Ibdar Bank B.S.C. (c)

Basel II, Pillar III Disclosures
30 June 2014

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1 INTRODUCTION

The Central Bank of Bahrain (the "CBB") Basel II Guidelines, based upon the Bank for International Settlements ("BIS") Revised Framework – 'International Convergence of Capital Measurement and Capital Standards', were introduced on 1 January 2008. Basel II is structured around three 'pillars': Pillar I - Minimum Capital Requirements; Pillar II – the Supervisory Review Process and the Internal Capital Adequacy Assessment Process ("ICAAP"); and Pillar III - Market Discipline.

The public disclosures under this section have been prepared in accordance with the CBB requirements outlined in its Public Disclosure Module ("PD"), CBB Rule Book, Volume II for Islamic Banks. Rules concerning the disclosures under this section are applicable to Ibdar Bank B.S.C. (c) (the "Bank") being a locally incorporated Bank with a wholesale Islamic Investment banking license, and its branch and subsidiaries (together known as "the Group").

2 LEGAL CONTINGENCIES

The following are the material* current or pending legal actions which involve potential liability to the Bank:

1. Ali Iskandar Ansari and Partners - We are defendants to a claim in a private equity in Qatar whereby the local promoter is claiming approximately $1 million due as fees for establishing the joint venture, which we believe they are not entitled to as they have not fulfilled the contractual obligations to earn the fees. The local promoter also raised 3 other claims in court and all three cases have ended in our favour. Our expectation is this will like wise result in our favour. Additionally, we may be pursuing our own claim against the promoter in

2. Transweld - Our Libyan investment vehicle TAB Energy's subsidiary Etelaf was sued by a service provider relating to the oil rigs owned by the company. A judgment in the amount of $600,000 was obtained, and is currently in the process of being executed upon.

3. Ensign - Our Libyan investment vehicle TAB Energy's subsidiary Etelaf retained Ensign for services, and was not able to pay the fees due to liquidity issues. Claim amount is approximately $600,000 - $700,000 and a claim has been filed.

4. ILIC/Diamondfleet - Ibdar had acquired private equity shares in an entity (Sabaek) from its shareholder ILIC and its affiliate, and said shares have not been transferred to date to Ibdar's direct ownership. ILIC has requested to transfer its shares in Ibdar to a third party, and our board has deferred reviewing the request until the matter of the Sabaek shares is resolved. Settlement talks are taking place, but a preliminary agreement has been reached, although it has not been paid or finalized. The claim amount is approximately $5 million from the Bank, and ILIC's shares are in the range of $700,000.

*materiality involves disputes involving potential liabilities in excess of $300,000, or 0.1% of our capital.

3 CAPITAL ADEQUACY

The primary objective of the Group's capital management is to ensure that the Group maintains adequate risk capital, complies with the capital requirements laid down by the CBB and maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages the capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the CBB in supervising the Bank.

Regulatory capital consists of Tier 1 capital (core capital) and Tier 2 capital (supplementary capital). The Group's Tier 1 comprises share capital, statutory reserves, current interim profit and share premium. Tier 2 capital includes unrealized gains arising from fair valuing equities (45% only).

Certain adjustments are made to the reviewed condensed consolidated interim financial information for the six months ended 30 June 2014 in order to comply with Capital Adequacy Module and directives issued by the CBB. From the regulatory perspective, the significant amount of the Bank's capital is in Tier 1 form.

3 CAPITAL ADEQUACY (continued)

The Group's approach to assessing capital adequacy has been in line with its risk appetite aligned with its current and future activities. To assess its capital adequacy requirements in accordance with the CBB requirements, the Group adopts the Standardized Approaches for its Credit Risk and Market Risk, and the Basic Indicator Approach for its Operational Risk.

The Group's capital adequacy policy is to maintain a strong capital base to support the development and growth of the business. Current and future capital requirements are determined on the basis of expectations for each business group, expected growth in future sources and uses of funds.

Further the Bank monitors the CAR against an Internal Trigger Ratio of 167% of the CBB minimum required capital adequacy ratio of 12 % (which will currently be 20 %). If the ICAAP CAR touches the Internal Trigger Ratio, the Bank will initiate action to reduce its risk or increase capital before the Internal Target Ratio is breached.

Basis of Consolidation for Accounting and Regulatory Purposes

The Bank consolidates all subsidiaries which are fully owned or exercises significant control over them. These subsidiaries are consolidated from date of acquisition being the date on which the group obtains control and continues until the control ceases. Control is achieved when the group has the power to govern the financial and operating policy of an entity to obtain benefits from its activates. For regulatory report purposes and according to CBB rule book the Bank should consolidate all banking and other relevant financial entities However, the Bank deconsolidates non financial entities for Capital adequacy ratio calculation. The regulatory treatment of the Bank's investments in Ijara 9 has resulted in the following accounts to be changed based on CBB directive to consolidate Ijara 9. The treatment of the Bank's investments in various entities for the purpose of regulatory reporting is as follows:

Entity name	Entity classification as per PCD for consolidated capital adequacy	Treatment by the Bank	
		Consolidated Basis	Solo Basis
Subsidiaries			
Elaf Bahrain Real Estate Co BSC (c)	Commercial entity	Risk weighting of investment exposure	Risk weighting of investment exposure
Elaf Corporate Services Limited	Commercial entity	Risk weighting of investment exposure	Risk weighting of investment exposure
Sokouk Exchange Centre – Tadawul Holding W.L.L.	Commercial entity	Risk weighting of investment exposure	Risk weighting of investment exposure
Tamkeen Investment Company BSC (c)	Financial entity	Consolidated	Risk weighting of investment exposure
Suffun Bahrain W.L.L.	Commercial entity	Risk weighting of investment exposure	Risk weighting of investment exposure
Suffun Investment Company	Commercial entity	Non-operational, hence, not considered forPIR	
GCC Balanced Growth Fund Company B.S.C.(c)	Financial entity	Consolidated	Risk weighting of investment exposure
Medical Management Group SPC	Commercial entity	Non-operational subsidiaries, hence, not considered for PIR	
Sakan Development Company Limited	Commercial entity	Risk weighting of investment exposure	Risk weighting of investment exposure

(i) As per the directive received from CBB on 16 February 2009, the Bank consolidates the properties of Ijarah 9 at fair value for PIR purposes and charges a risk weight of 200% as Holding of Real Estate.

The Bank does not hold any interest in insurance entities.

Table – 1. Capital structure (PD–1.3.12, PD–1.3.13, PD–1.3.14 and PD–1.3.15)

The following table summarizes the eligible capital after deductions for Capital Adequacy Ratio (CAR)

	30 June 2014	
	Tier 1 (USD '000)	*Tier 2 (USD '000)*
Components of capital		
Core Capital - Tier 1		
Issued and fully paid ordinary shares	300,000	
General reserves	26,763	
Legal / statutory reserves	676	
Share Premium	16,385	
Others	-	
Retained profit brought forward	(3,815)	
Total Tier 1 Capital	340,009	
Deductions from Tier 1		
Unrealized gross losses arising from fair valuing equity securities	-	
Tier 1 Capital before PCD deductions	340,009	-
Supplementary Capital - Tier 2		
Current interim profits (reviewed by external auditors)		806
Asset revaluation reserve - Property, plant, and equipment (45% only)		940
Unrealized gains arising from fair valuing equities (45% only)	-	1
Tier 2 Capital before PCD deductions	-	1,747
Total Available Capital before PCD deductions (Tier 1 and Tier 2)	340,009	1,747
Deductions		
Capital shortfall of non-consolidated entities subsidiaries *	3	3
Excess amount over maximum permitted large exposure limit **	8,233	8,233
Additional deduction from Tier 1 to absorb deficiency in Tier 2	6,489	
Total Deductions	14,725	8,236
Net Available Capital	325,284	-
Total Eligible Capital		325,284

* This represents capital shortfall in Medical Management Group SPC.

** This represents aggregate exposure to connected counterparty in excess of the permissible threshold.

Table – 2. Capital requirement by type of Islamic financing contracts (PD - 1.3.17)

The following table summarises the capital requirements by type of Islamic financing contracts:

	30 June 2014	
	Risk Weighted Amount (USD '000)	*Capital requirements (USD '000)*
Type of Islamic financing contracts		
		-
Murabaha	8,148	978
Musharaka financing	838	101
Ijara Assets	4,440	533
Ijara Muntahia bittamleek	973	117
	14,399	1,728

Table – 3. Capital requirement for Market risk (PD–1.3.18)

The following table summarises the amount of exposures subject to the standardized approach of market risk and related capital requirements:

	30 June 2014 (USD '000)
Market Risk - Standardised Approach	
Price Risk	-
Equity Position Risk	-
Foreign exchange risk	1,358
Total of market risk - standardised approach	**1,358**
Multiplier	12.5
Total Market Risk Weighted Exposures	**16,981**
Minimum capital requirement (12%)	**2,038**

Table – 4. Capital Requirements for Operational risk (PD–1.3.19 and PD–1.3.30)

The following table summarises the amount of exposures subject to the basic indicator approach of operational risk and related capital requirements:

	30 June 2014 (USD '000)
Indicators of operational risk	
Average gross income	11,660
Multiplier	12.5
	145,746
Eligible Portion for the purpose of the calculation	15%
Total operational RWE	**21,862**
Minimum capital requirement (12%)	**2,623**

Table – 5. Capital Adequacy Ratios (PD–1.3.20)

The following are capital adequacy ratios for total capital and tier 1 capital as of:

	30 June 2014	
	Total capital ratio	**Tier 1 capital ratio**
Top consolidated group in Bahrain	**58.50%**	**58.50%**

4 RISK MANAGEMENT

4.1 Credit risk

Table – 6. Credit Risk Exposure (PD–1.3.23(a))

The following table summarises the amount of gross funded and unfunded credit exposure and average gross funded and unfunded exposure as of:

	30 June 2014	
	Total gross credit exposure (USD '000)	****Average gross credit exposure over the year (USD '000)***
Funded exposure		
Balances with banks	**14,010**	**14,489**
Due from financial institutions	**7,769**	**10,995**
Financing receivables	**20,380**	**16,306**
Musharaka financing	**838**	**838**
Receivable from Ijara investors	**14,801**	**14,801**
Investment in securities	**34,101**	**35,594**
Other assets	**19,832**	**21,863**
Unfunded exposure		
Uncalled capital commitments in respect of investment	**17,204**	**15,704**
Promise to purchase foreign currency commitment	**-**	**1,500**
Commitment related to project developments	**133**	**133**
Operating lease commitments - expiring within one year	**258**	**160**
Operating lease commitments - expiring in one to three years	**121**	**79**
	129,447	**132,460**

*Average balances are computed based on quarter-end balances.

4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table – 7. Credit Risk – Geographic Breakdown (PD–1.3.23(b))

The following table summarises the geographic distribution of funded and unfunded exposures, broken down into significant areas by major types of credit exposure as of:

	30 June 2014					
	Middle East US$ (USD '000)	***Europe US$ (USD '000)***	***Africa US$ (USD '000)***	***South East Asia US$ (USD '000)***	***Others US$ (USD '000)***	***Total US$ (USD '000)***
Funded exposure						
Balances with banks	**3,777**	**8,486**	**-**	**214**	**1,533**	**14,010**
Due from financial institutions	**7,769**	**-**	**-**	**-**	**-**	**7,769**
Financing receivables	**13,380**	**-**	**7,000**	**-**	**-**	**20,380**
Musharaka financing	**-**	**-**	**-**	**838**	**-**	**838**
Receivable from Ijara investors	**14,801**	**-**	**-**	**-**	**-**	**14,801**
Investment in securities	**6,800**	**21,454**	**5,847**	**-**	**-**	**34,101**
Other assets	**2,480**	**2**	**152**	**539**	**16,659**	**19,832**
Unfunded exposure						
Uncalled capital commitments in respect of investment	**9,169**	**-**	**3,000**	**-**	**5,035**	**17,204**
Promise to purchase foreign currency commitment	**-**	**-**	**-**	**-**	**-**	**-**
Commitment related to project developments	**133**	**-**	**-**	**-**	**-**	**133**
Operating lease commitments - expiring within one year	**243**	**-**	**-**	**15**	**-**	**258**
Operating lease commitments - expiring in one to three years	**121**	**-**	**-**	**-**	**-**	**121**
	58,673	**29,942**	**15,999**	**1,606**	**23,227**	**129,447**

The Group allocates exposures to a particular geographical area based on the risk domicile concept, which could be either the location of the asset or on the location of the counterparty.

4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table – 8. Credit risk – Industry Sector Breakdown (PD–1.3.23(c))

The following table summarises the distribution of funded and unfunded exposure by industry type broken down by major types of credit exposure as of:

	30 June 2014						
	Transport (USD '000)	*Energy (USD '000)*	*Trading and manufacturing (USD '000)*	*Banks and financial institutions (USD '000)*	*Real Estate (USD '000)*	*Others (USD '000)*	*Total (USD '000)*
Funded exposure							
Balances with banks	-	-	-	14,010	-	-	14,010
Due from financial institutions	-	-	-	7,769	-	-	7,769
Financing receivables	-	8,148	-	-	-	12,232	20,380
Musharaka financing	-	-	-	-	-	838	838
Receivable from Ijara investors	-	-	-	-	-	14,801	14,801
Investment in securities	-	4,371	-	29,730	-	-	34,101
Other assets	16,859	281	-	264	490	1,938	19,832
Unfunded exposure							
Uncalled capital commitments in respect of investment	12,104	5,100	-	-	-		17,204
Promise to purchase foreign currency commitment	-	-	-	-	-	-	-
Commitment related to project developments	-	-	-	-	-	133	133
Operating lease commitments - expiring within one year	-	-	-	-	-	258	258
Operating lease commitments - expiring in one to three years	-	-	-	-	-	121	121
	28,963	17,900	-	51,773	490	30,321	129,447

4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table – 9. Credit Risk – Concentration of Risk (PD–1.3.23(f))

The Group follows the Central Bank of Bahrain's guidelines with respect to the definition and measurement of large exposures at the consolidated level as stipulated in the Central Bank of Bahrain Rulebook for Islamic Banks.

The Bank does not have concentration of risk to individual counterparties in excess of prescribed threshold limit of 15% as at 30 June 2014.

There has not been any restructured credit facilities (according to the definition in the Prudential Information Return instructions) during the period.

The Bank does not currently have any obligations with respect to recourse transactions.

No penalties were charged to customers with regards to defaults during the period.

Table – 10. Maturity breakdown of credit exposures (PD–1.3.23(g))

The following table summarises the residual contractual maturity breakdown of the whole credit portfolio, broken down by major types of credit exposure as of 30 June 2014:

	Overdue (USD '000)	*Up to 1 month (USD '000)*	*1 month to 3 months (USD '000)*	*3 months to 1 year (USD '000)*	*1 to 5 years (USD '000)*	*5 to 10 years (USD '000)*	*No fixed maturity (USD '000)*	*Total (USD '000)*
Funded exposure								
Balances with banks	-	14,010	-	-	-	-	-	14,010
Due from financial institutions	-	2,062	3,701	2,006	-	-	-	7,769
Financing receivables	12,232	(103)	347	7,904	-	-	-	20,380
Musharaka financing	-	-	-	838		-	-	838
Receivable from Ijara investors	14,801	-	-		-	-	-	14,801
Investment in securities	-	-	-	-	-	6,798	27,303	34,101
Other assets	11	150	507	17,498	286	478	902	19,832
Unfunded exposure								
Uncalled capital commitments in respect of investment	-	-	-	-	17,204	-	-	17,204
Promise to purchase foreign currency commitment	-	-	-	-	-	-	-	-
Commitment related to project developments	-	-	-	-	133	-	-	133
Operating lease commitments - expiring within one year	-	-	-	258	-	-	-	258
Operating lease commitments - expiring in one to three years	-	-	-	-	121	-	-	121
	27,044	16,119	4,555	28,504	17,744	7,276	28,205	129,447

4 RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

Table – 11.1 Breakup of provision by geographic area (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Specific impairment provision *(USD '000)*	Collective impairment *(USD '000)*	Total *(USD '000)*
South East Asia	2,004	-	**2,004**

Only an amount of US$ 227 thousand of musharaka financing was impaired as of 30 June 2014 (2013: US$ 41 thousand).

Table – 11.2 Breakup of non-performing/impaired Islamic financing contracts and past due financing contracts (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Past Due Financing Contracts		
	3 months up to 1 year *(USD '000)*	1 up to 3 years *(USD '000)*	Over 3 years *(USD '000)*
Ijara 9	-	-	**11,408**
Ijara 6	-	-	**3,393**
	-	**-**	**14,801**

	Restructured Financing Contracts		
	Amount *(USD '000)*	Provision *(USD '000)*	Net *(USD '000)*
Ijara Assets (PIAT)	6,343	(1,904)	4,439
	6,343	**(1,904)**	**4,439**

Table – 11.3 Breakup of provision by counterparty (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Specific impairment provision *(USD '000)*	Collective impairment *(USD '000)*	Total *(USD '000)*
Musharak investment	100	-	**100**
Investment in Ijara assets	1,904		**1,904**
	2,004	**-**	**2,004**

Table – 12. Market Risk Capital Requirements

The following table summarises the capital requirement for each category of market risk as of:

	30 June 2014	
	Weighted risk exposures (USD '000)	*Market risk capital requirement (USD '000)*
Capital requirements - Price Risk, Equity Position Risk and Foreign Exchange Risk	**16,981**	**2,038**
Maximum value of RWE	17,790	2,135
Minimum value of RWE	16,981	2,038

4 RISK MANAGEMENT (continued)

4.3 Equity price risk

Table – 13. Equity Position Risk in the Banking Book (PD-1.3.31(b), (c) & (f))

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 30 June 2014:

	Total gross exposure (USD '000)	** Average gross exposure over the period (USD '000)*	*Quoted in Active Market (USD '000)*	*Privately held (USD '000)*	*Risk Weighted Range*
Amortized cost	**60,263**	**62,829**	**60,263**	**-**	**100%-200%**
Fair value through statement of income	**21,212**	**19,242**	**6,091**	**15,121**	**100%-200%**
Fair value through equity	**128,253**	**128,975**	**8,277**	**119,976**	**100%-200%**
Investment in associates	**11,494**	**11,474**	**-**	**11,494**	**100%-200%**
	221,222	**222,519**	**74,631**	**146,591**	

*Average balances are computed based on quarter-end balances.

Table – 14. Equity gains or losses in the Banking Book (PD-1.3.31(d) to (e))

The following table summarises the cumulative realised and unrealised gains or (losses) during the half year ended:

	30 June 2014 USD ('000)
Cumulative realised gains arising from sales or liquidations in the reporting year	**-**
Total unrealized gains recognised in the consolidated statement of financial positions but not through consolidated statement of income	**-**
Unrealised gross losses included in Tier 1 Capital	**-**
Unrealised gains included in Tier 2 Capital (45% only)	**1**

Table – 15. Unrestricted Investment Accounts (PD-1.3.33(a) to (x))

	30 June 2014 USD ('000)
Return on average equity (ROAE)	-
Return on average assets (ROAA)	-

The total amount of Unrestricted Investment Accounts as of 30 June 2014 is USD 602 thousand.

Table – 16. Restricted Investment Accounts (PD-1.3.35(a) to (d))

The total amount of Restricted Investment Accounts as of 30 June 2014 is USD 110,285 Thousand. No income has been generated over the RIA accounts. All the RIA investments has no fixed maturities. (Refer to the condensed cosolidated interim financial information for the six months ended 30 June 2014 for further details).

4 RISK MANAGEMENT (continued)

4.4 Liquidity risk

Table – 17. Liquidity ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	30 June 2014
Liquid assets to total assets	**27.29%**
Short term assets to short term liabilities	**392.24%**

Formula is as follows:

Liquid Assets to total assets = (Cash and bank balances + due from financial institutions)/total assets

Short term assets to short term liabilities = Assets with up to one year maturity/liabilities with up to one year maturity

Table – 18. Displaced Commercial Risk (PD-1.3.41)

Displaced Commercial Risk (DCR) refers to the market pressure to pay returns that exceeds the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates. The Bank's DCR primarily arises from the funds accepted in the form of Investment Account Holders (IAH) which is currently not very significant in terms of its size and in comparison to the overall activities of the Bank. The returns to investors on the funds are based on returns earned from short-term placements and hence the bank is not exposed to a significant repricing risk or maturity mismatch risk in relation to these accounts. In relation to the DCR that may arise from its investment banking and restricted investment account products, the risk is considered limited as the Bank does not have any obligation to provide fixed or determinable returns to its investors. The Bank constantly monitors all potential risks that may arise from all such activities as part of its reputational risk management.

4.5 Financial Indicators

Table – 19. Quantitative indicators of financial performance and position (PD–1.3.9)

	Jun 2014	***Dec 2013***	***Dec 2012***	***Dec 2011****	***Dec 2010****
Return on average equity (ROAE)	**0.44%**	0.01%	-5.14%	-2.66%	-11.92%
Return on average assets (ROAA)	**0.40%**	0.01%	-4.55%	-2.60%	-11.88%
Total cost to Income ratio #	**80.59%**	99.83%	204.02%	142.60%	301.82%

* Ratios are based on pre-merger financials

Formula is as follows:
ROAE = Net Income/Average Equity
ROAA= Net profit/ Average Assets
# cost includes impairment allowances.

4.6 Maturity Profile

Table – 20. Maturity Profile (PD–1.3.38)

The maturity profile of the Group's assets and liabilities are based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The consolidated maturity profile at 30 June 2014 was as follows:

2014	*Overdue (USD '000)*	*Up to 1 month (USD '000)*	*Up to 3 month (USD '000)*	*3 months to 1 year (USD '000)*	*1 to 5 years (USD '000)*	*5 to 10 years (USD '000)*	*No fixed maturity (USD '000)*	*Total (USD '000)*
Assets								
Cash and balances with banks	-	14,010	-	-	-	-	-	14,010
Due from financial institutions	-	2,062	3,702	2,005	-	-	-	7,769
Financing receivable	12,232	(103)	347	7,904	-	-	-	20,380
Musharaka financing	-	-	-	838	-	-	-	838
Receivable from Ijarah investors	14,801	-	-	-	-	-	-	14,801
Investment in ijarah asset	-	4,439	-	-	-	-	-	4,439
Ijarah muntahia bittamleek	-	53	104	467	349	-	-	973
Investments in securities	-	-	-	4,306	29,438	39,408	136,575	209,727
Investment in associates	-	-	-	-	-	-	11,494	11,494
Investment in real estate	-	-	-	-	-	-	44,080	44,080
Development properties	-	-	-	4,533	-	-	-	4,533
Non-current asset held for sale	-	-	-	-	-	-	-	-
Fixed assets	-	-	-	-	-	-	749	749
Other assets	11	150	507	17,497	286	478	617	19,546
Total assets	27,044	20,611	4,660	37,550	30,073	39,886	193,515	353,339
Liabilities								
Due to financial institutions	-	4,528	2,003	11,670	-	-	-	18,201
Due to non financial institutions	-	-	-	165	-	-	-	165
Other liabilities	-	1,449	6	3,090	3,365	939	390	9,239
Total liabilities	-	5,977	2,009	14,925	3,365	939	390	27,605
Equity of investment accountholders	-	602	-	-	-	-	-	602
Total liabilities and equity of investment accountholders	-	6,579	2,009	14,925	3,365	939	390	28,207
Net liquidity gap	27,044	14,032	2,651	22,625	26,708	38,947	193,125	325,132
Cumulative net liquidity gap	27,044	41,076	43,727	66,352	93,060	132,007	325,132	
Commitments	-	-	-	258	17,458	-	-	17,716

4.7 Profit Rate Risk in banking book

Table – 21. Profit Rate Risk in banking books

Profit rate risk is the potential impact of the mismatch between the rate of return on assets and the expected rate of return of the sources of finance. The table below analyses the Group's profit rate risk exposure on non-trading financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised based on contractual repayment arrangements:

2014	*Overdue (USD '000)*	*Up to 1 month (USD '000)*	*Up to 3 Month (USD '000)*	*3 months to 1 year (USD '000)*	*1 to 5 years (USD '000)*	*Above 5 Years (USD '000)*	*No fixed maturity (USD '000)*	*Total (USD '000)*
Assets								
Due from financial institutions	-	2,062	3,702	2,005	-	-	-	7,769
Financing receivable	12,232	(103)	347	7,904	-	-	-	20,380
Investments in securities	-	-	-	4,306	29,438	39,408	136,575	209,727
Total profit rate sensitive assets			4,049	14,215	29,438	39,408	136,575	237,876
Liabilities								
Due to financial institutions	-	4,528	2,003	11,670	-	-	-	18,201
Total profit rate sensitive liabilities			2,003	11,670	-	-	-	18,201
Profit rate sensitivity gap			**2,046**	**2,545**	**29,438**	**39,408**	**136,575**	**219,675**

The sensitivity of the Group's consolidated statement of income to a 200 basis points parallel increase (decrease) in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) on floating rate non trading financial assets and liabilities, would be an increase (decrease) of profit by US$ 111 thousand (2012:US$ 345 thousand).

4.8 Rate of return risk

The rate of return risk is generally associated with overall balance sheet exposures where mismatches arise between assets and balances from fund providers. The Group is not exposed to any significant rate of return risk and is aware of the factors that give rise to rate of return risk. Factors that possibly will affect rate of return may include an increase in long-term fixed rates in the market. The Bank is also aware of the fact that in general, profit rates earned on assets reflect the benchmark of the previous period and do not correspond immediately to changes in increased benchmark rates.

The Bank uses a combination of mismatch gap limits to measure and control its rate of return risk. Mismatched positions are regularly monitored to ensure that mismatch is maintained within established limits.

The profit rate shock will have a negative impact in the case of a downward movement.

Displaced commercial risk ("DCR") refers to the market pressure to pay returns that exceed the rate that has been earned on the assets financed by the liabilities, when the return on assets is under performing as compared with competitor's rates.

The Bank manages DCR through the Asset Liability Committee ("ALCO"). The Bank is currently in the process of developing written policies and procedures for Displaced Commercial Risk. The bank will forego its fee in case DCR arises. The bank benchmarks its rates with other leading banks in the market.