

XX January 2009

PRIVATE AND CONFIDENTIAL

Mr XX XXXX
Chief Executive Officer
A Bank B.S.C. (c)
PO Box XXX
Manama
Kingdom of Bahrain

Dear Sir

A BANK B.S.C. (c)
AGREED-UPON PROCEDURES RELATING TO
THE QUARTERLY CONSOLIDATED PRUDENTIAL INFORMATION REPORT
FOR CONVENTIONAL BANKS
SUBMITTED TO THE CENTRAL BANK OF BAHRAIN

We have performed the procedures agreed with you and enumerated below with respect to the Quarterly Prudential Information Report for Conventional Banks ("PIR") submitted to the Central Bank of Bahrain (CBB) relating to the quarter ended 31/30 March/June/September/December 200, a copy of which is attached with this report. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to Agreed-Upon Procedures Engagements 4400. The procedures were performed solely to assist you in confirming that the Form PIR is completed in accordance with the guidelines (including the supplementary sheets for the completion of the Form PIR, the capital adequacy module applicable for conventional banks and the directives issued by CBB from time to time in this regard) and are summarised as follows:

1. We have compared the information reported in the Form PIR and supplementary schedules attached to the guidelines to the Bank's accounting records or with the Bank's own internal systems.
2. We have read the information reported in the Form PIR to confirm that it is grouped, categorised and disclosed in accordance with the guidelines including the supplementary schedules for the completion of Form PIR, the capital adequacy and prudential consolidation and deduction modules applicable to conventional banks and the directives issued by the CBB from time to time and the instructions for completion contained at the end of each page. On a sample basis we have checked the composition of various balances and classifications to the underlying records;
3. We have read the information reported in the Form PIR to confirm that it is consistent with the information reported elsewhere in the Form PIR;

4. We have checked on a sample basis that assets and off balance sheet exposures are correctly risk weighted and computed in line with the guidelines and the capital adequacy rules;
5. We have checked that the risk capital charges for market and operational risk have been computed in line with the guidelines and the capital adequacy rules;
6. We have checked that the calculation of the capital adequacy ratio is in line with the guidelines and the capital adequacy rules;
7. We have compared the opening balances reported in the Form PIR match to the closing balances for the previous period as reported to the CBB;
8. We have checked the arithmetical accuracy of the Form PIR on a test basis;
9. We have read the Form PIR to identify any material omitted items;
10. In addition, we have enquired from the staff responsible for completion of the Form PIR of the nature of errors or inconsistencies in the Form PIR previously reported to the CBB and the steps taken by the licensee to overcome those errors and inconsistencies;
11. In the case of investments in other entities, we have checked that the Bank's risk weighting or consolidation or aggregation or deduction of such investments (and any associated risk assets and capital charges in the case of consolidation or aggregation) is in line with the guidelines and rules and Module PCD;
12. We have checked that an adequate internal control system is implemented for the preparation of the PIR and that the PIR is reviewed by appropriate independent personnel; and
13. We have enquired with the staff responsible for preparation of the Form PIR for the basis of classification / grouping / omission of items in the Form PIR, which in their view were not specifically addressed by the guidelines for completion of Form PIR and the capital adequacy module.

We report our findings below:

- a) With respect to item 1, we found that the information reported in the Form PIR and supplementary schedules attached to the guidelines agrees to the Bank's accounting records, or with the Bank's own internal systems;
- b) With respect to item 2, we found that based on underlying records, the Form PIR has been grouped, categorised and disclosed in accordance with the guidelines including the supplementary schedules for the completion of Form PIR, the capital adequacy and prudential consolidation and deductions modules applicable to conventional banks and the directives issued by the CBB from time to time and the instructions for completion contained at the end of each page. On a sample basis we have checked the composition of various balances and classifications to the underlying records and found the classifications to be fairly stated.
- c) With respect to item 3, we found that the information reported in the Form PIR was consistent with the information reported elsewhere in the Form PIR;
- d) With respect to item 4, we checked on a sample basis and found assets are risk weighted properly in line with the guidelines and the capital adequacy rules.
- e) With respect to item 5, we found that the risk capital charges for market and operational risk have been computed in line with the guidelines and the capital adequacy rules.
- f) With respect to item 6, we found that the calculation of the capital adequacy ratio is in line with the guidelines and the capital adequacy rules;
- g) With respect to item 7, we found that the opening balances reported in the Form PIR agree with the closing balances for the previous period as reported to the CBB;
- h) With respect to item 8, we found that the arithmetical calculations in the Form PIR were accurate;
- i) With respect to item 9, we did not identify any sections of the Form PIR that were incomplete;
- j) With respect to item 10, our enquiries from the staff responsible for the completion of the Form PIR about the nature of errors or inconsistencies in the Form PIR previously reported to the CBB revealed that the Bank has taken adequate steps to overcome these issues; and
- k) With respect to item 11, we did not identify any investments in other entities that were not risk-weighted, consolidated, aggregated or deducted in accordance with the guidelines and rules of Module PCD.
- l) With respect to item 12, we have checked that an adequate internal control system is implemented for the preparation of the PIR and that the PIR is reviewed by appropriate independent personnel.

- m) With respect to item 13; Either: We identified the items/transactions below which are not specifically addressed by the guidelines for completion of the PIR Form and the capital adequacy module. **Or:** We did not come across any items/transactions which are not specifically addressed by the guidelines for completion of the PIR Form and the capital adequacy module.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standard on Review Engagements, we do not express any audit or review assurance on the information reported in the Form PIR. Had we performed additional procedures or had we performed an audit or review of the report in accordance with International Standards on Auditing or International Standard on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is only for the information of the Bank and the Central Bank of Bahrain. This report should not be used for any other purpose or be distributed to any other parties. This report relates only to the information reported in the Form PIR for the quarter ended 31/30 March/June/September/December 200X.

Yours faithfully

Manama, Kingdom of Bahrain

Copy to: Director of Banking Supervision Directorate
 Central Bank of Bahrain