Group would rank amongst the 80 Largest banks in the world. This development is of importance to this Bank not least in the increased potential business opportunities that now exist for the Bank between Bahrain, the Gulf and Australia.

4.4.2 Total Asset

Year	1985	1986	1987	1988	1989
B.D.(000)	36089	38098	40769	46967	57666
Growth %	20.7	3.5	7.0	15.2	22.8

As mentioned above, the bank started its operation in 1984, its total assets in the second year of operation increased by 21%. There were no significant increase in bank's total assets in 1986 and 1987. However, bank's total assets started increasing from 1988.

TOTAL ASSETS GRINDLAYS BAHRAIN BANK



(TABLE 4.7) GRINDLAYS BAHRAIN BANK
STATEMENT OF CONDITION AS AT 31st DECEMBER 1984 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	0	0	0	0	0	1198	12547	7278	11534	12864	22216
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	0	0	0	0	0	0	0	0	1976	1689	1473
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	0	0	0	0	0	1198	12547	7278	13510	14553	23689
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	0	0	0	0	0	15617	8018	11328	5889	11067	8912
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	0	0	0	0	0	15617	8018	11328	5889	11067	8912
MARKETABLE SECURITIES	0	0	0	0	0	0	0	0	0	0	0
QUICK ASSETS	0	0	0	0	0	16815	20565	18606	19399	25620	32601
LOANS & ADVANCES	0	0	0	0	0	12993	15777	19002	21160	20794	24638
(LOAN LOSS PROVISIONS)	0	0	0	0	0	0	0	100	220	330	450
NET LOANS	0	0	0	0	0	12993	15777	18902	20940	20464	24188
UNQUOTED INVESTMENTS	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.	0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	0	0	0	0	0	545	296	463	259	661	662
OTHER ASSETS	0	0	0	0	0	144	171	127	171	222	215
TOTAL ASSETS	0	0	0	0	0	30497	36809	38098	40769	46967	57666
DUE TO BANKS - CURRENT	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	0	0	0	0	0	4608	7127	9820	4672	2227	3132
TOTAL DUE TO BANKS	0	0	0	0	0	4608	7127	9820	4672	2227	3132
ALL DEPOSITS	0	0	0	0	0	21330	25432	23954	31416	39549	48914
TOTAL CUSTOMER DEPOSITS	0	0	0	0	0	21330	25432	23954	31416	39549	48914
TOTAL DEPOSITS	0	0	0	0	0	25938	32559	33774	36088	41776	52046
OTHER LIABILITIES	0	0	0	0	0	1350	720	666	745	817	912
DIVIDEND	0	0	0	0	0	0	0	0	0	150	210
SUBORDINATED DEBT	0	0	0	0	0	0	0	0	0	0	0
PAID UP CAPITAL	0	0	0	0	0	3000	3000	3000	3000	3000	3000
LEGAL RESERVES	0	0	0	0	0	21	53	66	94	129	188
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
SHARE PREMIUM	0	0	0	0	0	0	0	0	0	0	0
GENERAL RESERVE	0	0	0	0	0	180	470	590	750	850	1050
RETAINED EARNINGS	0	0	0	0	0	8	7	2	92	145	260
FOREIGN CURRENCY ADJ.	0	0	0	0	0	0	0	0	0	0	0
TOTAL CORE CAPITAL	0	0	0	0	0	3209	3530	3658	3936	4124	4498
TOTAL CAPITAL FUNDS	0	0	0	0	0	3209	3530	3658	3936	4274	4708
TOTAL LIABILITIES & CAPITAL	0	0	0	0	0	30497	36809	38098	40769	46967	57666
GTEES, SLC, ACCEPTANCES, ETC.	0	0	0	0	0	22338	24730	19403	22149	24817	24768
BID + PERF. BONDS, NIPS, ETC.	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	0	0	0	0	0	0	0	0	0	0	8764
INTEREST RATE CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL COMMITMENTS	0	0	0	0	0	29	0	35	165	75	0
TOTAL CONTINGENT & COMMITMENTS	0	0	0	0	0	22367	24730	19438	22314	24892	33532
RISK WEIGHTED ASSETS *	0	0	0	0	0	38613	42282	40915	45158	48583	53754
CREDIT RISK ASSETS *	0	0	0	0	0	35360	40507	38340	43254	45356	57720
FREE CAPITAL FUNDS *	0	0	0	0	0	29952	36513	37635	40510	46306	57004

SOURCE : GRINDLAYS BAHRAIN BANK ANNUAL REPORTS

45

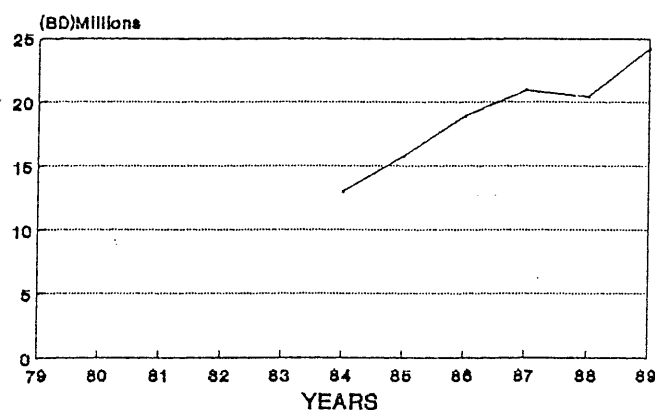
* CALCULATED IN APPENDIX NO. 8

4.4.3 Loan and Advances

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	15777	18902	20940	20464	24188
Growth %	21.4	19.8	10.8	(2.3)	18.2

In spite of quiet business conditions in 1985, the Bank was able to record satisfactory progress in increasing its volume of loans and advances including facilities provided to several important new customers. Total loans and advances as at the 31st December 1985, excluding interbank loans, rose to BD 15.8 million broadly distributed as follows:

NET LOANS GRINDLAYS BAHRAIN BANK



BD. Million

Manufacturing	3.1
Trading	3.3
Construction	6.2
Other Sectors	3.2

Net Loans and Advances as at end of 1985 was BD 13 million, and it increased to BD 24 million as at end of 1989. This shows a growth of 86%.

4.4.4 Investments

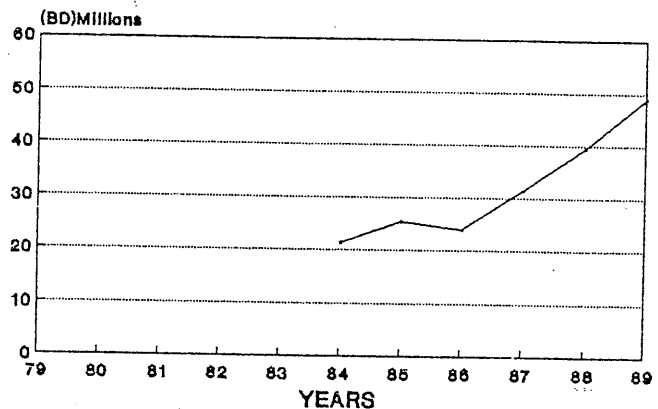
There were no investments in securities.

4.4.5 Customer Deposits

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	25432	23954	31416	39549	48914
Growth %	19.2	(5.8)	31.1	25.9	23.7

CUSTOMER DEPOSITS GRINDLAYS BAHRAIN BANK

Customer deposits reflected satisfactory growth from the time of Bank's operation commencement. Stable growth in Bank's customer deposits has enable the Bank to remain highly liquid and a substantial depositor of funds in the interbank market while supporting significant growth in the Bank's customer risk assets.



Customer deposits as at 31st December 1987 were BD 31.4 million compared with BD 24 million as at 31st December 1986. This was a substantial increase, in line with Bank's policy to broaden and diversify Bank's customer deposit base.

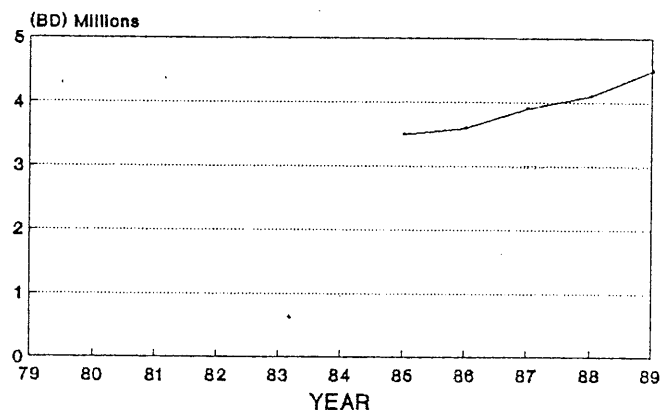
Customer deposits in 1988 and 1989 increased by 16 % and 24.6% respectively. The trend of deposits is considered satisfactory and in line with Bank's objective of broadening its customer deposit base.

4.4.6 Shareholders' Equity

Year	1985	1986	1987	1988	1989
B.D. (000)	3530	3658	3936	4124	4498
Growth %	10	3.6	7.6	4.8	9.1

There were no significant growth in shareholders' equity since bank's operations. The increases were mainly due to capital reserves and retained earnings.

TOTAL CORE CAPITAL GRINDLAYS BAHRAIN BANK

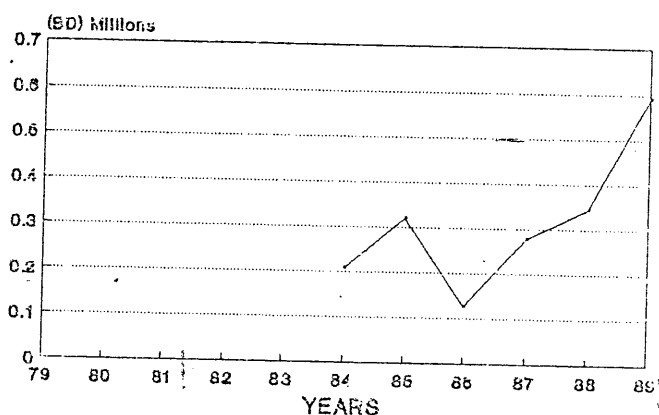


4.4.7 Net Income

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	321	128	278	345	592
Growth %	53.6	(60.1)	117.2	24.1	71.6

1985 represented the first full year of activity because the Bank had commenced operations on the 1st May 1984. Annualising comparable revenues for the eight months period in 1984, net interest income during 1985 reflected a satisfactory growth. On the other hand exchange and commission earnings remained at about the same level reflecting the quieter condition affecting trade and construction generally and from which much of the bank's non-funds based revenues were derived.

NET INCOME GRINDLAYS BAHRAIN BANK



The decrease in net income in 1986 attributed from providing provision for loan losses. Lending interest rate reductions during 1986, affecting all commercial banks in Bahrain had a severe adverse impact on the Bank's net interest income which despite a quite significant proportional increase in customer risk assets, decline in real terms in comparison with the contribution for the previous year. On the other hand exchange commission earnings showed a satisfactory growth.

The reported net income in 1987, before making a general provision for possible adverse loan was BD 398,000 which represented 117 % increase compared with the previous years.

Net income in 1988 before making a general provision for possible adverse loan loss experience was BD 455,000 for the year. This composes favorably with the corresponding figure in 1987.

Net interest earned in 1989 showed welcome increase from 1988. Higher average advance to customer were the main contribution. The improvement was also helped by an increase in earnings from commissions, fees and exchange trading.

(TABLE 4.8) GRINDLAYS BAHRAIN BANK

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1984 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	0	0	0	0	0	2094	2591	2485	2572	3267	4616
(INTEREST EXPENSE)	0	0	0	0	0	1460	1699	1701	1666	2179	3259
NET INTEREST INCOME	0	0	0	0	0	634	892	784	906	1088	1357
FEES & COMMISSIONS	0	0	0	0	0	0	0	0	0	0	0
TRADING INCOME	0	0	0	0	0	116	188	363	487	378	426
OTHER INCOME	0	0	0	0	0	88	121	0	0	0	0
GROSS INCOME	0	0	0	0	0	838	1201	1147	1393	1466	1783
ADMIN. COSTS & DIRECTORS' FEES	0	0	0	0	0	350	544	565	564	575	650
DEPRECIATION	0	0	0	0	0	127	190	206	229	223	218
OTHER EXPENSE	0	0	0	0	0	152	146	148	202	213	203
OPERATING EXPENSES	0	0	0	0	0	629	880	919	995	1011	1071
OPERATING PROFIT	0	0	0	0	0	209	321	228	398	455	712
(PROVISION FOR DOUBTFUL DEBTS)	0	0	0	0	0	0	0	100	120	110	120
(PROV. FOR DECL. IN INVT. VALUE)	0	0	0	0	0	0	0	0	0	0	0
PROFIT BEFORE TAX & EXTRAORD ITEMS	0	0	0	0	0	209	321	128	278	345	592
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT	0	0	0	0	0	209	321	128	278	345	592
BEGINNING RETAINED EARNINGS	0	0	0	0	0	0	8	7	2	92	145
MINORITY INTEREST	0	0	0	0	0	0	0	0	0	7	8
BONUS SHARES ISSUED	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	150	210
LEGAL RESERVES	0	0	0	0	0	21	32	13	28	35	59
GENERAL RESERVE	0	0	0	0	0	180	290	120	160	100	200
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
OTHER RESERVES	0	0	0	0	0	0	0	0	0	0	0
ENDING RETAINED EARNINGS	0	0	0	0	0	8	7	2	92	145	260

SOURCE : GRINDLAYS BAHRAIN BANK ANNUAL REPORTS

Bahraini Saudi Bank

4.5 THE BAHRAIN SUADI BANK

4.5.1 Bank History

The Bank was incorporated on May 8, 1984 as a reflection of the close ties between Saudi Arabia and Bahrain. The banking operations started on March 1, 1985. Authorised capital amounted to 50,000,000 shares of BD 1 each. Issued shares were 40,000,000 half of which were paid for BD 20,000,000. Shareholders are the citizens of the two states. In 1986 the bank became a direct member on Master Card International and has been appointed agent to handle Master Card activities in Bahrain.

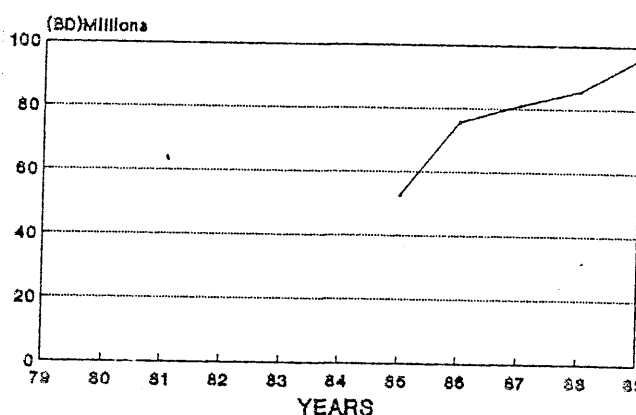
During 1989 the bank witnessed a significant improvement of its income generating capacities as it tried hard to increase market penetration through the broadening of its customer base and by offering a widening range of strengthening operating systems and controls, commenced by the new management team towards end 1988 continued as the bank made quiet progress toward establishing and consolidating its position as a commercial bank in the local market.

4.5.2 TOTAL ASSETS

Year	1985	1986	1987	1988	1989
B.D. (000)	52695	75804	81206	85764	95940
Growth %	-	43.9	7.1	5.6	11.9

The Bank's operation started in 8th May 1984. Total assets as at 31st December 1985 was BD 52.7 million compared with the total Assets as at 31st December 1989 of BD 95.9 million. The growth of 82 % in five years of operation.

TOTAL ASSETS
THE BAHRAIN SUADI BANK



4.5.3 Loans and Advances

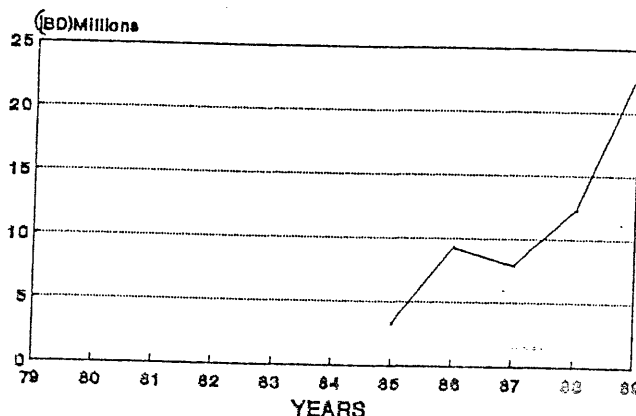
Year	1985	1986	1987	1988	1989
B.D. (000)	3340	9256	7909	12318	23088
Growth %	-	177.1	(14.6)	55.7	87.4

(TABLE 4.9) THE BAHRAINAI SAUDI BANK
STATEMENT OF CONDITION AS AT 31st DECEMBER 1985 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	0	0	0	0	0	0	1154	1609	2425	3067	2687
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	0	0	0	0	0	0	1154	1609	2425	3067	2687
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	0	0	0	0	0	0	33533	46112	35432	32331	40663
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	0	0	0	0	0	0	33533	46112	35432	32331	40663
MARKETABLE SECURITIES	0	0	0	0	0	0	12982	16551	30225	34523	26265
QUICK ASSETS	0	0	0	0	0	0	47669	64272	68082	69921	69615
LOANS & ADVANCES	0	0	0	0	0	0	3340	9356	8059	12794	23746
(LOAN LOSS PROVISIONS)	0	0	0	0	0	0	0	100	150	476	658
NET LOANS	0	0	0	0	0	0	3340	9256	7909	12318	23088
UNQUOTED INVESTMENTS	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.	0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	0	0	0	0	0	0	749	638	569	503	382
OTHER ASSETS	0	0	0	0	0	0	937	1638	4646	3022	2855
TOTAL ASSETS	0	0	0	0	0	0	52695	75804	81206	85764	95940
DUE TO BANKS - CURRENT	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	0	0	0	0	0	0	6932	17202	17378	8705	5052
TOTAL DUE TO BANKS	0	0	0	0	0	0	6932	17202	17378	8705	5052
ALL DEPOSITS	0	0	0	0	0	0	23755	33782	38616	54174	67012
TOTAL CUSTOMER DEPOSITS	0	0	0	0	0	0	23755	33782	38616	54174	67012
TOTAL DEPOSITS	0	0	0	0	0	0	29787	50984	55994	62879	72064
OTHER LIABILITIES	0	0	0	0	0	0	603	1399	2127	2601	2007
DIVIDEND	0	0	0	0	0	0	0	1000	0	0	1000
SUBORDINATED DEBT	0	0	0	0	0	0	0	0	0	0	0
PAID UP CAPITAL	0	0	0	0	0	0	20000	20000	20000	20000	20000
LEGAL RESERVES	0	0	0	0	0	0	347	463	529	529	691
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
SHARE PREMIUM	0	0	0	0	0	0	0	0	0	0	0
GENERAL RESERVE	0	0	0	0	0	0	1000	1000	1000	0	0
RETAINED EARNINGS	0	0	0	0	0	0	958	958	1556	-245	178
FOREIGN CURRENCY ADJ.	0	0	0	0	0	0	0	0	0	0	0
TOTAL CORE CAPITAL	0	0	0	0	0	0	22305	22421	23085	20284	20869
TOTAL CAPITAL FUNDS	0	0	0	0	0	0	22305	22421	23085	20284	20869
TOTAL LIABILITIES & CAPITAL	0	0	0	0	0	0	52695	75804	81206	85764	95940
GTEES, SLG, ACCEPTANCES, ETC.	0	0	0	0	0	0	3295	3350	4519	3259	6728
BID + PERF BONDS, MFS, ETC.	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	0	0	0	0	0	0	17517	12644	52350	5045	5256
INTEREST RATE CONTRACTS	0	0	0	0	0	0	26390	75400	103675	3770	0
CAPITAL COMMITMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENTS & COMMITMENTS	0	0	0	0	0	0	47202	91394	160544	12074	11984
RISK WEIGHTED ASSETS *	0	0	0	0	0	0	32084	46516	70339	61738	69436
CREDIT RISK ASSETS *	0	0	0	0	0	0	23120	31686	53123	51109	57132
FREE CAPITAL FUNDS *	0	0	0	0	0	0	21556	21783	22516	19781	20487

Total loans, bills discounted and overdrafts in 1986 amounted to BD 9.2 million representing 12% of Total Assets. The Bank continued to maintained a conservative credit policy and accordingly, the amount of loans and overdrafts in proportion to total assets remained quite low.

NET LOANS THE BAHRAIN SAUDI BANK



Total loans bills discounted and overdrafts in 1987 declined by 14.6%. This decline in loans outstanding is a reflection of the Bank's caution in its lending policy, combined with certain scheduled loan repayments that were effected prior to 1987 year end .

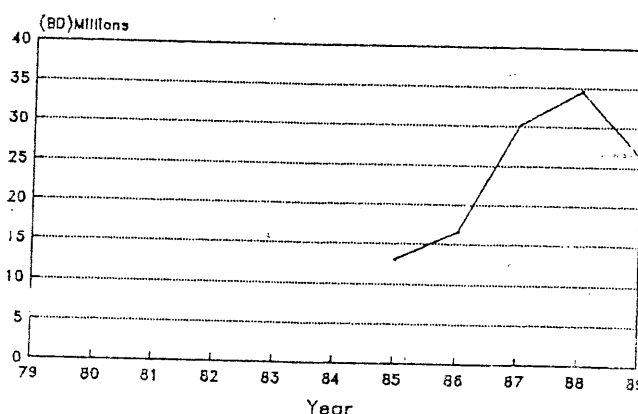
Good quality commercial lending structured for catering to individuals, retail and trading activities, corporate and institutional financing and government related contracting businesses was accorded top priority. Loans and Advances net of provisions, increased during 1988 by over 55% and during 1989 by over 87% from BD 12.3 million to BD 23.1 million. The asset structure continued to reflect a highly liquid position with over 72% of total assets consisting of liquid funds, marketable securities and deposits with banks and other financial institutions.

4.4.5 Investments

Year	1985	1986	1987	1988	1989
B.D.(000)	12982	16551	30225	34523	26265
Growth %	-	27.5	82.6	14.2	(23.9)

Investments included trading securities which comprise floating rate notes and bonds issued by major international companies. During 1987, investments increased by 82.6 % , certain trading securities, which management intended to hold for investment purposes, were reclassified from trading securities to investment.

INVESTMENTS BAHRAIN SAUDI BANK



Investments in 1988 comprise perpetual floating rate notes, fixed rate notes, treasury bills, other floating rate notes and zero coupon bonds. The decrease in 1989 was a result of selling other floating rate notes and zero coupon bonds.

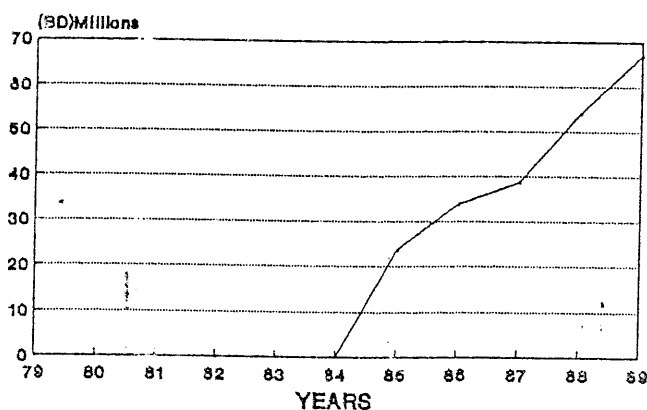
4.5.5 Customer Deposits

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	23755	33782	38616	54174	67012
Growth %	-	42.2	14.3	40.3	23.7

The bank was able to increase its customer deposits from BD 24 million in 1985 to BD 67 million in 1989.

Customer deposits increased by 24 % in 1989. Total customer deposits of BD 67 million at 1989 year-end were comprise of over 92% time liabilities, with the balance being demand liabilities.

CUSTOMER DEPOSITS THE BAHRAINi SAUDI BANK

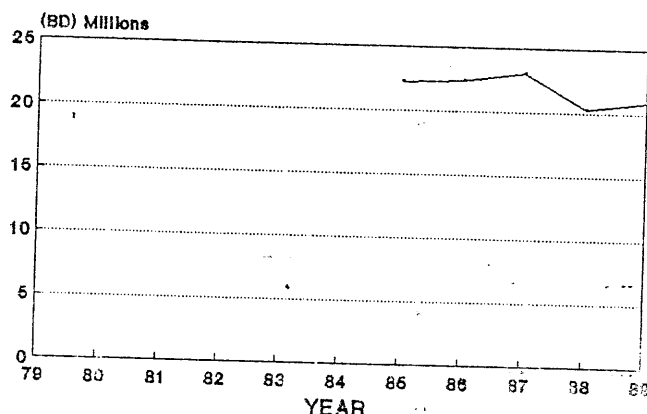


4.5.6 Shareholders' Equity

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	22305	22421	23085	20284	20369
Growth %	-	.5	2.9	(12.1)	2.9

Shareholders' equity has not shown any significant growth. The decrease of equity in 1988 was mainly as a result of transferring BD 1 million from general reserves and the loss of BD 2.8 million during the year.

TOTAL CORE CAPITAL THE BAHRAINi SAUDI BANK



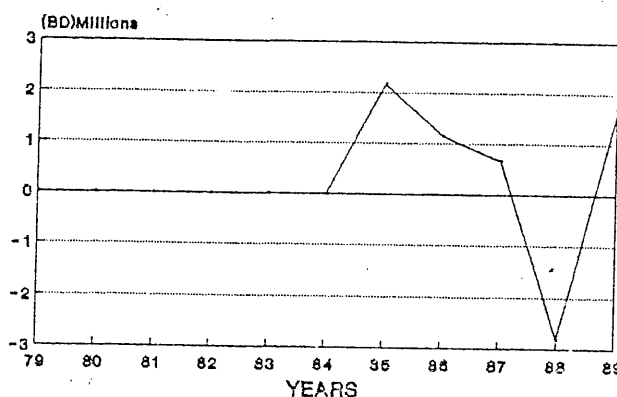
4.5.4 NET INCOME

Year	1985	1986	1987	1988	1989
-----	-----	-----	-----	-----	-----
B.D.(000)	2175	1152	664	-2801	1621
Growth %	-	(47)	(42.4)	(521.8)	192.3

The Income statement of 1985 reflected both pre-operational revenues and expenses, as well as income from banking activities and operating expenses as from March 1, 1985.

The net profit for the approximately 20 months period was BD 2.2 million. A substantial portion of 1985's interest income represented interest earned on the share capital prior to the commencement of banking activities.

NET INCOME THE BAHRAIN SAUDI BANK



It should be noted that the 1986 Annual report and Financial Statement covered the 12 months period to 31st December 1986. 1985's report covered the period from date of establishment of the bank. Because of this, the figures shown are not directly comparable.

Net Interest Income for 1986 was BD 2.24 million, an increase of 19.6% but the net income has declined from BD 2.2 million to BD 1.1 million.

Net Income in 1987 increased by 35% while interest expenses increases by 90% this has resulted in less net interest income. Other income, which consists of income from foreign exchange transactions, fees and commissions on loans, guarantees and letter of credit transactions as well as Money Market dealings was down by 24.5%. Commission income on banking transactions showed an increase of almost 50%.

Operating profit for the year 1988 was 922,000 which reflected an increase of 29%. The decline in net earnings was mainly as a result of charging BD 3.3 million for provisions for decline in investment value.

(TABLE 4.10) THE BAHRAINI SAUDI BANK

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1985 TO 1989 (BD 000s)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	0	0	0	0	0	0	4706	7305	11346	11220	8488
(INTEREST EXPENSE)	0	0	0	0	0	0	705	5064	9611	9198	5731
NET INTEREST INCOME	0	0	0	0	0	0	4001	2241	1735	2022	2757
FEES & COMMISSIONS	0	0	0	0	0	0	1	44	66	78	105
TRADING INCOME	0	0	0	0	0	0	33	85	13	-28	42
OTHER INCOME	0	0	0	0	0	0	33	-23	1	10	4
GROSS INCOME	0	0	0	0	0	0	4068	2347	1815	2082	2908
ADMIN. COSTS & DIRECTORS' FEES	0	0	0	0	0	0	0	0	0	0	0
DEPRECIATION	0	0	0	0	0	0	0	0	0	0	0
OTHER EXPENSE	0	0	0	0	0	0	1893	1095	1101	1160	1187
OPERATING EXPENSES	0	0	0	0	0	0	1893	1095	1101	1160	1187
OPERATING PROFIT	0	0	0	0	0	0	2175	1252	714	922	1721
(PROVISION FOR DOUBTFUL DEBTS)	0	0	0	0	0	0	0	100	50	423	100
(PROV. FOR DECL. IN INVT. VAL.)	0	0	0	0	0	0	0	0	0	3295	0
PROFIT BEFORE TAX & EXTRAORD ITEMS	0	0	0	0	0	0	2175	1152	664	-2801	1621
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT	0	0	0	0	0	0	2175	1152	664	-2801	1621
BEGINNING RETAINED EARNINGS	0	0	0	0	0	0	0	958	959	1557	-244
MINORITY INTEREST	0	0	0	0	0	0	0	36	0	0	0
BONUS SHARES ISSUED	0	0	0	0	0	0	0	0	0	0	0
DIVIDENDS	0	0	0	0	0	0	0	0	0	0	0
LEGAL RESERVES	0	0	0	0	0	0	0	1000	0	0	36
GENERAL RESERVE	0	0	0	0	0	0	217	115	66	0	1000
CAPITAL RESERVE	0	0	0	0	0	0	1000	0	0	-1000	162
OTHER RESERVES	0	0	0	0	0	0	0	0	0	0	0
ENDING RETAINED EARNINGS	0	0	0	0	0	0	958	959	1557	-244	179

SOURCE: THE BAHRAINI SAUDI BANK ANNUAL REPORTS

In 1989 the bank reported a satisfactory turn-around of over BD 4.4 million in the Bank's profitability from a reported loss of BD 2.8 million for 1988 to a net profit of over BD 1.6 million earned during 1989. Total income in 1989 was BD 2.9 million of which BD2.8 million was net interest income and BD 0.1 million represented other operating income. Gross interest income and expenses during 1989 were lower in comparison with 1988 figures, as the Bank did not enter into any new Interest Rate Swaps. On the whole the bank's total income during 1989 increased by almost 40% over that earned during 1988.

Bahrain Islamic Bank

4.6.0 Bahrain Islamic Bank

4.6.1 Bank History

The Bahrain Islamic Bank is considered to be the 1st Islamic Bank incorporated in Bahrain, and the 3rd Bank to carry on this kind of business in the Gulf Area.

It is incorporated in accordance with the Amiri Decree No. 2 of 1979, issued on the 8th of Rabie Al - Thani 1399 Hijri, corresponding to the 7th of March 1979 A.D. The Bank started its activities on the 2nd of Muharram 1400 Hijri corresponding to 22nd November 1979 A.D.

The Bank consists of the Banking Hall, in which it is located at the ground floor, the Letters of Credit Department, the Accounts Department, and finally the "Murabaha" and "Musharaka" (participation) and Development Department.

CAPITAL

Authorised Capital	BD. 23,000,000
Subscribed Capital	BD. 11,500,000
Paid-up Capital	BD. 5,750,000

The total subscribed capital has been divided into 5,750,000 shares, each of a face value of BD.2/- of which 50% has been paid up.

PROMOTERS:

i) The State of Bahrain

Shares

Individual financiers and businessmen	500,000
Ministry of Justice & Islamic Affairs	100,000
General Corporation for Social Insurance	500,000

ii) The State of Kuwait

Kuwait Finance House	500,000
Ministry of Waqfs and Islamic Affairs	250,000
Ministry of Justice (minors Affairs Directorate)	250,000
Ministry of Finance	500,000

iii) Kingdom of Saudi Arabia	Shares
-----	-----
Islamic Development Bank	750.000
v) United Arab Emirates	

Dubai Islamic Bank	250.000

After the completion of incorporation, the Bank became a member of the International Union of Islamic Banks.

Sharia's Supervisory Committee:

This committee, formed by the Minister of Justice and Islamic Affairs, is composed of the most acquainted people in Islamic teachings to assist the Bank legalizing its transactions in accordance with the Islamic guidance. The committee has convened several times and expressed Islamic views on the Bank's contracts and transactions.

The member of Sharia's Supervisory Committee:

Sheikh Yousif Ahmed Al-Sidiki
 Sheikh Moh'd A. Latif Al-saad
 Sheikh Abdul-Hussain Khalaf Al-Asfoor
 Sheikh Ebrahim Mohammed Al-Mahmood
 Sheikh Moh'd Mansoor Al-Settry

The High Committee for Admin. and Investment:

This consists of Board members residing in Bahrain to look into urgent problems, within certain limits, after having been passed by the management. This helps to guarantee prompt action on the customers affairs and to ensure the Bank progress of work.

The Banking and Administrative Committee:

This committee practically supervises the executive body of the Bank; it sees to it that the working system is carried out according to the banking principles, regulations of the BOD and the affiliated committees. This committee converes at least once a week to review all Bank's activities, follow-up the progress of work and suggest recommendations within its limited powers imposed by the BOD.

The Real Estate Committee

This committee is authorized by BOD to invest in real estate within powers specified by BOD.

General Projects Committee

This committee deals with investment in various economic projects under special authority given by the Bank.

Information and Zakaat committee

This is responsible for Zakaat and information affairs.

BIB has four outlets which deal directly with the public. The main branch is in Manama, this branch is the headquarter of BIB in which the GM office is located and most of committees, meetings are held. The other three branches are in Gудaybia, Muharraq and Sukheer (Arabian Gulf University).

How BIB's Branches are functioning

According to many official statements each branch is functioning as an independent unit. Unlike the commercial banks their branches are just windows through which funds flow in and out. BIB has an isolated and authorized director to process all the legal and banking operations. Each branch has to put its plan on annual, monthly, and daily basis and also to organize its business as an isolated bank. For example each branch has its personnel, saving A/Cs section, current accounts section, Murabaha section, Musharakah section and a separate section for each type of banking operations. Also it has to cover its expenses and make its annual financial statements which at the end of the years such financial statements are integrated into one financial statement for the Bank.

4.6.2 Total Assets

Year	1979	1980	1981	1982	1983
-----	----	-----	-----	-----	-----
BD(000)	-	11368	17413	28666	35765
Growth %	-	-	53.2	64.6	24.8
Year	1984	1985	1986	1987	1988
-----	-----	-----	-----	-----	-----
BD(000)	39358	62683	63697	70436	80726
Growth %	10.1	59.3	1.6	10.6	14.6
Year	1989	R	G		
-----	-----	-----	-----		
BD(000)	88620	-	-		
Growth %	9.8	27.6	22.8		

(TABLE 4.11) BAHRAIN ISLAMIC BANK
STATEMENT OF CONDITION AS AT 31st DECEMBER 1980 TO 1989 (BD 000s)

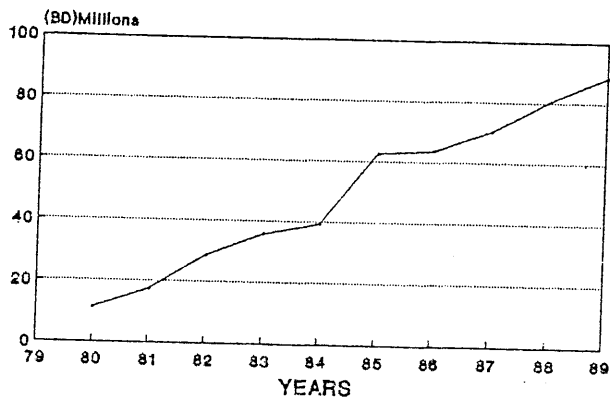
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	0	1293	3449	3310	2003	2462	2741	2980	3453	3690	3731
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	0	1293	3449	3310	2003	2462	2741	2980	3453	3690	3731
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	0	0	0	0	0	0	0	4265	4093	1288	487
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	0	0	0	0	0	0	0	4265	4093	1288	487
MARKETABLE SECURITIES	0	3634	4691	9694	20692	7668	7235	7039	7649	7285	7532
QUICK ASSETS	0	4927	8140	13004	22695	10130	9976	14284	15195	12263	11750
LOANS & ADVANCES	0	4486	8173	14829	12546	28977	52016	48692	54451	67382	75533
(LOAN LOSS PROVISIONS)	0	0	0	0	0	0	0	0	0	0	0
NET LOANS	0	4486	8173	14829	12546	28977	52016	48692	54451	67382	75533
UNQUOTED INVESTMENTS	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.	0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.	0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS	0	1770	315	54	38	33	0	0	0	0	0
OTHER ASSETS	0	185	785	779	486	218	691	721	790	1081	1337
TOTAL ASSETS	0	11368	17413	28666	35765	39358	62683	63697	70436	80726	88620
DUE TO BANKS - CURRENT	0	1968	2330	3000	3681	4238	3866	6231	5103	5581	6288
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	0	0	1472	24	15	0	0	0	0	0	0
TOTAL DUE TO BANKS	0	1968	3802	3024	3696	4238	3866	6231	5103	5581	6288
ALL DEPOSITS	0	2832	6849	17313	22848	25067	51127	49693	57033	66269	71755
TOTAL CUSTOMER DEPOSITS	0	2832	6849	17313	22848	25067	51127	49693	57033	66269	71755
TOTAL DEPOSITS	0	4800	10651	20337	26544	29305	54993	55924	62136	71850	78043
OTHER LIABILITIES	0	394	568	1428	2215	2911	669	666	1114	1577	3102
DIVIDEND	0	345	359	690	690	690	575	575	575	575	575
SUBORDINATED DEBT	0	0	0	0	0	0	0	0	0	0	0
PAID UP CAPITAL	0	5750	5750	5750	5750	5750	5750	5750	5750	5750	5750
LEGAL RESERVES	0	42	79	192	276	364	426	496	564	637	716
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
SHARE PREMIUM	0	0	0	0	0	0	0	0	0	0	0
GENERAL RESERVE	0	0	0	150	150	150	150	150	150	150	150
RETAINED EARNINGS	0	37	6	119	140	188	120	136	147	187	283
FOREIGN CURRENCY ADJ.	0	0	0	0	0	0	0	0	0	0	0
TOTAL CORE CAPITAL	0	5829	5835	6211	6316	6452	6446	6532	6611	6724	6899
TOTAL CAPITAL FUNDS	0	6174	6194	6901	7006	7142	7021	7107	7186	7299	7474
TOTAL LIABILITIES & CAPITAL	0	11368	17413	28666	35765	39358	62683	63697	70436	80726	88619
GTRES, SLC, ACCEPTANCES, ETC.	0	2288	3782	2446	3518	3003	1894	1949	2910	2481	3090
BID + PERF BONDS, NIPS, ETC.	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
INTEREST RATE CONTRACTS	0	0	0	0	0	0	0	0	0	0	0
CAPITAL COMMITMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENTS & COMMITMENTS	0	2288	3782	2446	3518	3003	1894	1949	2910	2481	3090
RISK WEIGHTED ASSETS *	0	10593	17431	27748	37242	39866	61836	59254	66619	78487	87589
CREDIT RISK ASSETS *	0	10408	16646	26969	36756	39648	61145	57680	65010	77148	86155
FREE CAPITAL FUNDS *	0	4404	5879	6847	6968	7109	7021	7107	7186	7299	7474

SOURCE : BAHRAIN ISLAMIC BANK ANNUAL REPORTS

Total Assets of the BIB in 1980 was BD 11.4 million and it started growing every year (the yearly growth was ranging from 1.6% in 1986 to 64.6% in 1982)

The year 1986 was not an easy year for all financial institutions, as it was characterized by fluctuating trends and economic recession, prompting investors to be cautious and wary, while always seeking to maintain cash liquidity in the manner and in the place they felt were appropriate.

TOTAL ASSETS BAHRAIN ISLAMIC BANK



In addition, most countries of the world were suffering from unbalanced economics, a significant decline in growth rates, unemployment, budget deficits and the economic effects of the drought and famine in a number of African countries.

The Gulf states were not all isolated from the world's economic problems. This region, which has experienced a boom period characterized with thriving business activities and completion of major construction and infrastructure projects, has come to face several economic problems of these are the problems of continuing to finance costs of maintenance and services for the few development projects, which hardly realize sufficient revenues. Furthermore, there was the major problem of sagging revenues from oil, which is sole commodity on which the region depends, driving the Gulf states to draw from their reserves to cover their budget deficits. Also political developments such as the Iran - Iraq war have had their impact on the area's economy.

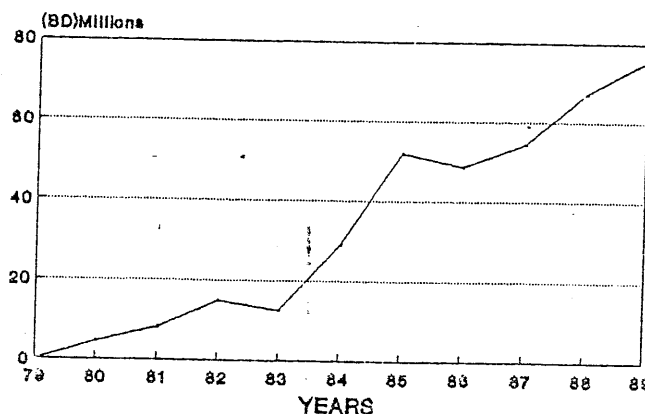
In spite of all these difficulties and the fact that Islamic banking is a totally new experiment, the Bank has fared well during the past years compared to other commercial banks in Bahrain.

4.6.3 Loans and Advances

Year	1979	1980	1981	1982	1983
BD(000)	-	4486	8173	14829	12546
Growth %	-	-	82.2	81.4	(15.4)
Year	1984	1985	1986	1987	1988
BD(000)	28977	52016	48692	54451	67382
Growth %	131	79.5	(6.4)	11.8	23.7
Year	1989	R	G		
BD(000)	75533	-	-		
Growth %	12.1	44.4	32.6		

NET LOANS BAHRAIN ISLAMIC BANK

The share of the bank in the local commercial banking industry has been increasing progressively. The bank's share of loans and advances represented 1% in 1980 of the total loans and advances by all commercial banks for the same period. However, the share increased to 11% in 1989. It is important to point again that since the BIB goes by lunar



calendar as against the solar calendar for the other banks, the end of December figures, though indicative may not be exactly comparable. The data of the other commercial banks represented end-of-the-year figures while for the BIB, December is only another month.

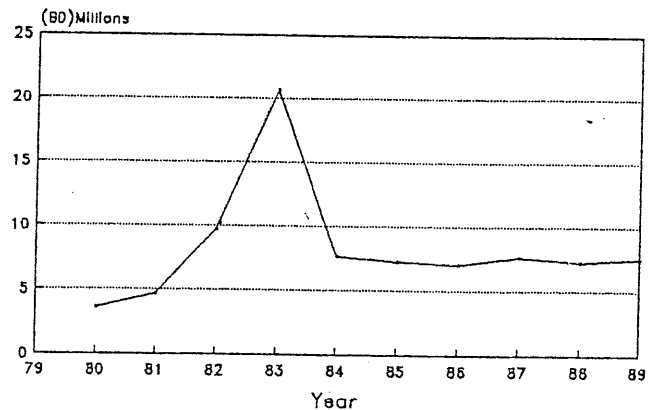
4.6.4 Investments

Year	1979	1980	1981	1982	1983
BD(000)	-	3634	4691	9694	20692
Growth %	-	-	29.1	106.6	113.5
Year	1984	1985	1986	1987	1988
BD(000)	7668	7235	7039	7649	7285
Growth %	(169.9)	(5.6)	(2.7)	8.7	(4.7)
Year	1989				
BD(000)	7532				
Growth %	3.4				

-The total investments in 1980 stood at BD 3.6 million of which BD 3.3 million was used as short term investment fields.

-The bank's investments reached BD 21 million in 1983. This increase in investment was as a result of the increase in the current investment deposits, more demand on short term investment and the bolitering of financial co-operation between BIB and worldwide Islamic Financial institution.

INVESTMENTS BAHRAIN ISLAMIC BANK



- Total investment in 1984 was BD 7.7 million, which consisted of the bank's shareholding in the capital of Albaraka Islamic Investment Bank in Bahrain totalling US \$ one million, representing 85% of new participations during 1984. The bank's other ventures were in the form of participating in three manufacturing companies to support economic developments. The Bank also owned share in land held in participation with the Kuwait Finance House, Bahrain Islamic Investment Company and General Organization for Social Insurance.

- The Bank's investments started declining in 1984 and this trend continued toward 1989. As mentioned in the previous bank analyses the main reason was due to the bad economic conditions which started in this region.

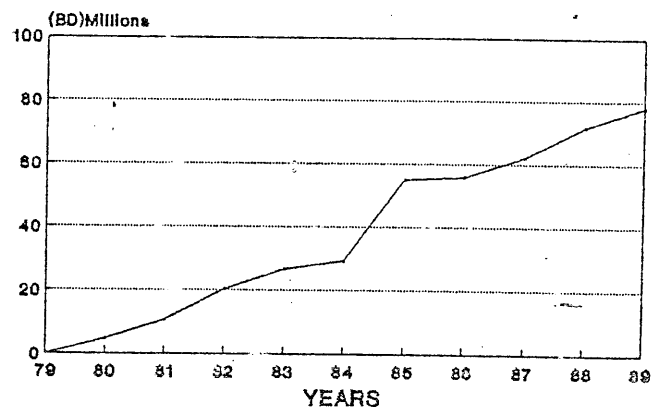
- In spite of all the efforts made during the year 1988, it was not a particularly convenient year for investment but was characterised by difficulties prompting the management of BIB to continue pursuing its conservative policy. However, the international markets started to witness a period of recovery in 1989, which was characterised by caution after having the lessons of the economic recession period.

4.6. 5 Customer Deposits

Year	1979	1980	1981	1982	1983
BD(000)	-	2832	6849	17313	22848
Growth %	-	-	141.8	152.8	31.9
Year	1984	1985	1986	1987	1988
BD(000)	25067	51127	49693	57033	66269
Growth %	9.7	103.9	(2.8)	14.8	16.2
Year	1989				
BD(000)	71755				
Growth %	8.3				

CUSTOMER DEPOSITS BAHRAIN ISLAMIC BANK

Basically, the deposits of the Islamic banks include current saving accounts and time deposits. It is important to reiterate that as a general rule the funds generated from saving accounts and time deposits accounts are used to finance various profit-earning investment projects, and the funds generated from the current are not used in the activities of the bank without the comment of the depositors.



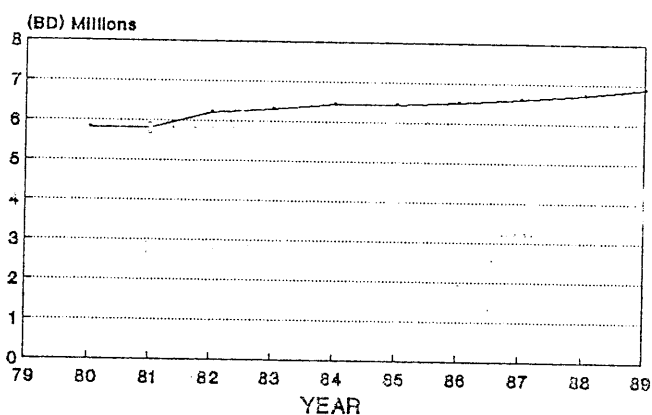
Customer deposits grew from BD 2.8 million in 1980 to BD 71.7 million in 1989. The initial drastic growth of the bank deposits is attributed to the overall financial transaction growth in the Country and also due to the desirability of Bahrainies to deposit their money in Islamic Bank.

4.6.6 Shareholders Equity

Year	1979	1980	1981	1982	1983
BD(000)	-	5829	5835	6211	6316
Growth %	-	-	.1	6.4	1.7
Year	1984	1985	1986	1987	1988
BD(000)	6452	6446	6532	6611	6724
Growth %	2.2	(.1)	1.3	1.2	1.7
Year	1989	R	G		
BD(000)	6899	-	-		
Growth %	2.6	1.9	1.7		

The paid-up capital has not changed since its operation. As it is shown in the above table there were no significant growth in the bank's shareholders' equity. The main growth is as a result of undistributed profits which were retained in the bank.

TOTAL CORE CAPITAL BAHRAIN ISLAMIC BANK



4.6.7 Net Income

Year	1979	1980	1981	1982	1983
BD(000)	-	546	676	1792	2192
Growth %	-	-	23.8	165.1	22.3
Year	1984	1985	1986	1987	1988
BD(000)	2756	2698	2857	3176	3906
Growth %	25.7	(2.1)	5.9	11.2	23.0
Year	1989	R	G		
BD(000)	4731	-	-		
Growth %	21.1	32.9	24.1		

(TABLE 4.12) BAHRAIN ISLAMIC BANK

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1980 TO 1989 (BD 000s)

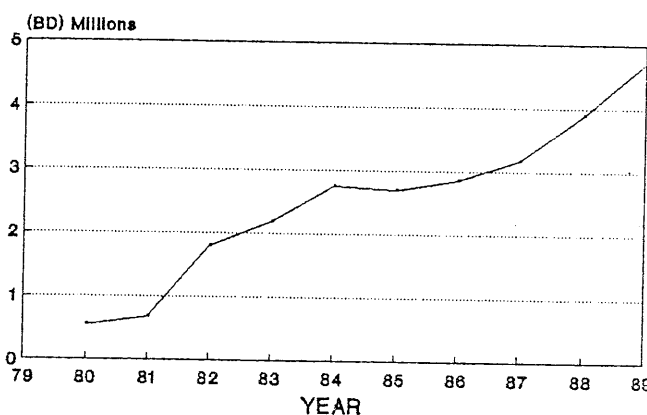
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	0	630	893	3172	1428	1241	3074	3560	3901	4844	6525
(INTEREST EXPENSE)	0	0	0	0	0	0	0	0	0	0	0
NET INTEREST INCOME	0	630	893	3172	1428	1241	3074	3560	3901	4844	6525
BANKING OPERATIONS	0	15	103	12	183	99	130	212	215	131	178
TRADING INCOME	0	400	114	99	832	2129	437	441	363	459	203
OTHER INCOME	0	2	30	12	17	0	0	0	0	0	0
GROSS INCOME	0	1047	1140	3295	2460	3469	3641	4213	4479	5434	6906
ADMIN. COSTS & DIRECTORS' FEES	0	461	428	534	576	668	793	881	863	923	1025
DEPRECIATION	0	15	17	0	0	0	0	0	0	0	0
OTHER EXPENSE	0	0	0	0	0	0	0	0	0	0	0
OPERATING EXPENSES	0	476	445	534	576	668	793	881	863	923	1025
OPERATING PROFIT	0	571	695	2761	1884	2801	2848	3332	3616	4511	5881
(PROVISION FOR DOUBTFUL DEBTS)	0	25	19	74	187	45	0	125	110	255	400
(PROV. FOR MURABAH & PROFIT SHARE)	0	0	0	895	-495	0	150	350	330	350	750
PROFIT BEFORE TAX & EXTRAORD ITEMS	0	546	676	1792	2192	2756	2698	2857	3176	3906	4731
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	0
NET PROFIT	0	546	676	1792	2192	2756	2698	2857	3176	3906	4731
BEGINNING RETAINED EARNINGS	0	0	38	7	120	140	188	121	138	148	187
MINORITY INTEREST	0	0	0	60	39	39	32	33	32	36	42
ZAKAT	0	0	0	2	12	14	18	17	20	22	24
DIVIDENDS	0	345	359	690	690	690	575	575	575	575	575
LEGAL RESERVES	0	42	36	113	85	88	62	69	69	72	79
GENERAL RESERVE	0	0	0	150	0	0	0	0	0	0	0
CAPITAL RESERVE	0	0	0	0	0	0	0	0	0	0	0
OTHER PROVISIONS	0	121	312	664	1346	1877	2078	2146	2470	3162	3915
ENDING RETAINED EARNINGS	0	38	7	120	140	188	121	138	148	187	283

SOURCE : BAHRAIN ISLAMIC BANK ANNUAL REPORTS

BIB's profitability measures are limited to those related to operations permitted by the Islamic Shariah. Measures that involves interest on practices prohibited by Islam are not included. The assessment of profitability on the basis of net profit reported by BIB is not complete. This is because of the lack of uniformity in the application of

accounting policies. Moreover, the utilization of exchange rates in the conversion of the operating results, which make the assessment quite difficult. This leads us to the conclusion that judgement of performance on the basis of profits alone is not justified.

NET INCOME BAHRAIN ISLAMIC BANK



No doubt that profits made by the bank during its time of operation provide the prime indicator of the bank's performance. In order to compare the relative profitability of BIB with that of all banks in Bahrain, the "net profit" figures of the bank should be deflated by the investment account of profits. Because of the prohibition in Islam of fixed predetermined return on the use of money, the depositor is treated as if he was a shareholder and is therefore, entitled to share of the profits made by the bank. In traditional banking, the fixed interest payable by the banks is treated as cost of funds and therefore constitute an item under operating expenses which is deductible from gross operating income to arrive at the net profit figures.

In spite of the differences in the bank's profitability it seems favorable compared with that of other Bahrain incorporated commercial banks. Net profit grew from BD .5 millions in 1980 to BD 4.7 million in 1989.

Ratio Analysis

5.0 RATIO ANALYSIS

Ratio analysis is a popular sport of investment analysis, financial journalist, text-book writers and examination setters. It involves the comparison of a company with its past or with other companies, by setting one piece of financial data in the context of another. Comparisons would be obviously meaningless if one looked at the absolute levels of profit for two companies of different sizes. However, they may be valuable when the profits of the two companies can be set in the context of their total assets or capital figures. This would lead to a comparison of profitability ratios. Similarly, there are gearing ratios that measure the proportion of debt finance; and liquidity ratios that measure the size of current assets in the context of the debts of a company. There is also the frequently used price/earning ratio, which sets the market price of an ordinary / common share in the context of its part of the annual earnings of the company.

Like most useful simplifications, ratio analysis contains great dangers. First, it is important to ensure that there is consistency of definition from year to year and from the company to company. When international comparisons are being made, ratio analysis is especially dangerous, because there are major differences in the methods used for valuing assets and measuring profits.

Another danger is that "ideal" ratios may be thought to exist. Let us take the liquidity ratio as an example. One can find textbooks that suggest that a current ratio (i.e. current assets: current liabilities) should be above 2:1. However, it is nonsense to regard this as a general rule. For some companies in some industries (possibly heavy engineering), this level might be dangerously low; for other companies (supermarket chains) it would suggest exceptional inefficiency in the use of resources.

In the previous chapter I have presented the growth ratios of the individual bank. In this chapter the following ratios are presented :

- Profitability
- Capital Adequacy
- Liquidity
- Asset Quality
- Business Opportunity

In each section the key ratios will be evaluated. The data used in this evaluation is taken from appendices 18 to 23. In each section a comparison between the selected banks and average of selected six banks is made (IND in the following tables refers to the average of six banks) .

5.1 PROFITABILITY RATIOS

It is not the same as the PROFIT of a business. A profit of a particular size may be impressive for a corner grocery shop, but unimpressive for a large multinational company. Measures of profitability try to put the profit into the size of the business. Thus, profitability is normally a measure of the return on capital invested in the business. There are many ratios of profitability, the following are some of profitability ratios calculated in appendices 18 to 23:

- Return on Assets
- Return on Equity
- Gross income on risk weighted assets
- Gross revenue on risk weighted assets
- Operating expenses on risk weighted assets
- Profit margin
- Dividend payout ratio
- Capital generation ratio

Such ratios become useful when one company can be compared to another or to the average for its industry; or when one company's ratio can be seen in the context of the ratios for previous years. In all cases, it is important to try to compare ratios that have been defined consistently. In the following section, the first four key ratios are presented.

5.1.1 RETURN ON ASSETS (ROA)

Return on assets is a measure of the profitability of the underlying assets and unlike ROE, it is immune from the distorting effects of high leverage on profitability.

The following is ROA for the selected six banks and the average of the six banks for the last ten years (1980-1989).

Table 5.1 ROA (%)

Year	1980	1981	1982	1983	1984
NBB	1.61	1.75	4.58	2.24	1.68
BBK	1.23	1.14	3.53	1.91	1.37
ACB	2.02	0.98	7.57	1.75	1.48
BIB	4.80	3.88	6.25	6.13	7.00
BSB	-	-	-	-	-
GBB	-	-	-	-	-
IND.	1.48	1.39	4.23	2.10	1.61

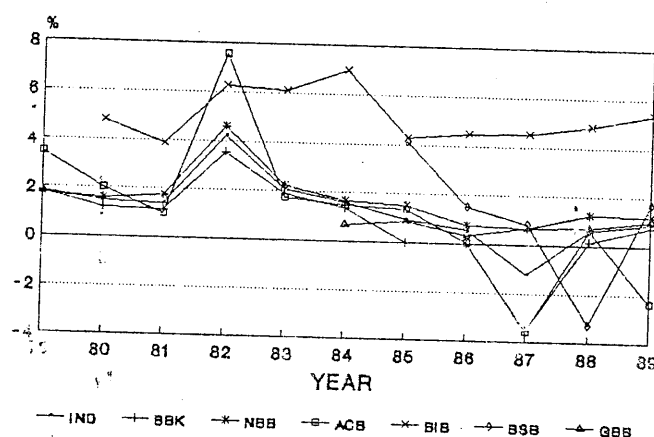
Table 5.1 Continue ROA (%)

Year	1985	1986	1987	1988	1989
NBB	1.51	0.77	0.67	1.25	1.22
BBK	0	0	3.52	0.13	0.75
ACB	1.38	0.03	3.58	0.62	2.37
BIB	4.30	4.49	4.51	4.84	5.34
BSB	4.13	1.52	0.82	-3.27	1.69
GBB	0.87	0.34	0.68	0.73	1.03
IND.	0.96	0.55	-1.23	0.61	0.92

The above ratios have also been presented in the figure. ROA of all banks increased in 1982. This increase resulted from a growth in the banks' inter-bank and lending activities. The best bank in 1982 was ACB with ROA equal to 7.57 %. After 1982, ROA for all banking sectors in Bahrain started declining. This decline continued for most of the banks until 1989.

BIB's ROA was the best throughout the period of this study, except in 1982 ACB's ROA was the best.

RETURN ON ASSETS



5.1.2 RETURN ON EQUITY (ROE)

Return on Equity must be viewed in line with ROA figures. An under-capitalised bank, BIB in our example is bound to show much higher ROE figures than a well capitalised one, all other things held equal. The following table shows ROE for the selected six banks and the average for the last ten years (1980-1989).

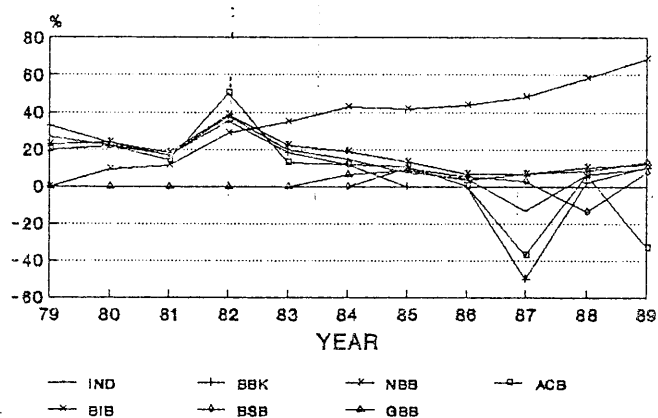
If we compare figure of ROE and ROA we can see that these two ratios are in line with each other. The only exemption is BIB which is different in both ratios. BIB's ROE is increasing while the industry ROE is declining. ROE of most of the Banks in 1987 was negative. The highest negative is BBK with ROE of -50% and next is ACB with ROE of -37.10 %.

Table 7.2 ROE (%)

Year	1980	1981	1982	1983	1984
NBB	23.97	18.42	38.71	22.40	18.61
BBK	23.78	16.93	35.52	18.24	12.02
ACB	22.06	14.50	50.16	12.95	12.04
BIB	9.37	11.59	28.85	34.71	42.72
BSB	-	-	-	-	-
GBB	-	-	-	-	6.51
IND.	22.10	17.05	37.89	19.63	15.06
Year	1985	1986	1987	1988	1989
NBB	13.16	7.00	6.85	10.34	11.89
BBK	0	0	-50.00	2.17	10.13
ACB	11.02	0.23	-37.10	6.38	-33.17
BIB	41.86	43.74	48.04	58.09	68.58
BSB	9.75	5.14	2.88	-13.81	7.77
GBB	9.09	3.50	7.06	8.37	13.16
IND.	7.43	4.60	-12.88	6.39	9.78

These declines were mainly resulted from bad economic environment conditions which started in 1984 and continued throughout the period, these conditions have adversely affected earnings. As I have explained in the previous section, the net loss of BBK in 1987 was BD 23.4 million. ACB's results were bad in 1987 and also in 1989. BIB's ROE in 1980 was 9.37%, the increase continued throughout the period, it reached 68.6% in 1989.

RETURN ON EQUITY



5.1.3 GROSS INCOME ON RISK WEIGHTED ASSETS (GIRWA)

GIRWA measures the income generating capacity of the bank relative to its risk weighted assets. A declining trend in GIRWA which corresponds to an increasing trend in ROE and ROA indicates a shift towards riskier assets and vice versa. Appendices 5 to 10 have been used to calculate Risk Weighted Assets (RWA), Credit Risk Assets (CRA) and Free Capital Funds of individual bank. The data had been used to calculate GIRWA and GRRWA. the following table shows GIRWA of each bank.

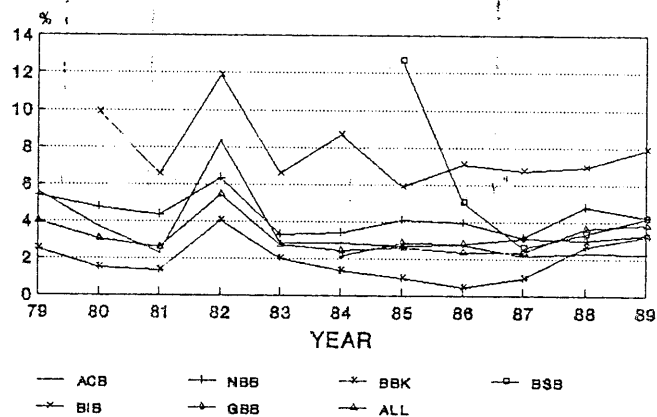
Table 5.3 GIRWA (%)

Year	1980	1981	1982	1983	1984
NBB	4.76	4.36	6.32	3.29	3.38
BBK	1.51	1.37	4.04	2.01	1.34
ACB	3.71	2.32	8.35	2.86	2.83
BIB	9.88	6.54	11.87	6.61	8.70
BSB	-	-	-	-	-
GBB	-	-	-	-	2.17
IND.	3.07	2.61	5.46	2.73	2.45

Year	1985	1986	1987	1988	1989
NBB	4.11	3.93	3.16	4.77	4.23
BBK	0.95	0.46	0.97	2.67	3.18
ACB	2.68	2.76	2.15	2.28	2.26
BIB	5.89	7.11	6.72	6.92	7.88
BSB	12.68	5.05	2.58	3.37	4.19
GBB	2.84	2.80	3.08	3.02	3.32
IND.	2.61	2.33	2.37	3.63	3.85

If we view ROE in line with GIRWA, we can see that the trend is same, ie when ROE is increasing, GIRWA is also increasing and vice versa; in order to illustrate the relation between ROE, ROA and RIRWA, we consider the results of NBB as follows:

GROSS INCOME ON R.W.A.



Year	1980	1981	1982	1983	1984
ROE %	1.61	1.75	4.58	2.24	1.68
RIE %	23.97	18.42	38.71	22.04	18.61
GIRWA %	4.76	4.36	6.32	3.29	3.38

Year	1985	1986	1987	1988	1989
ROA %	1.51	0.77	0.67	1.25	1.22
ROE %	13.16	7.00	6.85	10.34	11.89
GIRWA %	4.11	3.93	3.16	4.77	4.23

Here, ROA and ROE for the period 1988 to 1985 are steadily decreasing while GIRWA is increasing. This indicates a shift towards less riskier assets. GIRWA also measures the bank's effectiveness in anticipating changing interest rate trends if compared with GRRWA which is discussed in the following section.

5.1.4 GROSS REVEUE ON RISK WEIGHTED ASSETS (GRRWA)

GRRWA measures only the revenues generated relative to risk weighted assets by adding bank interest expenses to gross income. A low GRRWA corresponding with a high GIRWA indicates effective anticipation of interest rate trends, and vice versa. To illustrate, consider NBB and BSB banks below:

	1985	
	NBB	BSB
GIRWA	3.16 %	2.58 %
GRRWA	8.36 %	16.24 %

BSB's GRRWA is higher than NBB's. However, NBB has had lower funding costs than BSB, thus resulting in a higher GIRWA. BSB therefore, was better able to anticipate interest rate trends and was probably able to lock in lower interest rates when prevailing rates were low.

Table 5.4 GRRWA (%)

Year	1980	1981	1982	1983	1984
NBB	13.23	17.39	15.61	9.78	11.65
BBK	14.18	13.40	16.29	10.60	10.55
ACB	9.69	9.54	15.74	7.95	7.89
BIB	9.88	6.54	11.87	6.61	8.70
BSB	-	-	-	-	-
GBB	-	-	-	-	5.95
IND.	13.65	14.51	16.15	10.15	10.67
Year	1985	1986	1987	1988	1989
NBB	13.67	11.45	8.34	12.54	12.75
BBK	8.87	7.70	7.80	7.10	9.00
ACB	7.64	7.63	5.57	6.14	7.11
BIB	5.89	7.11	6.72	6.92	7.88
BSB	14.88	15.93	16.24	18.27	12.44
GBB	6.86	6.96	6.77	7.50	9.38
IND.	10.28	9.27	8.30	9.38	10.45

5.2 CAPITAL ADEQUACY RATIO

Capital Adequacy ratio consist of many measures. these mainly measure capital funds in relation to risk weighted assets. The following ratios are calculated for each bank in appendices 18 to 23:

- Risk assets ratio
- Capital funds leverage
- Leverage
- Equity on risk weighted assets
- Capital funds on risk weighted assets
- Paid up capital on total assets
- Equity on total assets

In this section we have selected only two key ratios, risk assets ratio and capital funds leverage ratio.

5.2.1 RISK ASSETS RATIO (RAR)

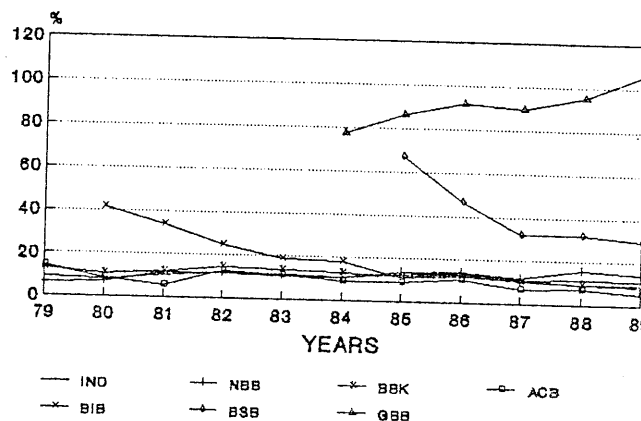
RAR measures free capital funds in relation to risk weighted assets. It measures the available cushion in terms of funds available for operation relative to the underlying riskness of the assets. A declining trend may reflect a shift towards riskier assets. The higher the figure, the stronger the capital base.

Table 5.5 RAR (%)

Year	1980	1981	1982	1983	1984
NBB	7.05	11.60	11.53	10.53	10.89
BBK	10.74	12.06	14.69	13.90	12.91
ACB	8.65	5.69	13.08	11.05	9.09
BIB	41.57	33.73	24.68	18.71	17.83
BSB	-	-	-	-	-
GBB	-	-	-	-	77.57
IND.	8.25	10.14	12.18	11.77	10.93
Year	1985	1986	1987	1988	1989
NBB	13.65	13.98	11.85	16.07	14.23
BBK	11.56	12.95	10.48	9.28	9.63
ACB	9.03	10.71	7.07	7.17	5.27
BIB	11.35	11.99	10.79	9.30	8.53
BSB	67.19	46.83	32.01	32.04	29.50
GBB	86.36	91.98	89.71	95.31	106.05
IND.	12.29	13.56	11.21	11.68	10.96

The result shown in the above table has been presented in the opposite figure. It shows stable RAR for most of the banks except for GBB which show a high RAR, this reflects a stronger capital base and it is also increasing throughout the period. BSB at its incorporation had also strong capital base but the trend of RAR is declining which reflects a shift towards riskier assets. BIB had also a high RAR in 1980 but the trend declined and in 1989, it was below the industry trend.

RISK ASSETS RATIO



5.2.2 CAPITAL FUNDS LEVERAGE (CFL)

CFL measures total liabilities relative to capital funds (where subordinated debt is considered part of capital funds, not liabilities). This shows the bank ability to protect against losses on a liquidating basis. The lower the figure the greater the protection.

Table 5.6 CFL (%)

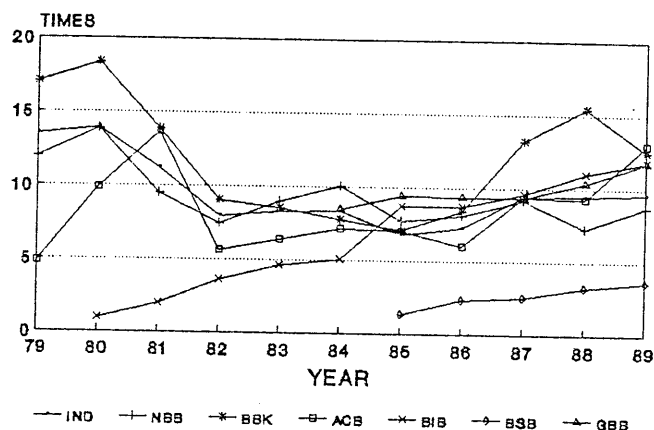
Year	1980	1981	1982	1983	1984
NBB	13.86	9.53	7.46	9.02	10.08
BBK	18.38	13.89	9.07	8.55	7.80
ACB	9.90	13.72	5.62	6.40	7.15
BIB	0.95	1.98	3.62	4.66	5.10
BSB	-	-	-	-	-
GBB	-	-	-	-	8.50
IND.	13.94	11.25	7.96	8.33	8.34
Year	1985	1986	1987	1988	1989
NBB	7.72	8.12	9.22	7.29	8.73
BBK	7.13	8.41	13.22	15.48	12.56
ACB	7.01	6.04	9.37	9.34	13.01
BIB	8.72	8.75	9.65	11.01	11.85
BSB	1.36	2.38	2.52	3.23	3.60
GBB	9.43	9.41	9.36	10.39	11.82
IND.	6.77	7.30	9.45	9.49	9.64

In 1980, BIB'S CFL was the lowest, which was the most protected bank. However BIB'S CFL ratio started going up throughout the whole period of this study, it reached to 11.85% in 1989, which was above the industry CFL ratio.

BBK'S CFL was the highest in 1980 (18.38%), this was due to the bank's inability to protect against losses. However, the ratio started declining until 1985 when it reached 7.13%, but the trend increased again in 1984 and continued throughout the period.

BSB'S ratio was low in 1985 but it was showing an upward trend, but it seems that the bank is able to protect against loss, and its ratio is below the industry. The overall ratio showed a declining trend compared with 1979 and 1980.

CAPITAL FUNDS LEVERAGE



5.3 LIQUIDITY RATIOS

Liquidity is the short-run financial health of a business. Poor liquidity may lead to difficulties in paying debts as they fall due, and to inability to undertake profitable projects due to lack of funds.

Liquidity ratio is the size of the available liquid assets plus how quickly one can convert assets into cash without any losses in market value of these assets. The following liquidity ratios have been calculated for each bank:

- Loans to depists
- Loans to free funds
- Quick assets ratio
- Customer depisits to total assets
- Liquid assets ratio
- Loans to total assets
- Cash to total assets

For the purpose of liquidity analysis, only two ratios (e.g. loans to deposits and quick assets ratios) have been selected for presentation.

5.3.1 LOANS TO DEPOSITORS

Loans to Depositors measures net loans against total deposits to access the extent to which deposits have been converted into loans. The higher one figures, the less liquid the bank is.

Table 5.7 L/D (%)

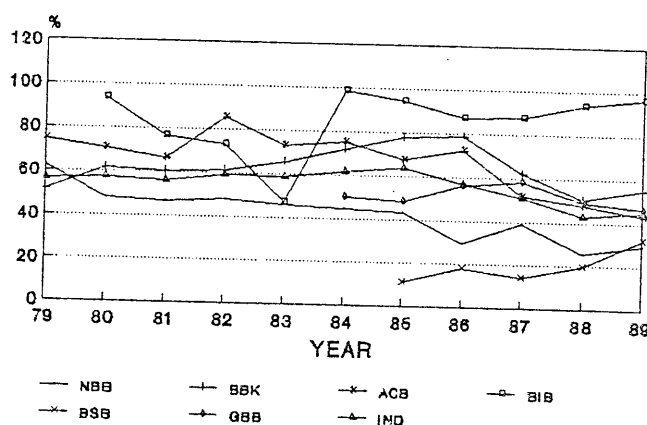
Year	1980	1981	1982	1983	1984
NBB	48.07	46.67	47.82	45.57	44.32
BBK	61.50	60.44	60.95	65.41	71.83
ACB	70.64	66.45	85.44	73.21	75.46
BIB	93.46	76.73	72.92	47.26	98.88
BSB	-	-	-	-	-
GBB	-	-	-	-	50.09
IND.	57.24	56.14	58.96	58.66	61.74

Year	1985	1986	1987	1988	1989
NBB	43.03	29.52	39.03	25.50	29.56
BBK	77.80	78.60	61.84	50.30	55.01
ACB	67.37	72.32	51.84	47.78	43.30
BIB	94.59	87.07	87.63	93.78	96.78
BSB	11.21	18.15	14.12	19.59	32.04
GBB	48.46	55.97	58.02	48.99	46.47
IND.	63.75	56.79	51.03	42.96	45.05

BIB's loans to deposits in 1980 was high but it started declining until 1983 which means that it was more liquid. In 1984 it became less liquid than banks in Bahrain. BSB's ratio in increasing but NBB's ratio was stable from 1980 to 1985 than it started fluctuating up and down.

The general trend is declining for most of the banks. BIB'S ratio was declining until 1983 which represented a good liquidity.

LOANS TO DEPOSITS



However, its liquidity decreased from 1984 onward, one reason could be due to increase in loans and advances while there were no major increase in total deposits for example in 1984, BIB'S deposits increased by 10% while its loans and advances increased by 131% this has resulted in increasing liquidity risk.

BSB'S ratio was increasing which shows that the bank's liquidity is decreasing.

As mentioned above, the general trend is declining. According to the calculations shown in appendix 17, the geometric mean of the net loans' growth for ten years is 9.3%, while the geometric mean growth of total deposits is 11.8%. This shows that total deposits are increasing more than net loans.

5.3.2 QUICK ASSETS RATIO (QAR)

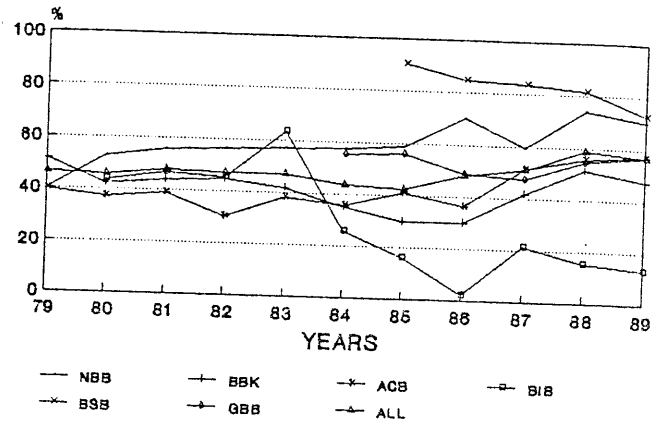
QAR measures the proportion of total assets that can be liquidated within a very short time. In commercial banking quick assets are Cash, Deposits with Central Bank, Treasury Bills, and Total Dues from Banks. The higher the figure the more liquid the bank is.

Table 5.8 QAR (%)

Year	1980	1981	1982	1983	1984
NBB	52.89	55.48	56.20	56.86	57.26
BBK	42.09	43.83	44.65	41.57	35.10
ACB	36.97	38.69	30.20	38.02	35.49
BIB	43.34	46.75	45.36	63.46	25.74
BSB	-	-	-	-	-
GBB	-	-	-	-	55.14
IND.	45.79	47.72	47.06	47.13	43.63
Year	1985	1986	1987	1988	1989
NBB	58.65	70.11	59.56	74.06	70.12
BBK	29.88	30.10	41.64	51.24	47.25
ACB	40.83	36.36	51.34	55.55	56.95
BIB	15.92	2.33	21.57	15.19	13.26
BSB	90.46	84.79	83.84	81.53	72.56
GBB	55.87	48.84	47.58	54.55	56.53
IND.	42.46	48.26	50.90	58.94	56.74

QUICK ASSETS RATIO

BIB's QAR was in the range of 63.46 in 1983 and 2.33 in 1986. It means that BIB's liquidity ratio was high in 1983 but it started decline, until 1986 which was very low. NBB's liquidity ratio was stable during the period from 1980 to 1985 but after that it started fluctuating and in 1987 its QAR was 74.06.



BSB's liquidity was very good at the time of its incorporation but it continued declining until 1989. It means that the proportion of its total assets that can be liquidated within a very short time is weak. In 1989 the liquidity of BSB and NBB were the highest in the industry.

5.4.0 Conclusion

The profitability of Bahrain Commercial Bank showed a declining trend. The main reasons for these declines were due to bad economic conditions in the region and also in the international markets.

It has also been noted that liquidity ratio of the selected banks has been improved. It shows that banks are more concerned about keeping more liquid assets.

Bahraini Banks share of total earnings of all commercial banks averaged to 72%. This proves that Bahraini Banks are leading the Banking industry in the country.

Evaluation and Management of a Hypothetical Portfolio

6.0 Evaluation and Management of a Hypothetical Portfolio

6.1. Selection of the Stocks

The scope of this section is to overview common stock market of local commercial banks in Bahrain. I have selected all Bahraini Commercial Banks (except GBB) common stock for investment and evaluated the performance of pastfolio in comparison with the total market returns and performance. In establishing the portfolio, the objective was to consider a young family and its investment preferences. Since there is no tax in Bahrain, this has been ignord. From the marketability point of view, as it is shown below, the market for these shares is rather very active.

For the purpose of this evaluation, the following data on banks activities for the last five years have been obtained and these data will be used throughout this evaluation. The source of these data is Bahrain Stock Exchange and the figures are as of the end of each year.

(1) Trading volume of bank shares in BSE for the last 5 years

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	737901	503333	71045	70478	366969
Bank of Bahrain & Kuwait	1216518	330197	132733	192950	1118744
Al-Ahli Commercial Bank	725216	210957	91415	261379	779194
Bahraini Saudi Bank	302350	490500	304435	284623	487251
Bahrain Islamic Bank	298871	108348	68429	10700	74222

(2) Share Book Value (BD)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	2.183	2.228	2.274	2.353	2.424
Bank of Bahrain & Kuwait	3.080	1.716	1.308	1.299	1.377
Al-Ahli Commercial Bank	2.610	2.566	1.872	1.999	1.501
Bahraini Saudi Bank	0.558	0.561	0.577	1.014	1.043
Bahrain Islamic Bank	1.121	1.136	1.150	1.169	1.200

(3) Share Market Value (BD)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	3.770	2.750	2.080	3.100	3.270
Bank of Bahrain & Kuwait	2.150	1.210	0.700	0.695	0.840
Al-Ahli Commercial Bank	1.730	1.500	0.900	1.075	1.120
Bahraini Saudi Bank	0.405	0.358	0.370	0.790	0.790
Bahrain Islamic Bank	1.220	1.400	1.400	1.610	1.500

(4) Distributed Dividend / Paid-in Capital (%)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	15	10	10	15	20
Bank of Bahrain & Kuwait	-	-	-	-	-
Al-Ahli Commercial Bank	10	5	-	-	-
Bahraini Saudi Bank	-	5	-	-	5
Bahrain Islamic Bank	10	10	10	10	10

(5) Earning Per Share (BD)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	0.287	0.156	0.156	0.243	0.200
Bank of Bahrain & Kuwait	-	-	-0.426	0.018	0.093
Al-Ahli Commercial Bank	0.288	0.006	-0.694	0.128	-0.498
Bahraini Saudi Bank	0.054	0.029	0.017	-0.140	0.081
Bahrain Islamic Bank	0.108	0.121	0.119	0.126	0.138

(6) Distributed Cash Dividend Per Share (BD)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	0.150	0.100	0.100	0.150	0.200
Bank of Bahrain & Kuwait	-	-	-	-	-
Al-Ahli Commercial Bank	0.100	0.050	-	-	-
Bahraini Saudi Bank	-	0.025	-	-	0.500
Bahrain Islamic Bank	0.100	0.100	0.100	0.100	0.100

(7) Price Earning Ratios

Market Price of Each Share / Earning Per Share (times)

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	13.13	17.62	13.36	12.75	11.35
Bank of Bahrain & Kuwait	-	-	-1.64	38.03	8.99
Al-Ahli Commercial Bank	6.01	255.10	-1.30	8.42	-2.25
Bahraini Saudi Bank	7.45	12.43	22.29	-5.64	9.75
Bahrain Islamic Bank	11.33	11.62	11.73	12.10	10.89

(8) Market Price of Each Share / Distributed Dividend

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	25.13	27.50	20.80	20.67	16.35
Bank of Bahrain & Kuwait	-	-	-	-	-
Al-Ahli Commercial Bank	17.30	30.00	-	-	-
Bahraini Saudi Bank	-	14.32	-	-	15.80
Bahrain Islamic Bank	12.20	14.00	14.00	16.10	15.00

(9) Market Price / Book Value

Bank Name	1985	1986	1987	1988	1989
National Bank of Bahrain	1.73	1.23	0.91	1.32	1.35
Bank of Bahrain & Kuwait	0.70	0.70	0.45	0.45	0.61
Al-Ahli Commercial Bank	0.66	0.58	0.48	0.54	0.75
Bahraini Saudi Bank	0.73	0.64	0.64	0.78	0.76
Bahrain Islamic Bank	1.09	1.23	1.22	1.38	1.25

6.2.0 Holding Period Return Measurement

The single-period rate of return is defined as the percentage price appreciation plus the percentage dividend return during given period.

$$R_t = \frac{P_t - P_{t-1}}{P_{t-1}} + \frac{C_t}{P_{t-1}}$$

Based on the data in table 3 and 6 above, the holding period rate of return for the selected banks have been calculated and the following is a summary of holding period rate of return and the arithmetic average return:

Year	NBB	BBK	ACB	BSB	BIB
----	----	----	----	----	----
1986	-0.244	-0.437	-0.104	-0.054	0.229
1987	-0.208	-0.422	-0.400	0.034	0.071
1988	0.562	-0.007	0.194	1.135	0.221
1989	0.119	0.209	0.042	0.633	0.006
	-----	-----	-----	-----	-----
TOTAL	0.229	-0.657	-0.268	1.748	0.527
-					
R	0.057	-0.164	-0.067	0.437	0.132

6.3.0 EX - POST STANDARD DEVIATION OF SECURITIES

The investor's major concern is with the riskiness of his total wealth. The greater dispersion of possible wealth outcomes, the greater the required risk premium. There are numerous statistical measures which can be used to assess the dispersion of return outcomes and thus proxy risk.

For the purpose of the risk evaluation, standard deviation has been selected to measure securities risk. The standard deviation can, be either calculated using actual historical return data or estimated using potential future return data. When calculated using historical returns, we speak of the ex post standard deviation. When calculated using future returns, we speak of the ex ante standard deviation. Both numbers are useful. To evaluate historical risk return performance the ex post value is used. The ex ante standard deviation is used in determining proper investment strategy for the future. In this evaluation, standard deviation is calculated using the following ex-post formula :

$$\sigma_i = \sqrt{\frac{\sum (R_i - \bar{R})^2}{N}}$$

$$\sigma_{NBB} = \sqrt{\frac{(-.244 - .057)^2 + (-.208 - .057)^2 + (.562 - .057)^2 + (.119 - .057)^2}{4}}$$

$$= \sqrt{(0.9078 + .07038 + .2547 + .003807)/4} = 0.32391$$

The same calculations have been made for other banks and the following is the final result :

$$\begin{aligned}\sigma_{NBB} &= 0.32391 \\ \sigma_{BBK} &= 0.27604 \\ \sigma_{ACB} &= 0.21300 \\ \sigma_{BSB} &= 0.48196 \\ \sigma_{BIB} &= 0.09604\end{aligned}$$

6.4.0 EX - POST CORRELATION COEFFICIENT

The correlation coefficient is a statistical measure to the extent to which returns on two securities are related. In this section the ex-post correlation coefficient of securities is calculated using the following equation :

$$r_{ij} = \frac{\sum_{t=1}^N (R_{it} - \bar{R}_i) (R_{jt} - \bar{R}_j) / N}{\sigma_i \sigma_j}$$

Ex-Post Correlation Coefficient Between NBB & BBK

Year	NBB				BBK		
	R	-	$\bar{R}$		R	-	$\bar{R}$
1986	-0.244	-	0.057	= -0.301	-0.437	+	0.164 = -0.273
1987	-0.208	-	0.057	= -0.265	-0.422	+	0.164 = -0.258
1988	0.562	-	0.057	= 0.505	-0.007	+	0.164 = 0.157
1989	0.119	-	0.057	= 0.062	0.209	+	0.164 = 0.373

$$r = \frac{[(-.273)(-.0301) + (-.258)(-.265) + (.157)(.505) + (.373)(.062)] / 4}{(0.27604)(0.32391)}$$

$$r = \frac{(.0822 + .0684 + .0793 + .0231) / 4}{.08941} = 0.7074$$

Correlation Matrix (r)

	NBB	BBK	ACB	BSB	BIB
NBB	1.000				
BBK	.7074	1.000			
ACB	.8621	.7555	1.000		
BSB	.9917	.7905	.8669	1.000	
BIB	.1937	.4736	.6549	.3446	1.000

6.5.0 Calculation of Portfolio Returns

I) First Investment Strategy: Equal Weights

In calculating the portfolio return I have assumed an equal weight of .20 for each security and the following formula has been used :

$$R_p = \frac{1}{n} \sum_{i=1}^n (R_i)$$

Year	Weight (1)	Security	Security Return (2)	(1) * (2)
1986	0.20	NBB	-0.244	-0.0488
	0.20	BBK	-0.437	-0.0874
	0.20	ACB	-0.104	-0.0208
	0.20	BSB	-0.054	-0.0108
	0.20	BIB	0.229	0.0458
			Return =	-0.0244
1987	0.20	NBB	-0.208	-0.0416
	0.20	BBK	-0.422	-0.0844
	0.20	ACB	-0.400	-0.0800
	0.20	BSB	0.034	0.0068
	0.20	BIB	0.071	0.0142
			Return =	-0.0370
1988	0.20	NBB	0.562	0.1124
	0.20	BBK	-0.007	-0.0014
	0.20	ACB	0.194	0.0388
	0.20	BSB	1.135	0.2270
	0.20	BIB	0.221	0.0442
			Return =	0.0842
1989	0.20	NBB	0.119	0.0238
	0.20	BBK	0.209	0.0418
	0.20	ACB	0.042	0.0084
	0.20	BSB	0.633	0.1266
	0.20	BIB	0.006	0.0012
			Return =	0.0404

Arithmetic average portfolio return $R_p =$

$$(-.0244 - .0370 + .0842 + .0404) / 4 = 0.0158$$

II) Second Investment Strategy : Bank's equity proportion
to the total equity of the five banks

Year	Weight (1)	Security	Security Return (2)	(1) * (2)
-----	-----	-----	-----	-----
1986	0.370	NBB	-0.244	-0.0903
	0.413	BBK	-0.437	-0.1805
	0.066	ACB	-0.104	-0.0069
	0.114	BSB	-0.054	-0.0062
	0.037	BIB	0.229	0.0085
	-----			-----
	1.000		Return =	-0.2754
1987	0.370	NBB	-0.208	-0.0770
	0.413	BBK	-0.422	-0.1743
	0.066	ACB	-0.400	-0.0264
	0.114	BSB	0.034	0.0039
	0.037	BIB	0.071	0.0026

			Return =	-0.2712
1988	0.370	NBB	0.562	0.2079
	0.413	BBK	-0.007	-0.0029
	0.066	ACB	0.194	0.0128
	0.114	BSB	1.135	0.1294
	0.037	BIB	0.221	0.0082

			Return =	0.3554
1989	0.370	NBB	0.119	0.0440
	0.413	BBK	0.209	0.0863
	0.066	ACB	0.042	0.0028
	0.114	BSB	0.633	0.0722
	0.037	BIB	0.006	0.0002

			Return =	0.2055

Arithmetic average portfolio return $R_p =$

$$(-.2754 - .2712 + .3554 + .2055) / 4 = 0.0036$$

III) Third Investment Strategy : Market Weight

As per appendix 4 , evaluation has been made based on the share of each bank's equity as a percentage of the total market equity traded in the Bahrain Stock Exchange.

Year	Weight (1)	Security	Security Return (2)	(1) * (2)
-----	-----	-----	-----	-----
1986	0.099	NBB	-0.244	-0.0241
	0.110	BBK	-0.437	-0.0481
	0.018	ACB	-0.104	-0.0019
	0.030	BSB	-0.054	-0.0016
	0.010	BIB	0.229	0.0023
	-----			-----
	0.267		Return =	-0.0718
1987	0.099	NBB	-0.208	-0.0206
	0.110	BBK	-0.422	-0.0464
	0.018	ACB	-0.400	-0.0072
	0.030	BSB	0.034	0.0010
	0.010	BIB	0.071	0.0007

			Return =	-0.0725
1988	0.099	NBB	0.562	0.0556
	0.110	BBK	-0.007	-0.0008
	0.018	ACB	0.194	0.0035
	0.030	BSB	1.135	0.0341
	0.010	BIB	0.221	0.0022

			Return =	0.0946
1989	0.099	NBB	0.119	0.0118
	0.110	BBK	0.209	0.0230
	0.018	ACB	0.042	0.0008
	0.030	BSB	0.633	0.0120
	0.010	BIB	0.006	0.0001

			Return =	0.0477

Arithmetic average portfolio return $R_p =$

$$(-.0718 - .0725 + .0946 + .0477) / 4 = -0.0005$$

6.6.0 Calculation of Portfolio Standard Deviation

According to Markowitz's suggestion, the goal of the portfolio manager should be to minimise portfolio risk for any level of expected returns and he suggested the following equation:

$$\sigma_p = \sqrt{\sum_{i=1}^n \sum_{j=1}^n X_i X_j \sigma_i \sigma_j r_{ij}}$$

For the purpose of calculating portfolio's standard deviation, different weight assumptions have been considered and the lowest standard deviation is ----- and the highest one is ----- . Probably portfolio with the lowest standard deviation will be selected.

a) First Investment Strategy : Equal Proportion

Bank	X	X ²	σ	σ^2	$(X * \sigma^2)$
NBB X 1	0.20	0.04	.32391	.10492	.00420
BBK X 2	0.20	0.04	.27604	.07620	.00305
ACB X 3	0.20	0.04	.21300	.04537	.00181
BSB X 4	0.20	0.04	.48196	.23228	.00929
BIB X 5	0.20	0.04	.09604	.00922	.00037
TOTAL					.01872

Correlation Matrix (r)

	NBB	BBK	ACB	BSB	BIB
NBB	1.000				
BBK	.7074	1.000			
ACB	.8621	.7555	1.000		
BSB	.9917	.7905	.8669	1.000	
BIB	.1937	.4736	.6549	.3446	1.000

2(X 1 X 2 $\overline{0}$ 1 $\overline{0}$ 2 r 1,2)	.005060
2(X 1 X 3 $\overline{0}$ 1 $\overline{0}$ 3 r 1,3)	.004758
2(X 1 X 4 $\overline{0}$ 1 $\overline{0}$ 4 r 1,4)	.012385
2(X 1 X 5 $\overline{0}$ 1 $\overline{0}$ 5 r 1,5)	.000482
2(X 2 X 3 $\overline{0}$ 2 $\overline{0}$ 3 r 2,3)	.003553
2(X 2 X 4 $\overline{0}$ 2 $\overline{0}$ 4 r 2,4)	.008413
2(X 2 X 5 $\overline{0}$ 2 $\overline{0}$ 5 r 2,5)	.001004
2(X 3 X 4 $\overline{0}$ 3 $\overline{0}$ 4 r 3,4)	.007119
2(X 3 X 5 $\overline{0}$ 3 $\overline{0}$ 5 r 3,5)	.001071
2(X 4 X 5 $\overline{0}$ 4 $\overline{0}$ 5 r 4,5)	.001276

TOTAL	.045124

PLUS $\sqrt{\frac{2}{\overline{0}}}$ (X $\overline{0}^2$)	.018719

	.063844

$$\frac{\overline{0}}{P} = \sqrt{\frac{.063844}{.063844}} = 0.25267$$

d) Second Investment Strategy : Bank's equity proportion to the total of the five banks

Bank	X	X ²	$\overline{0}$	$\overline{0}^2$	(X ² * $\overline{0}^2$)
NBB X 1	0.370	0.0400	.32391	.10492	.01436
BBK X 2	0.413	0.0625	.27604	.07620	.01300
ACB X 3	0.066	0.0225	.21300	.04537	.00020
BSB X 4	0.114	0.0025	.48196	.23229	.00302
BIB X 5	0.037	0.1225	.09604	.00922	.00001

			TOTAL		.030589

2(X 1 X 2 $\overline{0}$ 1 $\overline{0}$ 2 r 1,2)	.019330
2(X 1 X 3 $\overline{0}$ 1 $\overline{0}$ 3 r 1,3)	.002904
2(X 1 X 4 $\overline{0}$ 1 $\overline{0}$ 4 r 1,4)	.013060
2(X 1 X 5 $\overline{0}$ 1 $\overline{0}$ 5 r 1,5)	.000164
2(X 2 X 3 $\overline{0}$ 2 $\overline{0}$ 3 r 2,3)	.002421
2(X 2 X 4 $\overline{0}$ 2 $\overline{0}$ 4 r 2,4)	.009903
2(X 2 X 5 $\overline{0}$ 2 $\overline{0}$ 5 r 2,5)	.000383
2(X 3 X 4 $\overline{0}$ 3 $\overline{0}$ 4 r 3,4)	.001339
2(X 3 X 5 $\overline{0}$ 3 $\overline{0}$ 5 r 3,5)	.000065
2(X 4 X 5 $\overline{0}$ 4 $\overline{0}$ 5 r 4,5)	.000134

TOTAL	.049708

$$\text{PLUS } \frac{\sqrt{\quad}}{\quad} (X^2 * \overline{0}^2)$$

	.030589

	.080297

$$\frac{\overline{0}}{P} = \sqrt{\frac{\quad}{.080297}} = 0.28337$$

c) Third Investment Strategy : Market Weight

Bank		X	X ²	$\overline{0}$	$\overline{0}^2$	(X ² * $\overline{0}^2$)
NBB	X 1	0.099	0.063	.32391	.10492	.001028
BBK	X 2	0.110	0.010	.27604	.07620	.000922
ACB	X 3	0.0175	0.040	.21300	.04537	.000014
BSB	X 4	0.030	0.003	.48196	.23229	.000209
BIB	X 5	0.010	0.160	.09604	.00922	.000001

					TOTAL	.002174

2(X 1 X 2 $\overline{0}$ 1 $\overline{0}$ 2 r 1,2)	.001377
2(X 1 X 3 $\overline{0}$ 1 $\overline{0}$ 3 r 1,3)	.000206
2(X 1 X 4 $\overline{0}$ 1 $\overline{0}$ 4 r 1,4)	.000919
2(X 1 X 5 $\overline{0}$ 1 $\overline{0}$ 5 r 1,5)	.000011
2(X 2 X 3 $\overline{0}$ 2 $\overline{0}$ 3 r 2,3)	.000171
2(X 2 X 4 $\overline{0}$ 2 $\overline{0}$ 4 r 2,4)	.000694
2(X 2 X 5 $\overline{0}$ 2 $\overline{0}$ 5 r 2,5)	.000027
2(X 3 X 4 $\overline{0}$ 3 $\overline{0}$ 4 r 3,4)	.000093
2(X 3 X 5 $\overline{0}$ 3 $\overline{0}$ 5 r 3,5)	.000004
2(X 4 X 5 $\overline{0}$ 4 $\overline{0}$ 5 r 4,5)	.000009

TOTAL	.003515

$$\overline{O}_P = \sqrt{.005689} = 0.0754$$

6.7.0 Relative Risk of Security

In a diversified portfolio, the risk of any single security depends upon the standard deviation of the security and the correlation of the security's returns with the returns of the portfolio. A security's risk relative to the risk of the diversified portfolio to which it is added is measured by Beta. Beta is calculated as follow :

$$B_i = \frac{\overline{0_i}}{\overline{0_p}} r_{ip}$$

Before calculating the Beta of each security we need to calculate the ex-post correlation coefficient of each security with the portfolio.

(a) Calculation of correlation coefficient between the portfolio and NBB security

Year	NBB				PORTFOLIO		
	R	-	R		R	-	R
1986	-0.244	-	0.057	= -0.301	-0.024	-	0.016 = -0.040
1987	-0.208	-	0.057	= -0.265	-0.037	-	0.016 = -0.053
1988	0.562	-	0.057	= 0.505	0.084	-	0.016 = 0.068
1989	0.119	-	0.057	= 0.062	0.040	-	0.016 = 0.024

$$r = \frac{[(-.040)(-.301) + (-.053)(-.265) + (.068)(.505) + (.024)(.062)]/4}{(0.25267)(0.32391)}$$

$$r = \frac{(.0120 + .0140 + .0343 + .0015) / 4}{.08184} = 0.18878$$

(b) Calculation of correlation coefficient between the portfolio and BBK security

Year	PORTOFOLIO				BBK		
	R	-	R		R	-	R
1986	-0.024	-	0.016	= -0.040	-0.437	+	0.164 = -0.273
1987	-0.037	-	0.016	= -0.053	-0.422	+	0.164 = -0.258
1988	0.084	-	0.016	= 0.068	-0.007	+	0.164 = 0.157
1989	0.040	-	0.016	= 0.024	0.209	+	0.164 = 0.373

$$r = \frac{[(-.273)(-.040) + (-.258)(-.053) + (.157)(.068) + (.373)(.024)]/4}{(0.27604)(0.25267)}$$

$$r = \frac{(.0109 + .0137 + .0107 + .0089) / 4}{0.06975} = 0.15842$$

(c) Calculation of correlation coefficient between the portfolio and ACB security

Year	ACB				PORTFOLIO		
	R	-	R		R	-	R
1986	-0.104	+	0.067	= -0.037	-0.024	-	0.016 = -0.040
1987	-0.400	+	0.067	= -0.333	-0.037	-	0.016 = -0.053
1988	0.194	+	0.067	= 0.261	0.084	-	0.016 = 0.068
1989	0.042	-	0.067	= 0.109	0.040	-	0.016 = 0.024

$$r = \frac{[(-.040)(-.037) + (-.053)(-.333) + (.068)(.261) + (.024)(.109)] / 4}{(0.25267)(0.21300)}$$

$$r = \frac{(.0015 + .0176 + .0177 + .0026) / 4}{0.05382} = 0.18302$$

(d) Calculation of correlation coefficient between the portfolio and BIB security

Year	BIB				PORTFOLIO		
	R	-	R		R	-	R
1986	0.229	-	0.132	= 0.097	-0.024	-	0.016 = -0.040
1987	0.071	-	0.132	= -0.061	-0.037	-	0.016 = -0.053
1988	0.221	-	0.132	= 0.089	0.084	-	0.016 = 0.068
1989	0.006	-	0.132	= -0.126	0.040	-	0.016 = 0.024

$$r = \frac{[(-.040)(.097) + (-.053)(-.061) + (.068)(.089) + (.024)(-.126)]/4}{(0.25267)(0.09604)}$$

$$r = \frac{(-.0039 + .0032 + .0061 + .0030) / 4}{0.0243} = 0.08642$$

(e) Calculation of correlation coefficient between the portfolio and BSB security

Year	BSB				PORTFOLIO		
	R	-	R		R	-	R
1986	-0.054	-	0.437	= -0.491	-0.024	-	0.016 = -0.040
1987	0.034	+	0.437	= -0.403	-0.037	-	0.016 = -0.053
1988	1.135	+	0.437	= 0.698	0.084	-	0.016 = 0.068
1989	0.633	-	0.437	= 0.196	0.040	-	0.016 = 0.024

$$r = \frac{[(-.040)(-.491) + (-.053)(-.403) + (.068)(.698) + (.024)(.196)]/4}{(0.25267)(0.48196)}$$

$$r = \frac{(.0196 + .0214 + .0475 + .0047) / 4}{.12178} = 0.19133$$

6.8.0 Calculation of Security Beta

$$B_i = \frac{\sigma_i}{\sigma_p} r_{ip}$$

$$B_{NBB} = 0.24201$$

$$B_{BBK} = 0.17307$$

$$B_{ACB} = 0.15428$$

$$B_{BIB} = 0.03285$$

$$B_{BSB} = 0.36496$$

6.9.0 Conclusion

The following is a summary of all calculations we have made above. Here, only the market standard deviation and the market average return are taken from Ali H. Khammis's MBA paper :

Security	Average Standard Deviation	Average Returns	Beta	Coeff. of Var.
-----	-----	-----	-----	-----
ACB	0.21300	-0.067	.15428	-3.18
BBK	0.27604	-0.164	.17307	-1.68
BIB	0.09604	0.132	.03285	0.73
BSB	0.48196	0.437	.36496	1.10
NBB	0.32391	0.057	.24201	5.68
Portfolio	0.25267	0.016	-	15.79
Market	2.86137	0.022	-	130.06

The lowest security standard deviation is 0.09604 which is for BIB and the highest standard deviation is 0.48196 which is for BSB. The lowest stock Beta is also for BIB and the highest Beta is for BSB, but BSB's average return is highest among all local commercial banks. The portfolio's standard deviation is 0.25267 which is lower than the market standard deviation of 2.86, and this portfolio's average return is 1.6% which is slightly lower than the market average return of 2.2%.

As it is shown above, market's coeff. of variation is very high compared to our portfolio. The market consists of 29 common stocks of various companies registered with The Bahrain Stock Exchange. Our portfolio consists of only five local commercial banks but it is performing much better than the market.

There could be better portfolios of different combinations, but this is beyond the scope of this paper. We can go on changing the weight until we obtain an efficient portfolio.

In general, based on coeff. of variation, this hypothetical portfolio is performing well, but it should be re-evaluated as soon as new information is available in the market or from the banks.

**Concetration and
Other Determinants
Profitability of Bank
in Bahrain**

7.0 CONCETRATION AND OTHER DETERMINANTS OF BANK PROFITABILITY IN BAHRAIN

7.1 Introduction

This section reviews the performance of banks in Bahrain. It examines the internal and external determinations of profitability.

Many studies of the determinants of bank profitability in the United States have been undertaken, including those which have focussed on the relationship between concetration and profitability and those which have examined the possibility of expense preference behavior existing in regulated and concentration industries such as Banking. However, there have been only three major studies of international bank profitablility [Revell (1980) , short (1977, 1979)].

These works showed that it was possible to conduct a meaningful analysis in spite of the substantial differences in accounting practices and legal form between banks in various parts of the world. Of relevance is the increased interest internationally in the effects of augmented competition and deregulation on banking systems and financial markets.

This section has the objective of examining the determinants of bank profitability and particularly of reviewing the relevance of expense preference behavior theories [Edwards (1977)] in Bahrain.

7.2 Data Collection

7.2.1 Key Financial Figures

The data is based on the financial statements and annual reports of the following three largest local commercial banks in Bahrain:

- a) National Bank of Bahrain
- b) Bank of Bahrain and Kuwait
- c) Al-Ahli Commercial Bank

The following table (7.1) shows the key consolidated figures for eleven years from 1979 to 1989 of the above banks.

Table 7.1 Consolidated figures of the
largest three local commercial banks (BD000's)

	1979	1980	1981	1982	1983	1984
TOTAL ASSETS	555512	781662	1057163	1414757	1561469	1626483
NET LOANS	280776	403074	522508	707335	787121	857188
TO. CUST DEP.	496934	707179	934622	1204533	1336727	1401033
TO. CORE CAP.	38334	47261	81903	154847	164889	171318
NET PROFIT	10336	11188	14287	59239	31422	24400
QUICK ASSETS	257566	358200	504640	666265	730008	713181
TO. DEPOSITS	20552	49292	72179	92217	112801	131686
LOSS PROV	3123	2589	1133	2515	300	2500
MARKET. SEC.	21376	31330	35004	79088	130457	111551
STAFF EXPEN.	2281	2606	3386	4702	5178	5468
M. SUPP (MI)		192236	248796	266933	249999	239294
	1985	1986	1987	1988	1989	
TOTAL ASSETS	1472695	1366167	1472466	1472362	1516459	
NET LOANS	807898	662975	657210	531969	563115	
TO. CUST DEP.	1261557	1162004	1297023	1295046	1320350	
TO. CORE CAP.	177083	152276	125528	128251	130602	
NET PROFIT	10341	4417	-24637	8836	9223	
QUICK ASSETS	61138	647844	744792	887651	883905	
TO. DEPOSITS	140283	120662	137025	146163	151919	
LOSS PROV.	12489	11863	42161	15629	18810	
MARK. SEC.	124533	134350	173043	271719	321541	
STAFF EXPEN.	5481	5286	5241	5439	5736	
M. SUPPLY (MI)	243142	235670	246671	238876	234672	

7.2.2 Dependent Variables

The following general categories of dependent variables were used by Short in 1979. Since there is no tax in Bahrain, this has been ignored in our calculation:

NPBT : Net profit before tax
 NBAT : Net profit after tax
 BTCR : NPBT as % of capital and reserves,
 ATCR : NPAT as % of capital and reserves,
 BTCRTB : NPBT as % of capital and reserves plus total borrowings
 BTTA : NPBT as % of total assets
 BTSETA : NPBT + staff expenses as % of total assets
 BTSEPLTA : NPAT + staff expenses + provision for loan losses as % of total assets

Table 7.2 Dependent variables

		1979	1980	1981	1982	1983	1984
		----	----	----	----	----	----
		%	%	%	%	%	%
BTCT	Y1	26.96	23.67	17.44	38.26	19.06	14.24
ATCT	Y2	26.96	23.67	17.44	38.26	19.06	14.24
BTCTIB	Y3	26.96	23.67	17.44	38.26	19.06	14.24
BTCTA	Y4	1.86	1.43	1.35	4.19	2.01	1.50
BTSETA	Y5	2.27	1.76	1.67	4.52	2.34	1.84
BTSEPLTA	Y6	2.83	2.10	1.78	4.70	2.36	1.99
		1985	1986	1987	1988	1989	
		----	----	----	----	----	
		%	%	%	%	%	
BTCT	Y1	5.84	2.90	-19.63	6.89	7.06	
ATCT	Y2	5.84	2.90	-19.63	6.89	7.06	
BTCTIB	Y3	5.84	2.90	-19.63	6.89	7.06	
BTCTA	Y4	0.70	0.32	- 1.67	0.60	0.61	
BTSETA	Y5	1.07	0.71	- 1.32	0.97	0.99	
BTSEPLTA	Y6	1.92	1.58	1.55	2.03	2.23	

a) Return on Capital

Net income before and after tax as a ratio of total capital including all reserves. The ratios of after - tax profits to capital was used by Short (1979) . A further variable is defined as the ratio of net income before tax to capital plus total borrowings (as a proxy for subordinated loan stock which is used in substitution for equity capital) .

b) Return on Assets

Net income before tax as a ratio of total assets.

c) Value Added Return on Total Assets.

- The ratio of net income before taxes + staff expenses to total assets.
- The ratio of net income before taxes + staff expenses + loan losses to total assets.

7.2.3 Independent Variables

The following general categories of independent variables were used by Short in 1979 :

GOVT : A dummy variable representing government ownership, 1-when a bank is owned by a government, national or provincial, zero-otherwise,
 CONC : Three bank concentration ratio
 INT : The long-term bond rate for each country for each year (IMF),
 MON : Growth in money supply for each country for each year (IMF)
 CRTA : Capital and reserves as % of total assets,
 CBINVTA : Cash and bank deposits + investment securities as % of total assets,
 CPI : Percentage increase in consumer price index for each year (IMF),
 SE : Staff expenses as % of total assets

Table 7.3 Independent variables

		1979	1980	1981	1982	1983	1984
		----	----	----	----	----	----
		%	%	%	%	%	%
GOVT	Y1	9.11	19.11	19.11	19.11	19.11	19.11
CONC	Y2	47.20	51.40	54.40	60.70	62.60	64.60
INT	Y3	6.50	6.50	6.42	5.69	5.69	5.69
MON	Y4	29.42	29.42	29.42	7.29	-6.34	-4.28
CRTA	Y5	6.90	6.05	7.75	10.95	10.56	10.53
CBINVTA	Y6	46.37	45.83	47.74	47.09	46.75	43.85
CPI	Y7	2.20	4.00	8.00	6.00	3.50	1.00
SE	Y8	0.41	0.33	0.32	0.33	0.33	0.34
		1985	1986	1987	1988	1989	
		----	----	----	----	----	
		%	%	%	%	%	
GOVT	Y1	19.11	19.11	19.11	19.11	19.11	
CONC	Y2	64.60	58.50	53.48	53.48	53.48	
INT	Y3	5.69	5.69	5.61	5.61	5.61	
MON	Y4	1.61	-3.07	4.67	-3.16	-1.76	
CRTA	Y5	12.02	11.15	8.53	8.71	8.61	
CBINVTA	Y6	41.53	47.42	50.58	60.29	58.29	
CPI	Y7	-3.00	-1.80	-1.50	-0.20	1.50	
SE	Y8	0.37	0.39	0.36	0.37	0.38	

a) Governments Ownership

Short in 1979 had found that the government ownership of banks is correlated inversely with profitability and accordingly, a dummy variable representing the ownership status of each bank is incorporated. In our case the government ownership as at 31st December 1989 was as follows:

Bank ----	Govt % -----
BBK	3.75
NBB	49.00

I have assumed the same status throughout the period from 1979 to 1989. Due to some problems with QBS Package, this variable was deleted from our calculations.

b) Bank Concentration Ratio

The three banks concentration ratio is used. The concentration basis can be taken as the share of the largest three banks of either total assets or deposits depending on data availability.

In this case due to difficulties in obtaining the industry's total assets I have selected total deposits. The market share of either deposits or total assets in a particular country is determined by the sum of deposits or total assets of the top three banks (as obtained from their published financial statements) as a ratio of the deposits or total assets of the banking system including non-bank financial intermediaries. The assumption inherent in this methodology is that the top three banks in each country have approximately the same proportion of foreign business in their portfolios.

c) Long - term Bond Rate

Short had found a positive relationship between nominal interest rates and return on capital. Interest rates being used as a proxy for capital scarcity although it may have been more appropriate to use real interest rates. According to the research done by Short, it is possible that interest rates have a direct influence on profitability and this will be tested in the context of return on assets as the dependent variable.

d) Market Growth

Short found that asset growth in individual banks was not significant - he had used it to control for bank's managements were growth as opposed to profit maximisers. Annual growth in money supply in each country is suggested as an independent variable. In our example the source of growth in money supply (M1) is Quarterly Statistical Bulletin published by Bahrain Monetary Agency.

e) Capital Ratio and Liquidity Ratio

Capital ratio is capital plus reserves as a percentage of total assets. The liquidity ratio represent liquid assets ie cash and bank deposits plus investment securities as a percentage to total assets.

f) Inflation

Revell (1979) has suggested that inflation may be a factor in the causation of variations in bank profitability. Its effect depends on the assumption that wages and other non-interest cost are growing faster than the rate of inflation, which is not unusual and accordingly, the annual growth in the consumer price index is used as independent variable. The source of data in our example is Bahrain Monetary Agency publication.

7.3 Functional Form of the Equation

Short (1979) investigated a linear function and concluded that linear functions produced as good results as any other functional form. It is proposed to test using a linear function of the form

$$Y = C + A_1 X_1 + A_2 X_2 + A_3 X_3 + \dots + A_n X_n$$

where Y is the dependent variable, C is the constant term and X₁ , to X_n are the independent variables as discribed above.

Table 7.4 Means and Standard Deviation

Variable	Mean	St. Dev.
BTCR	12.972	15.151
BTTA	1.173	1.420
BTSEPLTA	2.279	0.880
BTSETA	1.529	1.411
CONC	57.004	6.168
INT	5.955	0.418
MON	7.565	14.579
CRTA	9.251	1.917
CBINVTA	48.704	5.722
CPI	1.791	3.400
SE	.357	0.029

7.4.0 Correlation Calculation

7.4.1 Correlation between BTCR and independent variables

This test is carried out to study the correlation between net profit as % of capital and reserves and the selected independent variable shown in table 7.3. Since, there is no income tax in Bahrain therefore values of BTCR, ATCR and BTCRTB are same.

In order to see whether there is a correlation we carry out statistical hypothesis. The objective of statistics is to make inferences about unknown population parameters based on information contained in sample data. The differences are phrased in one of two ways, as estimates of the respective parameters or as test of hypothesis about their values. In hypothesis testing we make assumptions or guesses about the populations involved. Such assumptions which may or may not be true, are called statistical hypothesis. In general, these are statements about the profitability distributions of the populations.

In many instances we formulate a statistical hypothesis for the sole purpose of rejecting or multiplying it. For example, it we decide whether there is significant correlation between our net profit as % of capital plus reserves and our selected independent variables, we formulate the hypothesis that there is no significant correlation between the variables. Such hypothesis are often called Null Hypothesis and are denoted by H_0 . Alternative to Null Hypothesis are called Alternate or Alternative Hypothesis, denoted by H_1 . An alternative Hypothesis is accepted if the Null Hypothesis is rejected at certain level of significant [α].

ANOVA Table

Source of Variation	Sum of Squares	D.F.	Mean Square
Regression	2106.424	7	300.932
Error	188.848	3	62.949
Total	2295.372	10	

F for analysis of variance = 4.78
 D.F. = 7 and 3 (for F - test)
 R - Square = 0.9177
 Percent of variation explained = 91.77
 Multiple correlation coefficient = 0.9580
 Standard error of estimate = 7.934067

TABLE OF ESTIMATED COEFFICIENTS

Estimated Variable	Estimated Coefficient	Computed St. Dev.	t -Value
CONC	2.324318	1.726581	1.346
INT	69.634514	25.360384	2.746
MON	-1.368033	0.831086	-1.646
CRTA	-5.812223	4.126539	-1.408
CBINVTA	0.339863	1.134126	0.300
CPI	1.065220	2.082366	0.512
SE	278.976900	179.742700	1.552
Intercept	-588.240900		

TABLE OF ACTUAL AND ESTIMATED BPCR VALUES

Case	Observed	Estimated	Residual
1	26.96	26.222883	0.737116
2	23.67	20.341129	3.328871
3	17.44	19.553547	-2.113546
4	38.26	40.739868	-2.479870
5	19.06	12.457311	6.602689
6	14.24	19.646509	-5.406509
7	5.84	0.205303	5.634697
8	2.90	6.345590	-3.445591
9	-19.63	-13.229557	-6.400440
10	6.89	3.910553	2.979447
11	7.06	6.497446	0.562554

$$H_0 : r = 0$$

$$H_1 : r \neq 0$$

$$\begin{aligned} t &= r \sqrt{n-2} / \sqrt{1-r^2} \\ &= 0.7211 \sqrt{9} / \sqrt{1-.5184} \\ &= 2.1633 / 0.694 = 3.1173 \end{aligned}$$

Significant at 5% level ($\alpha = 5\%$)

$$\begin{aligned} \text{Degree of Freedom (d.f.)} &= n - 2 \\ &= 11 - 2 = 9 \end{aligned}$$

$$t = 2.262$$

Reject H_0 . There is significant correlation between long-term bond rate and net profit as % of capital and reserves.

$$\text{Model } Y_j = \sum_{j=0}^g a_j x_j + E_j$$

$$j = 1, 2, \dots, 11$$

where : y_j = jth observation

a_j = unknown constants

x_j = independent variables

$$E_j \sim N[0, V]$$

$$\text{Estimate : } \hat{Y}_j = \sum_{j=0}^g \hat{a}_j \hat{x}_j$$

Where $\hat{a}_j$ are estimates by Least Square error technique using QSB package.

$$t = r \sqrt{n-2} / \sqrt{1-r^2}$$

$$2.262 = (r * 3) / (1 - r^2)$$

$$2.262 (1 - r^2) = 3r$$

$$0.754 (1 - r^2) = r$$

$$0.754 - 0.754 r^2 - r = 0$$

$$-0.754 r^2 + r + 0.754 = 0$$

$$0.754 r^2 + r - 0.754 = 0$$

$$r = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$$

$$r = \frac{-1 \pm \sqrt{1 - 4(0.754)(-0.754)}}{2(0.754)}$$

$$r = \frac{-1 \pm \sqrt{1 + 2.274}}{1.508}$$

$$= \frac{-1 \pm 1.81}{1.508} = +0.537 \text{ or } -1.863$$

Rule of Thumb

There is high (+ or -) correlation if $r > 0.537$ depending upon the sign of r .

7.4.2 Correlation between BTTA and independent variables

ANOVA TABLE

Source of Variation	Sum of Squares	D.F.	Mean Square
Regression	19.0432	7	2.720458
Error	1.1152	3	.371739
Total	20.1584	10	

F for analysis of variance = 7.32

D.F. = 7 and 3 (for F - test)

R - Square = 0.9447

Percent of variation explained = 94.47

Multiple correlation coefficient = 0.9719

Standard error of estimate = .6097041

TABLE OF ESTIMATED COEFFICIENTS

Estimated Variable	Estimated Coefficient	Computed St. Dev.	t -Value
CONC	0.176544	0.132681	1.331
INT	6.692548	1.948853	3.434
MON	-0.142871	0.063866	-2.237
CRTA	-0.313175	0.317109	-0.988
CBINVTA	0.035947	0.087153	0.412
CPI	0.103931	0.160022	0.649
SE	20.082699	13.812572	1.454
Intercept	-53.881920		

TABLE OF ACTUAL AND ESTIMATED BTTA VALUES

Case	Observed	Estimated	Residual
1	1.86	1.717758	0.142242
2	1.43	1.286491	0.143509
3	1.35	1.567281	-0.217281
4	4.19	4.273279	-0.083279
5	2.01	1.520571	0.489429
6	1.50	1.884509	-0.384509
7	0.70	0.220715	0.479285
8	0.32	0.822992	-0.502992
9	-1.67	-1.341675	-0.328325
10	0.60	0.405612	0.194388
11	0.61	0.542526	0.067474

7.4.3 Correlation between BTSETA and independent variables

ANOVA TABLE

Source of Variation	Sum of Square	D.F.	Mean Square
Regression	18.80227	7	2.686039
Error	1.121821	3	.3739403
Total	19.92409	10	

F for analysis of variance = 7.18
D.F. = 7 and 3 (for F-test)
R-Square = 0.9437
Per cent of variation explained = 94.37
Multiple error of estimate = .6115066

TABLE OF ESTIMATED COEFFICIENTS

Variable	Estimated Coefficient	Estimated St. Dev.	Computed t-value
CONC	0.177603	0.133074	1.335
INT	6.699145	1.954614	3.427
MON	-0.142828	0.064055	-2.230
CRTA	-0.314264	0.318047	-0.988
CBINVTA	0.036373	0.087411	0.416
CPI	0.104270	0.160495	0.650
SE	21.194288	13.853405	1.530
Intercept	-54.033970		

TABLE OF ACTUAL AND ESTIMATED BTSETA VALUES

Case	Observed	Estimated	Residual
1	2.27	2.128594	0.141406
2	1.76	1.614151	0.145849
3	1.67	1.887320	-0.217320
4	4.52	4.605179	-0.085179
5	2.34	1.848511	0.491489
6	1.84	2.226471	-0.386471
7	1.07	0.589558	0.480442
8	0.71	1.211275	-0.501275
9	-1.32	-0.987943	-0.332057
10	0.97	0.774509	0.195491
11	0.99	0.922432	0.067568

7.4.4 Correlation between NTSEPLTA and independent variables

ANOVA TABLE

Source of Variation	Sum of Squares	D.F.	Mean Square
Regression	6.399447	7	.9142068
Error	1.349843	3	.4499475
Total	7.74929	10	

F for analysis of variance = 2.03

D.F. = 7 and 3 (for F -test)

R- Squared = 0.8258

Per cent of variation explained = 82.58

Multiple correlation coefficient = 0.9087

Standard error of estimate = .6707813

TABLE OF ESTIMATED COEFFICIENTS

Variable	Estimated Coefficient	Estimated St. Dev.	Computed t-Value
CONC	-0.031586	0.145973	-0.216
INT	5.178330	2.144080	2.415
MON	-0.124744	0.070264	-1.775
CRTA	0.018739	0.348876	0.054
CBINVTA	0.016274	0.095884	0.170
CPI	-0.054261	0.176052	-0.308
SE	0.648361	15.196246	0.043
Intercept	-26.91637		

TABLE OF ACTUAL AND ESTIMATED NTSEPLTA VALUES

Case	Observed	Estimated	Residual
1	2.83	2.612316	0.217684
2	2.10	2.305402	-0.205402
3	1.78	2.050055	-0.270055
4	4.70	4.361779	0.338221
5	2.36	2.344660	0.015340
6	1.99	2.036773	-0.046773
7	1.92	1.610814	0.309186
8	1.58	2.414693	-0.834693
9	1.55	1.160069	0.389931
10	2.03	2.234151	-0.204151
11	2.23	1.939327	0.290673

7.5.0 Results

TABLE 7.5 MATRIX OF CORRELATION COEFFICIENTS

	CONC	INT	MON	CRTA	CBINVTA	CPI	SE
	----	---	---	----	-----	---	--
BTCR	.021	.721	.405	-.102	-.289	.707	-.297
BTSEPLTA	.059	.475	.106	.133	-.083	.482	-.172
BTSETA	.219	.577	.191	.138	-.286	.650	-.341
BTTA	.225	.578	.192	.137	-.289	.659	-.360
CONC	1.000	-.429	-.638	.864	-.460	-.179	-.379
INT	-.429	1.000	.899	-.539	-.336	.751	-.265
MON	-.638	.899	1.000	-.754	-.255	.560	-.104
CRTA	.864	-.539	-.754	1.000	-.287	-.390	-.010
CBINVT	-.460	-.336	-.255	-.287	1.000	-.065	.244
CPI	-.179	.751	.560	-.390	-.065	1.000	-.638
SE	-.375	-.265	-.104	-.019	.244	-.638	1.000

The results are shown in table 7.5. In general, it shown that capital ratios, liquidity ratios and interest rates as being positively related to profitability. Staff expenses show an inverse and weak correlation with return on assets.

The results in relation to concentration shown weak correlation with net profit as % to capital and reserves. However, these is a significant positive correlation between concentration and capital & reserves as % of total assets. It has an enverse relationship with other independent variable.

Inflation results show signnificant positive conrelation with the bank profitability, but these is inverse correlation with staff expenses as % of total assets.

Conclusion

8.0.0 Conclusion

The banking sector in Bahrain had been undergoing substantial change for the past several years.

This did not only reflect the underlying economic and political forces of change in the region, but also the developments taking place in the world financial system.

The growth of commercial banking activity in terms of total assets and liabilities followed similar patterns to the developments in the Bahraini economy.

Total assets of the local banks increased from BD. 555.5 million in 1979 to BD. 1758.7 million in 1989. The average annual rate of growth over the years from 1979 to 1989 has been 12.2% which was a fairly fast expansion in the operations of commercial banks in retrospect and compared with the current economic developments regionally and internationally.

As may be expected, the Competition for deposits among banks with a fairly satiated market for their services had been stiff. As the appendix 17 shows total deposits reveal a progressively rising trend. However, in some years the increase has been of modest size while in others expansion has been fast depending on the level of economic activity in Bahrain. Total deposits were increasing but at a decreasing rate, in 1985 and 1986 the rate was negative. The Bahraini banks share in the total deposits amounted to over 60%. It is mainly due to Government deposits that are kept with Bahraini banks.

The contribution of the Bahraini registered banks to the credit stream also warrants a special mention because of its size and the proportionate share. The rate of the growth of the loans and advances of Bahraini Commercial banks in isolation seem to be good. This is due to special circumstances of Bahrain where banks represent the only channel for local private capital.

The profitability of Bahraini Commercial banks can be judged by reference to net profit to total assets (NP/TA), the average ratio for Bahraini banks was 1.4% for the period 1979 to 1989.

As it can be seen the scope of this study covers the period from 1979 to 1989, but unfortunately the Gulf crisis started in August 1990, this has merely accelerated the pace of change and in the process, may have made the changes invisible. According to the recent financial report published by GIB, the crisis may have unleashed a new set of forces that could have long term ramifications on the structure of

banking and capital flows in the region. Similar to banking elsewhere, banking in the Gulf has its own limitation and problems, and despite some modest recovery over the past year, the region is once again experiencing tight credit conditions. Banks have survived the initial crisis by the banking of Bahrain Monetary Agency which has declared openly that they will provide mutual support to all banks. It has now become clear that no bank will be allowed to fail because of the crisis.

Limitations

- The time horizon covered for all banks were not equal. The Bahraini Saudi Bank and the Grindlays Bahraini Bank were incorporated in May 1984.
- The analysis was based on the limited published data. The real cause for decrease/increase in the bank profitability needs inside information which can not be obtained from the banks.
- Banks were changing their financial reporting format even the same bank reporting format was changing from one year to another. Therefore as far as possible, data were standardised to remove differences in individual bank accounting practices.
- Bahrain Islamic Bank accounting/operations were different from the normal commercial banking practices. However, attempts were made to standardise reports for comparison purposes.

APPENDICES

RANKING OF THE LOCAL COMMERCIAL BANKS' TOTAL ASSETS

APPENDIX 1

BANK	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
ALL	555512	793030	1074576	1443423	1597234	1696338	1624882	1543766	1664877	1688819	1758685
NBB	210964	297332	390080	444460	560950	639340	532690	568840	650520	545820	660640
%	38	37	36	31	35	38	33	37	39	32	38
RANK	2	2	2	2	2	2	2	2	2	2	2
BBK	318539	427944	586472	854448	868782	828778	772696	652845	666725	764218	687576
%	57	54	55	59	54	49	48	42	40	45	39
RANK	1	1	1	1	1	1	1	1	1	1	1
ACB	26009	56386	80611	115849	136737	158365	167309	144482	155221	165324	168243
%	5	7	8	8	9	9	10	9	9	10	10
RANK	3	3	3	3	3	3	3	3	3	3	3
BIB	0	11368	17413	28666	35765	39358	62683	63697	70436	80726	88620
%	0	1	2	2	2	2	4	4	4	5	5
RANK		4	4	4	4	4	4	5	5	5	5
BSB	0	0	0	0	0	0	52695	75804	81206	85764	95940
%	0	0	0	0	0	0	3	5	5	5	5
RANK							5	4	4	4	4
GBB	0	0	0	0	0	30497	36809	38098	40769	46967	57666
%	0	0	0	0	0	2	2	2	2	3	3
RANK						5	6	6	6	6	6
TOTAL %	100	100	100	100	100	100	100	100	100	100	100

SOURCE : PRIMARY

CONSOLIDATED LOCAL COMMERCIAL BANKS
STATEMENT OF CONDITION AS AT 31st DECEMBER 1979 TO 1989 (BD 000s)

APPENDIX 2

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
CASH & 7 DAY	26560	24441	126456	238853	188540	111508	97742	78296	145153	38635	52473
DEPOSITS WITH CENTRAL BANK	6624	7072	5562	5320	5170	7560	9300	8300	10230	9860	11140
TREASURY BILLS	0	0	0	0	0	0	0	0	2176	2909	2083
OTHER LIQUID ASSETS	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS	33184	31513	132018	244173	193710	119068	107042	86596	157559	51404	65696
BANK DEPOSITS - UP TO 1 YEAR	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	203006	296650	341067	346314	407844	501839	438056	500470	478992	630524	576837
BANK DEPOSITS - NON - OECD M / T	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS	203006	296650	341067	346314	407844	501839	438056	500470	478992	630524	576837
MARKETABLE SECURITIES	21376	34964	39695	88782	151149	119219	144750	157940	210917	313527	355338
QUICK ASSETS	257566	363127	512780	679269	752703	740126	689848	745006	847468	995455	997871
LOANS & ADVANCES (NET)	280928	407912	531166	723164	800967	900958	881231	743925	751180	643920	703913
(LOAN LOSS PROVISIONS)	152	352	485	1000	1300	1800	2200	4100	10670	11787	17989
NET LOANS	280776	407560	530681	722164	799667	899158	879031	739825	740510	632133	685924
UNQUOTED INVESTMENTS	0	0	0	0	5454	5450	8104	9194	24274	8529	9109
INVESTMENTS IN SUBS. & AFFIL.	1369	1495	2244	4090	4304	4571	5986	5667	5555	5529	10309
PROV. FOR DECLINE VALUE OF INV.	0	0	0	0	186	466	466	466	616	616	616
NET FIXED ASSETS	6605	8214	8118	10465	10857	11808	14033	16642	18960	19511	19465
OTHER ASSETS	9196	12634	20753	27435	24435	35691	28346	27898	28726	28278	36623
TOTAL ASSETS	555512	793030	1074576	1443423	1597234	1696338	1624882	1543766	1664877	1688819	1758685
DUE TO BANKS - CURRENT	0	1968	2330	3000	3681	4238	3866	6231	5103	5581	6288
DUE TO BANKS - SHORT TERM	0	0	0	0	0	0	0	0	0	0	0
DUE TO BANKS - OTHER	161829	219082	239066	755398	755647	724990	689565	586850	625549	225774	125555
TOTAL DUE TO BANKS	161829	221050	241396	758398	759328	729228	693431	593081	630652	231355	131843
ALL DEPOSITS	335105	490929	703877	466472	603943	727048	685465	709605	820589	1240196	1390660
TOTAL CUSTOMER DEPOSITS	335105	490929	703877	466472	603943	727048	685465	709605	820589	1240196	1390660
TOTAL DEPOSITS	496934	711979	945273	1224870	1363271	1456276	1378896	1302686	1451241	1471551	1522503
OTHER LIABILITIES	12000	18778	31349	41241	35051	42458	31047	26368	26051	27910	40878
DIVIDEND	1349	2253	3539	9727	21256	16625	5575	4775	3375	4925	7385
SUBORDINATED DEBT	6895	6930	6677	6527	6451	0	0	25050	25050	25050	25050
PAID UP CAPITAL	12980	25236	36750	53333	72625	75625	95625	119750	119750	119750	119750
LEGAL RESERVES	3129	5084	15867	21861	16834	18309	18980	19184	19346	19556	11566
CAPITAL RESERVES	0	0	0	21548	9256	9256	9256	4510	3060	3060	0
SHARE PREMIUM	4500	5000	14000	32261	32261	32261	32261	7460	7460	7460	2000
GENERAL RESERVE	17607	17531	20975	31710	39717	42097	48057	30290	27900	29400	31200
RETAINED EARNINGS	118	239	146	345	512	4167	5007	4800	-18218	-18202	805
FOREIGN CURRENCY ADJ.	0	0	0	0	0	-736	178	-1107	-138	-1641	-2453
TOTAL CORE CAPITAL	38334	53090	87738	161058	171205	181715	209186	185994	159298	161024	165321
TOTAL CAPITAL FUNDS	46578	62273	97954	177312	198912	198340	214761	215819	187723	190999	197756
TOTAL LIABILITIES & CAPITAL	555512	793030	1074576	1443423	1597234	1696930	1624704	1544873	1665015	1690460	1761137
GTEES, SLC, ACCEPTANCES, ETC.	69822	100074	165726	368135	441639	446380	385813	346583	286490	250506	236494
BID + PERF BONDS, NIPS, ETC.	67	54	792	2257	2075	1958	1418	902	4163	4217	4064
LCS + EXCH RATE SWAPS, CONTRACTS	70275	105910	182897	281158	263392	248812	202962	153634	196715	170006	274755
INTEREST RATE CONTRACTS	3879	13810	9536	24655	17595	20079	62702	93287	116223	29887	20668
CAPITAL COMMITMENTS	20	433	114	66	250	6604	4466	2210	235	145	136
TOTAL CONTINGENTS & COMMITMENTS	144063	220281	359065	676271	724951	723833	657361	596616	603826	454761	536117
RISK WEIGHTED ASSETS *	436368	637382	863548	1336405	1561233	1664913	1584725	1426681	1455626	1420619	1533126
CREDIT RISK ASSETS *	386073	564024	773134	1236474	1446296	1518800	1453128	1276631	1279459	1232348	1334807
FREE CAPITAL FUNDS *	38604	52564	87592	162757	183751	181961	194742	193510	163208	165959	167982

SOURCE : CONSOLIDATED LOCAL COMMERCIAL BANKS ANNUAL REPORTS

ALL LOCAL COMMERCIAL BANKS

STATEMENT OF INCOME, EXPENSE AND APPROPRIATIONS FOR THE YEARS ENDED 31st DECEMBER 1979 TO 1989

APPENDIX 3

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
INTEREST INCOME	54320	81112	121876	177709	152991	170920	158274	127576	116657	124816	146281
(INTEREST EXPENSE)	42596	67405	102792	142786	115955	136845	121570	99017	86344	81646	101103
NET INTEREST INCOME	11724	13707	19084	34923	37036	34075	36704	28559	30313	43170	45178
FEES & COMMISSIONS	0	15	103	16175	183	99	131	256	281	209	283
TRADING INCOME	190	728	511	671	1454	3190	1543	1611	1245	1258	1536
OTHER INCOME	5475	5133	2800	21236	3900	3449	2911	2876	2693	6967	12044
GROSS INCOME	17389	19583	22498	73005	42573	40813	41289	33302	34532	51604	59041
ADMIN. COSTS & DIRECTORS' FEES	2281	3067	3814	5236	5754	6486	6818	6732	6668	6937	7411
DEPRECIATION	49	65	76	101	110	249	403	456	472	452	454
OTHER EXPENSE	1600	2103	2493	3153	2917	3888	5894	5022	4870	13862	14691
OPERATING EXPENSES	3930	5235	6383	8490	8781	10623	13115	12210	12010	21251	22556
OPERATING PROFIT	13459	14348	16115	64515	33792	30190	28174	21092	22522	30353	36485
(PROVISION FOR DOUBTFUL DEBTS)	3123	2614	1152	2589	487	2545	12489	12188	42441	16422	19430
(PROV. FOR DECL. IN INVT. VALUE)	0	0	0	895	-309	280	150	350	480	3645	750
PROFIT BEFORE TAX & EXTRAORD ITEMS	10336	11734	14963	61031	33614	27365	15535	8554	-20399	10286	16305
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	120	0	0
TAXATION	0	0	0	0	0	0	0	0	0	0	138
NET PROFIT	10336	11734	14963	61031	33614	27365	15535	8554	-20519	10286	16167
BEGINNING RETAINED EARNINGS	-36	68	190	147	346	512	1987	3258	2913	-19886	-20071
MINORITY INTEREST	86	119	144	244	233	233	122	129	102	113	120
BONUS SHARES ISSUED	0	0	0	2	12	14	18	17	20	22	24
DIVIDENDS	1349	2253	3539	9727	21256	16625	5575	4775	3375	4925	6421
LEGAL RESERVES	939	2455	782	13005	1974	1475	541	202	163	209	-12612
GENERAL RESERVE	7858	6424	9894	15072	8007	4560	5530	1410	-2620	1700	1962
CAPITAL RESERVE	0	0	0	21548	0	0	0	0	-1450	0	-3060
OTHER RESERVES	0	361	647	1234	1966	2983	2478	2366	2690	3502	4315
ENDING RETAINED EARNINGS	68	190	147	346	512	1987	3258	2913	-19886	-20071	-1074

EQUITY & WEIGHT OF COMANIES REGISTERED WITH
BAHRAIN STOCK EXCHANGE MARKET AS AT 31.12.1989

Appendix 4

NO.	SECTOR	EQUITY BD. M.	WEIGHT %
(I) Banking			
1	National Bank of Bahrain	67.88	9.90
2	Bank of Bahrain and Kuwiat	75.76	11.00
3	Al-Ahli Commercial Bank	12.01	1.75
4	Bahraini Saudi Bank	20.87	3.00
5	Bahrain Islamic Bank	6.90	1.00
6	Bahrain International Bank	78.90	11.40
7	Bank of Bahrain & Middle East	54.30	7.90
8	Investcrp	73.36	9.30
9	United Gulf Bank	6.97	1.10
(II) Investment			
10	Pearl Investment Company	47.08	7.00
11	Gulf Investment Company	8.69	1.50
(III) Insurance			
12	Bahrain Investment Company	4.31	0.70
13	Al-Ahli Insurance Company	1.47	0.20
14	Bahrain Kuwait Insurance Co.	2.80	0.40
15	Gulf Union Insurance Company	5.85	0.85
16	Arab International Insurance	2.14	0.35
(IV) Services			
17	Batelco	115.65	16.70
18	Bahrain Cinema Company	2.66	0.40
19	Bahrain Car Park Co.	8.63	1.30
20	Bah. Ship Repair & Eng. Co.	6.48	1.00
21	Bah. Maritime & Mercantile Co.	6.83	1.00
22	National Imports & Exports Co.	15.35	2.25
23	General Food Trading Co.	4.18	0.60
(V) Industrial			
24	Delmon Poultry Company	4.22	0.65
25	Bahrain Mills Company	6.18	0.90
26	Bahrain Light Industreis Co.	1.07	0.20
(IV) Tourism			
27	National Hotel Company	24.04	3.50
28	Bahrain Hotel Company	15.18	2.20
29	Bahrain Tourism Company	13.15	1.95
Total Equity/Weight		692.91	100.00

Source : Bahrain Stock Exchange

NATIONAL BANK OF BAHRAIN
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 5

	weight:	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS		0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	11145	24806	35332	42042	57088	68410	56988	70936	65970	62108	68178
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS		0	0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	14467	15971	17430	15350	11806	11070	9320	31830	41880	76170	103410
QUICK ASSETS		0	0	0	0	0	0	0	0	0	0	0
LOANS & ADVANCES (NET)	100	119060	130099	158237	179990	220410	248010	196740	146010	224450	119100	168870
(LOAN LOSS PROVISIONS)	100	0	0	0	0	0	0	0	0	0	0	0
NET LOANS		0	0	0	0	0	0	0	0	0	0	0
UNQUOTED INVESTMENTS	100	0	0	0	0	5454	5450	6610	7700	22910	7160	7740
INVESTMENTS IN SUBS. & AFFIL.		0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE VALUE OF INV.		0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS		0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	3165	5462	10222	9640	11420	15290	13000	12850	12290	12060	17100
TOTAL ASSETS												
		147837	176338	221221	247022	306178	348230	282658	269326	367500	276598	365298
GTEES, SLC, ACCEPTANCES, ETC.	100	33272	50970	61401	189982	254716	207287	160634	158919	146323	123865	110066
BID + PERF BONDS, NIPS, ETC.	50	0	0	0	0	0	0	0	0	311	311	299
LCS + EXCH RATE SWAPS, CONTRACTS	20	994	2252	3571	8811	5750	9700	6123	12702	18023	14514	14647
INTEREST RATE CONTRACTS	5	181	52	253	508	265	383	228	264	91	453	78
CAPITAL COMMITMENTS	50	10	217	57	33	125	113	28	32	35	35	68
TOTAL CONTINGENTS & COMMITMENTS		34457	53490	65281	199334	260856	217483	167012	171917	164783	139179	125158
RISK WEIGHTED ASSETS		182294	229829	286503	446356	567034	565713	449670	441243	532283	415777	490456
CREDIT RISK ASSETS		167803	199509	240696	394166	492807	476180	372844	349493	431022	333995	397360
FREE CAPITAL FUNDS		12059	16203	33229	51690	59690	61610	61390	61700	63070	66810	69780

SOURCE : PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGHT + CONTING. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL. SEC. + WEIGHTED LOANS + WTD. CONTING. > 5%

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

BANK OF BAHRAIN AND KUWAIT
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 6

	WEIGHT:	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS		0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	27627	30897	27262	22482	15676	19365	10358	7432	7631	38156	19897
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS		0	0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	6750	15093	16944	61809	115316	97090	113238	100200	121134	193368	215838
QUICK ASSETS		0	0	0	0	0	0	0	0	0	0	0
LOANS & ADVANCES(NET)	100	146466	238154	316305	448556	484135	509808	516652	429707	361724	343027	328459
(LOAN LOSS PROVISIONS)	100	0	0	0	0	0	0	0	0	0	0	0
NET LOANS		0	0	0	0	0	0	0	0	0	0	0
UNQUOTED INVESTMENTS	100	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.		0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL.OF INV.		0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS		0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	5781	6434	8746	15365	10830	18045	11313	10096	8184	10352	9928
TOTAL ASSETS		0	0	0	0	0	0	0	0	0	0	0
		186624	290578	369257	548212	625957	644308	651561	547435	498673	584903	574122
GTEES,SLC, ACCEPTANCES,ETC.	100	29562	38736	84973	148670	144595	155228	134336	127234	86433	73776	72224
BID + PERP. BONDS, NIFS, ETC.	50	0	0	228	802	785	724	475	334	1706	1736	1684
LCS + EXCH RATE SWAPS, CONTRACTS	20	13004	18757	32569	47420	46929	40031	30786	15414	10401	18303	37405
INTEREST RATE CONTRACTS	5	4	479	56	175	407	509	827	452	247	627	728
CAPITAL COMMITMENTS	50	0	0	0	0	0	3175	2206	1056	0	0	0
TOTAL CONTINGENT & COMMITMENTS		42571	57972	117826	197067	192716	199667	168630	144488	98787	94442	112042
RISK WEIGHTED ASSETS		229194	348550	487083	745279	818673	843975	820191	691923	597460	679345	686164
CREDIT RISK ASSETS		195782	310740	451019	707257	791760	806056	797693	673944	581398	630209	655610
FREE CAPITAL FUNDS		29636	37428	58730	109515	113816	108985	94830	89616	62635	63046	66103

SOURCE PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGHT + CONTING. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL SEC. + WEIGHTED LOANS + WTD.CONTING. > 5%

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

AL-AHLI COMMERCIAL BANK
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 7

	WEIGHT	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	20	122	61
TOTAL LIQUID ASSETS			0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	1829	3627	5619	4739	8805	9470	11955	9385	13114	16904	17280
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS			0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	159	266	630	1929	3335	3391	1975	2320	10029	2181	2293
QUICK ASSETS			0	0	0	0	0	0	0	0	0	0
OTHER LOANS & ADVANCES	100	15402	35173	48451	79789	83876	101170	96706	91158	81336	80823	82667
(LOAN LOSS PROVISIONS)	100	152	352	485	1000	1300	1800	2200	3900	10300	10981	16881
NET LOANS			0	0	0	0	0	0	0	0	0	0
UNQUOTED INVESTMENTS	100	0	0	0	0	0	0	1494	1494	1364	1369	1369
INVESTMENTS IN SUBS. & AFFIL.			0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE VALUE OF INV.			0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS			0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	250	553	1000	1651	1699	1994	2234	2466	2645	1541	5188
TOTAL ASSETS			0	0	0	0	0	0	0	0	0	0
		17792	39971	56185	89108	99015	117825	116564	110723	118808	113921	125739
GTRES, SLC, ACCEPTANCES, ETC.	100	6988	8080	15570	27037	38810	58524	60924	35728	24156	22308	19618
BID + PERP. BONDS, NIFS, ETC.	50	34	27	168	327	253	255	234	118	65	62	50
LCS + EXCH RATE SWAPS, CONTRACTS	20	57	173	440	0	0	31	180	82	449	175	94
INTEREST RATE CONTRACTS	5	9	160	168	550	207	112	761	179	290	225	227
CAPITAL COMMITMENTS	50	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENT & COMMITMENTS		7087	8440	16346	27914	39269	58921	62099	36107	24959	22771	19989
RISK WEIGHTED ASSETS		24879	48410	72530	117022	138285	176746	178662	146830	143768	136691	145727
CREDIT RISK ASSETS		7237	8546	16808	29293	42398	62201	63313	38248	34698	24726	22055
FREE CAPITAL FUNDS		4598	5445	5500	17785	19179	19516	20450	19738	13869	14648	11313

SOURCE: PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGHT + CONTIG. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL. SEC. + WEIGHTED LOANS + WTD. CONTING. > 5 %

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

GRINDLAYS BAHRAIN BANK
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 8

	WEIGHT	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	198	169	147
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS		0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	0	0	0	0	0	3123	1604	2266	1178	2213	1782
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS		0	0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	0	0	0	0	0	0	0	0	0	0	0
QUICK ASSETS		0	0	0	0	0	0	0	0	0	0	0
LOANS & ADVANCES	100	0	0	0	0	0	12993	15777	19002	21160	20794	24638
(LOAN LOSS PROVISIONS)	100	0	0	0	0	0	0	0	100	220	330	450
NET LOANS		0	0	0	0	0	0	0	0	0	0	0
UNQUOTED INVESTMENTS	100	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.		0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.		0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS		0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	0	0	0	0	0	144	171	127	171	222	215
TOTAL ASSETS		0	0	0	0	0	16260	17552	21495	22926	23728	27233
GTRES, SLC, ACCEPTANCES, ETC.	100	0	0	0	0	0	22338	24730	19403	22149	24817	24768
BID + PERM. BONDS, NIFS, ETC.	50	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	20	0	0	0	0	0	0	0	0	0	0	1753
INTEREST RATE CONTRACTS	5	0	0	0	0	0	0	0	0	0	0	0
CAPITAL COMMITMENTS	50	0	0	0	0	0	15	0	18	83	38	0
TOTAL CONTINGENT & COMMITMENTS		0	0	0	0	0	22353	24730	19421	22232	24855	26521
RISK WEIGHTED ASSETS		0	0	0	0	0	38613	42282	40915	45158	48583	53754
CREDIT RISK ASSETS		0	0	0	0	0	35360	40507	38340	43254	45356	57720
FREE CAPITAL FUNDS		0	0	0	0	0	29952	36513	37635	40510	46306	57004

SOURCE : PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGHT + CONTING. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL. SEC. + WEIGHTED LOANS + WTD. CONTING. > 5%

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

THE BAHRAINI SAUDI BANK
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 9

	WEIGHT:	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS		0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	6707	9222	7086	6466	8133
DUE FROM BANKS		0	0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	0	0	0	0	0	0	0	0	0	0	0
QUICK ASSETS		0	0	0	0	0	0	12982	16551	30225	34523	26265
LOANS & ADVANCES	100	0	0	0	0	0	0	0	0	0	0	0
(LOAN LOSS PROVISIONS)	100	0	0	0	0	0	0	3340	9356	8059	12794	23746
NET LOANS		0	0	0	0	0	0	0	100	150	476	658
UNQUOTED INVESTMENTS	100	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.		0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.		0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS		0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	0	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS		0	0	0	0	0	0	937	1638	4646	3022	2855
		0	0	0	0	0	0	23966	36867	50166	57281	61657
GTRES, SLC, ACCEPTANCES, ETC.	100	0	0	0	0	0	0	3295	3350	4519	3259	6728
BID + PERF BONDS, NIPS, ETC.	50	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	20	0	0	0	0	0	0	3503	2529	10470	1009	1051
INTEREST RATE CONTRACTS	5	0	0	0	0	0	0	1320	3770	5184	189	0
CAPITAL COMMITMENTS	50	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENTS & COMMITMENTS		0	0	0	0	0	0	8118	9649	20173	4457	7779
RISK WEIGHTED ASSETS		0	0	0	0	0	0	32084	46516	70339	61738	69436
CREDIT RISK ASSETS		0	0	0	0	0	0	23120	31686	53123	51109	57132
FREE CAPITAL FUNDS		0	0	0	0	0	0	21556	21783	22516	19781	20487

SOURCE : PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGHT + CONTING. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL. SEC. + WEIGHTED LOANS + WTD.CONTING. > 5%

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

BAHRAIN ISLAMIC BANK
WEIGHTED ASSETS AND CONTINGENCIES (BD 000s)

APPENDIX 10

	WEIGHT	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
	%											
CASH & 7 DAY	0	0	0	0	0	0	0	0	0	0	0	0
DEPOSITS WITH CENTRAL BANK	0	0	0	0	0	0	0	0	0	0	0	0
TREASURY BILLS	10	0	0	0	0	0	0	0	0	0	0	0
OTHER LIQUID ASSETS	20	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIQUID ASSETS		0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - UP TO 1 YEAR	20	0	0	0	0	0	0	0	0	0	0	0
BANK DEPOSITS - S / T OTHER	20	0	0	0	0	0	0	0	853	819	258	97
BANK DEPOSITS - NON - OECD M / T	100	0	0	0	0	0	0	0	0	0	0	0
DUE FROM BANKS		0	0	0	0	0	0	0	0	0	0	0
MARKETABLE SECURITIES	100	0	3634	4691	9694	20692	7668	7235	7039	7649	7285	7532
QUICK ASSETS		0	0	0	0	0	0	0	0	0	0	0
LOANS & ADVANCES	100	0	4486	8173	14829	12546	28977	52016	48692	54451	67382	75533
(*LOAN LOSS PROVISIONS)	100	0	0	0	0	0	0	0	0	0	0	0
NET LOANS		0	0	0	0	0	0	0	0	0	0	0
UNQUOTED INVESTMENTS	100	0	0	0	0	0	0	0	0	0	0	0
INVESTMENTS IN SUBS. & AFFIL.		0	0	0	0	0	0	0	0	0	0	0
PROV. FOR DECLINE IN VAL. OF INV.		0	0	0	0	0	0	0	0	0	0	0
NET FIXED ASSETS		0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	100	0	185	785	779	486	218	691	721	790	1081	1337
TOTAL ASSETS		0	8305	13649	25302	33724	36863	59942	57305	63709	76006	84499
GTRES, SLC, ACCEPTANCES, ETC.	100	0	2288	3782	2446	3518	3003	1894	1949	2910	2481	3090
BID + PERF BONDS, NIPS, ETC.	50	0	0	0	0	0	0	0	0	0	0	0
LCS + EXCH RATE SWAPS, CONTRACTS	20	0	0	0	0	0	0	0	0	0	0	0
INTEREST RATE CONTRACTS	5	0	0	0	0	0	0	0	0	0	0	0
CAPITAL COMMITMENTS	50	0	0	0	0	0	0	0	0	0	0	0
TOTAL CONTINGENTS & COMMITMENTS		0	2288	3782	2446	3518	3003	1894	1949	2910	2481	3090
RISK WEIGHTED ASSETS		0	10593	17431	27748	37242	39866	61836	59254	66619	78487	87589
CREDIT RISK ASSETS		0	10408	16646	26969	36756	39648	61145	57680	65010	77148	86155
FREE CAPITAL FUNDS		0	4404	5879	6847	6968	7109	7021	7107	7186	7299	7474

SOURCE : PRIMARY

RISK WEIGHTED ASSETS = ASSETS * RISK WEIGH + CONTING. * RISK WEIGHT

CREDIT RISK ASSETS = MKTBL.SEC. + WEIGHTED LOANS + WTD. CONTING. > 5%

FREE CAPITAL FUNDS = CAPITAL FUNDS - NET FIXED ASSETS - SUBS. & AFFIL.

NATIONAL BANK OF BAHRAIN - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 11

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989			
TOTAL ASSETS	210964	297332	390080	444460	560950	639340	532690	568840	650520	545820	660640			
NET LOANS	119060	130099	158237	179990	220410	248010	196740	146010	224450	119100	168870			
TOTAL CUSTOMER DEPOSITS	186548	266288	331338	367940	470790	552800	452980	489630	570420	461810	565890			
TOTAL CORE CAPITAL (EQUI	16212	20005	37034	52540	55990	57720	61110	62390	63670	65870	67880			
NET PROFIT	3680	4795	6823	20340	12540	10740	8040	4370	4360	6810	8070			
RISK WEIGHTED ASSETS *	182294	229829	286503	446356	567034	565713	449670	441243	532283	415777	490456			
GROSS INCOME	9831	10950	12486	28230	18670	19110	18480	17340	16840	19840	20770			
INTEREST EXPENSES	13262	19459	37342	41450	36780	46790	43000	33200	27560	32290	41750			
NON-INTEREST INCOME	1957	3428	2555	13130	3540	2750	2170	2190	1990	2160	2210			
OPERATING EXPENSES	3180	3766	4663	5890	6130	6370	6180	5980	5950	6150	6790			
OPERATING PROFIT	6651	7184	7823	22340	12540	12740	12300	11360	10890	13690	13980			
DIVIDENDS	552	720	1400	4200	8400	8400	4200	2800	2800	4200	5600			
CAPITAL FUNDS	16764	20725	38434	56740	64390	66120	65310	65190	66470	70070	73480			
NET FIXED ASSETS	4705	4522	5205	5050	4700	4510	3920	3490	3400	3260	3700			
QUICK ASSETS	84034	157249	216416	249780	318966	366080	312420	398790	387470	404240	463230			
TOTAL DEPOSITS	186548	266288	331338	367940	470790	552800	452980	489630	570420	461810	565890			
LIQUID ASSETS	13841	17247	22324	24220	21720	12960	18160	12280	15740	17530	18930			
DUE FROM BANKS	55726	124031	176662	210210	285440	342050	284940	354680	329850	310540	340890			
DUE TO BANKS	4020	4334	7749	8470	12930	6780	4250	5010	4670	5170	5400			
INTEREST INCOME	21136	26981	47273	56550	51910	63150	59310	48350	42410	49970	60310			
CREDIT RISK ASSETS *	167803	199509	240696	394166	492807	476180	372844	349493	431022	333995	397360			
MARKETABLE SECURITIES	14467	15971	17430	15350	11806	11070	9320	31830	41880	76170	103410			
CONTINGENTS LIABILITIES	41887	63698	84422	244256	289023	263682	195865	227764	238948	206194	185601			
FREE CAPITAL FUNDS *	12059	16203	33229	51690	59690	61610	61390	61700	63070	66810	69780			
CASH	7217	10175	16762	18900	16550	5400	8860	3980	5510	7670	7790			
PAID UP CAPITAL	4000	8000	14000	21000	28000	28000	28000	28000	28000	28000	28000			
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989			
	%	%	%	%	%	%	%	%	%	%	%			
ASSETS :														
TOTAL ASSETS	0.409	0.312	0.139	0.262	0.140	-0.167	0.068		0.144	-0.161	0.210	0.136	0.121	
TOTAL LIQUID ASSETS	0.246	0.294	0.085	-0.103	-0.403	0.401	-0.324		0.282	0.114	0.080	0.067	0.032	
QUICK ASSETS	0.871	0.376	0.154	0.277	0.148	-0.147	0.276		-0.028	0.043	0.146	0.212	0.186	
NET LOANS	0.093	0.216	0.137	0.225	0.125	-0.207	-0.258		0.537	-0.469	0.418	0.082	0.036	
INVESTMENTS	0.104	0.091	-0.119	0.124	-0.043	-0.036	1.481		0.641	0.286	0.334	0.286	0.226	
LIABILITIES :														
TOTAL DUE TO BANKS	0.078	0.788	0.093	0.527	-0.476	-0.373	0.179		-0.068	0.107	0.044	0.090	0.030	
TOTAL DEPOSITS	0.427	0.244	0.110	0.280	0.174	-0.181	0.081		0.165	-0.190	0.225	0.134	0.117	
TOTAL CORE CAPITAL	0.234	0.851	0.419	0.066	0.031	0.059	0.021		0.021	0.035	0.031	0.177	0.154	
TOTAL CAPITAL FUNDS	0.236	0.854	0.476	0.135	0.027	-0.012	-0.002		0.020	0.054	0.049	0.184	0.159	
INCOME:														
INTEREST INCOME	0.277	0.752	0.196	-0.082	0.217	-0.061	-0.185		-0.123	0.178	0.207	0.138	0.111	
INTEREST EXPENSES	0.467	0.919	0.110	-0.113	0.272	-0.081	-0.228		-0.170	0.172	0.293	0.164	0.122	
GROSS INCOME	0.114	0.140	1.261	-0.339	0.024	-0.033	-0.062		-0.029	0.178	0.047	0.130	0.078	
OPERATING EXPENSES	0.184	0.238	0.263	0.041	0.039	-0.030	-0.032		-0.005	0.034	0.104	0.084	0.079	
NET INCOME	0.303	0.423	1.981	-0.383	-0.144	-0.251	-0.456		-0.002	0.562	0.185	0.222	0.082	

SOURCE: PRIMARY

BANK OF BAHRAIN AND KUWAIT - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 12

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989			
TOTAL ASSETS	318539	427944	586472	854448	863782	828778	772696	652845	666725	764218	687576			
NET LOANS	146466	238154	316305	448556	484135	509808	516652	429707	361724	343027	328459			
TOTAL CUSTOMER DEPOSITS	128488	177052	314585	0	0	0	0	0	0	489218	491903			
TOTAL CORE CAPITAL (EQUI:	17641	22083	39393	84818	90417	94177	95091	69357	46884	46386	50711			
NET PROFIT	5762	5252	6670	30126	16489	11321	0	0	-23442	1005	5137			
RISK WEIGHTED ASSETS *	229194	348550	487083	745279	818673	843975	820191	691923	597460	679345	686164			
GROSS INCOME	5762	5252	6670	30126	16489	11321	7829	3173	5789	18119	21810			
INTEREST EXPENSES	28452	44181	58585	91281	70328	77726	64943	50073	40798	30098	39953			
NON-INTEREST INCOME	3580	1617	321	17086	415	668	611	722	382	4463	9803			
OPERATING EXPENSES	0	0	0	0	0	0	0	0	0	0	0			
OPERATING PROFIT	5762	5252	6670	30126	16489	11321	7829	3173	5789	9073	12275			
DIVIDENDS	500	750	1300	4117	10806	6175	0	0	0	0	0			
CAPITAL FUNDS	32725	40679	63116	118542	123576	119011	108652	106143	81817	82315	90435			
NET FIXED ASSETS	1720	1756	2142	4937	5456	5455	7836	10860	13627	13740	14023			
QUICK ASSETS	163203	180105	257035	381500	359057	290899	230909	196515	277635	391570	324857			
TOTAL DEPOSITS	285814	387265	523356	735906	740206	709767	664044	546702	584908	681903	597141			
LIQUID ASSETS	18319	10526	103779	207283	165363	96986	65880	59157	118345	7422	9532			
DUE FROM BANKS	138134	154486	136312	112408	78378	96823	51791	37158	38156	190780	99487			
DUE TO BANKS	157326	210213	208771	735906	740206	709767	664044	546702	584908	192685	105238			
INTEREST INCOME	30634	47816	64934	104321	86402	88379	72161	52524	46205	43754	51960			
CREDIT RISK ASSETS *	195782	310740	451019	707257	791760	806056	797693	673944	581398	630209	655610			
MARKETABLE SECURITIES	6750	15093	16944	61809	115316	97090	113238	100200	121134	193368	215838			
CONTINGENT LIABILITIES	94666	142102	249393	390878	388957	373361	310165	216113	146783	181308	277182			
FREE CAPITAL FUNDS *	29636	37428	58730	109515	113816	108985	94830	89616	62635	63046	66103			
CASH	18319	10526	103779	207283	165363	96986	65880	59157	118345	7422	9532			
PAID UP CAPITAL	5000	7500	13000	20583	30875	30875	30875	55000	55000	55000	55000			
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	-	-	
	%	%	%	%	%	%	%	%	%	%	%	R	G	
ASSETS :														
TOTAL ASSETS		0.343	0.370	0.457	0.011	-0.041	-0.068	-0.155	0.021	0.146	-0.100	0.099	0.080	
TOTAL LIQUID ASSETS		-0.425	8.859	0.997	-0.202	-0.413	-0.321	-0.102	1.001	-0.937	0.284	0.874	-0.063	
QUICK ASSETS		0.104	0.427	0.484	-0.059	-0.190	-0.206	-0.149	0.413	0.410	-0.170	0.106	0.071	
NET LOANS		0.626	0.328	0.418	0.079	0.053	0.013	-0.168	-0.158	-0.052	-0.042	0.110	0.084	
INVESTMENTS		1.320	0.165	2.430	0.860	-0.158	0.166	-0.115	0.209	0.596	0.116	0.559	0.415	
LIABILITIES :														
TOTAL DUE TO BANKS		0.336	-0.007	2.525	0.006	-0.041	-0.064	-0.177	0.070	-0.671	-0.454	0.152	-0.039	
TOTAL DEPOSITS		0.355	0.351	0.406	0.006	-0.041	-0.064	-0.177	0.070	0.166	-0.124	0.095	0.076	
TOTAL CORE CAPITAL		0.252	0.784	1.153	0.066	0.042	0.010	-0.271	-0.324	-0.011	0.093	0.179	0.111	
TOTAL CAPITAL FUNDS		0.243	0.552	0.878	0.042	-0.037	-0.087	-0.023	-0.229	0.006	0.099	0.144	0.107	
INCOME														
INTEREST INCOME		0.561	0.358	0.607	-0.172	0.023	-0.184	-0.272	-0.120	-0.053	0.188	0.094	0.054	
INTEREST EXPENSES		0.553	0.326	0.558	-0.230	0.105	-0.164	-0.229	-0.185	-0.262	0.327	0.080	0.035	
GROSS INCOME		-0.089	0.270	3.517	-0.453	-0.313	-0.308	-0.595	0.824	2.130	0.204	0.519	0.142	
OPERATING EXPENSES		ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	
NET INCOME		-0.089	0.270	3.517	-0.453	-0.313	-1.000	ERR	ERR	-1.043	4.111	ERR	ERR	

SOURCE: PRIMARY

AL-AHLI COMMERCIAL BANK - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 13

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
TOTAL ASSETS	26009	56386	80611	115849	136737	158365	167309	144482	155221	165324	168243		
NET LOANS	15250	34821	47966	78789	82576	99370	94506	87258	71036	69842	65786		
TOTAL CUSTOMER DEPOSITS	20069	44757	51105	81219	110305	127851	132171	112546	123104	129176	145186		
TOTAL CORE CAPITAL	4481	5173	5476	17489	18482	19421	20882	20529	14974	15995	12011		
NET PROFIT	894	1141	794	8773	2393	2339	2301	47	-5555	1021	-3984		
RISK WEIGHTED ASSETS	32196	62917	95005	135979	173505	214625	226482	184372	196225	204306	214846		
GROSS INCOME	1796	2334	2202	11354	4954	6075	6070	5082	4216	4663	4864		
INTEREST EXPENSES	882	3765	6865	10055	8847	10869	11223	8979	6709	7881	10410		
NON-INTEREST INCOME	128	414	291	7743	550	888	861	709	702	783	892		
OPERATING EXPENSES	750	993	1275	2066	2075	2956	3369	3335	3101	2961	2948		
OPERATING PROFIT	1046	1341	927	9288	2879	3119	2701	1747	1115	1702	1916		
DIVIDENDS	297	438	480	720	1360	1360	800	400	0	0	0		
CAPITAL FUNDS	4778	5661	5956	18209	19842	20781	21682	20929	14974	15995	12011		
NET FIXED ASSETS	180	166	456	424	663	1265	1232	1191	1105	1347	698		
QUICK ASSETS	10329	20846	31189	34985	51985	56202	68309	52539	79687	91841	95818		
TOTAL DEPOSITS	20552	49292	72179	92217	112801	131686	140283	120662	137025	146163	151919		
LIQUID ASSETS	1024	2447	2466	9360	4624	5462	6560	3292	4086	5142	7127		
DUE FROM BANKS	9146	18133	28093	23696	44026	47349	59774	46927	65572	84518	86398		
DUE TO BANKS	483	4535	21074	10998	2496	3835	8112	8116	13921	16987	6733		
INTEREST INCOME	2550	5685	8776	13666	13251	16056	16432	13352	10223	11761	14382		
CREDIT RISK ASSETS	7237	8546	16808	29293	42398	62201	63313	38248	34698	24726	22055		
MARKETABLE SECURITIES	159	266	630	1929	3335	3391	1975	2320	10029	2181	2293		
CONTINGENT LIABILITIES	7510	12193	21468	38691	43453	61420	77505	39958	32327	27812	24728		
FREE CAPITAL FUNDS	4598	5445	5500	17785	19179	19516	20450	19738	13869	14648	11313		
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	-	-
	%	%	%	%	%	%	%	%	%	%	%	R	G
ASSETS :													
TOTAL ASSETS		1.168	0.430	0.437	0.180	0.158	0.056	-0.136	0.074	0.065	0.018	0.245	0.205
TOTAL LIQUID ASSETS		1.390	0.008	2.796	-0.506	0.181	0.201	-0.498	0.241	0.258	0.386	0.446	0.214
QUICK ASSETS		1.018	0.496	0.122	0.486	0.081	0.215	-0.231	0.517	0.153	0.043	0.290	0.250
NET LOANS		1.283	0.378	0.643	0.048	0.203	-0.049	-0.077	-0.186	-0.017	-0.058	0.217	0.157
LIABILITIES :													
TOTAL DUE TO BANKS		8.389	3.647	-0.478	-0.773	0.536	1.115	0.000	0.715	0.220	-0.604	1.277	0.301
TOTAL DEPOSITS		1.398	0.464	0.278	0.223	0.167	0.065	-0.140	0.136	0.067	0.039	0.270	0.221
TOTAL CORE CAPITAL		0.154	0.059	2.194	0.057	0.051	0.075	-0.017	-0.271	0.068	-0.249	0.212	0.104
TOTAL CAPITAL FUNDS		0.185	0.052	2.057	0.090	0.047	0.043	-0.035	-0.285	0.068	-0.249	0.197	0.097
INCOME													
INTEREST INCOME		1.229	0.544	0.557	-0.030	0.212	0.023	-0.187	-0.234	0.150	0.223	0.249	0.189
INTEREST EXPENSES		3.269	0.823	0.465	-0.120	0.229	0.033	-0.200	-0.253	0.175	0.321	0.474	0.280
GROSS INCOME		0.300	-0.057	4.156	-0.564	0.226	-0.001	-0.163	-0.170	0.106	0.043	0.388	0.105
OPERATING EXPENSES		0.324	0.284	0.620	0.004	0.425	0.140	-0.010	-0.070	-0.045	-0.004	0.167	0.147
NET INCOME		0.276	-0.304	10.049	-0.727	-0.023	-0.016	-0.980	-119.191	-1.184	-4.902	-11.700	ERR

SOURCE: PRIMARY

GRINDLAYS BAHRAIN BANK - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 14

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989			
TOTAL ASSETS	0	0	0	0	0	30497	36809	38098	40769	46967	57666			
NET LOANS	0	0	0	0	0	12993	15777	18902	20940	20464	24188			
TOTAL CUSTOMER DEPOSITS	0	0	0	0	0	21330	25432	23954	31416	39549	48914			
TOTAL CORE CAPITAL (EQUI:	0	0	0	0	0	3209	3530	3658	3936	4124	4498			
NET PROFIT	0	0	0	0	0	209	321	128	278	345	592			
RISK WEIGHTED ASSETS *	0	0	0	0	0	38613	42282	40915	45158	48583	53754			
GROSS INCOME	0	0	0	0	0	838	1201	1147	1393	1466	1783			
INTEREST EXPENSES	0	0	0	0	0	1460	1699	1701	1666	2179	3259			
NON-INTEREST INCOME	0	0	0	0	0	204	309	363	487	378	426			
OPERATING EXPENSES	0	0	0	0	0	629	880	919	995	1011	1071			
OPERATING PROFIT	0	0	0	0	0	209	321	228	398	455	712			
DIVIDENDS	0	0	0	0	0	0	0	0	0	150	210			
CAPITAL FUNDS	0	0	0	0	0	3209	3530	3658	3936	4274	4708			
NET FIXED ASSETS	0	0	0	0	0	545	296	463	259	661	662			
QUICK ASSETS	0	0	0	0	0	16815	20565	18606	19399	25620	32601			
TOTAL DEPOSITS	0	0	0	0	0	25938	32559	33774	36088	41776	52046			
LIQUID ASSETS	0	0	0	0	0	1198	12547	7278	13510	14553	23689			
DUE FROM BANKS	0	0	0	0	0	15617	8018	11328	5889	11067	8912			
DUE TO BANKS	0	0	0	0	0	4608	7127	9820	4672	2227	3132			
INTEREST INCOME	0	0	0	0	0	2094	2591	2485	2572	3267	4616			
CREDIT RISK ASSETS *	0	0	0	0	0	35360	40507	38340	43254	45356	57720			
MAKETABLE SECURITIES	0	0	0	0	0	0	0	0	0	0	0			
CONTINGENT LIABILITIES	0	0	0	0	0	22367	24730	19438	22314	24892	33532			
FREE CAPITAL FUNDS *	0	0	0	0	0	29952	36513	37635	40510	46306	57004			
CASH	0	0	0	0	0	1198	12547	7278	11534	12864	22216			
PAID UP CAPITAL	0	0	0	0	0	3000	3000	3000	3000	3000	3000			
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989			
	%	%	%	%	%	%	%	%	%	%	%	R	G	
ASSETS :														
TOTAL ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	0.207	0.035	0.070	0.152	0.228	0.138	0.066	
TOTAL LIQUID ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	9.473	-0.420	0.856	0.077	0.628	2.123	0.348	
QUICK ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	0.223	-0.095	0.043	0.321	0.272	0.153	0.068	
NET LOANS	0.000	0.000	0.000	0.000	0.000	0.000	0.214	0.198	0.108	-0.023	0.182	0.136	0.064	
LIABILITIES :														
TOTAL DUE TO BANKS	0.000	0.000	0.000	0.000	0.000	0.000	0.547	0.378	-0.524	-0.523	0.406	0.057	-0.038	
TOTAL DEPOSITS	0.000	0.000	0.000	0.000	0.000	0.000	0.255	0.037	0.069	0.158	0.246	0.153	0.072	
TOTAL CORE CAPITAL	0.000	0.000	0.000	0.000	0.000	0.000	0.100	0.036	0.076	0.048	0.091	0.070	0.034	
TOTAL CAPITAL FUNDS	0.000	0.000	0.000	0.000	0.000	0.000	0.100	0.036	0.076	0.086	0.102	0.080	0.039	
INCOME														
INTEREST INCOME	0.000	0.000	0.000	0.000	0.000	0.000	0.237	-0.041	0.035	0.270	0.413	0.183	0.082	
INTEREST EXPENSES	0.000	0.000	0.000	0.000	0.000	0.000	0.164	0.001	-0.021	0.308	0.496	0.190	0.084	
GROSS INCOME	0.000	0.000	0.000	0.000	0.000	0.000	0.433	-0.045	0.214	0.052	0.216	0.174	0.078	
OPERATING EXPENSES	0.000	0.000	0.000	0.000	0.000	0.000	0.399	0.044	0.083	0.016	0.059	0.120	0.055	
NET INCOME	0.000	0.000	0.000	0.000	0.000	0.000	0.536	-0.601	1.172	0.241	0.716	0.413	0.110	

SOURCE: PRIMARY

THE BAHRAINI SAUDI BANK - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 15

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
TOTAL ASSETS	0	0	0	0	0	0	52695	75804	81206	85764	95940		
NET LOANS	0	0	0	0	0	0	3340	9256	7909	12318	23088		
TOTAL CUSTOMER DEPOSITS	0	0	0	0	0	0	23755	33782	38616	54174	67012		
TOTAL CORE CAPITAL (EQUI)	0	0	0	0	0	0	22305	22421	23085	20284	20869		
NET PROFIT	0	0	0	0	0	0	2175	1152	664	-2801	1621		
RISK WEIGHTED ASSETS *	0	0	0	0	0	0	32084	46516	70339	61738	69436		
GROSS INCOME	0	0	0	0	0	0	4068	2347	1815	2082	2908		
INTEREST EXPENSES	0	0	0	0	0	0	705	5064	9611	9198	5731		
NON-INTEREST INCOME	0	0	0	0	0	0	67	106	80	60	151		
OPERATING EXPENSES	0	0	0	0	0	0	1893	1095	1101	1160	1187		
OPERATING PROFIT	0	0	0	0	0	0	2175	1252	714	922	1721		
DIVIDENDS	0	0	0	0	0	0	0	1000	0	0	1000		
CAPITAL FUNDS	0	0	0	0	0	0	22305	22421	23085	20284	20869		
NET FIXED ASSETS	0	0	0	0	0	0	749	638	569	503	382		
QUICK ASSETS	0	0	0	0	0	0	47669	64272	68082	69921	69615		
TOTAL DEPOSITS	0	0	0	0	0	0	29787	50984	55994	62879	72064		
LIQUID ASSETS	0	0	0	0	0	0	1154	1609	2425	3067	2687		
DUE FROM BANKS	0	0	0	0	0	0	33533	46112	35432	32331	40663		
DUE TO BANKS	0	0	0	0	0	0	6043	17202	17378	8705	5052		
INTEREST INCOME	0	0	0	0	0	0	4706	7305	11346	11220	8488		
CREDIT RISK ASSETS *	0	0	0	0	0	0	23120	31686	53123	51109	57132		
MARKETABLE SECURITIES	0	0	0	0	0	0	12982	16551	30225	34523	26265		
CONTINGENT LIABILITIES	0	0	0	0	0	0	47202	91394	160544	12074	11984		
FREE CAPITAL FUNDS *	0	0	0	0	0	0	21556	21783	22516	19781	20487		
CASH	0	0	0	0	0	0	1154	1609	2425	3067	2687		
PAID UP CAPITAL	0	0	0	0	0	0	20000	20000	20000	20000	20000		
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
	%	%	%	%	%	%	%	%	%	%	%	R	G
ASSETS :													
TOTAL ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	0.439	0.071	0.056	0.119	0.171	0.062	
TOTAL LIQUID ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	0.394	0.507	0.265	-0.124	0.261	0.088	
QUICK ASSETS	0.000	0.000	0.000	0.000	0.000	0.000	0.348	0.059	0.027	-0.004	0.108	0.039	
NET LOANS	0.000	0.000	0.000	0.000	0.000	0.000	1.771	-0.146	0.557	0.874	0.764	0.213	
LIABILITIES :													
TOTAL DUE TO BANKS	0.000	0.000	0.000	0.000	0.000	0.000	1.847	0.010	-0.499	-0.420	0.235	-0.018	
TOTAL DEPOSITS	0.000	0.000	0.000	0.000	0.000	0.000	0.712	0.098	0.123	0.146	0.270	0.092	
TOTAL CORE CAPITAL	0.000	0.000	0.000	0.000	0.000	0.000	0.005	0.030	-0.121	0.029	-0.014	-0.007	
TOTAL CAPITAL FUNDS	0.000	0.000	0.000	0.000	0.000	0.000	0.005	0.030	-0.121	0.029	-0.014	-0.007	
INCOME													
INTEREST INCOME	0.000	0.000	0.000	0.000	0.000	0.000	0.552	0.553	-0.011	-0.243	0.213	0.061	
INTEREST EXPENSES	0.000	0.000	0.000	0.000	0.000	0.000	6.183	0.898	-0.043	-0.377	1.665	0.233	
GROSS INCOME	0.000	0.000	0.000	0.000	0.000	0.000	-0.423	-0.227	0.147	0.397	-0.026	-0.033	
OPERATING EXPENSES	0.000	0.000	0.000	0.000	0.000	0.000	-0.422	0.005	0.054	0.023	-0.085	-0.046	
NET INCOME	0.000	0.000	0.000	0.000	0.000	0.000	-0.470	-0.424	-5.218	-1.579	-1.923	-0.029	

SOURCE: PRIMARY

BAHRAIN ISLAMIC BANK - KEY FIGURES AND KEY GROWTH RATIOS

APPENDIX 16

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
TOTAL ASSETS	0	11368	17413	28666	35765	39358	62683	63697	70436	80726	88620		
NET LOANS	0	4486	8173	14829	12546	28977	52016	48692	54451	67382	75533		
TOTAL CUSTOMER DEPOSITS	0	2832	6849	17313	22848	25067	51127	49693	57033	66269	71755		
TOTAL CORE CAPITAL (EQUI:	0	5829	5835	6211	6316	6452	6446	6532	6611	6724	6899		
NET PROFIT	0	546	676	1792	2192	2756	2698	2857	3176	3906	4731		
RISK WEIGHTED ASSETS *	0	10593	17431	27748	37242	39866	61836	59254	66619	78487	87589		
GROSS INCOME	0	1047	1140	3295	2460	3469	3641	4213	4479	5434	6906		
INTEREST EXPENSES	0	0	0	0	0	0	0	0	0	0	0		
NON-INTEREST INCOME	0	417	247	123	1032	2228	567	753	578	590	381		
OPERATING EXPENSES	0	476	445	534	576	668	793	881	863	923	1025		
OPERATING PROFIT	0	571	695	2761	1884	2801	2848	3332	3616	4511	5881		
DIVIDENDS	0	345	359	690	690	690	575	575	575	575	575		
CAPITAL FUNDS	0	6174	6194	6901	7006	7142	7021	7107	7186	7299	7474		
NET FIXED ASSETS	0	1770	315	54	38	33	0	0	0	0	0		
QUICK ASSETS	0	4927	8140	13004	22695	10130	9976	1484	15195	12263	11750		
TOTAL DEPOSITS	0	4800	10651	20337	26544	29305	54993	55924	62136	71850	78043		
LIQUID ASSETS	0	1293	3449	3310	2003	2462	2741	2980	3453	3690	3731		
DUE FROM BANKS	0	0	0	0	0	0	0	4265	4093	1288	487		
DUE TO BANKS	0	1968	3802	3024	3696	4238	3866	6231	5103	5581	6288		
INTEREST INCOME	0	630	893	3172	1428	1241	3074	3560	3901	4844	6525		
CREDIT RISK ASSETS *	0	10408	16646	26969	36756	39648	61145	57680	65010	77148	86155		
MARKETABLE SECURITIES	0	3634	4691	9694	20692	7668	7235	7039	7649	7285	7532		
CONTINGENT LIABILITIES	0	2288	3782	2446	3418	3003	1894	1949	2910	2481	3090		
FREE CAPITAL FUNDS *	0	4404	5879	6847	6968	7109	7021	7107	7186	7299	7474		
CASH	0	1293	3449	3310	2003	2462	2741	2980	3453	3690	3731		
PAID UP CAPITAL	0	5750	5750	5750	5750	5750	5750	5750	5750	5750	5750		
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	-	-
	%	%	%	%	%	%	%	%	%	%	%	R	G
ASSETS :													
TOTAL ASSETS	0.000	0.532	0.646	0.248	0.100	0.593	0.016	0.106	0.146	0.098	0.276	0.228	
TOTAL LIQUID ASSETS	0.000	1.667	-0.040	-0.395	0.229	0.113	0.087	0.159	0.069	0.011	0.211	0.112	
QUICK ASSETS	0.000	0.652	0.598	0.745	-0.554	-0.015	-0.851	9.239	-0.193	-0.042	1.064	0.091	
NET LOANS	0.000	0.822	0.814	-0.154	1.310	0.795	-0.064	0.118	0.237	0.121	0.444	0.326	
LIABILITIES :													
TOTAL DUE TO BANKS	0.000	0.932	-0.205	0.222	0.147	-0.088	0.612	-0.181	0.094	0.127	0.184	0.123	
TOTAL DEPOSITS	0.000	1.219	0.909	0.305	0.104	0.877	0.017	0.111	0.156	0.086	0.421	0.322	
TOTAL CORE CAPITAL	0.000	0.001	0.064	0.017	0.022	-0.001	0.013	0.012	0.017	0.026	0.019	0.017	
TOTAL CAPITAL FUNDS	0.000	0.003	0.114	0.015	0.019	-0.017	0.012	0.011	0.016	0.024	0.022	0.019	
INCOME													
INTEREST INCOME	0.000	0.417	2.552	-0.550	-0.131	1.477	0.158	0.096	0.242	0.347	0.512	0.263	
INTEREST EXPENSES	0.000	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	ERR	
GROSS INCOME	0.000	0.089	1.890	-0.253	0.410	0.050	0.157	0.063	0.213	0.271	0.321	0.208	
OPERATING EXPENSES	0.000	-0.065	0.200	0.079	0.160	0.187	0.111	-0.020	0.070	0.111	0.092	0.080	
NET INCOME	0.000	0.238	1.651	0.223	0.257	-0.021	0.059	0.112	0.230	0.211	0.329	0.241	

SOURCE: PRIMARY

CONSOLIDATED LOCAL COMMERCIAL BANKS - KEY FIGURES AND KEY RATIOS

APPENDIX 17

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
TOTAL ASSETS	555512	793030	1E+06	1E+06	2E+06	2E+06	2E+06	2E+06	1664877	2E+06	2E+06		
NET LOANS	280776	407560	530681	722164	799667	899158	879031	739825	740510	632133	685924		
TOTAL CUSTOMER DEPOSITS	492431	701142	912648	1E+06	1E+06	1E+06	1E+06	1E+06	1405497	1E+06	1E+06		
TOTAL CORE CAPITAL (EQUI:	38334	53090	87738	161058	171205	181715	209186	185994	159298	161024	165321		
NET PROFIT	10336	11734	14963	61031	33614	27365	15535	8554	-20519	10286	16167		
RISK WEIGHTED ASSETS	436368	637382	863548	1E+06	2E+06	2E+06	2E+06	1E+06	1455626	1E+06	2E+06		
GROSS INCOME	17389	19583	22498	73005	42573	40813	41289	33302	34532	51604	59041		
INTEREST EXPENSES	42596	67405	102792	142786	115955	136845	121570	99017	86344	81646	101103		
NON-INTEREST INCOME	5665	5876	3414	38082	5537	6738	4585	4743	4219	8434	13863		
OPERATING EXPENSES	3930	5235	6383	8590	8781	10623	13115	12210	12010	21251	22556		
OPERATING PROFIT	13459	14348	16115	64515	33792	30190	28174	21092	22522	30353	36485		
DIVIDENDS	1349	2253	3539	9727	21256	16625	5575	4775	3375	4925	7385		
CAPITAL FUNDS	46578	62273	97954	177312	198912	198340	214761	215819	187723	190999	197756		
NET FIXED ASSETS	6605	8214	8118	10465	10857	11808	14033	16642	18960	19511	19465		
QUICK ASSETS	257566	363127	512780	679269	752703	740126	689848	745006	847468	995455	997871		
TOTAL DEPOSITS	496934	711979	945273	1E+06	1E+06	1E+06	1E+06	1E+06	1451241	1E+06	2E+06		
LIQUID ASSETS	33184	31513	132018	244173	193710	119068	107042	86596	157559	51404	65696		
DUE FROM BANKS	203006	296650	341067	346314	407844	501839	438056	500470	478992	630524	576837		
DUE TO BANKS	161029	221050	241396	758398	759328	729228	693431	593081	630652	231355	131843		
INTEREST INCOME	54320	81112	121876	177709	152991	170920	158274	127476	116657	124816	146281		
CREDIT RISK ASSETS	386073	564024	773134	1E+06	1E+06	2E+06	1E+06	1E+06	1279459	1E+06	1E+06		
MARKETABLE SECURITIES	21376	34964	39695	88782	151149	119219	144750	157940	210917	313527	355338		
CONTINGENT LIABILITIES	144063	220281	359065	676271	724951	723833	657361	596616	603826	454761	536117		
FREE CAPITAL FUNDS	38604	52564	87592	162757	183751	181961	194742	193510	163208	165959	167982		
CASH	26560	24441	126456	238853	188540	111508	97742	78296	145153	38635	52473		
PAID UP CAPITAL	12980	25236	36750	53333	72625	75625	95625	119750	119750	119750	119750		
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989		
	%	%	%	%	%	%	%	%	%	%	%	R	G
ASSETS :													
TOTAL ASSETS		0.428	0.355	0.343	0.107	0.062	-0.042	-0.050	0.078	0.014	0.041	0.134	0.122
TOTAL LIQUID ASSETS		-0.050	3.189	0.850	-0.207	-0.385	-0.101	-0.191	0.819	-0.674	0.278	0.353	0.071
QUICK ASSETS		0.410	0.412	0.325	0.108	-0.017	-0.068	0.080	0.138	0.175	0.002	0.156	0.145
NET LOANS		0.452	0.302	0.361	0.107	0.124	-0.022	-0.158	0.001	-0.146	0.085	0.111	0.093
LIABILITIES :													
TOTAL DUE TO BANKS		0.366	0.092	2.142	0.001	-0.040	-0.049	-0.145	0.063	-0.633	-0.430	0.137	-0.020
TOTAL DEPOSITS		0.433	0.328	0.296	0.113	0.068	-0.053	-0.055	0.114	0.014	0.035	0.129	0.118
TOTAL CORE CAPITAL		0.385	0.653	0.836	0.063	0.061	0.151	-0.111	-0.144	0.011	0.027	0.193	0.157
TOTAL CAPITAL FUNDS		0.337	0.573	0.810	0.122	-0.003	0.083	0.005	-0.130	0.017	0.035	0.185	0.156
INCOME													
INTEREST INCOME		0.493	0.503	0.458	-0.139	0.117	-0.074	-0.195	-0.085	0.070	0.172	0.132	0.104
INTEREST EXPENSES		0.582	0.525	0.389	-0.188	0.180	-0.112	-0.186	-0.128	-0.054	0.238	0.125	0.090
GROSS INCOME		0.126	0.149	2.245	-0.417	-0.041	0.012	-0.193	0.037	0.494	0.144	0.256	0.130
OPERATING EXPENSES		0.332	0.219	0.346	0.022	0.210	0.235	-0.069	-0.016	0.769	0.061	0.211	0.191
NET INCOME		0.135	0.275	3.079	-0.449	-0.186	-0.432	-0.449	-3.399	-1.501	0.572	-0.236	0.046

SOURCE: PRIMARY

NATIONAL BANK OF BAHRAIN - KEY RATIOS (%)

APPENDIX 18

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	1.74	1.61	1.75	4.58	2.24	1.68	1.51	0.77	0.67	1.25	1.22
RETURN ON EQUITY	22.70	23.97	18.42	38.71	22.40	18.61	13.16	7.00	6.85	10.34	11.89
GROSS INCOME ON RISK WEIGHTED ASSET	5.39	4.76	4.36	6.32	3.29	3.38	4.11	3.93	3.16	4.77	4.23
GROSS REVENUE ON RISK WEIGHTED ASSET	12.67	13.23	17.39	15.61	9.78	11.65	13.67	11.45	8.34	12.54	12.75
NON-INTEREST INC. TO GROSS INCOME	19.91	31.31	20.46	46.51	18.96	14.39	11.74	12.63	11.82	10.89	10.64
OP. EXP. ON RISK WEIGHTED ASSETS	1.74	1.64	1.63	1.32	1.08	1.13	1.37	1.36	1.12	1.48	1.38
PROFIT MARGIN	28.80	23.62	15.70	32.06	22.61	19.33	20.01	22.48	24.53	26.26	22.36
DIVIDEND PAYOUT RATIO	15.00	15.02	20.52	20.65	66.99	78.21	52.24	64.07	64.22	61.67	69.39
CAPITAL GENERATION RATIO	19.29	20.37	14.64	30.72	7.39	4.05	6.28	2.52	2.45	3.96	3.64
DIVIDEND RETURN ON EQUITY	3.40	3.60	3.78	7.99	15.00	14.55	6.87	4.49	4.40	6.38	8.25
RETURN ON CAPITAL	92.00	59.94	48.74	96.86	44.79	38.36	28.71	15.61	15.57	24.32	28.82
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	6.62	7.05	11.60	11.58	10.53	10.89	13.65	13.98	11.85	16.07	14.23
CAPITAL FUNDS LEVERAGE (TIMES)	12.01	13.86	9.53	7.46	9.02	10.08	7.72	8.12	9.22	7.29	8.73
B.I.S. RISK ASSET RATIO	6.62	7.05	11.60	11.58	10.53	10.89	13.65	13.98	11.85	16.07	14.23
LEVERAGE (TIMES)	12.01	13.86	9.53	7.46	9.02	10.08	7.72	8.12	9.22	7.29	8.73
EQUITY ON RISK WEIGHTED ASSETS	8.89	8.70	12.93	11.77	9.87	10.20	13.59	14.14	11.96	15.84	13.84
CAP. FUNDS ON RISK WEIGHTED ASSETS	8.89	8.70	12.93	11.77	9.87	10.20	13.59	14.14	11.96	15.84	13.84
PAID UP CAPITAL/TOTAL ASSETS	1.90	2.69	3.59	4.72	4.99	4.38	5.26	4.92	4.30	5.13	4.24
EQUITY / TOTAL ASSETS	7.68	6.73	9.49	11.82	9.98	9.03	11.47	10.97	9.79	12.07	10.27
LIQUIDITY:											
LOANS TO DEPOSITS	62.48	48.07	46.67	47.82	45.57	44.32	43.03	29.52	39.03	25.50	29.56
LOANS TO FREE FUNDS	59.95	46.05	43.40	42.89	41.55	40.37	38.25	26.48	35.43	22.53	26.57
QUICK ASSETS RATIO	39.83	52.89	55.48	56.20	56.86	57.26	58.65	70.11	59.56	74.06	70.12
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	97.89	98.40	97.71	97.75	97.33	98.79	99.07	98.99	99.19	98.89	99.05
LIQUID ASSET RATIO	32.98	47.52	51.01	52.74	54.76	55.53	56.90	64.51	53.13	60.11	54.47
LOANS /TOTAL ASSETS	56.44	43.76	40.57	40.50	39.29	38.79	36.93	25.67	34.50	21.82	25.56
CASH / TOTAL ASSETS	3.42	3.42	4.30	4.25	2.95	0.84	1.66	0.70	0.85	1.41	1.18
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROVISIONS TO CREDIT RISK ASSETS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	7.59	5.90	5.14	4.08	2.44	1.98	2.04	6.43	7.28	16.31	18.10
CONTINGENTS TO ASSETS	19.86	21.42	21.64	54.96	51.52	41.24	36.77	40.04	36.73	37.78	28.09

SOURCE : PRIMARY

BANK OF BAHRAIN AND KUWAIT- KEY RATIOS (%)

APPENDIX 19

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	1.81	1.23	1.14	3.53	1.91	1.37	0.00	0.00	-3.52	0.13	0.75
RETURN ON EQUITY	32.66	23.78	16.93	35.52	18.24	12.02	0.00	0.00	-50.00	2.17	10.13
GROSS INCOME ON RISK WEIGHTED ASSET	2.51	1.51	1.37	4.04	2.01	1.34	0.95	0.46	0.97	2.67	3.18
GROSS REVENUE ON RISK WEIGHTED ASSET	14.93	14.18	13.40	16.29	10.60	10.55	8.87	7.70	7.80	7.10	9.00
NON-INTEREST INC. TO GROSS INCOME	62.13	30.79	4.81	56.72	2.52	5.90	7.80	22.75	6.60	24.63	44.95
OP. EXP. ON RISK WEIGHTED ASSETS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROFIT MARGIN	16.84	10.62	10.22	24.81	18.99	12.71	10.76	5.96	12.43	18.82	19.87
DIVIDEND PAYOUT RATIO	8.68	14.28	19.49	13.67	65.53	54.54	ERR	ERR	0.00	0.00	0.00
CAPITAL GENERATION RATIO	29.83	20.39	13.63	30.66	6.29	5.46	0.00	0.00	-50.00	2.17	10.13
DIVIDEND RETURN ON EQUITY	2.83	3.40	3.30	4.85	11.95	6.56	0.00	0.00	0.00	0.00	0.00
RETURN ON CAPITAL	115.24	70.03	51.31	146.36	53.41	36.67	0.00	0.00	-42.62	1.83	9.34
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	12.93	10.74	12.06	14.69	13.90	12.91	11.56	12.95	10.48	9.28	9.63
CAPITAL FUNDS LEVERAGE (TIMES)	17.06	18.38	13.89	9.07	8.55	7.80	7.13	8.41	13.22	15.48	12.56
B.I.S. RISK ASSET RATIO	12.93	10.74	12.06	14.69	13.90	12.91	11.56	12.95	10.48	9.28	9.63
LEVERAGE (TIMES)	17.06	18.38	13.89	9.07	8.55	7.80	7.13	8.41	13.22	15.48	12.56
EQUITY ON RISK WEIGHTED ASSETS	7.70	6.34	8.09	11.38	11.04	11.16	11.59	10.02	7.85	6.83	7.39
CAP. FUNDS ON RISK WEIGHTED ASSETS	7.70	6.34	8.09	11.38	11.04	11.16	11.59	10.02	7.85	6.83	7.39
PAID UP CAPITAL/TOTAL ASSETS	1.57	1.75	2.22	2.41	3.57	3.73	4.00	8.42	8.25	7.20	8.00
EQUITY/ TOTAL ASSETS	5.54	5.16	6.72	9.93	10.47	11.36	12.31	10.62	7.03	6.07	7.38
LIQUIDITY:											
LOANS TO DEPOSITS	51.25	61.50	60.44	60.95	65.41	71.83	77.80	78.60	61.84	50.30	55.01
LOANS TO FREE FUNDS	46.43	56.08	54.34	53.06	56.69	62.27	68.08	67.53	55.86	46.05	49.52
QUICK ASSETS RATIO	51.23	42.09	43.83	44.65	41.57	35.10	29.88	30.10	41.64	51.24	47.25
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIQUID ASSET RATIO	49.12	38.56	40.94	37.41	28.22	23.38	15.23	14.75	23.47	25.94	15.86
LOANS/TOTAL ASSETS	45.98	55.65	53.93	52.50	56.05	61.51	66.86	65.82	54.25	44.89	47.77
CASH/TOTAL ASSETS	5.75	2.46	17.70	24.26	19.14	11.70	8.53	9.06	17.75	0.97	1.39
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PROVISIONS TO CREDIT RISK ASSETS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	2.36	3.90	3.24	8.40	15.58	13.68	17.05	18.33	20.71	28.36	36.15
CONTINGENTS TO ASSETS	29.72	33.21	42.52	45.75	45.03	45.05	40.14	33.10	22.02	23.72	40.31

SOURCE : PRIMARY

AL-AHLI COMMERCIAL BANK - KEY RATIOS (%)

APPENDIX 20

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	3.44	2.02	0.98	7.57	1.75	1.48	1.38	0.03	-3.58	0.62	-2.37
RETURN ON EQUITY	19.95	22.06	14.50	50.16	12.95	12.04	11.02	0.23	-37.10	6.38	-33.17
GROSS INCOME ON RISK WEIGHTED ASSET	5.58	3.71	2.32	8.35	2.86	2.83	2.68	2.76	2.15	2.28	2.26
GROSS REVENUE ON RISK WEIGHTED ASSET	8.32	9.69	9.54	15.74	7.95	7.89	7.64	7.63	5.57	6.14	7.11
NON-INTEREST INC. TO GROSS INCOME	7.13	17.74	13.22	68.20	11.10	14.62	14.18	13.95	16.65	16.79	18.34
OP. EXP. ON RISK WEIGHTED ASSETS	2.33	1.58	1.34	1.52	1.20	1.38	1.49	1.81	1.58	1.45	1.37
PROFIT MARGIN	39.06	21.99	10.22	43.38	20.86	18.41	15.62	12.42	10.21	13.57	12.54
DIVIDEND PAYOUT RATIO	33.22	38.39	60.45	8.21	56.83	58.14	34.77	851.06	0.00	0.00	0.00
CAPITAL GENERATION RATIO	13.32	13.59	5.73	46.05	5.59	5.04	7.19	-1.72	-37.10	6.38	-33.17
DIVIDEND RETURN ON EQUITY	6.63	8.47	8.77	4.12	7.36	7.00	3.83	1.95	0.00	0.00	0.00
RETURN ON CAPITAL	22.46	28.63	19.85	146.22	29.91	29.24	28.76	0.59	-69.44	12.76	-49.80
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	14.28	8.65	5.79	13.08	11.05	9.09	9.03	10.71	7.07	7.17	5.27
CAPITAL FUNDS LEVERAGE (TIMES)	4.80	9.90	13.72	5.62	6.40	7.15	7.01	6.04	9.37	9.34	13.01
B.I.S. RISK ASSET RATIO	14.28	8.65	5.79	13.08	11.05	9.09	9.03	10.71	7.07	7.17	5.27
LEVERAGE (TIMES)	4.80	9.90	13.72	5.62	6.40	7.15	7.01	6.04	9.37	9.34	13.01
EQUITY ON RISK WEIGHTED ASSETS	13.92	8.22	5.76	12.86	10.65	9.05	9.22	11.13	7.63	7.83	5.59
CAP. FUNDS ON RISK WEIGHTED ASSETS	13.92	8.22	5.76	12.86	10.65	9.05	9.22	11.13	7.63	7.83	5.59
PAID UP CAPITAL/TOTAL ASSETS	15.30	7.07	4.96	5.18	5.85	5.05	4.78	5.54	5.15	4.84	4.76
EQUITY/TOTAL ASSETS	17.23	9.17	6.79	15.10	13.52	12.26	12.48	14.21	9.65	9.67	7.14
LIQUIDITY:											
LOANS TO DEPOSITS	74.20	70.64	66.45	85.44	73.21	75.46	67.37	72.32	51.84	47.78	43.30
LOANS TO FREE FUNDS	61.82	69.36	84.74	79.58	63.77	67.43	61.92	65.96	51.86	48.56	42.04
QUICK ASSETS RATIO	39.71	36.97	38.69	30.20	38.02	35.49	40.83	36.36	51.34	55.55	56.95
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	97.65	90.80	70.80	88.07	97.79	97.09	94.22	93.27	89.84	88.38	95.57
LIQUID ASSET RATIO	39.10	36.50	37.91	28.53	35.58	33.35	39.65	34.76	44.88	54.23	55.59
LOANS/TOTAL ASSETS	58.63	61.75	59.50	68.01	60.39	62.75	56.49	60.39	45.76	42.25	39.10
CASH/TOTAL ASSETS	3.94	4.34	3.06	8.08	3.38	3.45	3.92	2.28	2.50	2.37	3.87
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0.99	1.00	1.00	1.25	1.55	1.78	2.27	4.28	12.66	13.59	20.42
PROVISIONS TO CREDIT RISK ASSETS	2.10	4.12	2.89	3.41	3.07	2.89	3.47	10.20	29.68	44.41	76.54
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	0.77	0.54	0.87	2.09	2.96	2.58	1.41	1.92	7.32	1.49	1.51
CONTINGENTS TO ASSETS	28.87	21.62	26.63	33.40	31.78	38.78	46.32	27.66	20.83	16.82	14.70

SOURCE: PRIMARY

GRINDLAYS BAHRAIN BANK - KEY RATIOS (%)

APPENDIX 21

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	0	0	0	0	0	0.69	0.87	0.34	0.68	0.73	1.03
RETURN ON EQUITY	0	0	0	0	0	6.51	9.09	3.50	7.06	8.37	13.16
GROSS INCOME ON RISK WEIGHTED ASSET	0	0	0	0	0	2.17	2.84	2.80	3.08	3.02	3.32
GROSS REVENUE ON RISK WEIGHTED ASSET	0	0	0	0	0	5.95	6.86	6.96	6.77	7.50	9.38
NON-INTEREST INC. TO GROSS INCOME	0	0	0	0	0	24.34	25.73	31.65	34.96	25.78	23.89
OP. EXP. ON RISK WEIGHTED ASSETS	0	0	0	0	0	1.63	2.08	2.25	2.20	2.08	1.99
PROFIT MARGIN	0	0	0	0	0	9.09	11.07	8.01	13.01	12.48	14.12
DIVIDEND PAYOUT RATIO	0	0	0	0	0	0.00	0.00	0.00	0.00	43.48	35.47
CAPITAL GENERATION RATIO	0	0	0	0	0	6.51	9.09	3.50	7.06	4.73	8.49
DIVIDEND RETURN ON EQUITY	0	0	0	0	0	0.00	0.00	0.00	0.00	3.64	4.67
RETURN ON CAPITAL	0	0	0	0	0	6.97	10.70	4.27	9.27	11.50	19.73
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	0	0	0	0	0	77.57	86.36	91.98	89.71	95.31	106.05
CAPITAL FUNDS LEVERAGE (TIMES)	0	0	0	0	0	8.50	9.43	9.41	9.36	10.39	11.82
B.I.S. RISK ASSET RATIO	0	0	0	0	0	77.57	86.36	91.98	89.71	95.31	106.05
LEVERAGE (TIMES)	0	0	0	0	0	8.50	9.43	9.41	9.36	10.39	11.82
EQUITY ON RISK WEIGHTED ASSETS	0	0	0	0	0	8.31	8.35	8.94	8.72	8.49	8.37
CAP. FUNDS ON RISK WEIGHTED ASSETS	0	0	0	0	0	8.31	8.35	8.94	8.72	8.49	8.37
PAID UP CAPITAL / TOTAL ASSETS	0	0	0	0	0	9.84	8.15	7.87	7.36	6.39	5.20
EQUITY / TOTAL ASSETS	0	0	0	0	0	10.52	9.59	9.60	9.65	8.78	7.80
LIQUIDITY:											
LOANS TO DEPOSITS	0	0	0	0	0	50.09	48.46	55.97	58.02	48.99	46.47
LOANS TO FREE FUNDS	0	0	0	0	0	25.34	25.47	30.69	29.11	23.84	22.84
QUICK ASSETS RATIO	0	0	0	0	0	55.14	55.87	48.84	47.58	54.55	56.53
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	0	0	0	0	0	82.23	78.11	70.92	87.05	94.67	93.98
LIQUID ASSET RATIO	0	0	0	0	0	55.14	55.87	48.84	47.58	54.55	56.53
LOANS / TOTAL ASSETS	0	0	0	0	0	42.60	42.86	49.61	51.36	43.57	41.94
CASH / TOTAL ASSETS	0	0	0	0	0	3.93	34.09	19.10	28.29	27.39	38.53
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0	0	0	0	0	0.00	0.00	0.53	1.04	1.59	1.83
PROVISIONS TO CREDIT RISK ASSETS	0	0	0	0	0	0.00	0.00	0.26	0.51	0.73	0.78
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
CONTINGENTS TO ASSETS	0	0	0	0	0	73.34	67.18	51.02	54.73	53.00	58.15

SOURCE : PRIMARY

THE BAHRAINI SAUDI BANK - KEY RATIOS (%)

APPENDIX 22

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	0	0	0	0	0	0	4.13	1.52	0.82	-3.27	1.69
RETURN ON EQUITY	0	0	0	0	0	0	9.75	5.14	2.88	-13.81	7.77
GROSS INCOME ON RISK WEIGHTED ASSET	0	0	0	0	0	0	12.68	5.05	2.58	3.37	4.19
GROSS REVENUE ON RISK WEIGHTED ASSET	0	0	0	0	0	0	14.88	15.93	16.24	18.27	12.44
NON-INTEREST INC. TO GROSS INCOME	0	0	0	0	0	0	1.65	4.52	4.41	2.88	5.19
OP. EXP. ON RISK WEIGHTED ASSETS	0	0	0	0	0	0	5.90	2.35	1.57	1.88	1.71
PROFIT MARGIN	0	0	0	0	0	0	45.57	16.89	6.25	8.17	19.92
DIVIDEND PAYOUT RATIO	0	0	0	0	0	0	0.00	86.81	0.00	0.00	61.69
CAPITAL GENERATION RATIO	0	0	0	0	0	0	9.75	0.68	2.88	-13.81	2.98
DIVIDEND RETURN ON EQUITY	0	0	0	0	0	0	0.00	4.46	0.00	0.00	4.79
RETURN ON CAPITAL	0	0	0	0	0	0	10.88	5.76	3.32	-14.01	8.11
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	0	0	0	0	0	0	67.19	46.83	32.01	32.04	29.50
CAPITAL FUNDS LEVERAGE (TIMES)	0	0	0	0	0	0	1.36	2.38	2.52	3.23	3.60
B.I.S. RISK ASSET RATIO	0	0	0	0	0	0	67.19	46.83	32.01	32.04	29.50
LEVERAGE (TIMES)	0	0	0	0	0	0	1.36	2.38	2.52	3.23	3.60
EQUITY ON RISK WEIGHTED ASSETS	0	0	0	0	0	0	69.52	48.20	32.82	32.85	30.06
CAP. FUNDS ON RISK WEIGHTED ASSETS	0	0	0	0	0	0	69.52	48.20	32.82	32.85	30.06
PAID UP CAPITAL / TOTAL ASSETS	0	0	0	0	0	0	37.95	26.38	24.63	23.32	20.85
EQUITY / TOTAL ASSETS	0	0	0	0	0	0	42.33	29.58	28.43	23.65	21.75
LIQUIDITY:											
LOANS TO DEPOSITS	0	0	0	0	0	0	11.21	18.15	14.12	19.59	32.04
LOANS TO FREE FUNDS	0	0	0	0	0	0	7.37	16.66	12.94	16.66	26.39
QUICK ASSETS RATIO	0	0	0	0	0	0	90.46	84.79	83.84	81.53	72.56
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	0	0	0	0	0	0	79.75	66.26	68.96	86.16	92.99
LIQUID ASSET RATIO	0	0	0	0	0	0	65.83	62.95	46.62	41.27	45.18
LOANS / TOTAL ASSETS	0	0	0	0	0	0	6.34	12.21	9.74	14.36	24.07
CASH / TOTAL ASSETS	0	0	0	0	0	0	2.19	2.12	2.99	3.58	2.80
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0	0	0	0	0	0	0.00	1.07	1.86	3.72	2.77
PROVISIONS TO CREDIT RISK ASSETS	0	0	0	0	0	0	0.00	0.32	0.28	0.93	1.15
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	0	0	0	0	0	0	43.58	32.46	53.98	54.90	36.45
CONTINGENTS TO ASSETS	0	0	0	0	0	0	89.58	120.57	197.70	14.08	12.49

SOURCE : PRIMARY

BAHRAIN ISLAMIC BANK - KEY RATIOS (%)

APPENDIX 23

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PROFITABILITY:											
RETURN ON ASSETS	0.00	4.80	3.88	6.25	6.13	7.00	4.30	4.49	4.51	4.84	5.34
RETURN ON EQUITY	0.00	9.37	11.59	28.85	34.71	42.72	41.86	43.74	48.04	58.09	68.58
GROSS INCOME ON RISK WEIGHTED ASSET	0.00	9.88	6.54	11.87	6.61	8.70	5.89	7.11	6.72	6.92	7.88
GROSS REVENUE ON RISK WEIGHTED ASSET	0.00	9.88	6.54	11.87	6.61	8.70	5.89	7.11	6.72	6.92	7.88
NON-INTEREST INC. TO GROSS INCOME	0.00	39.83	21.67	3.73	41.95	64.23	15.57	17.87	12.90	10.86	5.52
OP. EXP. ON RISK WEIGHTED ASSETS	0.00	4.49	2.55	1.92	1.55	1.68	1.28	1.49	1.30	1.18	1.17
PROFIT MARGIN	0.00	54.54	60.96	83.79	76.59	80.74	78.22	79.09	80.73	83.01	85.16
DIVIDEND PAYOUT RATIO	0.00	63.19	53.11	38.50	31.48	25.04	21.31	20.13	18.10	14.72	12.15
CAPITAL GENERATION RATIO	0.00	3.45	5.43	17.74	23.78	32.02	32.94	34.94	39.34	49.54	60.24
DIVIDEND RETURN ON EQUITY	0.00	5.92	6.15	11.11	10.92	10.69	8.92	8.80	8.70	8.55	8.33
RETURN ON CAPITAL	0.00	9.50	11.76	31.17	38.12	47.93	46.92	49.69	55.23	67.93	82.28
CAPITAL ADEQUACY:											
RISK ASSETS RATIO	0.00	41.57	33.73	24.68	18.71	17.83	11.35	11.99	10.79	9.30	8.53
CAPITAL FUNDS LEVERAGE (TIMES)	0.00	0.95	1.98	3.52	4.66	5.10	8.72	8.75	9.65	11.01	11.85
B.I.S. RISK ASSET RATIO	0.00	41.57	33.73	24.68	18.71	17.83	11.35	11.99	10.79	9.30	8.53
LEVERAGE (TIMES)	0.00	0.95	1.98	3.62	4.66	5.10	8.72	8.75	9.65	11.01	11.85
EQUITY ON RISK WEIGHTED ASSETS	0.00	55.03	33.47	22.38	16.96	16.18	10.42	11.02	9.92	8.57	7.88
CAP. FUNDS ON RISK WEIGHTED ASSETS	0.00	55.03	33.47	22.38	16.96	16.18	10.42	11.02	9.92	8.57	7.88
PAID UP CAPITAL / TOTAL ASSETS	0.00	50.58	33.02	20.06	16.08	14.61	9.17	9.03	8.16	7.12	6.49
EQUITY / TOTAL ASSETS	ERR	51.28	33.51	21.67	17.66	16.39	10.28	10.25	9.39	8.33	7.78
LIQUIDITY:											
LOANS TO DEPOSITS	0.00	93.46	76.73	72.92	47.26	98.88	94.59	87.07	87.63	93.78	96.78
LOANS TO FREE FUNDS	0.00	62.00	64.21	61.38	42.08	90.06	89.45	85.73	84.79	91.59	95.34
QUICK ASSETS RATIO	0.00	43.34	46.75	45.36	63.46	25.74	15.92	2.33	21.57	15.19	13.26
CUSTOMER DEPOSITS TO TOTAL DEPOSIT	0.00	59.00	64.30	85.13	86.08	85.54	92.97	88.86	91.79	92.23	91.94
LIQUID ASSET RATIO	0.00	11.37	19.81	11.55	5.60	6.26	4.37	11.37	10.71	6.17	4.76
LOANS / TOTAL ASSETS	0.00	39.46	46.94	51.73	35.08	73.62	82.98	76.44	77.31	83.47	85.23
CASH / TOTAL ASSETS	0.00	11.37	19.81	11.55	5.60	6.26	4.37	4.68	4.90	4.57	4.21
ASSET QUALITY:											
PROVISIONS ON TOTAL LOANS	0.00	0.00	0.00	5.69	-4.11	0.00	0.29	0.71	0.60	0.52	0.98
PROVISIONS TO CREDIT RISK ASSETS	0.00	0.00	0.00	3.32	-1.35	0.00	0.25	0.61	0.51	0.45	0.87
BUSINESS OPPORTUNITY:											
SECURITIES TO DEPOSITS	0.00	75.71	44.04	47.67	77.95	26.17	13.16	12.59	12.31	10.14	9.65
CONTINGENTS TO ASSETS	0.00	20.13	21.72	8.53	9.56	7.63	3.02	3.06	4.13	3.07	3.49

SOURCE : PRIMARY

Bibliography

- Anthony and Reece , Accounting Text and Cases, 7th edition. Publisher: Irwin, Homewood, Illinois 60430.
- Al- Ahli Commercial Bank's annual report and financial statement (1979-1989).
- Bank of Bahrain and Kuwait's annual report and financial statement (1979-1989).
- Bahraini Saudi Bank's annual report and financial statement (1985-1989).
- Bahrain Islamic Bank's annual report and financial statement (1980-1989).
- Bahrain Monetary Agency (BMA) annual reports (1978-1989).
- Bahrain Monetary Agency's quarterly statistical bulletin (March 1990).
- Bahrain as an International Financial Centre, 2nd edition (1984) and 3rd edition, 1978. (BMA publication) .
- C.W. Emory, Business Research Methods, 3rd edition. Publisher: Richard D. Irwin, INC., Homewood, Illinois 60430.
- Christopher Nobes, Pocket Accountant, Publication of "The Economist" Basil Blackwell.
- Essa Makki Abdulla, (May 1990), Evaluation of the Performance of Commercial Banks in Bahrain. PGD project of University of Bahrain student.
- Fred R. David - Auburn University, Strategic Management, 2nd edition. Publisher: Merrill Publishing Co.
- Grindlays Bahrain Bank's annual report and financial statement (1984-1989).
- Gulf Banking and Finance (April & May 1984), Al Hilal Publication.
- Gulf Economic & Financial Reports GIB publication.
- J.S.G. Wilson, Managing Bank Assets and Liabilities. Euromoney publications.
- J. R. Edwards and H.J. Mellett, Accountancy for Banking Students. Publisher: The Institute of Bankers.
- Khandan Akbar Jazayri (June 1989), A study of Commercial Banks in Bahrain. PGD project of University of Bahrain student.

- Lawrence L. Lapin, Statistics Meaning and Method, 2nd edition. San Jose State University. Publisher: Har Court Brance Jovanovich INC. N.Y.
- National Bank Of Bahrain's annual report and Financial statment (1979-1989).
- P. Band , Monetary Economics, personnel.
- P. Bourke, Concentration and other Determinants of Bank Profitablity in Europe, North America and Australia. Publisher: Elsevier Science Publisher B.V. (North Holland).
- P.F. Jessop, Modern Bank Management. Publisher: West Publishing Company.
- R.G. Winfield, Investment Personnel course for Bankers, 2nd edition. Northwich publication.
- Richard A. Slevenson and Edward H. Jennings, Fundementals of Investments, 3rd edition. West Publishing Co.
- Robert C. Radcliffe, Investment - Concept, Analysis and strategy, 2nd edition. Publisher : Foresmand and Co. England.
- Ray H. Jonson, Managerial Accounting, 3rd edition. Business Publication INC Texas.
- Time Hindle, Podcet Banker. Publication of " The Economist " Basic Blackwell.
- W.G. Zikhmund, Business Research Methods, 2nd edition. Publisher: The Dryden Press.