Steady progress

ANNUAL REPORT 2015

بنـــك الإثـمـار
Ithmaar Bank

Contents

At a Glance

Ithmaar Bank B.S.C. (stock code "ITHMR") is a Bahrain-based Islamic retail bank that is licensed and regulated by the Central Bank of Bahrain (CBB). Ithmaar Bank provides a diverse range of Sharia-compliant products and services that cater to the financing and investment needs of individuals and institutions.

Ithmaar Bank is a subsidiary of Dar Al Maal Al Islami Trust (DMIT), and has a paid-up capital of US$757.7 million and is listed on the Bahrain Bourse and the Kuwait Stock Exchange.

Vision, Mission and Values

Our Vision

A trusted leading Islamic financial institution offering a comprehensive range of financial solutions and contributing to social development.

Our Mission

To be the preferred Bank for our customers, counterparties and strategic partners by creating value through innovation and customer service. These include: retail and commercial banking, private banking, asset management, takaful, and real estate development.

Our Values

- Comply with Islamic Sharia principles;
- Honesty, integrity and objectivity in all our relationships;
- Market and customer focused;
- Continuous improvement, creativity, innovation and willingness to bring about changes; and
- Active role in the community.

Financial Highlights

	2015	2014	2013	2012	2011
Net loss (US$ 000)	**(46,395)**	(8,847)	(79,327)	(26,828)	(61,902)
Net loss attributable to shareholders (US$ 000)	**(60,797)**	(15,012)	(80,372)	(30,480)	(62,886)
Total equity attributable to shareholders (US$ 000)	**414,223**	523,386	531,568	589,114	576,828
Book value per share (US cents)	**14**	18	19	22	21
Earnings per share (US cents)	**(2.09)**	(0.52)	(2.76)	(11.35)	(23.13)
Total assets (US$ 000)	**8,138,641**	7,860,904	7,403,135	7,225,737	6,899,419
Funds under management (restricted and unrestricted investment accounts) (US$ 000)	**2,559,215**	2,381,660	2,464,780	2,613,483	2,571,411
Return on average shareholders' equity	**-12.97%**	-2.85%	-14.34%	-5.23%	-10.20%
Return on average assets	**-0.58%**	-0.12%	-1.08%	-0.38%	-0.91%
Return on average paid in capital	**-8.36%**	-2.06%	-11.49%	-4.54%	-9.37%
Cost to operating income ratio	**70.95%**	87.28%	97.60%	85.38%	121.71%
Capital adequacy ratio	**12.81%**	12.11%	12.77%	12.64%	12.88%
Market price per share on 31 December (US cents)	**14.5**	16	23	17	7
Market price per share/Book value per share on 31 December	**1.02**	0.89	1.21	0.77	0.30
Net income before provision for impairment and overseas taxation ($ 000)	**77,958**	28,962	4,805	33,939	(37,966)

Joint Message

HRH Prince Amr Mohammed Al Faisal, Chairman

Ahmed Abdul Rahim, Chief Executive Officer

"The growth in the Bank's core retail banking business is due largely to the continuous focus on improving our products and services while also growing closer to our customers."

In the name of Allah, most Gracious, most Merciful

Dear Shareholders,

We are pleased to announce that the strategic decisions taken by Ithmaar Bank early in 2014, which aim to turn the Ithmaar Group around by significantly transforming the Group's operations, are continuing to deliver positive results, and that we are now proposing plans for a new group structure as the next key step in this transformation.

The plans, which are subject to shareholder and regulatory approvals, involve the creation of a holding company which will be listed on the Bahrain Bourse and the Kuwait Stock Exchange. The holding company will retain 100 percent ownership of all assets presently owned by Ithmaar Bank. These assets will be divided into two wholly-owned subsidiaries: an Islamic retail bank subsidiary, which will hold the core retail banking business, and an investment subsidiary which will hold the investment assets. The holding company and these two subsidiaries will be licensed and regulated by the Central Bank of Bahrain (CBB). The new group structure will be submitted for shareholders' approval at the Extraordinary General Meeting scheduled towards end of March 2016.

The proposed new structure is designed to assist in realising our long-term strategy for growth by providing greater insight into the strength of our core retail banking operations and making it easier for the Group to manage its investment assets. It will also help highlight the performance from core business from any negative impact of the investment assets. This follows extensive internal review and discussion, and is driven by our commitment to ensuring we are well positioned to benefit from new opportunities in the current market.

As per the proposed new structure, the core retail banking operations of Ithmaar Bank, both in Bahrain and in Pakistan as Faysal Bank Limited, will be retained as assets under the new banking entity, an Islamic retail bank, while strategic investments and other investment assets including real estate, will be transferred to the new investment firm. Accordingly, the sale of assets in accordance with the Sharia compliance plan will continue.

The proposed new structure will help lower the risk profile of the new banking entity and enhance shareholder value by showing the growth achieved in the core business that is currently being adversely impacted by investment valuations and impairment provisions. This builds upon the significant improvements that were achieved due to the immediate implementation of the key 2014 decisions - which included initiatives for increased revenue, improved margins, the divestment of non-core assets, and cost reductions across Ithmaar Group. These initiatives, together with the continued growth of our core retail business, have contributed in a big way to the Bank's continuously improving financial performance.

Ithmaar Bank's 2015 financial results show that net income before provisions for impairment and overseas taxation increased 169.2 percent to US$77.9 million in 2015, from US$28.9 million in 2014. This including an 18 percent increase in Operating Income which increased to US$268.4 million in 2015, up from US$227.8 million in 2014, mainly due to sustainable revenue growth across most income streams. This improved performance however was impacted by the recognition of certain impairment provisions of US$95 million in 2015, compared to provisions of US$26.1 million in 2014, contributing to a net loss of US$46.4 million for 2015. The stable, sustainable growth achieved in the Bank's core retail business however is clearly evident, with total income increasing 5.4 percent to US$478.4 million in 2015, compared to US$453.9 million in 2014. Despite the continued successful expansion of the Bank's core retail banking operations, total expenses for 2015, at US$190.4 million, were 4.2 percent lower than for 2014, at US$198.8 million.

We are also pleased to report that the balance sheet remains stable and continues to grow with total assets increasing by 3.5 percent to US$8.1 billion as at 31 December 2015, compared to US$7.9 billion as at 31 December 2014. The increased confidence in the Bank is evident from the increase in equity of unrestricted investment account holders by 10 percent to US$2.2 billion as at 31 December 2015, compared to US$2 billion as at 31 December 2014. Similarly, customers' current accounts have increased by 4.6 percent to US$1.4 billion as at 31 December 2015, compared to US$1.37 billion as at 31 December 2014, due to the Bank's focus on attracting low cost deposits. Liquid assets, as at 31 December 2015, account for 10.6 percent of the balance sheet, compared to 9.3 percent as at 31 December 2014.

The growth in the Bank's core retail banking business is due largely to the continuous focus on improving our products and services while also growing closer to our customers.

During 2015, Ithmaar Bank's pioneering association with Eskan Bank continued to contribute to addressing the Kingdom's housing challenges by offering Bahraini citizens government-subsidised financing through Ithmaar Bank to help them buy their first homes as part of a national scheme.

Ithmaar Bank also signed an agreement with Tamkeen, a Bahrain semi-government organisation which works to make the private sector the key driver of sustainable economic development, and added US$26.5 million to the joint Ithmaar-Tamkeen enterprise finance scheme portfolio.

In 2015, to mark the Holy Month of Ramadan, Ithmaar Bank launched a first of its kind Qard Hasan (profit-free financing) for low income loyal customers and, later in the year, also introduced Bahrain's most rewarding Credit Cards loyalty programme, Ithmaar Rewards.

As a result of this clear focus throughout the year, total Retail Banking customer current accounts, savings accounts, Thimaar and URIA deposits increased by 11.6 percent in 2015, from US$1.54 billion at the end of 2014 to US$1.72 billion. Ithmaar Bank's financing business also increased by 29 percent, from US$914 million at the end of 2014, to US$1.18 billion.

The focus on core business however did not distract Ithmaar from its social responsibilities, and in 2015 the Bank continued making real and meaningful contributions to the community in which it operates by supporting, for example, a nation-wide initiative to empower Bahraini women in the banking and finance industry.

Ithmaar Bank's 2015 achievements, as well as our continued success, are ultimately a result of the commitment, dedication and expertise of the people at Ithmaar Group who we recognise to be our greatest asset. We take this opportunity, as always, to thank each one of them for their truly valuable contributions.

We take this opportunity, also, to thank our shareholders for their continued support, our customers, investors and all other stakeholders for their confidence, our regulators for their guidance and the members of the Board of Directors and the Sharia Supervisory Board for their continued support to realising the Ithmaar Bank vision of becoming the region's premier Islamic retail bank.

Amr Mohammed Al Faisal
Chairman

Ahmed Abdul Rahim
Chief Executive Officer

Review of Operations

Review of Operations

Strategy and Focus

Ithmaar Bank's strategy continues its single focus: return to sustainable profitability. The strategies to achieve the Bank's key objectives include a firm focus on core business, together with improving asset allocation including divestment of non-core assets, cost rationalisation and improving efficiency levels.

Economic outlook

Global growth, currently estimated at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017. The pickup in global activity is projected to be more gradual than (earlier expected), especially in emerging market and developing economies.

Growth in emerging market and developing economies is projected to increase from 4 percent in 2015—the lowest since the 2008–09 financial crisis—to 4.3 and 4.7 percent in 2016 and 2017, respectively. Higher growth is projected for the Middle East, but lower oil prices, and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook.

Three key transitions continue to influence the global outlook: (1) the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward consumption and services, (2) lower prices for energy and other commodities, and (3) a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. (Source: International Monetary Fund – World Economic Outlook January 2016).

Firm focus on core business

In 2015, Ithmaar Bank focused on further improving its products and services; increasing efficiency and monitoring in line with regulatory and best practice requirements, and enhancing the overall customer experience. As a result, significant improvements were achieved at all customer-bank contact points, including the branches, the call centre and the sales offices.

In January 2015, for example, Ithmaar Bank commissioned a new Automated Teller Machine (ATM) at the Isa Town fuel station to bring the total number of ATMs to 46, including 17 at full-service branches, at strategic locations across Bahrain. In August, Ithmaar reopened its West Riffa branch after significantly expanding the branch to accommodate additional tellers and customer service stations as well as dedicated facilities exclusively for female customers.

Ithmaar Bank also conducted various promotions, including the "Win back your instalment" promotion where five Ithmaar Bank customers each had twelve months of personal finance instalments paid for them by the Bank.

In 2015, Ithmaar Bank introduced Bahrain's most rewarding Credit Cards loyalty programme, Ithmaar Rewards, which is by far the most comprehensive of its kind in Bahrain. Ithmaar Bank also signed agreements with Gulf Air, as well as a number of retailers and various service providers, to provide exclusive discounts and other offers to card holders. Later in the year, Ithmaar Bank launched a Sharia-compliant prepaid e-Card designed to provide customers a faster, safer and more convenient online shopping experience.

As a result, total Retail Banking customer current accounts, savings accounts, Thimaar and URIA deposits increased by 11.6 percent in 2015, from US$1.54 billion at the end of 2014 to US$1.72 billion. Ithmaar Bank's financing business also increased by 29 percent, from US$914 million at the end of 2014, to US$1.18 billion. This growth was driven mainly by Home Financing, which increased by 230 percent in 2015, as well as Personal financing, which increased by 20 percent in 2015.

In 2015, Ithmaar Bank focused on further improving its products and services; increasing efficiency and monitoring in line with regulatory and best practice requirements, and enhancing the overall customer experience.

Ithmaar Bank Markets Served (Bahrain)

Financings – FYE 2015

Territory	
Bahrain	90%
GCC	1%
Others	9%
Total	**100%**

Sector	
Personal	81%
Financial Institutions	4%
Real estate and construction	10%
Trade and manufacturing	3%
Services	2%
	100%

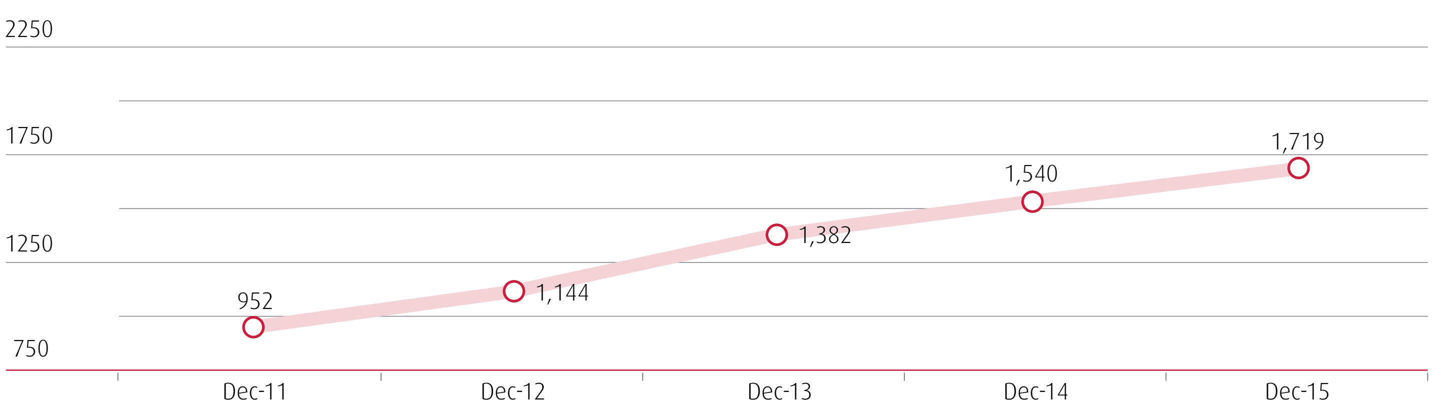
Customer Funds – FYE 2015

Territory	
Bahrain	89%
GCC	1%
Others	10%
Total	**100%**

Sector	
Personal	65%
Financial Institutions	3%
Real estate and construction	9%
Trade and manufacturing	5%
Services	8%
Government related	10%
	100%

Ithmaar Bank Retail Banking – Customer Funds (Bahrain)

Customer Funds (URIA) (US$ million)



Ithmaar Bank Customer Financing (US$ million)

	Home finance	Personal finance	Corporate & SME finance
Dec-11	25	395	446
Dec-12	44	533	617
Dec-13	51	659	577
Dec-14	78	798	552
Dec-15	185	956	490

Ithmaar Bank Market Share (Bahrain)

	Customer Deposits/Funds (%)	Corporate & SME finance (%)	Home finance (%)	Credit Card Receivables (%)	Personal finance (%)
Dec-11	6.7	4.1	1.4	2.7	10.8
Dec-12	7.0	4.3	2.3	2.6	13.6
Dec-13	7.4	4.3	2.2	3.0	15.0
Dec-14	7.2	4.5	3.0	4.7	16.9
Jun-15	7.5	4.1	4.8	5.9	16.7

Based on statistics compiled by the Central Bank of Bahrain.

In 2015, Private Banking continued to attract a steady growth in both liabilities and assets with the introduction of new clientele, despite overall market and industry challenges.

Private Banking, which manages the Ithmaar Premier programme, also reported a significant increase in membership since the programme was introduced in 2013. Ithmaar Premier is a members-only programme designed to recognise the Bank's most valuable customers by providing exclusive benefits and services. In 2015, as part of the Ithmaar Premier programme, the Bank sponsored the Bahrain Businesswomen's Society's annual gala dinner which was held as part of the year-long Bahraini Women's Day celebrations that focused on the role of women in banking and finance. The event honoured 20 women for their outstanding professional contributions to the sector over the years.

Private Banking also launched Ithmaar Premier Modaraba 1 in February 2015 and, following its remarkable success, the Ithmaar Premier Modaraba 2 was subsequently launched in November and proved another great success.

Commercial and International Banking continued in 2015 to focus on Small and Medium Enterprises (SMEs), as well as on developing the Bank's Corporate Banking and International Banking business.

As a result, in 2015, Ithmaar Bank signed an agreement with Tamkeen, a Bahrain semi-government organisation which works to make the private sector the key driver of sustainable economic development, to add US$26.5 million to the joint Ithmaar-Tamkeen enterprise finance scheme portfolio. The scheme, which aims to help the private sector enterprises meet their financing needs and achieve their business objectives, helps support the sustainable growth and development of Bahrain's SMEs. Ithmaar Bank was the first Bank in Bahrain to offer SME financing with Tamkeen during 2007.

Meanwhile, in order to support Ithmaar Bank's geographic diversification strategy, the International Banking Unit continued to focus on identifying new opportunities in regional and overseas markets on a selective basis.

Based mainly in Bahrain, Ithmaar Bank's range of operations presently spans the Middle East, North Africa and Turkey. Ithmaar Bank through the Commercial and International Banking Department is focused on becoming the bank of choice for corporate clients.

Improving Asset Allocation

The main objective of Asset Management continues to be to preserve the value of the existing investment portfolio of the Bank and identify opportunities for investment exits at acceptable valuations. The planned and managed exit from certain non-revenue generating investments will help restore the asset allocation to be in line with peers and facilitate the additional deployment of funds in financing, thereby contributing to the net margins.

During 2015, Asset Management continued to effectively manage and monitor Ithmaar Bank's investments, including subsidiaries and associates. Asset Management also manages Bank's funds under management as Modareb for the fund's investors.

Investing in our people

As part of Ithmaar Bank's efforts to enhance employee efficiency by helping improve their work-social life balance as well as to further improve Employee Relations, the Bank established a new Social Committee, conducted a Ramadan Staff Competition and distributed gifts to employees on the occasions of Labour Day, Ramadan, Eid Al Fitir, Eid Al Adha, National Day as well on each employee's employment anniversary.

In 2015, Ithmaar Bank also implemented the new Remuneration Policy required by the Central Bank of Bahrain (CBB), and enhanced its internal Human Resources Management System (HRMS) to meet international best practices.

Ithmaar Bank, which has long recognised its employees as its greatest asset, invests heavily in continuously developing and enhancing its workforce to ensure it is as efficient and as effective as possible. Training is key to this approach and, in 2015, Ithmaar Bank hosted a large number of in-house training programmes and also sent its staff for external training programmes that covered a wide range of subjects.

The training programmes, which were tailored to meet the specific requirements of various departments, included both refresher and development-focused courses. This included separate, individually focused Sales Development training programmes for employees in the Branch Network, as well as the Private Banking and Business Development departments.

Ithmaar Bank also conducted Information Security Awareness sessions for all employees; Business Continuity Plan Awareness sessions for new employees; and "Tawaruq" (Islamic Finance) sessions for Retail Support and Consumer Finance employees. In compliance with CBB requirements, Ithmaar Bank also held Anti-Money Laundering (AML) refresher courses for specific employees.

In 2015, three senior Ithmaar Bank employees also attended an intensive Leadership Grooming Programme designed to help develop the next generation of C-suite executives. The 17-day programme, which was conducted by top-tiered Canadian university, the Ivey Business School, is part of a joint initiative by the Central Bank of Bahrain and the Bahrain Waqf Fund that focuses on strategic thinking, leadership skills and ethics.

Celebrating employee excellence

In 2015, Ithmaar Bank honoured 36 long-serving employees who had completed thirty, twenty-five, twenty, fifteen and ten years with the Bank at the Bank's Annual Staff Gathering. The Bank also honoured its Head of Human Resources, Enas Rahimi, for having completed ten consecutive years of volunteer service with INJAZ Bahrain, as well as for her championship of youth empowerment.

Four outstanding Ithmaar Bank employees were also honoured under the patronage of His Majesty King Hamad bin Isa Al Khalifa at a Labour Day celebration that was organised by the General Federation of Bahrain Trade Union. Mohammed Hasan Al Aynati, Nabeel Abdulkarim Al-Laith, Alya Ghuloom Malalla and Mohammed Abdulla Mattar each received an award from the Minister of Labour in recognition of their accomplishments.

Training (Bahrain)

BIBF Levy Training	Total: 1,190 Hours Managers and Above: 170 Hours Below Managers: 1,020 Hours
External Training	Total: 1,218.5 Hours Managers and Above: 896.5 Hours Below Managers: 322 Hours
Islamic Banking Ethics and Governance Course – CBB Requirement	11 Employees attended
Anti-Money Laundering (AML) – CBB Requirement	New Joiners: 43 Employees Annual Refresher Course: 220 Employees

Staff Overview (Bahrain)

	Bahrainis			Non Bahrainis			
	Assistant Manager and Above	Associate and Senior Officer	Officer and Below	Assistant Manager and Above	Associate and Senior Officer	Officer and Below	Total
Male	62	40	74	13	0	0	189
Female	10	38	37	1	0	0	86
Total	72	78	111	14	0	0	275

Role in the community

Ithmaar Bank continued in 2015 to fulfil its social responsibilities towards the community by supporting worthy local charities, as well as by sponsoring various education, medical and sporting activities.

The Bank provided financial support to the Bahrain Cancer Society, the UCO Parents Care Centre, the Future Society of Youth, and the Bahrain Disabled Sports Federation. Ithmaar Bank also provided financial support to the Bahrain Special Olympics team, helping them participate in the first MENA triathlon Championship as well as in the 2016 Regional Winter Championship.

For the eighth consecutive year, Ithmaar Bank sponsored the King Hamad Trophy Golf Championship in 2015. The Championship attracts many players and spectators from the Middle East and across the world to Bahrain, which was one of the first countries in the region to host such events. Ithmaar also continued to sponsor the King's Football Cup which involved teams from the Bahraini Premier League, as well as events organised by the Bahrain Athletics Association, and the Bahrain Motorsports Marshals Club.

During the year, Ithmaar participated in student-focused events at the Applied Science University as well as the British School of Bahrain, and sponsored the Science India Forum, an inter-school science talent search contest. Ithmaar Bank also continued to contribute to Bahrain's development as a key regional banking and finance hub by supporting various initiatives undertaken by the Bahrain Association of Banks, the GCC Accounting and Auditing Organisation, the Accounting and Auditing Organisation for Islamic Financial Initiations (AAIOFI) and the World Islamic Banking Conference (WIBC).

Ithmaar Bank also continued to support the education of underprivileged students and, together with the Kingdom of Bahrain's Royal Charity Organisation, sponsors 18 orphaned students from preschool through to Grade 12 at an accredited private school in Bahrain, as well as one Bachelor degree student at an accredited university in Bahrain.

In cooperation with the CBB, Ithmaar hosted the Head of the Research Committee of the Association for Development of Islamic Finance in Kazakhstan for a two-day research trip that included meetings with various department heads to learn about the day-to-day management and operations of an Islamic retail bank.

The Bank also continued its commitment to nurture Bahraini undergraduates into future banking professionals and hosted twenty-three undergraduate students from five Bahrain universities for a two month-long summer internship at the Bank. Ithmaar Bank's long-standing Internship Programme offers trainees first-hand insight into the Bank's organisational structure, as well as the key functional areas in an Islamic retail bank. The Programme also outlines how to deal with daily challenges in real work-life situations.

Empowering women in banking

In 2015, Ithmaar Bank supported a joint, nation-wide Supreme Council of Women (SCW) and CBB initiative to empower Bahraini women in the banking and finance industry, and to integrate their needs in development programmes while also promoting gender equal opportunities.

As part of this support, Ithmaar hosted a SCW delegation to discuss the role of women in the national banking and finance industry and review ways to increase cooperation between the Bank and the Council. Ithmaar Bank also sponsored a high-level conference, Women in the Financial and Banking Sector, under the patronage of Her Royal Highness Princess Sabeeka Bint Ibrahim Al Khalifa, Wife of His Majesty the King and President of the SCW; as well as a CEO roundtable discussion on the role of women in Islamic banking hosted by the Bahrain Association of Banks. Ithmaar Bank also worked with the SCW to help develop an action plan to support the implementation of the national model for integrating women's needs.

Ithmaar Bank's longstanding commitment to ensuring equal employment and growth opportunities regardless of gender, as well as the Bank's firm focus on an exclusively merit-based work environment, has already delivered impressive results with about one third of the Ithmaar Bank workforce, including senior members of the management team, being women. Kuwait's Shaikha Hissah bint Saad Al Sabah, who is president of both the Council for Arab Business Women and the Council for Arab African Business Women, is also a member of the Ithmaar Bank Board of Directors.

To further underscore this commitment, in 2015, Ithmaar Bank worked with the SCW to ensure the alignment of the Bank's strategy with the national plan for the advancement of Bahraini women.

Ithmaar Bank also continued its tradition of marking the Bahrain Women's Day on 1 December by honouring the Bank's female employees and presenting each with a gift at a ceremony hosted by the Chief Executive Officer. This year, students from the Al Muharraq Primary Girls School also visited Ithmaar Bank's Busaiteen, Arad and Muharraq branches and honoured female employees at these branches.

Financial Review

Financial Performance

The Bank has reported a net loss attributable to equity holders of the Bank for 2015 amounting to US$60.8 million, compared to a net loss of US$15.0 million reported last year.

Over all, the recurring income from all revenue streams increased resulting in profit before provision for impairment and overseas taxation of US$77.9 million for 2015, which is an increase of more than 169.2 percent from US$28.9 million for 2014. This is due to significant growth of the Bank's operating income which increased by 18 percent to US$268.4 million in 2015, from US$227.8 million in 2014. This increase is mainly due to sustainable revenue growth across most income streams. A major contributor was income from investments, which increased by 41.6 percent to US$179.5 million compared to US$126.7 million in 2014. This is mainly due to growth in government securities portfolio by Faysal Bank Limited (FBL). Share of profit from associates increased by 48.1 percent to US$33.1 million in 2015, compared to US$22.3 million in 2014.

Despite the continued successful expansion of the Bank's core retail banking operations, total expenses for the year ended 31 December 2015 reduced by 4.2 percent, at US$190.4 million against 2014 expenses of US$198.8 million. This reduction is, largely, a result of the strategic decisions taken by the Bank in early 2014 that aimed at significantly transforming the Group's operations.

Financial Position

Total assets increased by 3.5 percent to US$8.14 billion as at 31 December 2015, compared to US$7.86 billion as at 31 December 2014. This is due to growth in core business (Murabaha, Musharaka and Ijara financings) by 1.8 percent to US$3.72 billion as at 31 December 2015 compared to US$3.65 billion as at 31 December 2014.

Investment securities also increased by 8.6 percent to US$1.92 billion as at 31 December 2015 compared to US$1.77 billion as at 31 December 2014 mainly due to higher investment in government securities.

The equity of unrestricted investment account holders grew to US$2.19 billion as at 31 December 2015 as compared to US$2.00 billion as at 31 December 2014, an increase of 9.9 percent. The Bank's focus on low cost deposit is evident from growth in customers' current accounts which increased by 4.6 percent to US$1.44 billion as at 31 December 2015, compared to US$1.37 billion as at 31 December 2014. Deposits from banks, financial and other institutions have increased by 11.3 percent to US$1.64 billion as at 31 December 2015, compared to US$1.47 billion as at 31 December 2014.

Overall, during the past three years, customer accounts have consistently registered significant growth. Maintaining adequate liquidity continues to be the focus and, liquid assets, at US$861.2 million, formed 10.6 percent of the total assets as at 31 December 2015.

Subsidiaries and Associates

Board of Directors

Sharia Supervisory Board

Executive Management

Subsiidiaries and Associates

Key operating subsidiaries

Faysal Bank Limited (FBL)

Faysal Bank Limited (the Bank) was incorporated in Pakistan on October 3, 1994. Its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is mainly engaged in Corporate, Commercial and Consumer banking activities. During 2014, the decision was taken to convert FBL's remaining conventional operations to Islamic banking. The Bank has a network of 279 branches including 68 Islamic banking branches as of 31 December 2015. The Group owns 66.67 percent of FBL.

The current strategy of FBL focuses on growth in deposits (including improvement in low cost deposits portfolio) and reduction on operating costs in order to achieve higher profitability. The total assets and total shareholders' equity as of 31 December 2015 amounted to PKR 427 billion and PKR 27.2 billion respectively.

Faisal Private Bureau (FPB)

FPB, a wholly-owned subsidiary of the Group, was established in 1980 as Sharia Investment Services in Geneva, Switzerland, and later got a banking licence and was providing Islamic financial services in the European region. FPB voluntarily surrendered its banking licence in June 2013 and the activities of the new entity are restricted to providing advice and wealth management services.

The current strategy of FPB focuses on serving existing clients of the erstwhile Faisal Private Bank to facilitate their exit from the funds under management. The total assets and total shareholders' equity as of 31 December 2015 amounted to US$24.1 million and US$9.7 million respectively. The Funds Under Management (FUM) as at 31 December 2015 amounted to US$134.1 million.

Ithmaar Development Company (IDC)

Ithmaar Development Company (IDC) is a wholly-owned subsidiary of the Group which was established in 2007 with the objective of developing and managing major development, real estate and other infrastructure projects. IDC's flagship projects include Dilmunia, a 1.25 million square meters manmade island off the coast of Bahrain.

IDC, together with Ithmaar, is working on the sale of parcels relating to the project and has achieved good success during 2015.

The current strategy of IDC focuses on the infrastructure development relating to Dilmunia project as well as providing development management services to Naseej relating to the Private Public Partnership Housing Project (PPPHP) project.

Key operating associates

BBK B.S.C. (BBK)

BBK is one of the largest commercial banks in Bahrain with a presence in Kuwait, India and Dubai (United Arab Emirates). BBK provides a full range of lending, deposit, treasury and investment services, and has established a number of subsidiaries in the areas of brokerage, financial services and credit cards. The Group owns 25.4 percent of BBK. BBK has 17 branches, including seven financial malls, and 53 ATMs in Bahrain

BBK's strategy focuses on growth of its retail banking business through branch expansion in GCC and international markets, mainly India. The total assets and total shareholders' equity as of 31 December 2015 amounted to US$9.7 billion and US$957 million respectively.

Naseej B.S.C. (c) (Naseej)

Naseej is the MENA region's first fully-integrated real estate and infrastructure development company, encompassing the entire value chain from concept to completion. The Company's core activities comprise design and master planning; development and construction; building components; mortgage facilitation; and asset management. Naseej was established by prominent private and public sector investors to act as a pioneering catalyst for addressing the region's affordable housing development needs. The Group owns 30.7 percent of Naseej.

Naseej's strategy focuses on pursuing property development and investment opportunities in affordable housing and retail real estate sectors in the MENA region besides working on the Private Public Partnership Housing Project (PPPHP) project in Bahrain.

Recently, Naseej announced the successful close in sales of all residential villas in its "Yasmeenat Saar" project.

Solidarity Group Holdings B.S.C. (c)

Solidarity is one of the largest takaful (Islamic insurance) companies. The Company provides general and family takaful products and services, which comply with the principles of the Islamic Sharia, around the globe. Solidarity operates two fully-owned subsidiaries in Bahrain, one subsidiary in Jordan, and other business interests in Saudi Arabia and Malaysia. The Group owns 36.4 percent of Solidarity.

Solidarity's strategy focuses on providing general takaful services both locally and in key international markets, mainly Jordan, Saudi Arabia and Malaysia. The total assets and total shareholders' equity as of 31 December 2015 amounted to US$296 million and US$186 million respectively.

CITIC International Asset Management Limited (CITICIAM)

CITICIAM is part of the CITIC Group, a major diversified financial and investment conglomerate wholly-owned by the State Council of the People's Republic of China. CITICIAM's principal activity is to invest in companies and projects in China and internationally, both for its own account and on behalf of clients. Established in 2002 to specialise in distressed asset management, the current portfolio of CIAM includes direct investments in real estate, high technology, health, retail and industrial projects. The Group owns 20 percent of CITICIAM.

CITICIAM's strategy focuses on investment mainly in China in environmental, agricultural, natural resources and health sector of China specifically in companies, mainly SME's, which are run in line with the state policies and contribute to the socio-economic development of China.

Board of Directors

HRH Prince Amr Mohammed Al Faisal
Chairman

Appointed 5 November 2009, Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013).

HRH Prince Amr has more than 27 years of extensive and diversified experience in commercial and investment banking, executive management, architecture and engineering.

He is a Member of the Board of Supervisors of Dar Al Maal Al Islami Trust (DMI Trust), Faisal Islamic Bank (Sudan) and Faisal Islamic Bank (Egypt). HRH Prince Amr is also Founder and Director of the Red Sea Design Consultants (Jeddah), Chairman of the Board of Directors of Al Daleel Company for Information Systems (headquartered in Jeddah with sister companies in Tunisia, Sudan and Pakistan), Al Wadi Company for Trading Ltd. (Jeddah) and Amr Establishment for Marketing and Commerce.

He is a Fellow of the Saudi Association for Construction Societies, City Development and Clean Environment and a Member of the Saudi Council of Engineers. HRH Prince Amr holds a Bachelor of Arts Degree in Architecture from King Abdulaziz University, Saudi Arabia.

Sheikh Zamil Abdullah Al-Zamil
Independent, Non-Executive Board Member

Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Sheikh Al-Zamil is a prominent businessman in the Kingdom of Saudi Arabia and in GCC countries, and has more than 35 years of experience in managing business activities in various sectors.

He is Executive Vice-President of Zamil Group Holdings Company and serves as the Chairman of Zamil Offshore Services Co. and Zamil Operations and Maintenance Co. Ltd.

Sheikh Al-Zamil is actively involved in various institutions such as the Chambers of Commerce, industrial companies and banks in his capacity as a Director.

Educated in the United States, he has BS degree in Petroleum Engineering from the University of Southern California (USC) and an MS degree in the same major from West Virginia University, USA.

Tunku Dato' Ya'acob Bin Tunku Abdullah
Independent, Non-Executive Board Member

Elected 11 May 2006, 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Prince Ya'acob has more than 32 years of banking and finance experience.

He is Chairman of MAA Group Berhad (Malaysia), which he joined in 1999. Prior to his current position, Prince Ya'acob worked for 19 years at Malaysian Assurance Alliance Berhad, where his last position was Chairman. He also worked at PriceWaterhouse, UK and Malaysia.

Prince Ya'acob holds a Bachelor of Science Degree with Honours from the City University in London and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Shaikha Hissah bint Saad Al-Sabah
Independent, Non-Executive Board Member

Elected 11 May 2006 and 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Shaikha Hissah has more than 17 years of banking experience.

She is President of the Council of Arab Businesswomen, and has a long history in the Kuwait Government and private voluntary service in sectors which include medical services, research and development, defence, and narcotics and addiction control. Shaikha Hissah is also the President of the Council of Arab African Business Women.

Shaikha Hissah studied Public Administration and Political Science at the American University of Beirut, Lebanon, and holds a Doctorate in Humane Letters.

Abdelhamid Mohamed Aboumousa
Executive Board Member

Elected 11 May 2006, 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Aboumousa has more than 46 years of banking experience. He is Governor of Faisal Islamic Bank of Egypt, which he joined in 1979. Prior to joining Faisal Islamic Bank of Egypt, Mr. Aboumousa worked in the Central Bank of Egypt for 15 years. He is a Member of the General Assembly of the Public Banks representing the Egyptian Government in state owned banks.

He holds a Bachelor of Science Degree in Accounting and a Diploma in Finance from Cairo University in Egypt, and a Higher Diploma in Economics from Lwegi Boconi University in Milano, Italy.

Khalid Abdulla-Janahi
Executive Board Member

Elected 11 May 2006, 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Janahi has more than 29 years of banking experience.

He is Group Chief Executive Officer of Dar Al Maal Al Islami Trust (DMI Trust); Chairman of Faisal Private Bureau (Switzerland); DMI Administrative Services; Islamic Investment Company of the Gulf (Bahamas) Ltd.; Solidarity Group Holding; Naseej BSC; and Ithmaar Development Company, Bahrain.

He is also the Chairman of the Executive Committee and Member of the Board of Saudi Takaful Company, Saudi Arabia.

Mr. Janahi is a member of the Board of Faisal Islamic Bank of Egypt and the Centre for International Business and Management (CIBAM) at the University of Cambridge.

He had earlier served as Chairman of the Board of Directors of First Leasing Bank, Bahrain; Chairman of the Executive Committee of the Bank of Bahrain and Kuwait; Member of the Economic Development Board of Bahrain; Chairman of the Executive Committee of the Board of Directors of Faysal Bank Limited (Pakistan); and Vice Chairman of the Arab Business Council; as well as a Member of the Board of the Bahrain Stock Exchange, the Accounting and Auditing Standards Board for Islamic Banks and Financial institutions, the Bahrain Academic Qualification Accreditation Committee and the Public Accounting Standards Setting Committee in Bahrain.

He holds a Bachelor of Science degree in Computer Science & Accountancy from the University of Manchester, UK; and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mohammed A. Rahman Bucheerei
Non-Executive Board Member

Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Bucheerei has more than 45 years of experience in Accounting, Commercial and Offshore Banking.

He was Chief Executive Officer of Ithmaar Bank from 12 July, 2010 to 31 August, 2013, and has been a Member of the Ithmaar Bank Board of Directors since March 2010. He is also a Member of the Bank's Executive Committee.

Previously, Mr. Bucheerei served as the General Manager of the Private Offices of HRH Prince Mohamed Al Faisal Al Saud, Saudi Arabia, and Executive Vice-President, Shamil Bank of Bahrain.

He currently serves on the Boards of Islamic Investment Company of the Gulf (Bahamas and Sharjah) Limited, Faysal Bahamas Limited, Crescent International Limited (Bermuda), DMI (Jersey) Limited, MFAI (Jersey) Limited, Gulf Investors Asset Management Company (Saudi Arabia), Cantara S.A . (Switzerland), Abudhabi Investment House (Abudhabi), Al Areen Palace Hotel (Bahrain), Lost Paradise of Dilmun (Bahrain) and Overland Capital Group, USA.

He studied accounting, mathematics and economics at Gulf Polytechnic, Bahrain.

Nabeel Khaled Mohamed Kanoo
Independent, Non-Executive Board Member

Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Kanoo has more than 17 years of business and management experience.

He is Director of Public Relations and Marketing of YBA Kanoo as a group, a Director of YBA Kanoo's Saudi Arabia Board, a Director of YBA Kanoo's Bahrain Board, a Director of Kanoo Travel Co. UK and France, a Director of Kanoo and El-Shabrawy Ltd. Co. Egypt, and a Board Member of the Bahrain Chamber of Commerce.

Mr. Kanoo holds a Bachelor of Business Management Degree from St. Edwards University, Austin, Texas.

Abdulellah Ebrahim Al-Qassimi
Independent, Non-Executive Board Member

Appointed 15 July 2012 and Elected 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Al-Qassimi has more than 32 years of diversified management experience.

His previous positions include Chief Executive of the Labour Fund (Tamkeen), from which he resigned in May 2010; Deputy Chief Executive Officer of the Labour Fund Project at the Bahrain Economic Development Board; Assistant Undersecretary for Training at the Bahrain Ministry of Labour and Social Affairs; and Director of Engineering and Maintenance at the Bahrain Ministry of Health. He has also served as the Chairman of the Bahrain Qualifications Framework Steering Committee; and the Steering Committee of Career Expo; and was a Board member of the Bahrain Society of Engineers and the Bahrain Consumer Protection Society.

He is currently a Member of the Board of Tamkeen; Solidarity Group Holding; Durah Resort Management Company; Naseej BSC; Faysal Bank Limited (Pakistan); and the Bahrain Development Bank, as well as a Member of the Committee for HRH Princess Sabeeka bint Ibrahim Al Khalifa's Award for Women Empowerment (Supreme Council for Women, SCW).

Mr. Al-Qassimi holds a BSc in Civil Engineering from Queen Mary College, University of London, UK; a MSc in Health Facility Planning from the University of North London, UK, and a Diploma in Health Care Management from the Royal College of Surgeons in Ireland, Bahrain.

Imtiaz Ahmad Pervez
Non-Executive Board Member

Appointed 15 July 2012 and Elected 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Pervez has more than 37 years of banking experience.

He has previously served on the Boards of AlBaraka Bank Pakistan Limited, Faysal Islamic Bank of Bahrain, Faysal Investment Bank of Bahrain EC., Faysal Bank Ltd., Pakistan, Al Faysal Investment Bank Ltd., Pakistan, Trust Leasing Corp. Limited, and Namco Management Company Ltd.

He has also held many senior positions in the banking industry, including those of Chief Operating Officer of the Faysal Islamic Bank of Bahrain EC, and Chief Executive Officer of Al Faysal Investment Bank Ltd., Pakistan.

Mr. Pervez holds a BA degree from University of the Punjab, Pakistan, and is a Fellow of the Institute of Islamic Banking and Insurance, London.

Graham R. Walker
Non-Executive Board Member

Elected 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Walker has more than 47 years of experience in banking and financial services. He has a strong record in General Management, Finance and Strategic Planning gained internationally in banking, securities and investment management.

Mr. Walker served as Finance Director and a member of the Executive Committee at Ithmaar Bank from 2003 to 2008.

Previously, Mr. Walker served at Dar Al Maal Al Islami Trust (DMI Trust) where he was Executive Vice President, Group Head of Finance and Risk Management. He also served as Director and member of the Audit Committees of Solidarity General, Solidarity Family, Shamil Bank and Faysal Bank Limited (Pakistan) as well as a Director and Chairman of the Audit Committee at Citic International Assets Management Limited (Hong Kong). Mr. Walker was earlier Chief Operating Officer at Foreign & Colonial Management Limited and Deputy Managing Director of Standard Chartered Equitor Limited.

Mr. Walker qualified as a Chartered Accountant and is a member of the Institute of Chartered Accountants of Scotland.

Omar Abdi Ali
Non-Executive Board Member

Elected 31 March 2013 (approved by the CBB on 9 May 2013)

Mr. Ali has more than 47 years of experience in financial and general management in development as well as commercial and investment banking in Africa, the Middle East and Europe. He is Founder and Chairman of the Board of Directors of Quadron Investments Co. Ltd. (Sudan) and Integrated Property Investments (United Kingdom and Tanzania).

Previously, Mr. Ali served at Dar Al Maal Al Islami Trust (DMI – Trust) where he was Chief Executive Officer and Chief Operating Officer from 1986 to 1999 and, before that, Executive Vice-President Finance and Vice-President in charge of Internal Audit from 1983 to 1986. Prior to his DMI appointments, Mr. Ali was Director of Finance and Chief Financial Officer at the Arab Authority for Agricultural Investment and Development (Sudan).

He is currently a member of the Board of directors of Faisal Islamic Bank of Egypt and serves as chairman of the Audit and Risk Committees of the Board. He has served in the African Development Bank for ten years and his last post there was CFO of the Bank. He has also served in the Arab Fund for Economic and Social Development and the Arab Authority for Agriculture and Investment where he was also the CFO. He has served these two institutions for seven years.

Mr. Ali is a Certified Accountant, Leeds College of Commerce, UK, and a Fellow of the Association of Chartered Certified Accountants.

Sharia Supervisory Board

Sheikh Abdullah Sulaiman Al Manee'a
Chairman,
Appointed 2011, reappointed 2013

Sheikh Al Manee'a is a prominent, highly-respected Sharia scholar. He is a member of the Senior Sharia Board in the Kingdom of Saudi Arabia and a consultant in the Royal Court. He is the Vice Chairman of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). He is also Chairman or a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions.

An expert at the Islamic Fiqh Academy, Sheikh Al Manee'a holds a Master's degree from the Higher Institute for Judgment and has authored several books including 'Paper Money: Truth, History and Reality' and 'Economic Research' and others.

Sheikh Mohsin Al-Asfoor
Member,
Appointed 2011, reappointed 2013

Sheikh Al Asfoor is a well-known and highly-respected Sharia scholar from the Kingdom of Bahrain. In addition to his membership of the Ithmaar Bank Sharia Supervisory Board, he is a member in several Sharia Supervisory Boards in the Kingdom of Bahrain and abroad. He has previously been a judge at the Supreme Sharia Court of Appeal (Jaafari).

Sheikh Al-Asfoor is the Head of the Jaafari Endowments and is a member of the Curriculum Development at the Jaafari Religious Institute as well as the Sharia Board of the International Islamic Rating Agency of the Islamic Development Bank. He is a graduate of Islamic Hawza from Qom, Iran and has authored more than 60 books on Islamic Sharia.

Sheikh Dr. Nedham Yaqouby
Member,
Appointed 2011, reappointed 2013

Sheikh Dr. Yaqouby is a prominent, highly-respected Islamic Sharia scholar and a successful businessman from the Kingdom of Bahrain. He is a member of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), and is also a member of the Sharia Supervisory Boards of several banks, Islamic financial institutions, investment funds and international banks in the GCC region, Arab countries and around the world.

In 2007, the King of Bahrain, His Majesty King Hamad bin Isa Al Khalifa, awarded Sheikh Dr. Yaqouby the Order Merit in recognition of his services in Bahrain and abroad. Sheikh Dr. Yaqouby has also received the Euromoney award for Innovation in Sharia Supervision, as well as the Malaysian Islamic Banking award and other awards.

Sheikh Dr. Yaqouby holds many academic, appreciation and honorary degrees. He has authored a large number of books.

Sheikh Dr. Osama Mohammed Saad Bahar
Member,
Appointed 2011, reappointed 2013

Sheikh Dr. Bahar is a well-known, highly-respected Sharia scholar from the Kingdom of Bahrain.

He is currently a Sharia member and Head of the Sharia Compliance and Advisory at First Energy Bank. He is also the Chairman or a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions, funds and investment portfolios in Bahrain and abroad.

Sheikh Dr. Bahar holds a Doctorate from Lahaye University in the Netherlands, a Master's degree from Al Emam Al Awzae University in Lebanon, and a Bachelor's degree in Islamic Sharia from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria.

Sheikh Dr. Bahar has authored several books in Islamic banking as well as society affairs. He also has several radio interviews and participations and newspaper columns.

Executive Management

Ahmed Abdul Rahim
Chief Executive Officer

Qualifications and experience:

- Master of Business Administration, University of Glamorgan, Wales (UK) (1999).
- Associate, the Institute of Financial Accountants, UK (1995).
- 39 years of retail banking experience.
- Joined the Group in 2006.

Ravindra Anant Khot
Chief Operating Officer

Qualifications and experience:

- Bachelor of Commerce, (Financial Accounting) University of Mumbai, India (1983).
- Fellow Chartered Accountant (FCA), the Institute of Chartered Accountants of India (1996).
- 30 years of banking and finance experience.
- Joined the Bank in 2007.

Abdulhakeem Khalil Al Mutawa
General Manager, Retail & Private Banking

Qualifications and experience:

- Master of Business Administration, University of Bahrain (1991).
- Bachelor of Science in Mechanical Engineering University of Texas at Austin, USA (1981).
- 34 years of experience, of which 13 years in banking.
- Joined the Group in 2003.

Abdulrahman Mohammed Al Shaikh
General Manager, Banking Operations, Information Technology and Administration

Qualifications and experience:

- Commercial Diploma from Bahrain (1973).
- 42 years of banking experience.
- Joined the Group in 1991.

Mohammed Hasan Janahi
Assistant General Manager, Retail Banking

Qualifications and experience:

- Advanced Diploma in Banking and Finance, BIBF (1998).
- 31 years of Banking experience.
- Joined the Group in 2002.

Yousif Abdulla Alkhan
Assistant General Manager, Information Technology

Qualifications and experience:

- Masters of Business Administration, AMA International University (2005).
- Bachelor of Science in Computer Science, University of Bahrain (1989).
- 27 years of experience.
- Joined the Group in 1989.

Rafed Ahmed Al Mannai
Head, Private Banking

Qualifications and experience:

- Master of Commerce in Information Systems, University of Queensland (2000).
- Bachelor of Science in Architectural Engineering, University of Bahrain (1998).
- 15 years of banking experience.
- Joined the Group in 2007.

Abdulla Abdulaziz Ali Taleb
Head, Commercial and International Banking

Qualifications and experience:

- Bachelor of Science in Banking and Finance, Kingdom University (2009).
- 16 years of banking experience.
- Joined the Bank in 2014.

Saqib Mahmood Mustafa
Head, Financial Control

Qualifications and experience:

- Member of the Institute of Chartered Accountants of England & Wales (ICAEW).
- Fellow Member of the Association of Chartered Certified Accountants (ACCA).
- Certified Islamic Professional Accountant (CIPA) awarded by AAOIFI.
- 17 years of banking and finance experience.
- Joined the Bank in 2007.

Ahmed Baluch Abdulhameed
Head, Risk Management

Qualifications and experience:

- Master of Business Banking and Finance, Monash University, Australia (2005)
- Master of Business Administration Finance and Accounting, Institute of Business Administration (IBA) Karachi, Pakistan (1996)
- 15 years of banking and finance experience.
- Joined the Bank in 2008.

Dana Aqeel Raees
Head, Legal Department and Company Secretary

Qualifications and experience:

- Bachelor of Laws (LLB), UK (2003).
- Post Graduate Diploma in Legal Practice (LPC), UK (2004)
- Admitted as a non-practising solicitor in the Senior Courts of England and Wales (2010).
- 11 years of legal experience.
- Joined the Bank in 2006.

Hana Ahmed Al Murran
Head, Compliance and AML

Qualifications and experience:

- Master of Business Administration, University of Strathclyde Business School, United Kingdom (2012).
- Bachelor of Science in Banking and Finance, University of Bahrain (2003).
- 13 years of regulatory, banking and finance experience.
- Joined the Bank in 2015.

Dr. Adel Ahmed Al Marzooqi
Head, Sharia Compliance

Qualifications and experience:

- Doctor of Philosophy with a Major in Islamic Studies, The Regent of American World University (2008).
- Master's Degree in Islamic Studies, Lebanon (2004).
- Bachelor of Science in Islamic Studies, Lebanon (1997).
- 15 years of Sharia experience.
- Joined the Group in 2009.

Corporate Governance

Corporate Governance

Ithmaar Bank complies with the High Level Controls Module of the Rulebook issued by the Central Bank of Bahrain (CBB) and the Corporate Governance Code of the Kingdom of Bahrain.

The Bank's Corporate Governance Policy provides guidance on engaging with our stakeholder groups. It is based on the CBB's Rulebooks on High Level Controls and Public Disclosures, the Bank's Articles and Memorandum of Association, the Bahrain Commercial Companies Law, Islamic Financial Services Board recommendations, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) standards, and international best practices where applicable.

Recognising its fundamental stewardship role towards its shareholders, it is the Bank's policy to treat its shareholders, major and minor, equally and fairly in line with the governing laws and regulatory guidelines. The overarching goal of the Bank is to ensure sustainable growth with due consideration to both current and future risks, and thereby generate optimum value to shareholders over the long-term. The Bank adheres to Sharia principles in striking a balance between the interests of its various stakeholders.

The Bank adheres to a business approach that is transparent, honest and fair. It has established various written policies such as the Code of Ethics and Business Conduct, Anti-Money Laundering and Whistle-Blowing Policy for strict adherence by Directors, executives and employees at all levels. These are distributed as guidelines through multiple internal communication channels of the Bank.

The Board's adherence to corporate governance practices is underlined by various principles, such as integrity, transparency, independence, accountability, responsibility, fairness, Sharia principles and social responsibility.

Moreover, the Bank's corporate governance policies are designed to lay a solid foundation for the executive management and the Board of Directors in managing the Bank, promote ethical and responsible decision-making, safeguard integrity in financial reporting, make timely disclosures, respect the rights of shareholders, recognise and manage risk, encourage enhanced performance, remunerate fairly and responsibly and recognise the legitimate interest of stakeholders.

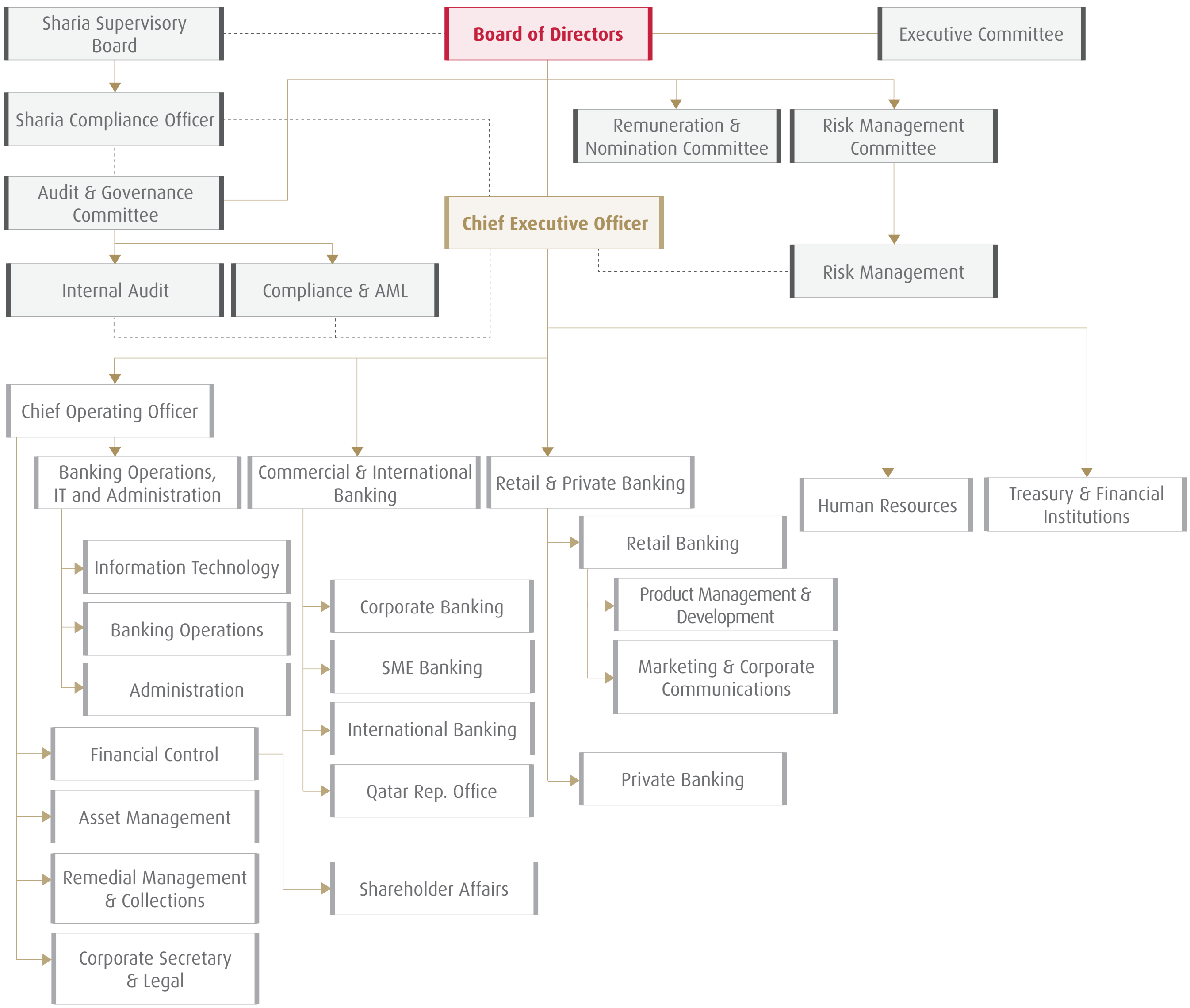
The Bank's written Code of Ethics and Business Conduct that binds all employees, members of the Sharia Supervisory Board and Directors, lends further weight to the practical implementation of our stated policies. The Bank's Corporate Governance policy is posted on the Bank's website.

BANK ADMINISTRATION

The Bank is administered by the Board of Directors and the Sharia Supervisory Board, and, for day-to-day matters, by the Executive Management.

The Bank adheres to a business approach that is transparent, honest and fair. It has established various written policies such as the Code of Ethics and Business Conduct, Anti-Money Laundering and Whistle-Blowing Policy for strict adherence by Directors, executives and employees at all levels.

ORGANISATION CHART



Notes:

- For Remedial Management related matters, the Head of Remedial Management and Collections reports to the Chief Operating Officer and, for Collections, reports to the Head of Retail Banking.
- For Corporate Secretarial related matters, the Corporate Secretary reports to the Chairman of the Board of Directors and, administratively, reports to the Chief Executive Officer.
- For Corporate Communications related matters, the Head of Marketing and Corporate Communications reports to the Chief Operating Officer and, for Marketing Communications, reports to the Head of Retail Banking.

BOARD OF DIRECTORS

The Board of Directors comprises twelve members of whom five are independent. The Board is headed by a Chairman who is not an independent director as defined by the CBB Rulebook.

The Board of Directors is accountable to the shareholders for setting the broad policy guidelines and strategic direction and the creation and delivery of strong, sustainable financial performance and long-term shareholder value. The Chairman is responsible for leading the Board and ensuring its effectiveness.

The Board's role includes the task of monitoring management in such a manner as to ensure that appropriate policies and processes are in place, that they are operating effectively, and that the Bank is meeting its plans and budget targets.

The Board of Directors duties and responsibilities are documented in the Bank's Corporate Governance Policy, and include, inter alia, the following responsibilities:

- Set the Bank's strategic direction
- Overall responsibility for the performance of the Bank
- Select, appoint and evaluate the Executive Management
- Review management performance and compensation
- Review management structure and succession planning
- Advise and counsel management
- Monitor and manage potential conflict of interest
- Ensure the integrity of the financial information
- Monitor the effectiveness of the governance and compliance practices
- Timely and adequate disclosures
- Ensure effective risk management and internal control measures
- Arrange shareholders' general meetings
- Ensure equitable treatment of minority shareholders

Some of the responsibilities of the Board of Directors are delegated to the Committees of the Board.

The Board of Directors has drawn a 'Business Discretionary Powers' policy which outlines authorities and approval powers for the Board and the Executive Management. In general, all business decisions relating to strategic investment, and financing exceeding certain limits, including business relationship with connected counterparties, require the Board's approval.

All transactions that require Board approval have been approved by the Board as per applicable regulations. The Board of Directors' functions, mandate, appointment, responsibilities and terminations are governed by the Articles of Association of the Bank which complies with applicable statutory and regulatory structures. Board members serve three year terms, unless reinstated.

The next election of Directors will take place during the next Annual General Meeting of the Bank in March 2016.

STRUCTURE AND COMPOSITION OF THE BOARD

The Bank is administrated at the high level by a Board of Directors. The actual size of the Board is determined by the shareholders in the General Meetings. In all cases the size of the Board is subject to the Bank's Articles of Association and the rules and procedures decreed by the Ministry of Industry and Commerce and/or the CBB.

DUTIES OF DIRECTORS

Directors, individually and collectively, are bound by distinct fiduciary duties to the Bank. Directors owe their fiduciary duty to the Bank as a corporate being in its own right and not just individual shareholders and/or group of shareholders. These duties apply to all Directors whether they are representing (appointed by) major shareholders or are elected as an Independent Director.

The main duties that Directors owe the Bank are the duty of obedience, the duty of care and the duty of loyalty.

Duty of Obedience

Directors are required to act in accordance with the Bank's rules and policies and in furtherance of its goals as stated in the Mission Statement and Memorandum & Articles of Association. In addition, Directors must comply with all relevant laws and regulations. The duty of obedience forbids acts outside the scope of internal authorities, powers and limits.

Duty of Care

Directors are under duty to exercise the same care that an ordinary, prudent person would exercise in a like position or under similar circumstances. In complying with this duty, Directors are expected to:

- Attend all Board meetings. At a minimum, Directors are expected to attend not less than 75 percent of all scheduled Board and Committee meetings.
- Consider all material information reasonably available and/or seek relevant information prior to making a business decision relating to the issue. Directors have the rights of access to the Executive Management and/or advisors when in doubt.

Duty of Loyalty

This duty requires Directors to act solely in the best interest of the Bank, free of any self-dealing, conflicts of interest, or other abuse of the principal for personal advantage. Directors are barred from using Bank properties or assets for their personal pursuits, insider trading, or taking business opportunities for themselves. This duty also requires Directors to retain the confidentiality of information that is explicitly deemed confidential by the Bank, as well as information that appears to be confidential from its nature or matter.

The Bank provides insurance to indemnify Directors for negligence, default, breach of duty or breach of trust provided such breach has occurred in good faith.

The above duties are detailed in the Bank's Code of Ethics and Business Conduct that is approved by the Board.

DIRECTORS' ELECTION AND EVALUATION SYSTEM

Any shareholder who owns 10 percent or more of the capital of Ithmaar Bank shall have the right to appoint a representative on the Board of Directors of Ithmaar Bank.

Subject to the foregoing, the General Assembly shall elect members of the Board of Directors by a secret ballot. The members shall be elected by the relative majority of valid votes.

All appointments to the Board of Directors are governed by and subject to Ithmaar Bank's Memorandum & Articles of Association, the Code of Ethics and Business Conduct, the Corporate Governance Policy and the laws, rules, regulations, policies and charters in place, as amended from time to time.

The Remuneration and Nomination Committee reviews annually the composition and performance of the Board of Directors. The Remuneration and Nomination Committee's duties in relation to the composition and performance of the Board of Directors include, among other things, assessing the skills required for the Board of Directors to competently discharge its responsibilities and meet its objectives as well as developing and implementing a plan to identify, assess and enhance Directors' competencies. In the event of a vacancy on the Board of Directors, the Remuneration and Nomination Committee shall make recommendations to the Board of Directors for the appointment of a Director, which recommendation shall be made pursuant and subject to the legal and regulatory requirements in place.

All Directors receive a letter of appointment signed by the Chairman in which relevant information, including responsibilities, are described. Directors also receive a copy of the Bank's Code of Ethics and Business Conduct.

BOARD INDUCTION PROGRAMME

The Company Secretary provides sufficient information to newly appointed or elected Board members including a discussion of the Corporate Governance Principles of the Bank and the Code of Ethics and Business Conduct. These Board members are also received by the Chief Executive Officer of the Bank who provides them with details on the structure of the Bank, strategic and business plans, the past financial performance and outstanding issues. Newly appointed members also meet with, and receive presentations from, the Heads of various departments at the Bank. The Board is continuously kept abreast of new regulations and laws.

DIRECTORS' REMUNERATION

Directors' sitting fees for 2015 amounted to US$291,500 (2014: US$348,000). Sharia Supervisory Board retention fee amounted to US$60,000 (2014: US$60,000) and their sitting fees for 2015 was US$16,000 (2014: US$25,000).

REMUNERATION RELATED DISCLOSURES

In 2014, the Bank adopted the Sound Remuneration Practices issued by the Central Bank of Bahrain and established accordingly the Variable Remuneration Policy and Share Incentive Scheme.

The key features of the policy are summarised below.

Remuneration strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total remuneration to attract and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance-based culture that aligns employee interests with those of the shareholders of the Bank. These elements support the achievement of our objectives through balancing reward for both short-term results and long-term sustainable performance. Our strategy is designed to share our success, and to align employees' incentives with our risk framework and risk outcomes.

The Bank's reward package comprises the following key elements:

1. Fixed pay;
2. Benefits;
3. Discretionary performance bonus

A robust and effective governance framework ensures that the Bank operates within clear parameters of its remuneration strategy and policy. All remuneration matters, and related overall compliance with regulatory requirements, are overseen by the Remuneration and Nomination Committee of the Board (RNC).

The Bank's remuneration policy in particular considers the role of each employee and has set guidance depending on whether an employee is a Material Risk Taker and/or an Approved Person in a business line, control or support function. An Approved Person is an employee whose appointment would require prior regulatory approval because of the significance of the role within the Bank, and an employee is considered a Material Risk Taker if they head significant business lines and if any individuals within their control have a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our employees and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives in line with our performance management system.

This assessment also takes into account adherence to the Bank's values, risk and compliance measures and, above all, acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also, importantly, on how it is achieved, as the RNC believes the latter contributes to the long-term sustainability of the business.

RNC Role and focus

The RNC has oversight of all reward policies for the Bank's employees. The RNC is the supervisory and governing body for remuneration policy, practices and plans.

The responsibilities of the RNC as regards the variable remuneration policy of the Bank, as stated in its mandate, include, but are not limited to, the following:

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Approve the remuneration policy and amounts for each approved Person and Material Risk-Taker, as well as total variable remuneration to be distributed, taking into account the total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that earn some short-run profit but take different amounts of risk on behalf of the Bank.
- Ensure that for approved persons in risk management, internal audit, operations, financial controls and compliance functions, the mix of fixed and variable remuneration is weighted in favour of fixed remuneration.
- Recommend Board Member remuneration based on their attendance and performance and in compliance with Article 188 of the Bahrain Commercial Companies Law.

The remuneration policy is reviewed on a periodic basis to reflect changes in market practices and the business plan and risk profile of the Bank.

Scope of application of the remuneration policy

The remuneration policy has been adopted in 2014 on a bank-wide basis.

Board remuneration

The Bank's board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that the total remuneration (excluding sitting fees) does not exceed 5% of the Bank's net profit, after all the required deductions outlined in Article 188 of the Companies Law in any financial year. The board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive directors do not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

Variable remuneration for employees

The variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the employee's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis that the combination of meeting both satisfactory financial performance and achievement of other non-financial factors, would, all other things being equal, deliver a target bonus pool for the employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted in determining the variable remuneration pool, the RNC aims to balance the distribution of the Bank's profits to shareholders and performance bonus to employees.

The key performance metrics at the bank level include a combination of short-term and long-term measures and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts from setting specific targets and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations).

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the RNC.

For the overall Bank to have any funding for distribution of bonus pool; thresholds of financial targets have to be achieved. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk adjustment and linkage framework.

Remuneration of control functions

The remuneration level of employees in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel should be weighted in favour of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations as well as the market and regulatory environment apart from value adding tasks which are specific to each unit.

Variable compensation for business units

Variable compensation for the business units is primarily decided by the key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations as well as market and regulatory environment. The consideration of risk assessment in the performance evaluation of individuals ensures that any two employees who generate the same short-run profit but take different amounts of risk on behalf of the bank are treated differently by the remunerations system.

Risk assessment framework

The purpose of the risk linkages is to align variable remuneration to the risk profile of the Bank. The risk assessment process encompasses the need to ensure that the remuneration policy reduces employees' incentives to take excessive and undue risk, is symmetrical with risk outcomes, and has an appropriate mix of remuneration that is consistent with risk alignment.

The Bank's RNC considers whether the variable remuneration policy is in line with the Bank's risk profile and ensures that through the Bank's ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues whose timing and likelihood remain uncertain are carefully evaluated.

Risk adjustments take into account all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance prior distribution of the annual bonus. The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of a bank's current capital position and its' ICAAP. The size of the variable remuneration pool and its allocation within the Bank takes into account the full range of current and potential risks, including:

(a) The cost and quantity of capital required to support the risks taken;
(b) The cost and quantity of the liquidity risk assumed in the conduct of business; and
(c) Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

Risk adjustments

The Bank has an ex-post risk assessment framework which is a qualitative assessment to back-test actual performance against risk assumptions.

In years where the Bank suffers material losses in the financial performance, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean individual KPIs are not met and hence employee performance ratings would be lower.
- Reduction in value of deferred shares or awards.
- Possible changes in vesting periods and additional deferral applied to unvested rewards.
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The RNC, with Board's approval, can rationalise and make the following discretionary decisions:

- Increase/reduce the ex-post adjustment.
- Consider additional deferrals or increase in the quantum of share awards.
- Recovery through malus and clawback arrangements.

Malus and Clawback framework

The Bank's malus and clawback provisions allows the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/ adjusted or the delivered variable compensation could be recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on the Bank during the concerned performance year.

Any decision to take back an individual's award can only be taken by the Bank's Board of Directors.

The Bank's malus and clawback provisions allows the Bank's Board to determine that, if appropriate, vested /unvested elements under the deferred bonus plan can be adjusted/ cancelled in certain situations. These events include the following:

- Reasonable evidence of wilful misbehaviour, material error, negligence or incompetence of the employee causing the Bank or the employee's business unit to suffer material loss in its financial performance, material misstatement of the Bank's financial statements, material risk management failure or reputational loss or risk due to such employee's actions, negligence, misbehaviour or incompetence during the concerned performance year.

- The employee deliberately misleads the market and/or shareholders in relation to the financial performance of the Bank during the concerned performance year.

Clawback can be used if the malus adjustment on the unvested portion is insufficient given the nature and magnitude of the issue.

Components of Variable remuneration

Variable remuneration has the following main components:

Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred Cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a vesting period of three years
Deferred shares	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a vesting period of three years

All deferred awards are subject to malus provisions. All share awards are released to the benefit of the employee after a six month retention period from the date of vesting. The number of equity share awards is linked to the Bank's share price as per the rules of the Bank's Share Incentive Scheme. Any dividend on these shares is released to the employee along with the shares (i.e. after the retention period).

Deferred compensation (Bahrain)

All employees with job titles of Executive Senior Manager and above shall be subject to deferral of variable remuneration as follows:

Element of variable remuneration	Assistant General Managers and above	Executive Senior Managers	Deferral period	Retention	Malus	Clawback
Upfront cash	40%	70%	Immediate	-	-	Yes
Deferred cash	-	30%	Over 2 years	-	Yes	Yes
	10%	-	Over 3 years	-	Yes	Yes
Deferred shares	50%	-	Over 3 years	6 months	Yes	Yes

The RNC, based on its assessment of role profiles and risk taken by an employee, could increase the coverage of employees that would be subject to deferral arrangements.

Employee remuneration (Bahrain)

2014									
BHD	No. of Staff	Fixed remuneration	Sign on bonuses	Guaranteed bonuses	Variable remuneration				Total
					Upfront		Deferred		
		Cash	(Cash/ shares)	Cash	Cash	Shares	Cash	Shares	
Approved persons Business lines	3	542,599	-	35,307	110,683	-	27,671	138,354	854,614
Control & support	4	560,462	-	30,222	68,411	-	17,103	85,514	761,712
Other material risk takers	Not Applicable	Not Applicable							
Other staff									
Other Staff of Bahrain Operations	Not Applicable	Not Applicable							
Staff of Branches & subsidiaries	Not Applicable	Not Applicable							
Total	**7**	**1,103,061**	**-**	**65,529**	**179,094**	**-**	**44,774**	**223,868**	**1,616,326**

Deferred awards 2015

	Cash	Shares		Other	Total
	BHD	Number	BHD	BHD	BHD
Opening balance	44,774	3,643,031	223,868	-	268,642
Awarded during the period	-	-	-	-	-
Paid out / released during the period	-	-	-	-	-
Service, performance and risk adjustments	-	-	-	-	-
Changes in value of unvested opening awards	-	-	-	-	-

Deferred awards 2014

	Cash	Shares		Other	Total
	BHD	Number	BHD	BHD	BHD
Opening balance	-	-	-	-	-
Awarded during the period	44,774	3,643,031	223,868	-	268,642
Paid out / released during the period	-	-	-	-	-
Service, performance and risk adjustments	-	-	-	-	-
Changes in value of unvested opening awards	-	-	-	-	-
Total	44,774	3,643,031	223,868	-	268,642

Additional remuneration data will be made available on the Bank's website.

BOARD COMMITTEES

In accordance with regulatory requirements and best practices, the Board has established the following committees and has adopted charters setting out the matters relevant to their composition, responsibilities and administration.

AUDIT AND GOVERNANCE COMMITTEE

The Audit and Governance Committee is appointed by the Board of Directors to assist in reviewing the selection and application of the accounting and financial policies, reviewing the integrity of the accounting and financial reporting systems and the effectiveness of the internal controls framework, monitoring the activities and performance of the internal audit function and external auditors and coordinating the implementation of the Corporate Governance Policy framework. The Audit and Governance Committee reviews and, as appropriate, approves and/or recommends for the approval of the Board of Directors, among other things: the interim and annual consolidated financial results; status updates on implementation on various regulatory reports; internal and external audit reports and status of their implementation (as appropriate); liquidity and capital adequacy action plan; new accounting and regulatory pronouncements and their implications.

This committee also assists the Board in fulfilling its governance responsibility, particularly to (a) oversee and monitor the implementation of a robust compliance framework by working together with the Management and the Sharia Supervisory Board, and (b) provide the Board of Directors with reports and recommendations based on its findings in the exercise of its function.

The Audit and Governance Committee is chaired by an Independent Director and comprises:

- Tunku Dato' Ya'acob Bin Tunku Abdullah - Chairman and Member
- Sheikh Zamil Abdullah Al-Zamil - Member
- Imtiaz Ahmad Pervez - Member
- Sheikh Dr. Osama Bahar - Member

Sheikh Dr. Bahar is a Sharia Supervisory Board Member with a voting right in respect of the agendas relating to the Corporate Governance.

The key matters reviewed and, as appropriate, approved and/or recommended for the approval of the Board of Directors during the year include:

- Reviewing the consolidated financial statements and recommending to the Board for approval;
- Reviewing and approving the proposed annual Internal Audit plan and strategy and all reports issued by the Internal Audit Department; and
- Providing oversight for the Corporate Governance, Compliance and Regulatory requirements.

RISK MANAGEMENT COMMITTEE (FORMERLY RISK POLICY COMMITTEE UNTIL 4 JUNE 2015)

The primary objectives of the Risk Management Committee are to make recommendations to the Board in relation to the Bank's overall risk appetite and tolerances and the risk policies within which to manage the aforementioned. These policies cover credit risk, market risk, operational risk and liquidity risk in addition to any other risk categories the Bank faces in carrying out its activities. The Risk Management Committee also recommends and monitors the Bank's overall risk management framework which involves all business activities and operations policies, internal controls, methods of risk management and risk reporting to the Board.

The Risk Management Committee of the Board duly discharged its responsibilities during the meetings where key matters were discussed or through circular resolutions.

The Risk Management Committee comprises:

- Abdelhamid Mohamed Aboumousa - Chairman and Member
- Abdulellah Ebrahim Al-Qassimi – Member
- Nabeel Khaled Mohamed Kanoo – Member

The key matters reviewed, approved (as appropriate) and recommended for approval (as appropriate) to the Board of Directors during the year include:

- Updating and aligning all risk policies in line with changes in the regulatory requirements;
- Establishing new risk limits for better control of credit, market, liquidity and concentration risks;
- The Internal Capital Adequacy Assessment Process (ICAAP) report for review.

EXECUTIVE COMMITTEE

The Executive Committee is appointed by the Board of Directors to assist with the oversight of the general management of the Bank and its business by management, considering and recommending to the Board of Directors the strategy, business plans and budget as well as evaluating the financial and business performance of the Bank. The Executive Committee reviews and, as appropriate, approves and/or recommends for the approval to the Board of Directors: credit proposals over certain threshold; review of asset quality and exit strategies; status updates and reports from the management in respect of group reorganisation; consolidated financial performance; liquidity and capital adequacy action plan; strategic business plan; and key management initiatives, including with respect to funds under management.

The Executive Committee comprises:

- Omar Abdi Ali – Chairman and Member
- Mohammed A. Rahman Bucheerei - Member
- Graham R. Walker - Member

The key matters reviewed and, as appropriate, approved and/or recommended for the approval of the Board of Directors during the year include:

- Evaluating the financial and business performance and monitoring the implementation of the approved business / budget plans against Key Performance Indicators (KPIs);
- Approving business proposals falling within its authority in accordance with the Business Discretionary Powers Policy.
- Reviewing the Company's funding requirements and strategies;
- Reviewing the strategic business plan and annual budget and recommending to the Board for approval;
- Reviewing the financial position (including the capital adequacy and liquidity positions) and the status of its overall business portfolio; and
- Reviewing strategic and other investments.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is appointed by the Board of Directors to provide a formal forum for communication between the Board and Management on human resource issues. The Remuneration and Nomination Committee reviews and, as appropriate, approves and/or recommends for the approval of the Board of Directors:

- Candidates for Board election;
- The appointment of new senior management executives;
- The Bank's remuneration policies as well as guidelines for increments and promotions;

The Committee has at least two Independent Directors, one of whom acts as the Chairperson:

- Shaikha Hissah bint Saad Al-Sabah - Chairperson and Member
- Abdulellah Ebrahim Al-Qassimi – Member
- Tunku Dato's Ya'acob Bin Tunku Abdullah – Member

The key matters reviewed, approved (as appropriate) and recommended for approval (as appropriate) to the Board of Directors during the year include:

- Recommending to the Board changes in the structure and job descriptions of Approved Persons;
- Recommending to the Board the compensation adjustments, based on annual appraisals, and promotion of executive management;
- Recommending the composition, quantum and structure of remuneration for the members of the Sharia Supervisory Board;
- Recommending the Bank's organisation chart and succession plan and
- Recommending Bank's Variable Remuneration Policy implemented in compliance with the regulations of the Central Bank of Bahrain on Sound Remuneration Practices of Approved Person and Material Risk Takers.

Attendance

2015 Board of Directors / Board Committees Meetings Attendance

		Board of Directors		Audit & Governance Committee		Executive Committee		Remuneration & Nomination Committee		Risk Management Committee	
		Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
1	HRH Prince Amr Mohammed Al Faisal	5	5	-	-	-	-	-	-	-	-
2	Sheikh Zamil Abdullah Al-Zamil	5	5	4	3	-	-	-	-	-	-
3	Tunku Dato' Ya'acob Bin Tunku Abdullah	5	5	4	4	-	-	4	3	-	-
4	Shaikha Hissah Bint Saad Al-Sabah	5	3	-	-	-	-	4	4	-	-
5	Abdelhamid Mohamed Aboumousa	5	5	-	-	-	-	-	-	4	4
6	Khalid Abdulla-Janahi	5	5	-	-	-	-	-	-	-	-
7	Mohammed A Rahman Bucheerei	5	5	-	-	4	4	-	-	-	-
8	Nabeel Khaled Mohamed Kanoo	5	4	-	-	-	-	-	-	4	4
9	Abdulellah Ebrahim Al-Qassimi	5	5	-	-	-	-	4	4	4	4
10	Imtiaz Ahmad Pervez	5	5	4	4	-	-	-	-	-	-
11	Graham R. Walker	5	5	-	-	4	3	-	-	-	-
12	Omar Abdi Ali	5	4	-	-	4	4	-	-	-	-

Dates of meetings during 2015	Board of Directors	Audit & Governance Committee	Executive Committee	Remuneration & Nomination Committee	Risk Management Committee
	8 Feb	21 Feb	29 Mar	29 Mar	9 Apr
	21 Feb	7 May	3 Jun	4 Jun	4 Jun
	4 Jun	31 Jul	11 Oct	7 Sep	5 Sep Teleconference
	7 Sep	5 Nov	6 Dec	7 Dec	6 Dec
	7 Dec				

Notes:

- Sheikh Dr Osama Bahar is a member of the Audit & Governance Committee (Sharia Supervisory Board Member).
- Shaikha Hissah Bint Saad Al-Sabah could not comply with CBB requirements with regards to Board Attendance during 2015 mainly due to health reasons.

In accordance with the Bank's Articles of Association, the Board of Directors meets at least four times a year and the Board expects each Director to attend at least 75 percent of all Board meetings and the meetings of the committees on which they serve. The Board of Directors is responsible for setting the Bank's strategic direction in accordance with the objectives upon which the Bank is established and ensuring that the business activities are aligned with the terms of the Bank's licence as well as the interest of the Shareholders.

The Board of Directors has the overall responsibility for the performance of the Bank and therefore the Board of Directors, among other things receive, review and, as appropriate, approve: the status updates from the chairpersons of the various committees of the Board; the status updates and reports from the management in respect of the strategic business plan; the consolidated financial performance; the liquidity and capital adequacy action plan; the regulatory reports and related communications; new regulatory updates; related-party proposals; and key management initiatives, including with respect to funds under management.

The key matters reviewed and approved (as appropriate) during the year include:

- Approving the strategic business plan and budget;
- Overseeing the implementation of strategic initiatives with respect to group restructuring/reorganisation; and
- Reviewing status of action plan to comply with regulatory requirements.

SHARIA SUPERVISORY BOARD

The Bank shall always conduct its business in accordance with the Islamic Sharia rules.

In compliance with licensing requirements of the Central Bank of Bahrain (CBB), the Bank's Memorandum and Articles of Association and the general practice of Islamic Banking, the Bank, at all times, has a Sharia Supervisory Board (SSB) appointed by the shareholders at the General Meeting based on recommendations of the Board of Directors (through the Remuneration and Nomination Committee).

The SSB actively participates in developing and overseeing the Bank's products and business activities. It is responsible for certifying every product to ensure strict adherence to the principles of Sharia.

The SSB has full access to the Board and to the management personnel of the Bank including access to the Bank's head of Sharia Compliance Department who is proactively involved in: (a) reviewing and advising on the Sharia compliance of all products and investment projects, (b) reviewing the Bank's operations according to SSB fatwas and AAOIFI standards and (c) producing periodic reports to the SSB in order to ensure that the Bank's activities are under a strict and direct oversight of SSB guidelines and decisions. Furthermore, the Sharia Compliance Department monitors on a day-to-day basis to ensure that all areas of the Bank adhere to SSB's decisions and recommendations.

The SSB operates within its own charter which sets forth its policies, procedures, meeting operations and responsibilities in addition to the qualifications for membership. This charter was developed in coordination with the Board and is disclosed on the Bank's website.

SSB members are entitled to remuneration comprising an annual retainer fee and sitting fees paid per meeting attended. Non-resident members are also entitled for full travel expenses. These remunerations are recommended by the Remuneration and Nomination Committee, the structure of which is approved by the shareholders.

Currently, the Bank does not pay any performance related remuneration to SSB members. If any, this will be structured in accordance with the Memorandum and Articles of Association and subject to shareholder approval.

The profiles of all SSB members are included in the Sharia Supervisory Board section.

MANAGEMENT

The day-to-day operations of the Bank are handled by the management team.

Departments are grouped into Business and Support Units with clear delineation between them to avoid conflict of interests. These safeguard measures are reinforced by independent internal audit and risk management and compliance departments.

The Risk Management Department reports, functionally, to the Risk Management Committee and, administratively, to the Chief Executive Officer.

The Compliance and Anti Money Laundering Department reports, functionally, to the Audit and Governance Committee and, administratively, to the Chief Executive Officer.

The Internal Audit Department reports, functionally, to the Audit and Governance Committee and, administratively, to the Chief Executive Officer.

MANAGEMENT REMUNERATION

The Chief Executive Officer and senior management (Executive Senior Managers and above) are compensated in line with market trends. The Bank has implemented CBB guidelines with respect to management remuneration for the 2015 performance evaluation.

The total remuneration of the Chief Executive Officer and senior management in 2015 was US$6.6 million (2014: US$7.1 million).

MANAGEMENT COMMITTEES

The Bank has in place the following Management Committees. The members of committees comprise the Heads of Divisions who are drawn from relevant and related functions.

Investment and Credit Committee

The main objective of this Committee is to manage the credit risk of the Bank including reviewing, approving and ratifying business proposals falling within its authority, reviewing risk management reports and resolving all credit-related issues. The Committee is chaired by the Chief Executive Officer.

Asset-Liability Committee

The Committee is responsible for business performance review, managing the market and liquidity risks of the Bank and monitoring capital adequacy ratio. The main functions are to develop and manage the Bank's assets and liabilities in accordance with the Strategic Business Plan and relevant banking regulations and laws. The Committee is chaired by the Chief Executive Officer.

Management Committee

The Committee's principal objective is to manage operations risk. It focuses on improving communications and cooperation among the various divisions and departments of the Bank and optimising the Bank's operational efficiency. The Committee is chaired by the Chief Executive Officer. The Management Committee has several Sub Committees, including the Business Continuity Plan and Crisis Management Team Committee, and the IT Steering Committee.

COMMUNICATION WITH STAKEHOLDERS

The Board acknowledges the importance of regular communication with stakeholders and particularly the investors, through a number of means to promote greater understanding and dialogue. Measures adopted include Annual General Meetings, annual reports, quarterly disclosures of financial reports and various announcements made during the year on the Bahrain Bourse, Kuwait Stock Exchange as well as the Bank's website, through which stakeholders have an overview of the Bank's performance and operations.

The Chairman of the Board (or any other Director if delegated by the Chairman) maintains continuing personal contact with the Bank's major shareholders to solicit their views. The Chairman discusses the views of the major shareholders with the Board of Directors.

The Bank maintains a website which stakeholders may access for information, which includes the Bank's profile, corporate information, press releases, financial performance and performance of the Bank and career opportunities, amongst others.

To further assist with shareholder communications, the Bank has a dedicated Shareholders Affairs Unit with the primary responsibility of acting as a liaison between the Bank, shareholders and the stock exchanges where the Bank is listed. Views of shareholders are communicated to and discussed at Board meetings, which are part of the agenda.

Interests of Directors and Executive Management

The interests of Directors and Executive Management in the shares of the Bank are disclosed in the Report of the Directors and Share Information respectively.

Share Information

Information on the distribution of share ownership together with key statistics on the performance of the Bank's shares on the Bahrain Bourse and the Kuwait Stock Exchange are disclosed in the section on Share Information of the annual report.

Shareholders' Rights

Recognising the importance of shareholders, it is Ithmaar Bank's policy to treat its shareholders equally and fairly in line with the laws of regulatory agencies. Basic legitimate rights of shareholders include the right to participate in shareholder meetings, the right to appoint other persons as a proxy for participating in and voting at meetings, and the right to participate in the election or disqualification of a Director, jointly or severally. Their rights also include voting on the appointments of independent auditors, voting for other businesses of Ithmaar, such as increases in, or reduction of capital, right to receive dividend payments, as well as the right to give opinions and the right to inquire during shareholder meetings.

Rights of Minority Shareholders

The Board of Directors is structured to include independent Directors with additional responsibilities of protecting minority shareholders' rights. As additional measures to protect minority interests, the Bank subscribes to the following guidelines:

- Mandatory shareholder approval of major transactions such as change in capital or transfer of business (as per limits prescribed by the Central Bank of Bahrain);
- Mandatory disclosures of transactions by substantial shareholders;
- Pre-emptive rights on issuance of new shares;
- Limitations on the Bank's business transactions with Directors, controllers, and related parties as per the rules of the Central Bank of Bahrain;
- Exercise rights to elect independent Directors;
- Penalties for insider trading; and
- Provisions on takeovers, mergers, and acquisitions.

CODE OF ETHICS AND BUSINESS CONDUCT

The Bank's Code of Ethics and Business Conduct applies to members of the Board, as well as executive management, officers, employees, agents, consultants, and others, when they are representing or acting for the Bank. The Board expects all Directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the Bank's policies. Any waiver of the Code of Ethics and Business Conduct for a Director or executive officer may be granted only by the Board or the appropriate Board committee and must be promptly disclosed to the shareholders.

Risk Management

Compliance, Anti-Money Laundering and Internal Controls

Funds Under Management

Risk Management

RISK GOVERNANCE STRUCTURE

Risk is an integral part of Ithmaar Bank's business and managing it is critical to the Bank's continuing success and profitability. The essence of effective risk management is to enhance shareholder and investment account holders' value through business profits commensurate with the risk appetite of the Bank.

Ithmaar has adopted an integrated risk management framework to proactively identify, assess, manage and monitor risks in its decisions and operations. Ithmaar's risk management framework is based on guidelines issued by the Central Bank of Bahrain (CBB), sound principles of risk management issued by the Bank for International Settlements and international best practices, wherever applicable.

The Ithmaar risk management charter lays the foundations for a risk governance structure in the Bank. The risk strategy in terms of the overall risk appetite, risk tolerance levels and risk management methodologies are assimilated in the various risk policies and the Internal Capital Adequacy Assessment Process (ICAAP) report of the Bank which are reviewed and approved by the Board of Directors. The risk strategy of the Bank is reviewed annually in line with the Bank's business strategy. The Board also oversees the establishment and implementation of risk management systems and policies for all material risks exposure of the Bank.

The process of risk management is carried out by an independent control function; the Risk Management Department (RMD) headed by the Head-Risk Management with a direct reporting line to the Risk Management Committee (RMC).The Department is mandated with identifying, quantifying and assessing all risks and recommending appropriate prudential limits and risk management methodologies within the parameters of the overall risk management strategy approved by the Board. Further, the RMD plays an active role in highlighting all risks associated with any new banking product before it is approved and launched by the Bank.

RISK MANAGEMENT STRATEGY

The risk management strategy in respect of each of these types of risks is set out below:

Credit Risk

Credit risk is the risk of potential loss arising from failure of a counterparty to meet its contractual obligations. Ithmaar manages its credit risk arising from its banking exposures by implementing robust policies and procedures with respect to identification, measurement, mitigation, monitoring and controlling the risks. A centralised credit risk management system is in place where all significant exposures are independently reviewed by the RMD before approval by appropriate approval authorities.

The risk policies of the Bank set guidelines to limit concentration risk within the portfolio by larger exposure, connected counterparty, country, industry, tenor and products. The RMD has also developed internal rating and scoring models incorporating both quantitative and qualitative risk parameters for the grading and classification of credit risk exposures.

The Bank uses a robust management information system to monitor its exposures and concentrations by various dimensions. The significant concentration of credit risk as at 31 December 2015 is set out in Note 37.

All financings exposures are at least reviewed and rated annually and appropriate provisions are maintained for any classified account as per the provisioning policy in line with relevant CBB guidelines. All financing exposures are classified as past due and impaired when any exposure instalment is not paid over a 90-day period. The Bank follows, except the subsidiary entities which may follow their own regulatory guidelines, a time-based criteria of past due days to estimate the specific provisioning requirements, and past due accounts are reviewed periodically. However, each investment exposure is evaluated individually for impairment assessment on its merits, strategy, and estimated cash flows recoverability.

ECAI Ratings

The Bank has adopted CBB guidelines for utilisation of external ratings, where available, by External Credit Assessment Institutions (ECAI) for the purpose of risk assessment. In case of multiple ECAI rating of a single counterparty, the lowest of all is taken to assign the relevant risk category. The Bank complies with all the qualitative requirements stipulated by the CBB for the recognition process and eligibility criteria of ECAI rating in the credit risk management policy of the Bank. ECAI ratings are applied, where applicable, to all financing exposures with counterparty credit risks.

Credit Risk Mitigation

The Bank uses a variety of tools to mitigate its credit risk, the primary one being that of securing the exposure by suitable collaterals. While the existence of collaterals is not a precondition for financing, exposures are fully or partially collateralised as a second line of defence. The Bank has clear policies on the types of assets that may be accepted as collateral and the mode of valuation of these assets. In general, all collaterals are valued periodically depending on the collateral type. The legal validity and enforceability of the documents used for collateral have been established by qualified personnel, including lawyers and Sharia scholars.

The Bank's credit portfolio is supported by various types of collateral such as real estate, listed equity, cash and guarantees. The Bank prefers liquid and marketable credit collateral, however other types of collateral are accepted provided that such collateral can be reasonably valued. Only unconditional and irrevocable third party guarantees are acceptable after analysing the financial strength of the guarantors as per policy.

MARKET RISK

Market risk is the potential loss arising from change in the value of any exposure due to adverse changes in the underlying benchmark market rates, i.e. foreign exchange rates, equity prices and profit rates. Market risk activities are governed by the market risk policy of the Bank. Implementation of the policy, procedures and regulatory and internal limits for the Bank is the responsibility of the relevant business units with oversight by the Asset-Liability Committee (ALCO) and the Risk Management Committee.

The key market risk factors that the Bank is exposed to are discussed below:

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. At Ithmaar, foreign exchange risk is the risk that an exposure denominated in any foreign currency may be adversely affected due to volatility in foreign exchange rates compared to the base currency of the Bank. Foreign exchange risk management at the Bank is ensured through regular measurement and monitoring of net open foreign exchange positions (NOP) vis-à-vis appropriate NOP limits. The Bank also utilises appropriate Sharia compliant hedging instruments wherever feasible. For more details, please refer to Section 26 of the Pillar III disclosures.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its financial obligations as they fall due, which could arise due to mismatches in cash flows. Funding and liquidity management is performed centrally by the Treasury, with oversight from ALCO and Risk Management Committee. The Bank liquidity policies are designed to ensure it will meet its obligations as and when they fall due, by ensuring it is able to generate funds from the market, or has sufficient High Quality Liquid Assets (HQLAs) to sell and raise immediate funds without incurring unacceptable costs and losses.

The liquidity policy also sets out the minimum acceptable standards for the management of Ithmaar Bank's assets and liabilities including maintenance of HQLAs, prudent assets and liabilities maturity mismatch limits, and a mechanism of monitoring liquidity risk in the Bank. The RMD independently monitors liquidity risk, including liquidity mismatch limits, maintenance of regulatory and internal liquidity ratios and the funding maturity profile on a regular basis.

A liquidity contingency policy is in place and provides the mechanism for management of liquidity in adverse market conditions.

Profit Rate Risk in the Banking Book

Profit rate risk in the Bank's banking book is the risk of adverse changes in expected net earnings and economic value of the balance sheet resulting from the impact of changes in profit rates on mismatched assets and liabilities in the banking book. The Bank measures and manages profit rate risk in the banking book by setting internal limits for assets and liability mismatch gaps.

The measurement methods for profit rate sensitivity analysis are risk sensitive assets and liabilities maturity gap analysis (to measure the profit rate sensitivity of earnings) and duration (to measure profit rate sensitivity of capital).

Profit rate risk is regularly monitored by the ALCO and the Risk Management Committee.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which includes but not limited to legal risk and Sharia compliance risk. This definition excludes strategic and reputational risks.

The Bank has in place Policies and Procedures which provide detailed guidelines for management of Operational Risks in the Bank. The approach to Operational Risk includes emphasis on:

- Establishment of an effective governance structure with clear reporting lines and segregation of duties.
- Maintenance of an effective internal control environment.
- Escalation and resolution of risk and control incidents and issues.

A workflow process for reporting of Operational Risk events and maintaining a database of all internal Risk events is in place. The Bank has also implemented a Risk Control Self Assessment (RCSA) process whereby the risk in a process is identified and evaluated taking into consideration the residual risk. The Risk Register which enables the RCSA process is prepared jointly by the risk and line managers.

The Bank has also established bank-wide Key Risk Indicators (KRI) which are constantly monitored to assess the overall operational risk profile of the Bank.

The Operational Risk management process through RCSA, KRI and loss reporting is complemented by the department-level procedures which ensure that concerned staff are well aware of their responsibilities and processes associated with their responsibilities.

The Bank has in place a Business Continuity Policy which deals with policy initiatives to ensure that the Bank continues its critical activities following a disastrous event.

Reputation Risk

Reputation risk is the risk that an event will adversely affect Ithmaar Bank's reputation in the market, which, in turn, may adversely impact its ability to effectively undertake its activities.

Sound corporate governance is a cornerstone in managing reputation risk. The Bank has in place a Reputational risk Management Policy which details the Bank's multi-faceted approach relating to the management of reputational risk. The Bank also has a Corporate Governance Policy and a Code of Ethics and Business Conduct for the members of the Board, management and staff. This Code helps to build an atmosphere of professionalism, integrity and ethical behaviour within the Bank to avoid reputation risks.

CAPITAL MANAGEMENT

Ithmaar Bank's capital management policy is to ensure that it meets the capital requirements as mandated by the Central Bank of Bahrain (CBB) and is able to estimate an appropriate capital level in order to support its business growth. Capital management also ensures that shareholder value is protected and enhanced.

Regulatory capital is the minimum capital that is required by regulatory authority, to be maintained by the Bank commensurate to the underlying risks. The Bank has adopted the capital charge computations and adequacy ratios as per Pillar 1 as per the CBB Capital Adequacy regulations.

Capital management is a coordinated effort by the business divisions, Risk Management, and Financial Control and is a part of a broader Internal Capital Adequacy Assessment Process (ICAAP). ICAAP covers the capital charge for all material risks in the Pillar 1 and 2. ICAAP also recommends an internal capital adequacy ratio target over and above the regulatory requirement to absorb any un-expected losses arising due to Pillar 2 risks. The adequacy and sufficiency of capital ratio is also tested with a mechanism of stress scenario across various risk dimensions on a periodic basis. A comprehensive risk assessment of the Business and Budget Plans are independently performed by the RMD, which inter alia, assesses the capital requirement of the Bank both for current and future activities under normal and stressed scenarios. Ithmaar Bank's capital position is monitored on a regular basis and reported to the ALCO, the Audit and Governance Committee, the Risk Management Committee, and the Board. The Pillar III disclosure section covers the capital management reports as of 31 December 2015.

RISK MANAGEMENT REPORTING AND CONTROL

Effective measurement, reporting and control of risk are vital to ensure that Ithmaar Bank's business activities are managed in accordance with its overall strategies and risk management objectives. The risk management, reporting and control framework ensures quantifications of credit, market and liquidity risks and its aggregation. The Bank is continuously upgrading its Information Technology and Management Information Systems which will further support its risk management processes.

RISK MANAGEMENT OF SUBSIDIARIES

Each operating subsidiary has dedicated Risk Management functions for implementing policies and supervising appropriate management of overall risks of the subsidiary including assessment, mitigation and monitoring of risks, and reporting on the risk status.

Effective oversight controls over the performance of the subsidiaries are ensured with the guidelines of subsidiary governance policy of the Bank. The RMD is also mandated to receive, independently review periodic risk reports from all material subsidiaries for submission to the Risk Management Committee. Non-operating subsidiaries are subject to relevant and applicable risk principles applicable at Ithmaar Bank.

RELATED PARTY TRANSACTIONS

Business transactions with persons and companies connected with the Bank (which include, inter alia, Directors, their immediate family members, major shareholders, associates and subsidiaries) are termed as Related Party Transactions. For avoidance of any possibility of conflicts of interest, the Bank treats all these transactions at arms' length and are approved by the Board of Directors with the interested party being refrained from voting. The Bank complies with relevant rules issued by the regulatory authorities in this respect and all transactions are appropriately disclosed in the Report of the Directors. Additionally all material transactions are approved in accordance with the Board approved Business Discretionary Powers policy.

Compliance, Anti-Money Laundering and Internal Controls

COMPLIANCE

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Bank may suffer as a result of its failure to comply with the requirements of relevant laws and regulations. By the terms of its licence and listing rules, the Bank is subject to compliance with the requirements stipulated by the CBB, the Bahrain Bourse, the Kuwait Stock Exchange (KSE), the Bahrain Commercial Companies Law and Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Sharia Standards and the Sharia Supervisory Board (SSB) Fatwas.

Compliance risk is managed through the Compliance Policy which provides for the assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness, the escalation, remediation of compliance incidents and control weaknesses.

The Bank's management ensures that business is conducted in conformity with high ethical standards and is in compliance with all applicable laws and regulations. The Bank's Compliance Officer ensures that the Bank's operations achieve a consistently high level of compliance with all relevant laws and regulations. Each of Ithmaar Bank's subsidiaries also employs local compliance officers, if applicable, to ensure adherence to local requirements and regulatory issues. Consolidated reports are prepared for the Board's review.

CUSTOMER COMPLAINT PROCEDURES

The Bank has in place a formal customer complaints procedure that complies with CBB rules and regulations. A dedicated customer complaints unit and officer is responsible for handling and resolving complaints. Contact details of the complaints unit are published at all branches and the Bank's website. All customer complaints are promptly resolved up to the best satisfaction of the customers.

ANTI-MONEY LAUNDERING

It is the Bank's policy to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities.

For this purpose, the Bank has defined strict policies and procedures in compliance with the Financial Crimes Regulations issued by the CBB. These policies and procedures apply to all employees, branches and offices of the Bank.

The Bank has adopted specific initiatives and measures to facilitate implementation of these policies and procedures. These include the appointment of a Money Laundering Reporting Officer (MLRO), who is empowered with sufficient mandate to implement the Bank's Anti-Money Laundering (AML) programmes. The MLRO independently enforces the AML policies and reports any incidents to the Board of Directors and/or the applicable regulatory authorities. All employees undergo compulsory AML trainings with regular refresher courses.

The Bank's AML and Know Your Customer (KYC) framework incorporates the following four key elements: customer acceptance, customer identification procedures, transaction monitoring and risk management.

INTERNAL CONTROLS

The Board of Directors of the Bank places significant emphasis on efficient internal control systems to ensure shareholders' and investment account holders' interest and the Bank's assets are safeguarded.

This internal control mechanism is delineated with appropriate policies, procedures, control manuals, and a regular management reporting system. The Board has approved the organisational structure of the Bank to enhance efficient functioning of management and to avoid any conflict of interest. The organisation structure clearly defines the lines of responsibility, approval authority and accountability aligned to business and operations requirements which support the maintenance of a strong control environment. Appropriate processes such as authorisation of limits, segregation of duties, reconciliation of accounts and the valuation of assets and positions are robustly operational. Well established budgeting and forecasting procedures are in place and reports are regularly presented to the Board detailing:

- Business plans and strategies;
- Results of operations;
- Key risk areas;
- Variances against budget; and
- Other performance data.

Funds Under Management

As a commercial financial institution, a fundamental objective of Ithmaar Bank is to act as a financial intermediary, channelling funds between deficit and surplus agents, for economic benefits. This is usually done through pooling monetary resources from Investment Accountholders (IAH), investing them in the market, and sharing the profits with IAHs at predetermined rates and conditions set out in the agreements. This activity is known as Funds Under Management (FUM).

STRUCTURE OF THE FUNDS

The Bank provides three types of FUMs, namely, Un-restricted Investments Accounts (URIA), Restricted Investments Accounts (RIA), and Collective Investment Undertakings (CIU).

I. Un-restricted Funds (URIA)

In the case of URIA accounts, the Bank as Mudarib (investment manager) is authorised by the Investment Account Holders (IAHs) to invest their funds in any manner which the Bank deems appropriate, without laying down restrictions as to where, how, and for what purpose their contribution amounts should be invested. All URIA funds are accounted for as 'on' balance sheet items. These funds are open for the public (natural persons and corporates including financial institutions) provided they satisfy the Bank's Know Your Customer (KYC) requirements.

As of 31 December 2015, the Bank operated URIA funds are as follows:

- General Modaraba
- Special Modaraba

II. Restricted Funds (RIA)

In the case of RIA accounts, the Bank as the Mudarib is restricted by the IAHs with regard to the use of their funds - where, how, for what period, and for what purpose their contribution amounts are invested. Such features are required to be agreed between the parties at the time of contracting (such as signing the Modaraba and/or Agency agreements) so as to formalise the relationship. RIAs funds are accounted for as 'off' balance sheet items as the Bank has no discretion on the utilisation of funds in case of RIA funds. As per CBB's instructions, all future RIA funds shall be structured as CIUs.

As of 31 December 2015, the Bank operated the following RIAs:

- Dilmunia Development Fund
- Shamil Bosphorus Modaraba
- European Real Estate Fund

The funds managed by the Bank are mainly in real estate and private equity. These are subject to various risks including:

- Foreign exchange risk as a result of fluctuating currency exchange rates.
- Liquidity risk due to the nature of the holdings in those funds being non-marketable nor listed on any security exchange platforms.
- Market risk as a result of changing market conditions, including demand and price changes.
- Economic risk due to changes in the economic climate.
- Credit risk of parties with whom the Fund conducts business and may also bear the risk of settlement default.
- Risks of changes in government policy, including issuing necessary approvals.
- The value of investments in real estate and/or the rental income derived from them will fluctuate as property values and rental incomes rise and fall.
- Investments in real estate may be affected by changes in the general economic climate, competition on rental rates, the financial standing of tenants, the quality of maintenance, insurance and management services and changes in operation costs.
- Investments in real estate which require development or refurbishment works may also entail risks associated with construction delays, cost overruns and an inability to rent either at all or at satisfactory rental levels following completion of the development or refurbishment works.
- The value of the investments may be affected by uncertainties, such as political developments, changes in governmental policies, taxation, currency repatriation restrictions, and restrictions on foreign investment in some or all of the countries in which the Fund may be directly or indirectly invested.
- The regulatory supervision, legal infrastructure and accounting, auditing and reporting standards in emerging markets may not provide the same degree of protection or information as would generally exist in more mature or developed markets.
- Risks from uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation, and interest rates and other political and economic developments in legislation, in particular changes in legislation relating to the right of, and level of, foreign ownership.

- Risks outside control of funds, including labour unrest, civil disorder, war, subversive activities, sabotage, fires, floods, acts of God, explosions or catastrophes.

The specific risks for each fund is detailed in the respective prospectus. Ithmaar Bank discloses regular updates related to individual funds on its corporate website www.ithmaarbank.com

III. Collective Investment Undertakings (CIU)

CIU have the following features:

The collective capital raised from the public or through private placement, including investments seeded by the operator, is invested in financial instruments and other assets which operate on the basis of risk-spreading as appropriate, the holdings of which may be repurchased or redeemed.

These funds are structured in accordance with relevant CIU rules issued by CBB and are offered to the following:

All Investors are required to meet the KYC requirements as per CBB rules.

RISK AND REWARD

In accordance with the principles of Islamic Sharia, all FUMs are managed on profit and loss sharing basis with the IAH bearing all risks except for gross negligence and misconduct.

The profit or loss of a FUM is determined using the accounting policies normally applied by the Bank. The distribution of the profit or loss may either be on a limited or continuous basis as follows:

Specific Term

The IAH invests for a specific term, and profits/losses are accounted for at the time the Fund is liquidated (or staged liquidation) and the capital is returned to the IAHs along with any profits/losses.

Open Term

The IAH invests for an unspecified terms (such as Savings Accounts), and profits are accounted for on a periodical basis during the Modaraba period.

In case of RIA and CIU, specific expenses that may arise in relation to the launching of a Modaraba fund and in employment of funds may be charged against the gross revenue of that Modaraba, provided this is set out in the related Modaraba agreement. Audit and legal fees, documentation and printing charges are all examples of expenses that may be charged to the Modaraba. Distributable profit is calculated after all permitted expenses have been deducted. URIA funds are not subject to administration fees.

The Bank applies appropriate income smoothening techniques to ensure that profits are fairly distributed to the IAHs, both current and future. These include Profit Equalisation Reserves and Investment Risk Reserves.

REDEMPTIONS

All funds are redeemed on their respective maturities. In special circumstances, the Bank may allow early withdrawals by either finding a purchaser for the contribution, or by purchasing the IAH's contribution at prevailing market prices and provided such exposure does not cause any violations of regulatory or internal limits.

FIDUCIARY OBLIGATIONS

Although the IAH is fully responsible for risks associated with his/her investments in an FUM, the Bank is bound by its fiduciary obligation and duty of care to safeguard the assets of the IAHs. In this respect, the Bank subscribes to the following guiding principles issued by the Islamic Financial Services Board (IFSB):

- Aspire to the highest standards of truthfulness, honesty and fairness in all its statements and dealings, and treat its customers fairly
- Exercise due care and diligence in all its operations, including the way it structures and offers its products and provides financing, with particular regard to Sharia compliance, and to the thoroughness of research and risk management
- Ensure that it has in place the necessary systems and procedures, and that its employees have the necessary knowledge and skills, to manage FUMs in accordance with this policy and other regulatory rules
- Take steps to ensure that it understands the nature and circumstances of its IAHs so that it offers those products most suitable for their needs, as well as offering financing only for Sharia-compliant projects
- Provide clear and truthful information both in any public document issued as well as to its actual and prospective clients, both during the sales process and in subsequent communications and reports
- Recognise the conflicts of interest between it and its clients that arise from the type of products it offers, and either avoid or disclose and manage them, bearing in mind its fiduciary duties to IAHs as well as shareholders
- Ensure that its operations are governed by an effective system of Sharia governance and that it conducts its business in a socially responsible manner

INVESTMENT OBJECTIVES

The investment objective of the funds is to provide maximum returns to both the IAHs and the Bank in a manner that is consistent with the Modaraba agreement of the specific fund and Sharia guidelines while at the same time managing risks within predetermined levels.

GOVERNANCE OF FUNDS UNDER MANAGEMENT

the Board of Directors is responsible for ensuring that the Funds Investment Objectives are adhered to. The Board has established an Audit and Governance Committee commissioned, amongst other responsibilities, to look after the interests of the IAHs. The Asset-Liability Committee (ALCO) and Investment and Credit Committee (ICC) play a pivotal role in monitoring the performance of funds. The Asset Management Department is responsible for the effective management of RIA and CIU funds. Customer affairs are handled by various business units including the Retail Banking, Private Banking, Corporate Banking and International Banking departments.

RIA and CIU funds are launched after comprehensive due diligence of the market and the needs and risk appetite of investors. A comprehensive policy is in place which outlines processes for managing funds. All funds are reviewed independently by the Risk Management Department and the Compliance Department prior to their approval and launch. Once approved, these funds are utilised strictly in accordance with the fund's prospectus and terms of approval.

URIA Funds are primarily used for retail and commercial financings. The Bank diversifies the portfolio through establishing prudent limits determined by geographical areas, industry sectors, tenors, customer type, etc. The composition, characteristics and diversification of the Bank's funding structure is recorded in various risk policies.

All funds are reviewed periodically, at least annually, to assess their performance. These reviews are submitted to ICC for its review and approval. In case of adverse change in the risk profile of the Fund, the review is raised to the authority which originally approved the initial proposal.

The Profit Distribution Sheet (Modaraba Account) provides details on investment period and the Bank's share of investments in 2015 as per the terms and conditions:

Period	Bank's share (%)
Undetermined term (savings account)	60
1 month	50
3 months	45
6 months	40
9 months	38
1 year	35
18 months	33
2 years	30
30 months	28
3 years	25

The average benchmark and declared rate of return or profit rate on Profit Sharing Investment Accounts (PSIA) by maturity in percentage terms paid annually in 2015:

BD or US$	1 day	7 days	1 month	3 months	6 months	9 months	1 year	18 months	2 years	30 months	3 years
Savings	0.10										
General Modaraba	0.10	0.10	1.03	1.55	1.97	2.07	2.47	2.52	2.57	2.63	2.70
Special Modaraba	-	-	1.33	1.85	2.28	2.38	2.83	2.88	2.93	2.93	3.03

Consolidated financial statements

For the year ended 31 December 2015

Report of the Sharia Supervisory Board

In the Name of Allah, the Beneficent, the Merciful

Report of the Sharia Supervisory Board on the activities of Ithmaar Bank B.S.C. for the Financial Year from 1 January 2015 until 31 December 2015, corresponding to the Period from 10 Rabi Al-Awwal 1436 H until 20 Rabi Al-Awwal 1437 H.

Praise be to Allah, the Lord of the worlds, and peace and blessings be upon our Master, Mohammed, the leader of Prophets and Messengers, and upon his scion and companions, and upon those who follow his guidance until the Day of Judgment.

The Sharia Supervisory Board of Ithmaar Bank B.S.C. performed the following acts during the financial year from 1 January 2015 until 31 December 2015:

1. Issued fatwas and Sharia resolutions related to the Bank's products and activities and followed them up through the Bank's internal Sharia Audit Department while also guiding the management towards Sharia-compliant transactions.
2. Studied different mechanisms of financing and prepare its documents with the concerned departments in order to develop products.
3. Examined the books, records and transactions through the Sharia Compliance Department and auditing some of their samples as per established auditing standards.
4. Examined the statement of financial position, income statement and the Bank's overall banking activities through it.

We have reviewed the principles and contracts relating to transactions and products launched by the Bank during the period from 1 January 2015 to 31 December 2015. We have also conducted the required inspection to provide our opinion on whether the Bank had complied with the provisions and principles of Islamic Sharia, as well as fatwas, resolutions and specific guidance that was issued by us.

The management is responsible for ensuring that the Bank operates in accordance with the provisions and principles of Islamic Sharia and accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Our responsibility is to express an independent opinion based on our observation of the Bank's operations, and prepare a report.

In view of the above, the Sharia Supervisory Board hereby resolves as follows:

i: With regard to the Bank's business in general:

a. The Bank's overall investment activities and banking services were conducted in full compliance with the principles and provisions of Islamic Sharia and in accordance with the Sharia Supervisory Board-approved standard contracts.
b. Gains made from sources prohibited by Sharia were identified and transferred to the Charity Fund.
c. All the amounts collected as customers' donations and commitments on late payments were posted to the Charity Fund.
d. Zakat is calculated in accordance to Sharia Standard on Zakat issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Shareholders are responsible for payment of Zakat on their shares.

ii: Conventional assets and liabilities transferred from the former Ithmaar Bank before conversion and restructure:

The Sharia Supervisory Board identified and reviewed the conventional assets and liabilities transferred from the former Ithmaar Bank before conversion and restructure, and issued a Fatwa that allows the Bank to convert these assets and liabilities into Islamic alternatives, or dispose them, in an agreed time period, provided that the Bank appropriately discloses to its shareholders in its annual report all amounts of income and expenses associated with these conventional assets and liabilities. This Fatwa conforms to the provisions of Sharia Standard – 6 "Conversion of a Conventional Bank to an Islamic Bank" of AAOIFI. The Sharia Supervisory Board confirms that the management, with the grace of Allah, has resolved all Sharia issues pertaining to 14 assets out of total of 21 assets, and working to dispose of the remaining assets in accordance with these criteria.

As the period fixed by the Sharia Supervisory Board to dispose of these assets and liabilities expired by the end of the financial year 2015, and noting the serious and continuous efforts taken by the Management to dispose of these assets and resolve this issues, and one of those efforts was setting Sharia Supervisory Board in Faysal Bank Limited Pakistan to follow up the activities. Therefore based on management's request the Sharia Supervisory Board have no objection to extend for another new year up to 31st December 2016 during which the Bank will attempt to sell these assets or convert them to Islamic alternatives. The Sharia Supervisory Board is continuously and periodically reviews progresses on these assets and guides the Bank's Management on solutions and appropriate actions to be taken in this respect.

Report of the Sharia Supervisory Board (Continued)

Report of the Sharia Supervisory Board on the activities of Ithmaar Bank B.S.C. for the Financial Year from 1 January 2015 until 31 December 2015, corresponding to the Period from 10 Rabi Al-Awwal 1436 H until 20 Rabi Al-Awwal 1437 H.

To ensure compliance with its Fatwa and directions, the Sharia Supervisory Board has reviewed the income statement of the Bank for the year ended 31 December 2015 and has satisfied itself that the Bank has appropriately disclosed the income and expense arising from the conventional assets and liabilities (note 41). Accordingly, the Sharia Supervisory Board guides the shareholders of the Bank to dispose of impermissible earnings, which has been calculated in the current year's financial statements, at 1.64 US cents per share.

We pray to Almighty Allah to grant success to the Bank and its employees and guide them in developing Islamic products and continue to comply with the Sharia principles and to grant them success for everything He pleases. May peace and blessings be upon our Master, Mohammed, and upon his scion and companions.

His Eminence Shaikh Abdulla Al Manee'a
Chairman

His Eminence Shaikh Mohsin Al-Asfoor
Member

His Eminence Shaikh Nizam Yacooby
Member

His Eminence Shaikh Dr. Osama Bahar
Member

Manama - Kingdom of Bahrain
20 February 2016

Report of the Directors

The Directors submit their report dealing with the activities of Ithmaar Bank B.S.C (the "Bank") for the year ended 31 December 2015, together with the audited consolidated financial statements of the Bank and its subsidiaries (collectively the "Group") for the year then ended.

Principal activities

The Bank holds an Islamic retail banking licence issued by the Central Bank of Bahrain.

The principal activities of the Group are a wide range of financial services, including retail, commercial, asset management, private banking, takaful, equipment leasing and real estate development.

Consolidated financial position and results

The consolidated financial position of the Group as at 31 December 2015, together with the consolidated results for the year then ended is set out in the accompanying consolidated financial statements.

The Group has reported a net loss of $60.8 million for 2015 attributable to the equity shareholders of the Bank, as compared to a net loss of $15 million for 2014. Total assets at 31 December 2015 amounted to $8,138.6 million (31 December 2014: $7,860.9 million).

The Bank's consolidated Capital adequacy ratio under Basel III as at 31 December 2015 was 12.81% (31 December 2014: 12.11% computed under Basel II) as compared to a minimum regulatory requirement of 12.5% (31 December 2014: 12%). The Bank's risk weighted exposures and eligible capital are set out in note 39 of the accompanying consolidated financial statements.

Directors

The following served as Directors of the Bank during the year ended 31 December 2015:

HRH Prince Amr Mohamed Al Faisal (Chairman)

Mr. Khalid Abdulla-Janahi

Tunku Dato' Ya'acob Bin Tunku Abdullah

Mr. Abdel Hamid Abo Moussa

Sheikha Hissah Bint Saad Al-Sabah

Sheikh Zamil Abdullah Al-Zamil

Mr. Nabeel Khalid Kanoo

Mr. Mohammed Bucheerei

Mr. Abdulellah Ebrahim Al-Qassimi

Mr. Imtiaz Ahmad Pervez

Mr. Omar Abdi Ali

Mr. Graham R. Walker

Directors' sitting fees

Directors' sitting fees for 2015 amounted to $291,500 (2014: $348,000).

Interests of Directors

The interests of the Directors in the shares of the Bank are disclosed below:

	Numbers of Shares	
Name	**31 December 2015**	31 December 2014
HRH Prince Amr Mohamed Al Faisal	**106,100**	106,100
Mr. Khalid Abdulla-Janahi	**20,749,693**	20,749,693
Tunku Dato' Ya'acob Bin Tunku Abdullah	**106,100**	106,100
Mr. Abdel Hamid Abo Moussa	**106,100**	106,100
Sheikha Hissah Bint Saad Al-Sabah	**106,100**	106,100
Sheikh Zamil Abdullah Al-Zamil	**205,000**	205,000
Mr. Nabeel Khalid Kanoo	**106,100**	106,100
Mr. Mohammed Bucheerei	**105,600**	105,600
Mr. Abdulellah Ebrahim Al-Qassimi	**106,100**	106,100
Mr. Imtiaz Ahmad Pervez	**-**	-
Mr. Omar Abdi Ali	**-**	-
Mr. Graham R. Walker	**1,056,000**	1,056,000

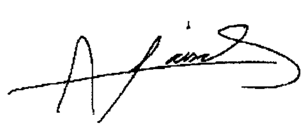
Dividend

No dividend has been proposed for 2015 (2014: Nil).

Auditors

The auditors, PricewaterhouseCoopers ME Limited, have expressed their willingness to be reappointed as auditors of the Bank for the year ending 31 December 2016.

By order of the Board of Directors



HRH Prince Amr Mohamed Al Faisal
Chairman
28 February 2016

Independent Auditor’s Report

To the Shareholders of Ithmaar Bank B.S.C.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Ithmaar Bank B.S.C. (the “Bank”) and its subsidiaries (the “Group”) which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of income, changes in owners’ equity, cash flows and changes in restricted investment accounts for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to the operation of the Bank in accordance with Islamic Shari’a rules and principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and the results of its operations, its cash flows, changes in owners’ equity and changes in restricted investment accounts for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Report on regulatory requirements and other matters

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 2), we report that:

(i) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

(ii) the financial information contained in the report of the directors is consistent with the consolidated financial statements;

(iii) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, rules and procedures of the Bahrain Bourse or the terms of the Bank’s memorandum and articles of association, having occurred during the year that might have had a material adverse effect on the business of the Bank or on its financial position;

(iv) satisfactory explanations and information have been provided to us by the management in response to all our requests; and

(v) the Bank has also complied with the Islamic Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group.

PricewaterhouseCoopers

Partner’s Registration No: 157
28 February 2016
Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position

(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	**At 31 December 2015 (Audited)**	At 31 December 2014 (Audited)
ASSETS			
Cash and balances with banks and central banks	3	**590,409**	559,394
Commodity and other placements with banks, financial and other institutions	4	**270,820**	173,896
Murabaha and other financings	5	**3,399,770**	3,487,812
Musharaka financing		**149,673**	90,150
Investment in mudaraba	6	**21,348**	17,434
Investment in associates	7	**655,388**	684,821
Sukuk and investment securities	8	**1,919,430**	1,767,618
Restricted investment accounts	9	**78,651**	69,869
Assets acquired for leasing	10	**169,482**	74,243
Investment in real estate	11	**256,493**	332,599
Other assets	12	**319,437**	273,196
Fixed assets	13	**112,389**	113,278
Intangible assets	14	**195,351**	216,594
Total assets		**8,138,641**	7,860,904
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS, MINORITY INTEREST AND OWNERS' EQUITY			
Customers' current accounts	15	**1,436,335**	1,372,653
Due to banks, financial and other institutions	16	**1,639,871**	1,473,298
Due to investors	17	**1,951,441**	1,995,345
Other liabilities	18	**320,011**	274,090
Total liabilities		**5,347,658**	5,115,386
Equity of unrestricted investment accountholders	19	**2,199,142**	2,001,949
Minority interest	20	**177,618**	220,183
Total liabilities, equity of unrestricted investment accountholders and minority interest		**7,724,418**	7,337,518
Share capital	21	**757,690**	757,690
Treasury shares	21	**(30,149)**	(30,149)
Reserves		**210,894**	259,260
Accumulated losses		**(524,212)**	(463,415)
Total owners' equity		**414,223**	523,386
Total liabilities, equity of unrestricted investment accountholders, minority interest and owners' equity		**8,138,641**	7,860,904

These consolidated financial statements were approved by the Board of Directors on 28 February 2016 and signed on their behalf by:

HRH Prince Amr Mohamed Al Faisal
Chairman

Abdullelah Ebrahim Al-Qassimi
Director

Ahmed Abdul Rahim
CEO

The notes 1 to 43 on pages 61 to 97 form an integral part of the consolidated financial statements.

Consolidated Income Statement

(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Year ended 31 December 2015 (Audited)	31 December 2014 (Audited)
INCOME			
Income from unrestricted investment accounts		**95,036**	100,500
Less: return to unrestricted investment accounts and impairment provisions	29	**(69,143)**	(76,793)
Group's share of income from unrestricted investment accounts as a Mudarib		**25,893**	23,707
Group's share of income from restricted investment accounts as a Mudarib	23	**164**	208
Income from murabaha and other financings	24	**187,092**	225,980
Share of profit after tax from associates	7	**33,058**	22,317
Income from other investments	25	**179,456**	126,744
Other income	26	**52,687**	54,996
Total income		**478,350**	453,952
Less: profit paid to banks, financial and other institutions – net		**(209,981)**	(226,192)
Operating income		**268,369**	227,760
EXPENSES			
Administrative and general expenses	27	**(160,620)**	(167,868)
Depreciation and amortization	7,13,14	**(29,791)**	(30,930)
Total expenses		**(190,411)**	(198,798)
Net income before provision for impairment and overseas taxation		**77,958**	28,962
Provision for impairment – net	29	**(95,025)**	(26,125)
Net income/(loss) before overseas taxation		**(17,067)**	2,837
Overseas taxation	30	**(29,328)**	(11,684)
NET LOSS FOR THE YEAR		**(46,395)**	(8,847)
Attributable to:			
Equity holders of the Bank		**(60,797)**	(15,012)
Minority interests	20	**14,402**	6,165
		(46,395)	(8,847)
Basic and diluted earnings per share	22	**US Cts (2.09)**	US Cts (0.52)

These consolidated financial statements were approved by the Board of Directors on 28 February 2016 and signed on their behalf by:

HRH Prince Amr Mohamed Al Faisal
Chairman

Abdullelah Ebrahim Al-Qassimi
Director

Ahmed Abdul Rahim
CEO

The notes 1 to 43 on pages 61 to 97 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December
(Expressed in thousands of United States Dollars unless otherwise stated)

			Reserves								
2015	**Share capital**	**Treasury shares**	**Share premium**	**Statutory reserve**	**General reserve**	**Investments fair value reserve**	**Investment in real estate fair value reserve**	**Foreign currency translation**	**Total reserves**	**Accumulated losses**	**Total owners' equity**
At 1 January 2015 (Audited)	**757,690**	**(30,149)**	**149,692**	**38,090**	**50,727**	**45,436**	**457**	**(25,142)**	**259,260**	**(463,415)**	**523,386**
Net loss for the year	-	-	-	-	-	-	-	-	**-**	(60,797)	**(60,797)**
Movement in fair value of sukuk and investment securities	-	-	-	-	-	(4,016)	-	-	**(4,016)**	-	**(4,016)**
Movement in fair value of associates	-	-	-	-	-	(31,134)	-	-	**(31,134)**	-	**(31,134)**
Movement in deferred tax relating to sukuk and investment securities	-	-	-	-	-	23	(440)	-	**(417)**	-	**(417)**
Transfer to income statement due to disposal of sukuk and investment securities	-	-	-	-	-	(1,038)	-	-	**(1,038)**	-	**(1,038)**
Movement in fair value of investment in real estate	-	-	-	-	-	-	1,473	-	**1,473**	-	**1,473**
Foreign currency translation adjustments	-	-	-	-	-	(59)	96	(13,271)	**(13,234)**	-	**(13,234)**
At 31 December 2015 (Audited)	**757,690**	**(30,149)**	**149,692**	**38,090**	**50,727**	**9,212**	**1,586**	**(38,413)**	**210,894**	**(524,212)**	**414,223**

			Reserves								
2014	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Investments fair value reserve	Investment in real estate fair value reserve	Foreign currency translation	Total reserves	Accumulated losses	Total owners' equity
At 1 January 2014 (Audited)	757,690	(30,149)	149,692	38,090	50,727	29,027	1,103	(16,209)	252,430	(448,403)	531,568
Net loss for the year	-	-	-	-	-	-	-	-	-	(15,012)	(15,012)
Movement in fair value of sukuk and investment securities	-	-	-	-	-	1,371	-	-	1,371	-	1,371
Movement in fair value of associates	-	-	-	-	-	16,713	-	-	16,713	-	16,713
Movement in deferred tax relating to sukuk and investment securities	-	-	-	-	-	(234)	(11)	-	(245)	-	(245)
Transfer to income statement due to impairment of sukuk and investment securities	-	-	-	-	-	306	-	-	306	-	306
Transfer to income statement due to disposal of sukuk and investment securities	-	-	-	-	-	(1,794)	-	-	(1,794)	-	(1,794)
Movement in fair value of investment in real estate	-	-	-	-	-	-	(654)	-	(654)	-	(654)
Foreign currency translation adjustments	-	-	-	-	-	47	19	(8,933)	(8,867)	-	(8,867)
At 31 December 2014 (Audited)	757,690	(30,149)	149,692	38,090	50,727	45,436	457	(25,142)	259,260	(463,415)	523,386

The notes 1 to 43 on pages 61 to 97 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Year ended 31 December 2015 (Audited)	31 December 2014 (Audited)
OPERATING ACTIVITIES			
Net income/(loss) before overseas taxation		**(17,067)**	2,837
Adjustments for:			
Depreciation and amortization	7,13,14	**29,791**	30,930
Share of profit after tax from associates	7	**(33,058)**	(22,317)
Provision for impairment – net	29	**95,025**	26,125
Gain on sale of fixed assets	26	**(1,259)**	(1,611)
Operating income before changes in operating assets and liabilities		**73,432**	35,964
Increase in balances with banks maturing after ninety days and including with central banks relating to minimum reserve requirement		**(64,534)**	(45,589)
(Increase)/decrease in operating assets:			
Murabaha and other financings		**(20,628)**	(117,373)
Musharaka financing		**(64,465)**	(25,088)
Other assets		**(69,319)**	1,306
Increase/(decrease) in operating liabilities:			
Customers' current accounts		**99,724**	67,142
Due to banks, financial and other institutions		**196,955**	151,173
Due to investors		**37,691**	56,024
Other liabilities		**43,646**	34,551
Increase in equity of unrestricted investment accountholders		**197,178**	16,480
Net cash provided by operating activities		**429,680**	174,590
INVESTING ACTIVITIES			
Net (increase)/decrease:			
Investment in mudaraba		**(707)**	2,513
Investment in associates		**7,539**	1,440
Investment in restricted investment accounts		**(8,645)**	750
Assets acquired for leasing		**(95,909)**	(9,957)
Sukuk and investment securities		**(247,912)**	(425,368)
Dividend received from associates	7	**14,513**	6,304
Purchase of fixed assets		**(3,744)**	(3,528)
Investment in real estate		**-**	3,460
Net cash used in investing activities		**(334,865)**	(424,386)
FINANCING ACTIVITIES			
Taxes paid		**(15,440)**	(12,724)
Minority interest		**(7,957)**	-
Net cash used in financing activities		**(23,397)**	(12,724)
Foreign currency translation adjustments		**(5,693)**	12,958
Net increase/(decrease) in cash and cash equivalents		**65,725**	(249,562)
Cash and cash equivalents at the beginning of the year		**520,770**	770,332
Cash and cash equivalents at the end of the year	4	**586,495**	520,770

The notes 1 to 43 on pages 61 to 97 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Restricted Investment Accounts

For the year ended 31 December
(Expressed in thousands of United States Dollars unless otherwise stated)

2015	**At 1 January 2015**	**Net Deposits / (Withdrawals)**	**Income / (Expenses)**	**Mudarib's Fee**	**Fair value movements**	**At 31 December 2015**
Dilmunia Development Fund I L.P.*	160,813	(10,349)	(564)	-	-	149,900
Shamil Bosphorus Modaraba*	6,250	-	-	-	-	6,250
European Real Estate Portfolio*	18,514	-	-	-	(1,873)	16,641
US Development Opportunities Fund*	3,268	(3,268)	-	-	-	-
European Real Estate Placements*	20,415	(1,465)	39	(25)	(2,182)	16,782
US Real Estate Placements*	47,865	(25,224)	-	(50)	5,474	28,065
Listed and non-listed equities	57,339	-	7,362	(89)	12,593	77,205
TOTAL	**314,464**	**(40,306)**	**6,837**	**(164)**	**14,012**	**294,843**
FUNDS MANAGED ON AGENCY BASIS	65,247	(17)	-	-	-	65,230
	379,711	**(40,323)**	**6,837**	**(164)**	**14,012**	**360,073**

2014	At 1 January 2014	Net Deposits / (Withdrawals)	Income/ (Expenses)	Mudarib's Fee	Fair value movements	At 31 December 2014
Dilmunia Development Fund I L.P.*	172,066	(10,799)	(454)	-	-	160,813
Shamil Bosphorus Modaraba*	62,499	-	-	-	(56,249)	6,250
European Real Estate Portfolio*	21,003	-	-	-	(2,489)	18,514
US Development Opportunities Fund*	12,952	(9,684)	-	-	-	3,268
European Real Estate Placements*	23,239	-	142	(34)	(2,932)	20,415
US Real Estate Placements*	79,979	(27,714)	-	(100)	(4,300)	47,865
Trade Finance Placements	390	(228)	-	-	(162)	-
Listed and non-listed equities	36,512	-	614	(74)	20,287	57,339
TOTAL	408,640	(48,425)	302	(208)	(45,845)	314,464
FUNDS MANAGED ON AGENCY BASIS	70,671	(5,424)	-	-	-	65,247
	479,311	(53,849)	302	(208)	(45,845)	379,711

* Income/(loss) will be recognised and distributed at the time of disposal of the underlying investments.

The notes 1 to 43 on pages 61 to 97 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. INCORPORATION AND ACTIVITIES

Ithmaar Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain on 13 August 1984 and was licensed as an investment bank regulated by the Central Bank of Bahrain (the "CBB"). Effective 14 April 2010 Ithmaar Bank operates under Islamic retail banking license granted by the CBB.

Dar Al-Maal Al-Islami Trust ("DMIT"), a Trust incorporated in the commonwealth of Bahamas is the ultimate parent company of the Bank.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are a wide range of financial services, including retail, commercial, investment banking, private banking, takaful and real estate development.

The Bank's activities are supervised by the CBB and are subject to the supervision of Shari'a Supervisory Board.

The Bank's shares are listed for trading on the Bahrain Bourse and Kuwait Stock Exchange.

The Group's activities also include acting as a Mudarib (manager, on a trustee basis), of funds deposited for investment in accordance with Islamic laws and principles particularly with regard to the prohibition of receiving or paying interest. These funds are included in the consolidated financial statements as equity of unrestricted investment accountholders and restricted investment accounts. In respect of equity of unrestricted investment accountholders, the investment account holder authorises the Group to invest the accountholders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested. In respect of restricted investment accounts, the investment accountholders impose certain restrictions as to where, how and for what purpose the funds are to be invested. Further, the Group may be restricted from commingling its own funds with the funds of restricted investment accounts.

The Group carries out its business activities through the Bank's head office, 17 commercial branches in Bahrain and its following principal subsidiary companies:

	% owned			
	Voting	**Economic**	**Country of Incorporation**	**Principal business activity**
Faysal Bank Limited	67	67	Pakistan	Banking
Faisal Private Bureau (Switzerland) S.A.	100	100	Switzerland	Wealth and asset management
Ithmaar Development Company Limited	100	100	Cayman Islands	Real estate
City View Real Estate Development Co. B.S.C. (C)	51	51	Kingdom of Bahrain	Real estate
Health Island B.S.C. (C)	50	50	Kingdom of Bahrain	Real estate
Sakana Holistic Housing Solutions B.S.C. (C) (Sakana)	63	50	Kingdom of Bahrain	Mortgage finance
Cantara (Switzerland) S.A.	100	100	Switzerland	Investment holding
DMI Administrative Services S.A.	100	100	Switzerland	Management services
Faisal Finance (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
Shamil Finance (Luxembourg) S.A.	100	100	Luxembourg	Investment holding
Faisal Finance (Netherlands Antilles) NV	100	100	Netherlands Antilles	Investment holding

Islamic Investment Company of the Gulf (Bahamas) Limited (IICG), a company incorporated in the Commonwealth of Bahamas and owned 100% by DMIT, is an affiliate of the Bank.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES

The consolidated financial statements of the Bank are prepared under Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

The Group has certain assets, liabilities and related income and expenses which are not Sharia compliant as these existed before Ithmaar Bank converted to an Islamic retail bank in April 2010. These are currently presented in accordance with AAOIFI standards in the consolidated financial statements for the year ended 31 December 2015 as appropriate.

The Sharia Supervisory Board has approved the Sharia Compliance Plan (“Plan”) for assets and liabilities which are not Sharia Compliant. The Sharia Supervisory Board is monitoring the implementation of this Plan. The income and expenses attributable to non-Sharia compliant assets and liabilities is disclosed under note 41.

The consolidated financial statements comprise the financial information of the Group for the year ended 31 December 2015.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

(i) New accounting standard: Issued and effective

There are no new AAOIFI accounting standards, amendments to standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have material impact on the Group.

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015 and are expected to be relevant to the Group.

FAS 27 – Investment Accounts

FAS 27 Investment accounts was issued in December 2014 replacing FAS 5 – ‘Disclosures of Bases for Profit Allocation between Owner’s equity and Investment Account Holders’ and FAS 6 – ‘Equity of Investment Account Holders and their Equivalent’. This standard is effective for financial periods beginning 1 January 2016. The adoption of this standard would not have any significant impact on the financial statements of the Group.

The Bank has not early adopted any new standards during 2015.

Amendment to FAS 23 – Consolidation

The amendment to FAS 23 – Consolidation was issued on 8 April 2015. The definition of control has been amended to expand the scenarios to assess control when an Islamic Financial Institution holds less than majority voting rights. In particular, the concept of De facto control has been introduced. The amendment is effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives.

The amendment of FAS 23 does not have any material impact on the consolidated financial information for the reporting period.

(ii) Basis of preparation

The consolidated financial statements are prepared on a historical cost convention except for investments carried at fair value through income statement and equity and investment in real estate.

(iii) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), the Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Bank, the Bahrain Commercial Companies Law, the CBB and the Financial Institutional Law. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Group uses the relevant International Financial Reporting Standards (IFRS).

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies

(a) Basis of consolidation

Subsidiaries

Subsidiaries are companies in which the Group holds 50% or more of equity shares and as such exercises significant control over such companies. Subsidiaries, including Special Purpose entities that are controlled by the Bank, are consolidated from the date on which the Group obtains control and continue to be so consolidated until the date such control ceases.

Associates

Associates are companies in which the Group has significant influence, but not control over the management of affairs, and which are neither subsidiaries nor joint ventures. The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in owners equity.

In case of associates where audited financial statements are not available, the Group's share of profit or loss is arrived at by using the latest available management accounts.

Intra-Group balances and minority interest

The consolidated financial statements include the assets, liabilities and results of operations of the Bank, its subsidiary companies after adjustment for minority interest and equity of unrestricted investment accountholders managed by the Group. All significant intra-group balances and transactions have been eliminated. The financial statements of the subsidiaries are prepared on the same reporting periods as the Bank, using consistent accounting policies.

(b) Foreign currency transactions and balances

Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, which is Bahraini Dinars (the functional currency). The Annual General Meeting of the Bank held on 30 March 2014 approved the change of the presentation currency of the Bank from Bahraini Dinars to United States Dollars effective 1 January 2014. Considering that the Bahraini Dinar is pegged to United States Dollars, the changes in presentation currency will have no impact on the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in owners' equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement. Translation differences on non-monetary items carried at their fair value, such as certain sukuk and investment securities are included in investments fair value reserve.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(b) Foreign currency transactions and balances (Continued)

Transactions and balances (Continued)

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of statement of financial position;
2. Income and expenses for each income statement are translated at average exchange rates; and
3. All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. Translation losses arising in the case of severe devaluation or depreciation (other than temporary) of the currency of the net investment in a foreign operation when the latter is translated at the spot exchange rate at the date of consolidated statement of financial position, are recognised in the first place as a charge against any credit balance on the separate component of the shareholders equity and any remaining amount is recognised as a loss in the consolidated income statement. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill, and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

1. Classification of investments

   In the process of applying the Group's accounting policies, management decides upon acquisition of an investment, whether it should be classified as investments carried at fair value through income statement, held at amortised cost or investments carried at fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

2. Special purpose entities

   The Group sponsors the formation of special purpose entities (SPEs) primarily for the purpose of allowing clients to hold investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPEs activities, Group's exposure to the risks and rewards, as well as its ability to make operational decisions of the SPEs.

3. Impairment on financing assets and investments

   Each financing and investment exposure is evaluated individually for impairment. Management makes judgements about counterparty's financial situation and the net realisable value of any underlying assets. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

4. Liquidity mismatch

   The Group constantly monitors the liquidity mismatch arising in the normal course of the business. Periodic stress tests are carried out on liquidity position to assess the ability of the Bank to meet its liquidity mismatch. The stress testing also incorporates judgement based behavioural approach for various sources of funding, estimated inflows from disposal of assets.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(d) Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise cash on hand, non-restricted balance with central banks and other banks, and short term liquid investments on demand or with an original maturity of three months or less.

(e) Murabaha and other financings

Murabaha financing is stated at cost less allowance for doubtful receivables.

The Group considers the promise made in Murabaha to the purchase orderer as obligatory.

Other financings represent conventional loans and advances, which are non-derivative financial assets with fixed or determinable payments. These are initially recorded at fair value and are subsequently carried at amortised cost using the effective yield method.

The Group receives collateral in the form of cash or other securities including bank guarantees, mortgage over property or shares and securities for Murabaha and other financings where deemed necessary. The Group's policy is to obtain collateral where appropriate, with a market value equal to or in excess of the principal amount financed under the respective financing agreement. To ensure that the market value of the underlying collateral remains sufficient, collateral is valued periodically.

Specific provision is made when the management consider that there is impairment in the carrying amount of Murabaha and other financings.

In addition to specific provision, the Group also assesses impairment collectively for losses on financing facilities that are not individually significant and where there is not yet objective evidence of individual impairment. General provision is evaluated at each reporting date.

(f) Musharaka financing

Musharaka financing is stated at cost less provision for impairment.

Specific provision is made when the management consider that there is impairment in the carrying amount of Musharaka financing.

(g) Investments

1. Investments carried at amortised cost

   Debt-type instruments are carried at amortised cost where the investment is managed on a contractual yield basis and their performance evaluated on the basis of contractual cash flows. These investments are measured at initial recognition minus capital/redemption payments and minus any reduction for impairment.

2. Investments carried at fair value through equity

   Equity-type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

   Equity-type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity; these are designated as such at inception. Regular-way purchases and sales of these investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(g) Investments (Continued)

2. Investments carried at fair value through equity (Continued)

These investments are initially recognised at cost plus transaction costs. These investments are subsequently re-measured at fair value and the resulting unrealised gains or losses are recognised in the consolidated statement of changes in equity or equity of unrestricted investment accountholders under “Investments fair value reserve”, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

The fair value of quoted investments in active market is based on current bid price. If there is no active market for such financial assets, the Group establishes fair values using valuation techniques. These include the use of recent arm’s length transactions and other valuation techniques used by other participants. The Group also refers to valuations carried out by investment managers in determining fair value of certain unquoted financial assets.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as financial assets carried at fair value through equity, a significant or prolonged decline in fair value of the security below the cost is considered in determining whether the assets are impaired. If any evidence exists of significant impairment for the investment carried at fair value through equity, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the consolidated income statement is removed from the equity and recognised in the consolidated income statement. Impairment losses on equity instruments previously recognised in the consolidated income statement are not subsequently reversed through the consolidated income statement.

3. Investments carried at fair value through income statement

An investment is classified as investment carried at fair value through income statement if acquired or originated principally for the purpose of generating a profit from short term fluctuations in price or dealers margin. These investments are recognised on the acquisition date at cost including the direct expenses related to the acquisition. At the end of each reporting period, investments are re-measured at their fair value and the gain/loss is recognised in the consolidated income statement.

4. Restricted investment accounts

Investment in restricted investment accounts is initially recorded at cost and subsequently re-measured at fair value. Unrealised losses are recognised in equity to the extent of the available balance, taking into consideration the portion related to owner’s equity and equity of unrestricted investment accountholders. In case cumulative losses exceed the available balance under equity, the excess is recognised in the consolidated income statement.

5. Investment in real estate

All properties held for rental income or for capital appreciation purposes or both are classified as investment in real estate. Investment in real estate held for capital appreciation are initially recognised at cost and subsequently re-measured at fair value in accordance with the fair value model with the resulting unrealised gains being recognised in the consolidated statement of changes in owner’s equity under investment in real estate fair value reserves. Any unrealised losses resulting from re-measurement at fair value of investment in real estate carried at fair value are adjusted in equity against the investment in real estate fair value reserve, taking into consideration the split between the portion related to owners’ equity and equity of investment accountholders, to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the unrealised losses are recognised in the consolidated income statement. In case there are unrealised losses relating to investment in real estate that have been recognised in the consolidated income statement in a previous financial period, the unrealised gains relating to the current financial period are recognised to the

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(g) Investments (Continued)

5. Investment in real estate (Continued)

extent of crediting back such previous losses in the consolidated income statement. The realised profits or losses resulting from the sale of any investment in real estate are measured as the difference between the book value (or carrying amount) and the net cash or cash equivalent proceeds from the sale for each investment separately. The resulting profit or loss together with the available balance on the investment in real estate fair value reserve account is recognised in the consolidated income statement for the current financial period.

Investment in real estate held for rental purposes are stated at cost less accumulated depreciation.

6. Investment in mudaraba

Mudaraba investments are recorded at cost. Decline in the value of investment which is not temporary is charged directly to the consolidated income statement.

7. Fair value

For investments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For investments where there are no quoted market prices, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows or at net asset value. The cash equivalent values are determined by the Group at current profit rates for contracts with similar term and risk characteristics.

(h) Assets acquired for leasing (Ijarah)

Assets acquired for leasing are stated at cost and are depreciated according to the Group's depreciation policy for fixed assets or lease term, whichever is lower.

A provision for doubtful receivable is made if, in the opinion of the management, the recovery of outstanding rentals are doubtful.

(i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Buildings	50 years
Leasehold improvements	over the period of the lease
Furniture, equipment and motor vehicles	3-10 years

Depreciation is calculated separately for each significant part of an asset category. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and renewals are charged to the consolidated income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are determined by comparing proceeds with carrying amounts.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(j) Intangible assets

1. Goodwill

Goodwill acquired at the time of acquisitions of subsidiaries is reported in the consolidated statement of the financial position as an asset. Goodwill is initially measured at cost being the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Subsequently, the goodwill is tested for impairment on annual basis. At the end of the financial period, the goodwill is reported in the consolidated statement of financial position at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Negative goodwill resulting from the acquisition of business is reported in the consolidated income statement.

Acquisition of minority interest is accounted using the Economic Entity Method. Under the Economic Entity Method, the purchase of a minority interest is a transaction with a shareholder. As such, any excess consideration over the Group's share of net assets is recorded in owners' equity.

2. Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years). Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their expected useful lives.

3. Other acquired intangible assets

Other acquired intangible assets determined to have finite lives, such as core deposits and customer relationships, are amortised on a straight line basis over their estimated useful lives of up to twenty years. The original carrying amount of core deposits and customer relationships has been determined by independent appraisers, based on the profit rate differential on the expected deposit duration method.

Other acquired intangible assets are tested annually or more often if indicators exist for impairment and carried at cost less accumulated amortization.

(k) Current taxation

There is no tax on corporate income in the Kingdom of Bahrain. However, the subsidiaries incorporated in tax jurisdictions pay tax as per local regulations.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(l) Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised. Enacted tax rates are used to determine deferred income tax.

(m) Provision for staff benefits

Staff benefits and entitlements to annual leave, holiday air passage and other short-term benefits are recognised when they accrue to employees. The Group's contributions to defined contribution plans are charged to the consolidated income statement in the period to which they relate. In respect of these plans, the Group has a legal and constructive obligation to pay the contributions as they fall due and no obligation exists to pay future benefits.

In respect of end of service benefits, to which certain employees of the Group are eligible, costs are assessed in accordance with the labour law requirements of the applicable jurisdiction or by using the projected unit credit method as appropriate. Costs to be recognised under the projected unit credit method are estimated based on the advice of qualified actuaries. Actuarial gains and losses are spread over the average remaining service lives of the employees until the benefits become vested.

(n) Due to investors

Funds received from depositors who take the corporate risk of the Bank or its subsidiaries are classified as "Due to investors".

(o) Equity of unrestricted investment accountholders

Under the equity of unrestricted investment accountholders (URIA), the investment account holder authorizes the Group to invest the accountholders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The assets included in the equity of unrestricted investment accountholders are measured on the same basis of various category of the assets as set out above. The amount appropriated to investment risk reserve are out of the total income from URIA assets before charging any expense relating to the management fee, mudarib share of profit, profit equalization reserve and profit to investment accountholders. Profit equalisation reserve is created to maintain a certain level of return on investments for investment accountholders.

(p) Restricted investment accounts

Under the restricted investment accounts (RIA), the investment accountholders impose certain restrictions as to where, how and for that purpose the funds are to be invested. The assets included in the restricted investment accounts are recorded at Net Asset Value (NAV).

(q) Treasury shares

These shares are treated as a deduction from the owners' equity. Gains and losses on sale of own shares are included in owners' equity.

(r) Statutory reserve

In accordance with the Bahrain Commercial Companies Law, 10% of the Bank's net income for the year is transferred to a statutory reserve until such time as reserve reaches 50% of the paid up share capital. The reserve is not distributable, but can be utilized as stipulated in the Bahrain Commercial Companies Law and other applicable statutory regulations.

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(s) Revenue recognition

1. Profit participation and management fees

   Income from profit participation and management fees charged to funds managed by the Group is recognised on the basis of the Group's entitlement to receive such revenue from restricted and unrestricted investment accounts as defined in the Mudaraba agreement (trust deed), except when the Group temporarily waives its entitlement.

2. Profit on Murabaha and other financings

   Profit on Murabaha transactions is recognised by proportionately allocating the attributable profits over the period of the transaction where each financial period carries its portion of profits irrespective of whether or not cash is received. However, profit accrual is suspended on Murabaha transactions in respect of which repayment instalments are past due for more than ninety days, unless, in the opinion of the management of the Bank, the accrual is justified.

   Income from other financings is accrued based on the effective yield method over the period of the transaction. Where income is not contractually determined or quantifiable, it is recognised when reasonably certain of realisation or when realised.

3. Income from assets acquired for leasing

   Lease rental revenue is recognised on a time-apportioned basis over the lease term.

4. Income from Mudaraba contracts

   Income from Mudaraba contracts are recognised when the Mudarib distributes profits. Any share of losses for the period are recognized to the extent such losses are being deducted from the Mudaraba capital.

5. Profit on Musharaka contracts

   In respect of Musharaka contracts that continue for more than one financial period, the Group's share of profits are recognised when a partial or final settlement takes place and its share of the losses are recognised to the extent that such losses are deducted from the Group's share of Musharaka capital. However, in respect of diminishing Musharaka transactions, profits or losses are recognised after considering the decline in the Group's share of the Musharaka capital and, consequently, its proportionate share of the profits or losses.

6. Dividend income

   Dividend income is recognised when the right to receive payment is established.

7. Fees and commissions

   Fees and commissions (including banking services) are recognised when earned.

   Commissions on letters of credit and letters of guarantee are recognised as income over the period of the transaction.

   Fees for structuring and arrangement of financing transactions for and on behalf of other parties are recognised when the Bank has fulfilled all its obligations in connection with the related transaction.

(Expressed in thousands of United States Dollars unless otherwise stated)

2. SIGNIFICANT GROUP ACCOUNTING POLICIES (Continued)

(iv) Summary of significant accounting policies (Continued)

(t) Profit allocation between group and investment accountholders

The Group maintains separate books for assets financed by owners, unrestricted and restricted investment accounts. All income generated from the assets financed by the investment accounts are allocated to the customers after deducting impairment provisions, profit equalization reserves, mudarib's share of profit and management fees.

Administrative expenses incurred in connection with the management of the funds are borne directly by the Group.

Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

(u) Assets transfer between Owner's equity, Unrestricted Investment Accounts and Restricted Investment Accounts

Assets are transferred between Owner's equity, Unrestricted Investment Accounts and Restricted Investment Accounts at fair value.

3. CASH AND BALANCES WITH BANKS AND CENTRAL BANKS

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Cash reserve with central banks	**161,064**	**-**	**161,064**	154,082	-	154,082
Cash and balances with banks and central banks	**429,345**	**-**	**429,345**	405,312	-	405,312
	590,409	**-**	**590,409**	559,394	-	559,394

4. COMMODITY AND OTHER PLACEMENTS WITH BANKS, FINANCIAL AND OTHER INSTITUTIONS

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity placements	**278,359**	**-**	**278,359**	180,675	-	180,675
Less: Provision	**(7,539)**	**-**	**(7,539)**	(6,779)	-	(6,779)
	270,820	**-**	**270,820**	173,896	-	173,896

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(Expressed in thousands of United States Dollars unless otherwise stated)

4. COMMODITY AND OTHER PLACEMENTS WITH BANKS, FINANCIAL AND OTHER INSTITUTIONS (Continued)

Cash and cash equivalents for the purpose of cash flow statement are as under:

	31 December 2015			31 December 2014		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash and balances with banks and central banks	590,409	-	590,409	559,394	-	559,394
Commodity and other placements with banks, financial and other institutions - net	270,820	-	270,820	173,896	-	173,896
Less: Placement maturing after ninety days	(113,670)	-	(113,670)	(58,438)	-	(58,438)
Less: Balances with central bank relating to minimum reserve requirement	(161,064)	-	(161,064)	(154,082)	-	(154,082)
	586,495	-	586,495	520,770	-	520,770

The movement in provisions is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	6,779	-	6,779	6,525	-	6,525
Charge for the year	760	-	760	-	-	-
Exchange differences and other movements	-	-	-	254	-	254
At 31 December	7,539	-	7,539	6,779	-	6,779

5. MURABAHA AND OTHER FINANCINGS

	31 December 2015			31 December 2014		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha and other financings	2,268,833	1,479,853	3,748,686	2,465,063	1,345,658	3,810,721
Less: Provisions	(298,650)	(50,266)	(348,916)	(268,357)	(54,552)	(322,909)
	1,970,183	1,429,587	3,399,770	2,196,706	1,291,106	3,487,812

Other financings represents conventional loans and advances totalling $1,537 million (31 December 2014: $1,715.6 million) made by a subsidiary of the Bank.

(Expressed in thousands of United States Dollars unless otherwise stated)

5. MURABAHA AND OTHER FINANCINGS (Continued)

The movement in provisions is as follow:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**268,357**	**54,552**	**322,909**	242,561	49,373	291,934
Charge for the year	**54,564**	**7,074**	**61,638**	24,531	4,892	29,423
Write back during the year	**(14,147)**	**-**	**(14,147)**	(9,165)	-	(9,165)
Utilised during the year	**(3,304)**	**(11,261)**	**(14,565)**	-	(623)	(623)
Transfer from Investment Risk Reserve	**-**	**-**	**-**	-	835	835
Exchange differences and other movements	**(6,820)**	**(99)**	**(6,919)**	10,430	75	10,505
At 31 December	**298,650**	**50,266**	**348,916**	268,357	54,552	322,909

Total provision of $348.9 million (31 December 2014: $322.9 million) includes general provision of $11.8 million (31 December 2014: $3.6 million).

6. INVESTMENT IN MUDARABA

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Mudaraba investments	**5,854**	**27,929**	**33,783**	973	32,103	33,076
Less : Provisions	**(854)**	**(11,581)**	**(12,435)**	(854)	(14,788)	(15,642)
	5,000	**16,348**	**21,348**	119	17,315	17,434

Certain assets totalling $16.3 million (31 December 2014: $17.4 million) included above are held by third parties as nominee on behalf of the Group.

The movement in provisions is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**854**	**14,788**	**15,642**	-	14,788	14,788
Utilised during the year	**-**	**(3,207)**	**(3,207)**	-	-	-
Exchange differences and other movements	**-**	**-**	**-**	854	-	854
At 31 December	**854**	**11,581**	**12,435**	854	14,788	15,642

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7. INVESTMENT IN ASSOCIATES

Investment in associated companies, as adjusted for the Bank's share of their results comprise:

Name of company	2015	% of Share-holding	2014	% of Share-holding	Country	Activity
Unlisted:						
Solidarity Group Holding B.S.C. (C)	**64,494**	**36**	79,480	34	Bahrain	Takaful
Citic International Assets Management Limited	**75,113**	**20**	69,595	20	Hong Kong	Asset management
Sanpak Engineering	**482**	**31**	448	31	Pakistan	Manufacturing
Misr Company for Packing Materials "Egywrap"	**4,688**	**23**	4,351	23	Egypt	Trading
Faysal Asset Management Limited	**649**	**30**	573	30	Pakistan	Asset management
Ithraa Capital	**4,640**	**23**	4,263	23	Saudi Arabia	Investment company
Naseej B.S.C. (C)	**100,963**	**30**	97,133	30	Bahrain	Infrastructure
Chase Manara B.S.C. (C)	**1,679**	**40**	1,781	40	Bahrain	Real estate
Islamic Trading Company E.C	**669**	**24**	534	24	Bahrain	Trading
Listed:						
BBK B.S.C	**402,011**	**25**	426,663	25	Bahrain	Banking
	655,388		**684,821**			

Investment in associates include conventional investments totalling $578.1 million (31 December 2014: $593.4 million).

During July 2015, Solidarity Group Holding B.S.C. (C) repaid 10% of its share capital to shareholders and cancelled its treasury shares. As a result, the Group's holding increased to 36.3% from 33.8%.

The Group's share of net assets of its associated companies includes the following movements analysed as follows:

	31 December 2015	31 December 2014
At 1 January	**684,821**	665,066
Share of profit before tax	**34,866**	22,681
Share of tax	**(1,808)**	(364)
Dividends received	**(14,513)**	(6,304)
Share of fair value reserve	**(31,134)**	16,713
Disposals	**(7,539)**	(3,812)
Amortisation of intangibles	**(6,748)**	(6,748)
Exchange differences	**(2,557)**	(2,411)
At 31 December	**655,388**	684,821

Investment in associates includes $255 million (31 December 2014: $261.8 million) pledged as collateral against borrowings (note 16) with the terms and conditions in the ordinary course of business.

Certain assets totalling $4.7 million (31 December 2014: $4.4 million) included above are held by third parties as nominee on behalf of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

7. INVESTMENT IN ASSOCIATES (Continued)

Included in investment in associates at 31 December 2015 is $76.9 million (31 December 2014: $76.9 million) of goodwill.

The movement is as follows:

	31 December 2015	31 December 2014
At 1 January	**76,939**	76,939
Provision	**-**	-
At 31 December	**76,939**	76,939

Amortisation charge for the intangible assets for the year ended 31 December 2015 amounted to $6.7 million (31 December 2014: $6.7 million)

Summarised financial position of associates that have been equity accounted:

	31 December 2015	31 December 2014
Total assets	**10,799,588**	10,404,796
Total liabilities	**8,824,626**	8,477,618
Total revenues	**429,661**	523,500
Total net profit	**177,749**	160,566

8. SUKUK AND INVESTMENT SECURITIES

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Investment securities at fair value through income statement						
Held for trading						
Debt-type instruments – unlisted	**61,837**	**-**	**61,837**	270,441	-	270,441
Equity-type securities – listed	**4,417**	**-**	**4,417**	2,615	-	2,615
	66,254	**-**	**66,254**	273,056	-	273,056
Investment securities at fair value through equity						
Equity-type securities – listed	**49,632**	**-**	**49,632**	41,084	-	41,084
Equity-type securities – unlisted	**216,687**	**79,829**	**296,516**	226,771	85,217	311,988
	266,319	**79,829**	**346,148**	267,855	85,217	353,072
Provision for impairment	**(142,575)**	**(5,700)**	**(148,275)**	(103,550)	(5,756)	(109,306)
	123,744	**74,129**	**197,873**	164,305	79,461	243,766
Investment securities carried at amortised cost						
Sukuk – unlisted	**102,454**	**-**	**102,454**	216,454	-	216,454
Other debt-type instruments – listed	**6,906**	**-**	**6,906**	2,259	-	2,259
Other debt-type instruments – unlisted	**1,566,167**	**-**	**1,566,167**	1,050,219	-	1,050,219
	1,675,527	**-**	**1,675,527**	1,268,932	-	1,268,932
Provision for impairment	**(20,224)**	**-**	**(20,224)**	(18,136)	-	(18,136)
	1,655,303	**-**	**1,655,303**	1,250,796	-	1,250,796
	1,845,301	**74,129**	**1,919,430**	1,688,157	79,461	1,767,618

(Expressed in thousands of United States Dollars unless otherwise stated)

8. SUKUK AND INVESTMENT SECURITIES (Continued)

Sukuk and investment securities include conventional investments totalling $1,549.6 million (31 December 2014: $1,346.9 million) made by a subsidiary of the Bank.

The fair value of investment securities carried at amortised cost was $1,674.6 million (31 December 2014: $1,269.5 million) and these are tradable.

Certain assets totalling $12.8 million (31 December 2014: $16.6 million) included above are held by third parties as nominee on behalf of the Group.

The movement in provisions relating to sukuk and investment securities is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**121,686**	**5,756**	**127,442**	124,159	5,756	129,915
Charge for the year	**46,203**	**-**	**46,203**	13,882	-	13,882
Write back during the year	**(1,652)**	**-**	**(1,652)**	(7,406)	-	(7,406)
Utilised during the year	**(1,175)**	**(56)**	**(1,231)**	(2,876)	-	(2,876)
Exchange differences and other movements	**(2,263)**	**-**	**(2,263)**	(6,073)	-	(6,073)
At 31 December	**162,799**	**5,700**	**168,499**	121,686	5,756	127,442

FAS 25 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical investments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investments, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the investments that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Investments measured at fair value

	Level 1	**Level 2**	**Level 3**	**Total**
At 31 December 2015				
Investment securities at fair value through income statement				
Debt-type instruments	**-**	**61,837**	**-**	**61,837**
Equity securities	**4,417**	**-**	**-**	**4,417**
Investment securities at fair value through equity				
Equity securities	**44,795**	**-**	**153,078**	**197,873**
	49,212	**61,837**	**153,078**	**264,127**
At 31 December 2014				
Investment securities at fair value through income statement				
Debt-type instruments	-	270,441	-	270,441
Equity securities	2,615	-	-	2,615
Investment securities at fair value through equity				
Equity securities	35,835	1,990	205,941	243,766
	38,450	272,431	205,941	516,822

(Expressed in thousands of United States Dollars unless otherwise stated)

8. SUKUK AND INVESTMENT SECURITIES (Continued)

Reconciliation of Level 3 Items

	Investment securities at fair value through equity	
	2015	2014
At 1 January	**205,941**	204,624
Total gains/(losses) recognised in		
- Income statement	**(40,026)**	(1,358)
- Equity	**(7,738)**	(1,584)
Purchases	**275**	5
Sales	**(6,546)**	(1,797)
Reallocation	**1,172**	6,051
At 31 December	**153,078**	205,941
Total gains for the year included in consolidated income statement for 31 December	**2,652**	4,382

9. RESTRICTED INVESTMENT ACCOUNTS

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Investment in restricted investment accounts	**101,752**	**44,248**	**146,000**	91,798	45,206	137,004
Less: Provisions	**(58,723)**	**(8,626)**	**(67,349)**	(58,509)	(8,626)	(67,135)
	43,029	**35,622**	**78,651**	33,289	36,580	69,869

The movement in provisions is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**58,509**	**8,626**	**67,135**	51,695	8,626	60,321
Charge for the year	**-**	**-**	**-**	6,250	-	6,250
Exchange differences and other movements	**214**	**-**	**214**	564	-	564
At 31 December	**58,723**	**8,626**	**67,349**	58,509	8,626	67,135

(Expressed in thousands of United States Dollars unless otherwise stated)

10. ASSETS ACQUIRED FOR LEASING

	31 December 2015			31 December 2014		
	Cost	**Accumulated depreciation**	**Net book amount**	Cost	Accumulated depreciation	Net book amount
Property & Equipment	**230,690**	**(61,208)**	**169,482**	156,811	(82,568)	74,243

The net book amount of assets acquired for leasing is further analysed as follows:

	31 December 2015	31 December 2014
Relating to owners	**14,773**	22,036
Relating to unrestricted investment accounts	**154,709**	52,207
	169,482	74,243

11. INVESTMENT IN REAL ESTATE

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Investment properties	**273,775**	**-**	**273,775**	355,857	-	355,857
Less: Provisions	**(17,282)**	**-**	**(17,282)**	(23,258)	-	(23,258)
	256,493	**-**	**256,493**	332,599	-	332,599

Fair value of investment properties at the year end approximates their carrying value.

Certain assets totalling $63.4 million (31 December 2014: $65.5 million) included above are held by third parties as nominee on behalf of the Group.

The movement in provisions for investment in real estate is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**23,258**	**-**	**23,258**	25,673	-	25,673
Write back during the year	**(1,634)**	**-**	**(1,634)**	(2,182)	-	(2,182)
Utilised during the year	**(2,450)**	**-**	**(2,450)**	-	-	-
Exchange differences and other movements	**(1,892)**	**-**	**(1,892)**	(233)	-	(233)
At 31 December	**17,282**	**-**	**17,282**	23,258	-	23,258

(Expressed in thousands of United States Dollars unless otherwise stated)

12. OTHER ASSETS

	31 December 2015			31 December 2014		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Account receivable	**197,893**	**24,187**	**222,080**	172,148	38,137	210,285
Due from related parties	**96,236**	**-**	**96,236**	76,606	-	76,606
Taxes – deferred	**41,830**	**-**	**41,830**	37,295	-	37,295
Taxes – current	**16,369**	**-**	**16,369**	35,814	-	35,814
Assets acquired against claims	**17,251**	**-**	**17,251**	18,081	-	18,081
	369,579	**24,187**	**393,766**	339,944	38,137	378,081
Provision for impairment	**(62,141)**	**(12,188)**	**(74,329)**	(77,763)	(27,122)	(104,885)
	307,438	**11,999**	**319,437**	262,181	11,015	273,196

The movement in provisions is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**77,763**	**27,122**	**104,885**	73,454	27,199	100,653
Charge for the year	**6,741**	**-**	**6,741**	4,168	-	4,168
Write back during the year	**(811)**	**-**	**(811)**	(3,953)	-	(3,953)
Utilised during the year	**(18,253)**	**(15,033)**	**(33,286)**	-	-	-
Exchange differences and other movements	**(3,299)**	**99**	**(3,200)**	4,094	(77)	4,017
At 31 December	**62,141**	**12,188**	**74,329**	77,763	27,122	104,885

13. FIXED ASSETS

	Relating to owners							
	31 December 2015				31 December 2014			
	Cost	Accumulated depreciation	Provision for impairment	Net book amount	Cost	Accumulated depreciation	Provision for impairment	Net book amount
Land and building	**110,391**	**(12,812)**	**(2,804)**	**94,775**	113,433	(13,309)	(2,804)	97,320
Leasehold improvements	**25,151**	**(20,336)**	**-**	**4,815**	25,099	(19,794)	-	5,305
Furniture and equipment	**75,184**	**(63,997)**	**-**	**11,187**	71,845	(62,989)	-	8,856
Motor vehicles	**3,688**	**(2,076)**	**-**	**1,612**	3,637	(1,840)	-	1,797
	214,414	**(99,221)**	**(2,804)**	**112,389**	214,014	(97,932)	(2,804)	113,278

Depreciation charge for the year ended 31 December 2015 amounted to $6.4 million (31 December 2014: $7.4 million)

(Expressed in thousands of United States Dollars unless otherwise stated)

14. INTANGIBLE ASSETS

	Relating to owners									
	31 December 2015					31 December 2014				
	Cost	**Accumulated amortisation**	**Provision for impairment**	**Exchange differences**	**Net book amount**	Cost	Accumulated amortisation	Provision for impairment	Exchange differences	Net book amount
Goodwill	**87,830**	**-**	**(5,000)**	**(9,231)**	**73,599**	87,830	-	-	(8,702)	79,128
Customer relations	**113,565**	**(49,512)**	**-**	**(11,110)**	**52,943**	113,565	(43,455)	-	(10,645)	59,465
Core deposits	**155,546**	**(72,918)**	**-**	**(20,324)**	**62,304**	155,546	(65,138)	-	(20,964)	69,444
Others	**27,848**	**(21,124)**	**-**	**(219)**	**6,505**	26,431	(17,874)	-	-	8,557
	384,789	**(143,554)**	**(5,000)**	**(40,884)**	**195,351**	383,372	(126,467)	-	(40,311)	216,594

Amortisation charge for the year ended 31 December 2015 amounted to $16.7 million (31 December 2014: $16.7 million)

The carrying amount of goodwill has been allocated to cash-generating units as follows:

	31 December 2015	31 December 2014
Business units of ex-Shamil Bank of Bahrain B.S.C. (C)	**66,070**	66,070
Faysal Bank Limited	**7,529**	13,058
	73,599	79,128

The recoverable amount of the cash-generating units were determined based on Value-in-Use (VIU) calculation using cash flow projections from financial budgets approved by the Group's senior management covering a three year period and Fair Value Less Cost to Sell (FVLCTS). The discount rate applied to cash flow projections represent the cost of capital adjusted for an appropriate risk premium for these cash-generating units. The key assumptions used in estimating the recoverable amounts of cash-generating units were assessed to ensure reasonableness of the VIU and FVLCTS and resulting adjustment, if any, is recorded in the consolidated income statement.

15. CUSTOMERS' CURRENT ACCOUNTS

Customers' current accounts include balances relating to a counterparty amounting to $196.3 million (31 December 2014: $218.4 million) that are subject to sanctions under US, EU, UN measures as at 31 December 2015.

16. DUE TO BANKS, FINANCIAL AND OTHER INSTITUTIONS

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Due to Banks	**1,480,579**	**-**	**1,480,579**	1,232,663	-	1,232,663
Due to financial and other institutions	**159,292**	**-**	**159,292**	240,635	-	240,635
	1,639,871	**-**	**1,639,871**	1,473,298	-	1,473,298

Due to banks, financial and other institutions include balances totalling $566.6 million (31 December 2014: $657.6 million) from three counterparties having contractual maturity ranging from up to one month to 3 years. Out of these, balances totalling $417 million (31 December 2014: $427.8 million) is from two counterparties that are subject to sanctions under US, EU, UN measures as at 31 December 2015.

(Expressed in thousands of United States Dollars unless otherwise stated)

16. DUE TO BANKS, FINANCIAL AND OTHER INSTITUTIONS (Continued)

Due to banks include short and medium term borrowings by the Group under bilateral and multilateral arrangement with maturities ranging from one year to five years.

Due to banks, financial and other institutions include conventional deposits totalling $766.7 million (31 December 2014: $576.7 million), accepted by a subsidiary of the Bank.

At 31 December 2015, there were collateralized borrowings in aggregate $151 million (31 December 2014: $167.8 million).

Cash dividends amounting to $11.1 million (31 December 2014: $6.1 million) on certain shares pledged as collateral was directly received by the lender (as per agreed terms and conditions) during the year and adjusted against the outstanding facility amount as per the agreed terms.

Assets which are pledged as collateral are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

17. DUE TO INVESTORS

	Relating to owners	
	31 December 2015	31 December 2014
Due to corporate institutions	**1,024,104**	1,047,431
Due to individuals	**856,180**	875,178
Due to financial institutions	**71,157**	72,736
	1,951,441	1,995,345

Due to investors represent conventional deposits accepted by a subsidiary of the Bank.

Due to investors include floating rate unsecured term finance certificates issued by a subsidiary of the Bank.

18. OTHER LIABILITIES

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Accounts payable	**240,132**	**63,787**	**303,919**	206,522	52,550	259,072
Due to related parties	**10,844**	**-**	**10,844**	10,567	-	10,567
Provision for taxation – current	**831**	**-**	**831**	259	-	259
Provision for taxation – deferred	**4,417**	**-**	**4,417**	4,192	-	4,192
	256,224	**63,787**	**320,011**	221,540	52,550	274,090

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015
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19. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNTHOLDERS

The funds received from Unrestricted Investment Accountholders (URIA) are invested on their behalf without recourse to the Group as follows:

	Notes	31 December 2015	31 December 2014
Murabaha and other financings	5	**1,429,587**	1,291,106
Investment in mudaraba	6	**16,348**	17,315
Investment in associates	7	**4,340**	4,340
Sukuk and investment securities	8	**74,129**	79,461
Restricted investment accounts	9	**35,622**	36,580
Assets acquired for leasing	10	**154,709**	52,207
Other assets	12	**11,999**	11,015
Due from the Bank		**536,195**	562,475
		2,262,929	2,054,499
Other liabilities	18	**(63,787)**	(52,550)
Equity of unrestricted investment accountholders		**2,199,142**	2,001,949

The movement in investments fair value reserve (included in URIA) is as follows:

	31 December 2015	31 December 2014
At 1 January	**9,292**	9,647
Net movement during the year	**-**	(355)
At 31 December	**9,292**	9,292

The assets attributable to unrestricted investment accountholders have been disclosed net of impairment provisions amounting to $88.4 million (31 December 2014: $110.8 million). The movement of impairment provisions relating to unrestricted investment accountholders has been disclosed in note 29.

Other liabilities include profit equalization reserve and the movement is as follows:

	31 December 2015	31 December 2014
At 1 January	**7,548**	2,546
Net addition during the year	**4,999**	5,002
At 31 December	**12,547**	7,548

Other liabilities include investment risk reserve and the movement is as follows:

	31 December 2015	31 December 2014
At 1 January	**2,915**	-
Net addition during the year	**5,889**	3,750
Transfer to impairment provisions (note 29)	**-**	(835)
At 31 December	**8,804**	2,915

The average gross rate of return in respect of unrestricted investment accounts was 2.3% for 31 December 2015 (31 December 2014: 3.4%) of which 1.3% (31 December 2014: 2.2%) was distributed to the investors and the balance was either set aside as provisions and/or retained by the Bank as share of profits in its capacity as a Mudarib.

The Bank earned a management fee up to 0.7% of the total invested amount per annum to cover its administration and other expenses related to the management of such funds

(Expressed in thousands of United States Dollars unless otherwise stated)

20. MINORITY INTEREST

The consolidated financial statements include 100% of the assets, liabilities and earnings of subsidiaries. The ownership interests of the other shareholders in the subsidiaries are called minority interests.

The following table summarises the minority shareholders' interests in the equity of consolidated subsidiaries.

	31 December 2015		31 December 2014	
	Minority %		Minority %	
Faysal Bank Limited	**33**	**99,996**	33	92,727
Health Island B.S.C. (C)	**50**	**68,823**	50	110,766
Cityview Real Estate Development B.S.C. (C)	**49**	**1,602**	49	1,663
Sakana Holistic Housing Solutions B.S.C. (C)	**50**	**7,197**	50	15,027
		177,618		220,183

Minority interest in the consolidated income statement of $14.4 million (31 December 2014: $6.2 million) represents the minority shareholders' share of the earnings of these subsidiaries for the respective years.

21. SHARE CAPITAL

	Number of shares (thousands)	**Share capital**
Authorised	8,000,000	2,000,000
Issued and fully paid		
Total outstanding	3,030,755	757,690
Treasury shares	(120,595)	(30,149)
At 31 December 2014 (Audited)	2,910,160	727,541
Issued and fully paid		
Total outstanding as at 1 January 2015	**3,030,755**	**757,690**
Treasury shares *	**(120,595)**	**(30,149)**
At 31 December 2015 (Audited)	**2,910,160**	**727,541**

The Bank's total issued and fully paid share capital at 31 December 2015 comprises 3,030,755,027 shares at $0.25 per share amounting to $757,688,757. The share capital of the Bank is denominated in United States Dollars and these shares are traded on Bahrain Bourse in United States dollars and on Kuwait Stock Exchange in Kuwaiti Dinars.

The Bank owned 120,594,984 of its own shares at 31 December 2015 (31 December 2014: 120,594,984). The shares are held as treasury shares and the Bank has the right to reissue these shares at a later date.

*** Employee Share Incentive Scheme**

At the annual general meeting for the year 2014 which was held on 31 March 2015, and in pursuant to CBB's Sound Remuneration Practices, the Employee Share Incentive Scheme (the "Scheme") was approved. As a result, 3,643,032 ordinary shares were appropriated from treasury shares.

22. EARNINGS PER SHARE (BASIC & DILUTED)

Earnings per share (Basic & Diluted) are calculated by dividing the net income attributable to shareholders by the weighted average number of issued and fully paid up ordinary shares during the year.

	31 December 2015	31 December 2014
Net loss attributable to shareholders ($ '000)	**(60,797)**	(15,012)
Weighted average number of issued and fully paid up ordinary shares ('000)	**2,910,160**	2,910,160
Earnings per share (Basic & Diluted) - US Cents	**(2.09)**	(0.52)

Earnings per share on non-sharia compliant income and expenses is included under note 41.

Notes to the Consolidated Financial Statements

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23. INCOME FROM RESTRICTED INVESTMENT ACCOUNTS AS A MUDARIB

Income from restricted investment accounts comprises profit participation as a Mudarib and investment management fees net of contribution made to certain restricted funds.

24. INCOME FROM MURABAHA AND OTHER FINANCINGS

	Relating to owners	
	31 December 2015	31 December 2014
Income from murabaha financing	**16,880**	17,071
Income from musharaka financing	**12,930**	9,205
Income from other financings	**157,282**	199,704
	187,092	225,980

25. INCOME FROM OTHER INVESTMENTS

	Relating to owners	
	31 December 2015	31 December 2014
Income from investment securities at amortised cost	**138,342**	101,508
Income from investment securities at fair value through equity	**4,127**	6,841
Income from investment securities at fair value through income statement	**27,044**	15,574
Income from investment in real estate	**9,943**	2,821
	179,456	126,744

26. OTHER INCOME

	Relating to owners	
	31 December 2015	31 December 2014
Income from banking services	**40,762**	38,051
Foreign exchange income	**6,330**	12,871
Income from fees and commissions	**4,336**	-
Gain on disposal of fixed assets	**1,259**	1,611
Others	**-**	2,463
	52,687	54,996

27. ADMINISTRATIVE AND GENERAL EXPENSES

	Relating to owners	
	31 December 2015	**31 December 2014**
Salaries and other benefits	**77,097**	84,904
Office expenses	**48,169**	47,221
Professional fees	**13,047**	11,733
Other administrative expenses	**22,307**	24,010
	160,620	**167,868**

28. SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organizations.

(Expressed in thousands of United States Dollars unless otherwise stated)

29. PROVISIONS

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January	**630,538**	**110,844**	**741,382**	597,399	105,742	703,141
Charge for the year	**113,267**	**7,074**	**120,341**	48,831	4,892	53,723
Write back during the year	**(18,242)**	**-**	**(18,242)**	(22,706)	-	(22,706)
Transfer from Investment Risk Reserve (note 19)	**-**	**-**	**-**	-	835	835
Utilised during the year	**(25,182)**	**(29,557)**	**(54,739)**	(2,876)	(625)	(3,501)
Exchange differences	**(14,061)**	**-**	**(14,061)**	9,890	-	9,890
At 31 December	**686,320**	**88,361**	**774,681**	630,538	110,844	741,382

The allocation of the provision to the respective assets is as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Commodity and other placements with banks, financial and other institutions	**7,539**	**-**	**7,539**	6,779	-	6,779
Murabaha and other financings	**298,650**	**50,266**	**348,916**	268,357	54,552	322,909
Investment in mudaraba	**854**	**11,581**	**12,435**	854	14,788	15,642
Investment in associates	**70,528**	**-**	**70,528**	70,528	-	70,528
Sukuk and investment securities	**162,799**	**5,700**	**168,499**	121,686	5,756	127,442
Restricted investment accounts	**58,723**	**8,626**	**67,349**	58,509	8,626	67,135
Fixed assets	**2,804**	**-**	**2,804**	2,804	-	2,804
Investment in real estate	**17,282**	**-**	**17,282**	23,258	-	23,258
Intangible assets	**5,000**	**-**	**5,000**	-	-	-
Other assets	**62,141**	**12,188**	**74,329**	77,763	27,122	104,885
	686,320	**88,361**	**774,681**	630,538	110,844	741,382

Total provisions of $774.7 million (31 December 2014: $741.4 million) includes $16.5 million (31 December 2014: $6.5 million) held as general provisions.

The movement in general provision is as follows:

	Relating to owners	
	31 December 2015	31 December 2014
At 1 January	**6,509**	54,931
Charge for the year	**9,983**	-
Allocated to specific provision	**-**	(48,407)
Exchange differences	**-**	(15)
At 31 December	**16,492**	6,509

General provision of $16.5 million (31 December 2014: $6.5 million) includes $11.8 million (31 December 2014: $3.6 million) in respect of Murabaha and other financings.

(Expressed in thousands of United States Dollars unless otherwise stated)

30. OVERSEAS TAXATION

	Relating to owners	
	31 December 2015	31 December 2014
Current taxes	**35,261**	10,138
Deferred taxes	**(5,933)**	1,546
	29,328	**11,684**

The Group is subject to income taxes in some jurisdictions. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Current tax receivable/(payable)

	31 December 2015	31 December 2014
At 1 January	**35,555**	31,419
Charge for the year	**(35,261)**	(10,138)
Payments made	**15,440**	12,724
Exchange differences and other movements	**(196)**	1,550
At 31 December	**15,538**	**35,555**

Deferred tax asset/(liability)

	31 December 2015	31 December 2014
At 1 January	**33,103**	32,832
Charge for the year	**5,933**	(1,546)
Charges due to fair value reserve	**4**	(370)
Exchange differences and other movements	**(1,627)**	2,187
At 31 December	**37,413**	**33,103**

(Expressed in thousands of United States Dollars unless otherwise stated)

31. SEGMENTAL INFORMATION

The Group constitutes of three main business segments, namely;

(i) Retail and Corporate banking, in which the Group receives customer funds and deposits and extends financing to its retail and corporate clients.

(ii) Trading Portfolio, where the Group trades in equity deals, foreign exchange and other transactions with the objective of realizing short-term gains.

(iii)Asset Management/Investment Banking, in which the Group directly participates in investment opportunities.

	31 December 2015					31 December 2014				
	Retail & Corporate banking	**Trading Portfolio**	**Asset Management / Investment Banking**	**Others**	**Total**	Retail & Corporate banking	Trading Portfolio	Asset Management / Investment Banking	Others	Total
Operating income	**205,743**	**62,048**	**227**	**351**	**268,369**	207,503	46,165	(29,937)	4,029	227,760
Total expenses	**(168,622)**	**(2,313)**	**(19,239)**	**(237)**	**(190,411)**	(177,899)	(1,523)	(19,118)	(258)	(198,798)
Net income/(loss)before provision and overseas taxation	**37,121**	**59,735**	**(19,012)**	**114**	**77,958**	29,604	44,642	(49,055)	3,771	28,962
Provision and overseas taxation	**(49,256)**	**(26,890)**	**(48,032)**	**(175)**	**(124,353)**	(20,035)	(18,479)	772	(67)	(37,809)
Net income/(loss) for the year	**(12,135)**	**32,845**	**(67,044)**	**(61)**	**(46,395)**	9,569	26,163	(48,283)	3,704	(8,847)
Attributable to:										
Equity holders of the Bank	**(13,434)**	**21,865**	**(69,086)**	**(142)**	**(60,797)**	9,569	19,435	(47,720)	3,704	(15,012)
Minority interests	**1,299**	**10,980**	**2,042**	**81**	**14,402**	-	6,728	(563)	-	6,165
	(12,135)	**32,845**	**(67,044)**	**(61)**	**(46,395)**	9,569	26,163	(48,283)	3,704	(8,847)
Total assets	**5,148,061**	**1,764,711**	**1,216,471**	**9,398**	**8,138,641**	5,027,889	1,482,691	1,341,952	8,372	7,860,904
Total liabilities and equity of unrestricted investment account holders	**6,601,729**	**864,730**	**80,270**	**71**	**7,546,800**	6,612,550	422,633	82,086	66	7,117,335

The Group constitutes of four geographical segments which are Europe, North America, Middle East & Africa, Asia and others

	31 December 2015						31 December 2014					
	Europe	**North America**	**Middle East & Africa**	**Asia**	**Others**	**Total**	Europe	North America	Middle East & Africa	Asia	Others	Total
Operating income	**2,962**	**3,245**	**58,020**	**200,908**	**3,234**	**268,369**	1,160	5,413	42,279	176,742	2,166	227,760
Total expenses	**(12,746)**	**-**	**(67,709)**	**(109,945)**	**(11)**	**(190,411)**	(13,298)	-	(62,639)	(123,105)	244	(198,798)
Net income/(loss) before provision and overseas taxation	**(9,784)**	**3,245**	**(9,689)**	**90,963**	**3,223**	**77,958**	(12,138)	5,413	(20,360)	53,637	2,410	28,962
Provision and overseas taxation	**(3,350)**	**(467)**	**(73,282)**	**(47,254)**	**-**	**(124,353)**	(896)	(1,048)	(5,484)	(30,381)	-	(37,809)
Net income/(loss) for the year	**(13,134)**	**2,778**	**(82,971)**	**43,709**	**3,223**	**(46,395)**	(13,034)	4,365	(25,844)	23,256	2,410	(8,847)
Attributable to:												
Equity holders of the Bank	**(13,134)**	**2,778**	**(84,676)**	**31,012**	**3,223**	**(60,797)**	(13,034)	4,365	(25,281)	16,528	2,410	(15,012)
Minority interests	**-**	**-**	**1,705**	**12,697**	**-**	**14,402**	-	-	(563)	6,728	-	6,165
	(13,134)	**2,778**	**(82,971)**	**43,709**	**3,223**	**(46,395)**	(13,034)	4,365	(25,844)	23,256	2,410	(8,847)
Total assets	**465,967**	**60,404**	**3,318,341**	**4,210,641**	**83,288**	**8,138,641**	492,269	62,820	3,217,504	3,972,811	115,500	7,860,904
Total liabilities and equity of unrestricted investment account holders	**220,496**	**18,541**	**3,477,074**	**3,811,977**	**18,712**	**7,546,800**	230,500	26,597	3,257,222	3,592,220	10,796	7,117,335

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32. ZAKAH

Zakah is directly borne by the owners and investors in restricted and equity of unrestricted investment accountholders. The Bank does not collect or pay Zakah on behalf of its owners and its investment accountholders.

33. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	31 December 2015	31 December 2014
Acceptances and endorsements	**63,006**	103,910
Guarantees and irrevocable letters of credit	**768,934**	749,748
Customer and other claims	**322,802**	434,488
	1,154,742	1,288,146

Commitments

	31 December 2015	31 December 2014
Undrawn facilities, financing lines and other commitments to finance	**2,048,276**	2,520,901

34. CURRENCY RISK

Assuming that all other variables held constant, the impact of currency risk on the consolidated income statement/equity based on reasonable shift is summarized below:

	PKR	**EUR**	**USD**	**PLN**
As at 31 December 2015				
Total currency exposure	92,346	73,227	57,854	41,298
Reasonable shift	4.03%	0.69%	0.88%	1.64%
Total effect on income/equity	**3,722**	**505**	**509**	**677**
As at 31 December 2014				
Total currency exposure	96,816	93,456	89,475	45,096
Reasonable shift	3.68%	0.19%	0.09%	0.66%
Total effect on income/equity	**3,563**	**178**	**81**	**298**

The basis for calculation of the reasonable shift is arrived at by comparing the foreign exchange spot rate as at 31 December as compared to the one year forward rate for the same period.

(Expressed in thousands of United States Dollars unless otherwise stated)

34. CURRENCY RISK (Continued)

The currency exposure of the assets and liabilities, of the Group, including equity of unrestricted investment accountholders, is as follows:

31 December 2015	United States Dollar	Pakistan Rupee	Swiss Franc	Bahraini Dinar	Euro	UAE Dirham	Hong Kong Dollar	Other	Total
Cash and balances with banks and central banks	78,056	201,311	1,863	193,025	86,035	9,690	28	20,401	590,409
Commodity and other placements with banks, financial and other institutions	-	116,053	-	-	153,312	1,455	-	-	270,820
Murabaha and other financings	482,769	1,550,845	-	1,216,370	27,706	51,258	-	70,822	3,399,770
Musharaka financing	-	149,673	-	-	-	-	-	-	149,673
Investment in mudaraba	21,348	-	-	-	-	-	-	-	21,348
Investment in associates	-	1,131	-	569,816	-	-	75,113	9,328	655,388
Sukuk and investment securities	129,406	1,763,213	805	2,375	6,009	-	-	17,622	1,919,430
Restricted investment accounts	70,134	-	-	-	8,517	-	-	-	78,651
Assets acquired for leasing	14,773	-	-	154,709	-	-	-	-	169,482
Investment in real estate	4,862	8,782	44,609	156,942	-	-	-	41,298	256,493
Other assets	105,997	140,181	1,830	31,295	28,674	8	-	11,452	319,437
Fixed assets	4,065	53,016	-	55,295	13	-	-	-	112,389
Intangible assets	176,464	18,887	-	-	-	-	-	-	195,351
Total assets	**1,087,874**	**4,003,092**	**49,107**	**2,379,827**	**310,266**	**62,411**	**75,141**	**170,923**	**8,138,641**
Customer current accounts	104,107	791,015	10	301,265	219,834	3,282	-	16,822	1,436,335
Due to banks, financial and other institutions	155,727	864,730	-	177,751	106,557	335,008	-	98	1,639,871
Due to investors	110,628	1,810,415	-	-	12,023	-	-	18,375	1,951,441
Other liabilities	-	120,275	10,431	183,911	1,863	2,319	-	1,212	320,011
Total liabilities	**370,462**	**3,586,435**	**10,441**	**662,927**	**340,277**	**340,609**	-	**36,507**	**5,347,658**
Equity of unrestrictedinvestment accountholders	361,043	-	-	1,794,883	43,216	-	-	-	2,199,142
Total liabilities and equity of unrestricted investment accountholders	**731,505**	**3,586,435**	**10,441**	**2,457,810**	**383,493**	**340,609**	**-**	**36,507**	**7,546,800**
Contingent liabilities and commitments	**753,115**	**1,804,281**	**19,402**	**503,091**	**61,631**	**61,498**	**-**	**-**	**3,203,018**
31 December 2014									
Total assets	1,254,053	3,739,835	49,253	2,227,062	294,849	55,329	69,623	170,900	7,860,904
Total liabilities and equity of unrestricted investment accountholders	820,142	3,279,247	8,672	2,168,010	472,143	331,519	-	37,602	7,117,335
Contingent liabilities and commitments	1,165,847	1,833,903	20,130	565,511	70,520	70,538	-	82,598	3,809,047

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35. MATURITY PROFILE

The maturity profile of the assets and liabilities of the Group, including equity of unrestricted investment accountholders, is as follows:

31 December 2015	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Cash and balances with banks and central banks	590,409	-	-	-	-	590,409
Commodity and other placements with banks, financial and other institutions	113,425	43,725	113,670	-	-	270,820
Murabaha and other financings	422,952	604,622	482,380	1,024,689	865,127	3,399,770
Musharaka financing	9,174	9,547	9,012	91,791	30,149	149,673
Investment in mudaraba	-	-	5,000	-	16,348	21,348
Investment in associates	-	-	-	-	655,388	655,388
Sukuk and investment securities	499,525	328,670	532,105	445,145	113,985	1,919,430
Restricted investment accounts	-	-	-	-	78,651	78,651
Assets acquired for leasing	-	203	14,340	16,545	138,394	169,482
Investment in real estate	-	-	-	191,976	64,517	256,493
Other assets	114,177	39,166	132,124	18,493	15,477	319,437
Fixed assets	4,903	33	2,048	10,568	94,837	112,389
Intangible assets				6,504	188,847	195,351
Total assets	**1,754,565**	**1,025,966**	**1,290,679**	**1,805,711**	**2,261,720**	**8,138,641**
Customer current accounts	1,436,335	-	-	-	-	1,436,335
Due to banks, financial and other institutions	1,189,418	158,158	123,475	159,843	8,977	1,639,871
Due to investors	1,319,894	129,992	406,352	94,490	713	1,951,441
Other liabilities	213,545	244	51,051	36,435	18,736	320,011
Total liabilities	**4,159,192**	**288,394**	**580,878**	**290,768**	**28,426**	**5,347,658**
Equity of unrestricted investment accountholders	853,734	279,205	693,607	372,596	-	2,199,142
Total liabilities and equity of unrestricted investment accountholders	**5,012,926**	**567,599**	**1,274,485**	**663,364**	**28,426**	**7,546,800**
Contingent liabilities and commitments	**1,923,145**	**318,914**	**402,810**	**519,026**	**39,123**	**3,203,018**
31 December 2014						
Total assets	1,728,942	986,021	1,188,261	1,771,919	2,185,761	7,860,904
Total liabilities and equity of unrestricted investment accountholders	4,554,221	584,760	1,437,854	484,650	55,850	7,117,335
Contingent liabilities and commitments	1,988,472	656,015	490,447	641,110	33,003	3,809,047

(Expressed in thousands of United States Dollars unless otherwise stated)

36. CONCENTRATION OF ASSETS, LIABILITIES AND LETTERS OF CREDIT AND GUARANTEE

Assets and liabilities of the Group, including equity of unrestricted investment accountholders, and letters of credit and guarantee are distributed over the following industry sectors and geographical regions:

31 December 2015	Banks and Financial Institutions	Trading and Manu-facturing	Property and Cons-truction	Services	Private individuals	Textile	Other	Total
Cash and balances with banks and central banks	590,409	-	-	-	-	-	-	590,409
Commodity and other placements with banks, financial and other institutions	270,820	-	-	-	-	-	-	270,820
Murabaha and other financings	658,535	911,358	109,209	116,813	1,109,347	225,244	269,264	3,399,770
Musharaka financing	31,685	70,041	206	12,444	9,124	2,277	23,896	149,673
Investment in mudaraba	-	-	21,348	-	-	-	-	21,348
Investment in associates	482,414	5,838	102,642	64,494	-	-	-	655,388
Sukuk and investment securities	1,775,969	66,678	34,169	11,933	-	1,819	28,862	1,919,430
Restricted investment accounts	-	-	78,651	-	-	-	-	78,651
Assets acquired for leasing	-	10,650	12,556	504	145,772	-	-	169,482
Investment in real estate	8,782	-	247,711	-	-	-	-	256,493
Other assets	222,867	18,170	37,071	30	10,019	-	31,280	319,437
Fixed assets	53,016	-	59,373	-	-	-	-	112,389
Intangible assets	195,351	-	-	-	-	-	-	195,351
Total assets	**4,289,848**	**1,082,735**	**702,936**	**206,218**	**1,274,262**	**229,340**	**353,302**	**8,138,641**
Customer current accounts	17,308	400,604	88,141	128,059	395,997	15,275	390,951	1,436,335
Due to banks, financial and other institutions	1,480,574	-	159,297	-	-	-	-	1,639,871
Due to investors	240,004	529,550	55,274	186,567	677,664	10,818	251,564	1,951,441
Other liabilities	96,195	31,847	42,627	247	45,805	-	103,290	320,011
Total liabilities	**1,834,081**	**962,001**	**345,339**	**314,873**	**1,119,466**	**26,093**	**745,805**	**5,347,658**
Equity of unrestricted investment accountholders	256,166	308,116	77,237	155,480	1,317,762	-	84,381	2,199,142
Total liabilities and equity of unrestricted investment accountholders	**2,090,247**	**1,270,117**	**422,576**	**470,353**	**2,437,228**	**26,093**	**830,186**	**7,546,800**
Contingent liabilities and commitments	**1,715,955**	**701,676**	**78,177**	**24,631**	**27,462**	**25,663**	**629,454**	**3,203,018**
31 December 2014								
Total assets	3,968,684	1,409,154	830,120	256,242	1,022,385	107,423	266,896	7,860,904
Total liabilities and equity of unrestricted investment accountholders	2,026,986	1,168,962	206,427	476,205	2,486,385	9,010	743,360	7,117,335
Contingent liabilities and commitments	1,458,619	1,338,219	533,533	44,243	31,770	31,015	371,648	3,809,047

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36. CONCENTRATION OF ASSETS, LIABILITIES AND LETTERS OF CREDIT AND GUARANTEE (Continued)

31 December 2015	**Asia / Pacific**	**Middle East**	**Europe**	**North America**	**Others**	**Total**
Cash and balances with banks and central banks	258,941	231,713	69,482	29,231	1,042	590,409
Commodity and other placements with banks, financial and other institutions	116,053	144,817	9,950			270,820
Murabaha and other financings	1,602,931	1,461,584	252,888	127	82,240	3,399,770
Musharaka financing	149,673	-	-	-	-	149,673
Investment in mudaraba	-	5,000	-	16,348	-	21,348
Investment in associates	76,243	579,145	-	-	-	655,388
Sukuk and investment securities	1,781,848	126,826	6,552	4,204	-	1,919,430
Restricted investment accounts	-	78,651	-	-	-	78,651
Assets acquired for leasing	-	169,482	-	-	-	169,482
Investment in real estate	12,408	158,179	85,906	-	-	256,493
Other assets	140,641	131,235	37,061	10,494	6	319,437
Fixed assets	53,016	59,304	69	-	-	112,389
Intangible assets	18,887	172,405	4,059			195,351
Total assets	**4,210,641**	**3,318,341**	**465,967**	**60,404**	**83,288**	**8,138,641**
Customer current accounts	875,576	342,977	209,258	8,376	148	1,436,335
Due to banks, financial and other institutions	864,730	756,577	-	-	18,564	1,639,871
Due to investors	1,951,441	-	-	-	-	1,951,441
Other liabilities	120,230	178,378	11,238	10,165	-	320,011
Total liabilities	**3,811,977**	**1,277,932**	**220,496**	**18,541**	**18,712**	**5,347,658**
Equity of unrestricted investment accountholders	-	2,199,142	-	-	-	2,199,142
Total liabilities and equity of unrestricted investment accountholders	3,811,977	3,477,074	220,496	18,541	18,712	7,546,800
Contingent liabilities and commitments	**2,641,074**	**538,736**	**20,883**	**-**	**2,325**	**3,203,018**
31 December 2014						
Total assets	3,972,811	3,217,504	492,269	62,820	115,500	7,860,904
Total liabilities and equity of unrestricted investment accountholders	3,592,220	3,257,222	230,500	26,597	10,796	7,117,335
Contingent liabilities and commitments	3,122,776	650,708	22,775	-	12,788	3,809,047

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37. RISK MANAGEMENT

Credit risk

The significant concentration of credit risk at 31 December is set out in note 36.

Non performing financing exposures are conservatively considered as financing exposures which have been past due beyond 90 days and the profit on these assets is not recognized in the consolidated income statement.

Following are the details of non performing financing exposures relating to the Bank and its unrestricted investment accountholders:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Gross exposure						
Past due but performing financing exposures	**50,192**	**74,480**	**124,672**	24,522	45,714	70,236
Non performing financing exposures	**405,065**	**208,815**	**613,880**	457,090	294,590	751,680
	455,257	**283,295**	**738,552**	481,612	340,304	821,916
Fair value of collateral						
Past due but performing financing exposures	**342,032**	**26,006**	**368,038**	41,969	35,951	77,920
Non performing financing exposures	**86,028**	**195,954**	**281,982**	110,941	208,933	319,874
	428,060	**221,960**	**650,020**	152,910	244,884	397,794

Included in the performing financing exposures of the Group are facilities which have been restructured during the year which are as follows:

	31 December 2015			31 December 2014		
	Relating to owners	**Relating to unrestricted investment accounts**	**Total**	Relating to owners	Relating to unrestricted investment accounts	Total
Restructured financings	**25,656**	**14,012**	**39,668**	209,139	3,517	212,656

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37. RISK MANAGEMENT (Continued)

Profit rate risk

The table below summarises the Group's exposure to profit rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

31 December 2015	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Cash and balances with banks and central banks	327,121	-	-	-	-	263,288	590,409
Commodity and other placements with banks, financial and other institutions	113,425	43,725	113,670	-	-	-	270,820
Murabaha and other financings	732,300	638,850	648,979	611,511	709,419	58,711	3,399,770
Musharaka financing	40,401	39,302	52,330	14,058	3,582	-	149,673
Sukuk and investment securities	15,521	503,548	700,996	399,532	23,131	276,702	1,919,430
Assets acquired for leasing	7,690	203	14,340	5,006	142,243	-	169,482
Other assets	403	223	1,328	16,572	-	300,911	319,437
Total financial assets	**1,236,861**	**1,225,851**	**1,531,643**	**1,046,679**	**878,375**	**899,612**	**6,819,021**
Customer current accounts	-	-	-	-	-	1,436,335	1,436,335
Due to banks, financial and other institutions	1,195,338	74,644	333,128	16,720	12,256	7,785	1,639,871
Due to investors	237,879	239,399	1,438,397	35,162	598	6	1,951,441
Other liabilities	449	1,061	516	858	12,674	304,453	320,011
Total financial liabilities	**1,433,666**	**315,104**	**1,772,041**	**52,740**	**25,528**	**1,748,579**	**5,347,658**
Equity of unrestricted investment accountholders	1,033,128	132,722	659,962	373,330	-	-	2,199,142
Total financial liabilities and equity of unrestricted investment accountholders	**2,466,794**	**447,826**	**2,432,003**	**426,070**	**25,528**	**1,748,579**	**7,546,800**
Total repricing gap	**(1,229,933)**	**778,025**	**(900,360)**	**620,609**	**852,847**	**(848,967)**	**(727,779)**
31 December 2014							
Total financial assets	1,166,084	1,077,788	1,324,483	1,191,699	885,815	780,440	6,426,309
Total financial liabilities and equity of unrestricted investment accountholders	2,069,148	363,967	2,344,994	532,577	175,016	1,631,633	7,117,335
Total repricing gap	(903,064)	713,821	(1,020,511)	659,122	710,799	(851,193)	(691,026)

	USD	EUR	PKR	BHD	AED
As at 31 December 2015					
Total profit rate exposure	94,372	81,757	334,841	874,911	278,200
Reasonable shift	0.30%	0.23%	3.23%	1.42%	0.95%
Total effect on income	**283**	**188**	**10,815**	**12,424**	**2,643**

	USD	EUR	PKR	BHD	AED
As at 31 December 2014					
Total profit rate exposure	154,359	186,781	374,639	831,964	276,183
Reasonable shift	0.33%	0.09%	0.42%	0.57%	0.06%
Total effect on income	**509**	**168**	**1,573**	**4,742**	**166**

(Expressed in thousands of United States Dollars unless otherwise stated)

37. RISK MANAGEMENT (Continued)

The basis for calculation of the reasonable shift is arrived at by comparing the interbank lending rate at the beginning and the end of the year.

Price risk

The table below summarises the impact of increase/decrease of equity indices on the Group's post tax profit for the year and on other components of equity. The analysis is based on the assumptions that equity indices increased/decreased by 10% (31 December 2014: 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the indices:

	Impact on other components of equity	
Index	**2015**	2014
Karachi stock exchange (+/-10%)	**3,092**	2,197

38. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operating decisions.

Related parties include:

(a) Directors and major shareholders of the Bank and companies in which they have an ownership interest.

(b) Corporate, whose ownership and management is common with the Bank.

(c) DMIT and companies in which DMIT has ownership interest and subsidiaries of such companies.

(d) Associated companies of the Bank.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Significant balances with related parties comprise:

	31 December 2015		31 December 2014	
	Relating to owners	**Relating to unrestricted investment accounts**	Relating to owners	Relating to unrestricted investment accounts
Assets				
Murabaha and other financings - note (i)	**330,597**	**37,813**	335,673	37,812
Sukuk and investment securities	**-**	**9,778**	-	9,778
Other assets - note (i)	**96,236**	**-**	76,606	-
Liabilities				
Customers' current accounts	**26,785**	**-**	7,012	-
Due to banks, financial and other institutions	**159,292**	**-**	240,635	-
Equity of unrestricted investment accounts	**-**	**27,289**	-	64,413
Other liabilities	**10,844**	**-**	10,567	-
Funds managed by related parties	**-**	**16,349**	-	17,384

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38. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The Group entered into the following significant transactions with related parties during the year:

	31 December 2015	31 December 2014
Income from financings and short-term liquid funds	**7,166**	6,031
Dividends received	**14,513**	6,304
Expense recovery	**7,232**	8,570
Profit paid	**61**	120
Fee income	**4,351**	-
Fee expense	**600**	-

Note (i) – The Group has obtained pledge of specific assets totalling $189.5 million (31 December 2014: $234.5 million) against the outstanding exposure.

39. CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended. The capital adequacy ratio as at 31 December 2015 has been calculated in accordance with Basel III (as at 31 December 2014 under Basel 2) and Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The minimum regulatory requirement is 12% under Basel II and 12.5% under Basel III.

	31 December 2015	31 December 2014
Tier 1	**599,862**	605,955
Tier 2	**-**	41,859
Total Capital Base	**599,862**	647,814
Total Risk-Weighted Exposures	**4,682,072**	5,350,292
Capital Adequacy Ratio	**12.81%**	12.11%

40. PROPOSED DIVIDEND

The Board of Directors has not proposed any dividend for the year ended 31 December 2015 (31 December 2014: Nil).

(Expressed in thousands of United States Dollars unless otherwise stated)

41. NON-SHARIA COMPLIANT INCOME AND EXPENSES

The Group has earned certain income and incurred certain expenses from conventional assets and liabilities.

These conventional assets and liabilities are covered by the Sharia Compliance Plan. The details of the total income and total expenses are as follows:

	Year ended	
	31 December 2015	31 December 2014
INCOME		
Group's share of income from funds under management	**164**	208
Income from other financings	**157,282**	199,704
Share of profit after tax from associates - note (i)	**46,534**	37,691
Income from investments	**156,283**	107,959
Other income	**26,699**	26,339
Gross income	**386,962**	371,901
Less: profit paid to banks, financial and other institutions (net) - note (ii)	**(162,162)**	(166,946)
Total income	**224,800**	204,955
EXPENSES		
Administrative and general expenses - note (ii)	**(97,283)**	(108,766)
Depreciation and amortisation	**(20,981)**	(22,300)
Total expenses	**(118,264)**	(131,066)
Net income before provision for impairment and overseas taxation	**106,536**	73,889
Provision for impairment (net)	**(23,724)**	(27,137)
Net income before overseas taxation	**82,812**	46,752
Overseas taxation	**(26,080)**	(11,178)
NET INCOME FOR THE YEAR	**56,732**	35,574
Attributable to:		
Equity holders of the Bank	**47,684**	32,987
Minority interests	**9,048**	2,587
	56,732	35,574
Basic and diluted earnings per share	**US Cts 1.64**	US Cts 1.13

Note (i) – The share of profit attributable to non-sharia compliant associates is based on their accounting policies which are different from the Group accounting policies. Since the non-sharia income is already disclosed separately and hence no adjustment is made on impact of dissimilar accounting policies.

Note (ii) – Expenses relate to entities which are consolidated line by line and exclude associates.

Note (iii) – One of the subsidiaries presently operating as a conventional bank has increased the number of its Islamic branches during the year to 68 (2014:58 branches) out of total 279 branches (2014: 274 branches).

42. SUBSEQUENT EVENT

Subsequent to 31 December 2015, the Board of Directors approved on 28 February 2016 to restructure the Bank into a holding company and to segregate core and non-core assets subject to the approval of shareholders. This restructuring is subject to legal and regulatory approvals.

43. COMPARATIVES

Certain comparatives figures have been reclassified to conform to the current year presentation.

Contents

Public Disclosures

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

1. Background

The public disclosures under this section have been prepared in accordance with the Central Bank of Bahrain ("CBB") requirements outlined in its Public Disclosure Module ("PD"), CBB Rule Book, Volume II for Islamic Banks. The disclosures in this report are in addition to the disclosures set out in the Group's consolidated financial statements for the year ended 31 December 2015, presented in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). These disclosures include additional information complying with Capital Adequacy (CA) Module effective from 1 January 2015 in accordance with Basel III disclosure requirements.

2. Basel III Framework

CBB has issued Basel III guidelines for the implementation of Basel III capital adequacy framework for Banks incorporated in the Kingdom of Bahrain.

The Basel III framework provides a risk based approach for calculation of regulatory capital. The Basel III framework is expected to strengthen the risk management practices across the financial institutions.

The Basel III framework is based on three pillars as follows:-

- Pillar I: Minimum capital requirements including calculation of the capital adequacy ratio
- Pillar II: Supervisory review process which includes the Internal Capital Adequacy Assessment Process
- Pillar III: Market discipline which includes the disclosure of risk management and capital adequacy information.

3. Methodology

As per the requirements of CBB's Basel III capital adequacy framework, the method for calculating the consolidated capital adequacy ratio for the Group is summarized as follows:

- Line by line consolidation is performed for the risk exposures and eligible capital of all the Financial Institutions subsidiaries within the Group with the exception of Ithmaar's banking subsidiaries incorporated outside Kingdom of Bahrain which are operating under Basel III compliant jurisdictions, where full aggregation is performed of the risk weighted exposures and eligible capital as required under CA module of CBB rulebook.
- All significant investments in commercial entities are risk weighted if these are within 15% of the capital base at individual level and 60% at aggregate level. Any exposure over and above the threshold of 15% are risk weighted at 800%.
- All exposures exceeding the large exposure limit as per Credit Risk Management (CM) module of CBB rulebook are risk weighted 800%.

4. Approaches adopted for determining regulatory capital requirements

The approach adopted for determining regulatory capital requirements under CBB's Basel III guidelines is summarised as follows:

Credit Risk	Standardised approach
Market Risk	Standardised approach
Operational Risk	Basic Indicator approach

Public Disclosures

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

5. Group Structure

The Group's consolidated financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with AAOIFI. However, the CBB's consolidated capital adequacy methodology accommodates both line-by-line and aggregation forms of consolidation.

For the purpose of calculation of consolidated capital adequacy ratio under Basel III, line by line consolidation is performed for the risk exposures and eligible capital of all the Financial subsidiaries within the Group except for the following:

Subsidiary	Country of Incorporation	Ownership	Approach
Faysal Bank Limited	Pakistan	66.6 per cent	Full Aggregation

6. Consolidated Capital Structure for capital adequacy purpose

A	Tier 1 Capital	
	Common Equity Tier 1 (CET 1)	
	Issued and fully paid-up ordinary capital	757,690
	Reserves	
	General reserves	56,725
	Statutory reserve	38,090
	Share premium	149,614
	Accumulated losses	(441,090)
	Loss for the year	(86,080)
	Losses resulting from converting foreign currency to the parent currency	(43,050)
	Unrealized gains from fair valuing equities	21,281
	Total Common Equity Tier 1 (CET1) prior to regulatory adjustments	**453,180**
	Less: Investments in own shares	(30,149)
	Total CET1a Capital	423,031
	Positive Adjustments due to Aggregation CET1	126,257
	Total CET 1d Capital	**549,288**
B	Other Capital (Tier 2 Capital)	
	General provision	16,491
	Positive Adjustments due to Aggregation of Tier 2 Capital	34,083
	Total Tier 2 capital	**50,574**
C	**Total Capital**	**599,862**

(Expressed in thousands of United States Dollars unless otherwise stated)

7. Disclosure of the regulatory capital requirements for credit risk under standardized approach

Exposure funded by Self Finance

	Risk weighted assets	Capital requirement
Claims on sovereign	58,911	7,364
Claims on banks	123,169	15,396
Claims on corporate portfolio	95,802	11,975
Investments in equity securities	956,038	119,505
Holding of real estate	501,103	62,638
Regulatory retail portfolio	1,185	148
Past due facilities	83,432	10,429
Other assets	183,239	22,905
Aggregation	1,333,095	166,637
Total	**3,335,974**	**416,997**

Exposure funded by Unrestricted Investment Accounts (URIA)

	Risk weighted assets	Capital requirement
Claims on sovereign	3,000	375
Claims on corporate portfolio	240,574	30,072
Equity portfolio	13,385	1,673
Holding of real estate	28,084	3,511
Regulatory retail portfolio	248,472	31,059
Past due facilities	60,116	7,515
Total	**593,631**	**74,205**

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

8. Gross credit exposures

Credit risk exposure relating to on balance sheet assets are as follows:

	Gross credit exposure	Average gross credit exposure
Cash and balances with banks and central banks	590,409	574,902
Commodity and other placements with banks, financial and other institutions	270,820	222,358
Murabaha and other financings	3,399,770	3,443,791
Musharaka financing	149,673	119,912
Investments	3,100,792	3,023,688
Other assets	319,437	296,317
Fixed assets	112,389	112,834
Intangible assets	195,351	205,973
Total on balance sheet credit exposure	8,138,641	7,999,775
Credit risk exposure relating to off balance sheet items are as follows:		
Financial guarantees and irrevocable letters of credit, acceptance and endoresements	831,940	842,799
Financing commitments, Undrawn facilities and other credit related liabilities	2,371,078	2,663,234
Total off balance sheet credit exposure	**3,203,018**	**3,506,033**
Total credit exposure	**11,341,659**	**11,505,808**
Total credit exposure financed by URIA	**2,262,929**	**2,158,714**
Total credit exposure financed by URIA (%)	**19.95%**	**18.76%**

Average gross credit exposures have been calculated based on the average of balances outstanding during the year ended 31 December 2015.

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

9. Geographical distribution of credit exposures:

	Asia/ Pacific	Middle East	Europe	North America	Others	Total
On-balance sheet items						
Cash and balances with banks and central banks	258,941	231,713	69,482	29,231	1,042	590,409
Commodity and other placements with banks, financial and other institutions	116,053	144,817	9,950	-	-	270,820
Murabaha and other financings	1,602,931	1,461,584	252,888	127	82,240	3,399,770
Musharaka financing	149,673	-	-	-	-	149,673
Investments	1,870,499	1,117,283	92,458	20,552	-	3,100,792
Other assets	140,641	131,235	37,061	10,494	6	319,437
Fixed assets	53,016	59,304	69	-	-	112,389
Intangible assets	18,887	172,405	4,059	-	-	195,351
Total on balance sheet items	**4,210,641**	**3,318,341**	**465,967**	**60,404**	**83,288**	**8,138,641**
Off balance sheet items	**2,641,074**	**538,736**	**20,883**	**-**	**2,325**	**3,203,018**
Total credit exposure	**6,851,715**	**3,857,077**	**486,850**	**60,404**	**85,613**	**11,341,659**

The Group uses the geographical location of the credit exposures as the basis to allocate to the respective geographical region as shown above.

10. Industrial distribution of credit exposures:

	Government, Banks and financial institutions	Trading and manufacturing	Property and construction	Services	Private Individuals	Textile	Others	Total
On-balance sheet items								
Cash and balances with banks and central banks	590,409	-	-	-	-	-	-	590,409
Commodity and other placements with banks, financial and other institutions	270,820	-	-	-	-	-	-	270,820
Murabaha and other financings	658,535	911,358	109,209	116,813	1,109,347	225,244	269,264	3,399,770
Musharaka financing	31,685	70,041	206	12,444	9,124	2,277	23,896	149,673
Investments	2,267,165	83,166	497,077	76,931	145,772	1,819	28,862	3,100,792
Other assets	222,867	18,170	37,071	30	10,019	-	31,280	319,437
Fixed assets	53,016	-	59,373	-	-	-	-	112,389
Intangible assets	195,351	-	-	-	-	-	-	195,351
Total on balance sheet items	**4,289,848**	**1,082,735**	**702,936**	**206,218**	**1,274,262**	**229,340**	**353,302**	**8,138,641**
Off balance sheet items	**1,715,955**	**701,676**	**78,177**	**24,631**	**27,462**	**25,663**	**629,454**	**3,203,018**
Total credit exposure	**6,005,803**	**1,784,411**	**781,113**	**230,849**	**1,301,724**	**255,003**	**982,756**	**11,341,659**

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

11. Maturity breakdown of credit exposures:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5-10 Years	10-20 Years	Over 20 Years	Total
On-balance sheet items								
Cash and balances with banks and central banks	590,409	-	-	-	-	-	-	590,409
Commodity and other placements with banks, financial and other institutions	113,425	43,725	113,670	-	-	-	-	270,820
Murabaha and other financings	422,952	604,622	482,380	1,024,689	807,392	57,735	-	3,399,770
Musharaka financing	9,174	9,547	9,012	91,791	19,768	10,381	-	149,673
Investments	499,525	328,873	551,445	653,666	133,473	138,320	795,490	3,100,792
Other assets	114,177	39,166	132,124	18,493	9,671	5,806	-	319,437
Fixed assets	4,903	33	2,048	10,568	12,708	34,230	47,899	112,389
Intangible assets	-	-	-	6,504	14,762	100,486	73,599	195,351
Total on balance sheet items	**1,754,565**	**1,025,966**	**1,290,679**	**1,805,711**	**997,774**	**346,958**	**916,988**	**8,138,641**
Off balance sheet items	**1,923,145**	**318,914**	**402,810**	**519,026**	**39,123**	**-**	**-**	**3,203,018**
Total credit exposure	**3,677,710**	**1,344,880**	**1,693,489**	**2,324,737**	**1,036,897**	**346,958**	**916,988**	**11,341,659**

12. Related-party balances under credit exposure:

A number of banking transactions are entered into with related parties in the normal course of business. The related party balances included under credit exposure at 31 December 2015 were as follows:

Affiliated companies	461,484
Directors & key management	12,940
Total	**474,424**

(Expressed in thousands of United States Dollars unless otherwise stated)

13. Past due and impaired financings and related provisions for impairment:

	Gross exposure	Impairment provisions	Net exposure
Analysis by industry			
Manufacturing	226,451	186,008	40,443
Agriculture	18,088	8,488	9,600
Construction	58,151	12,313	45,838
Finance	7,968	1,003	6,965
Trade	154,769	66,101	88,668
Personal	96,804	38,504	58,300
Credit cards	2,111	1,809	302
Real estate	29,565	20,841	8,724
Other sectors	19,973	11,498	8,475
Total	**613,880**	**346,565**	**267,315**
Ageing analysis			
Over 3 months up to 1 year	76,554	6,427	70,127
Over 1 year up to 3 years	125,210	19,629	105,581
Over 3 years	412,116	320,509	91,607
Total	**613,880**	**346,565**	**267,315**

Movement in specific impairment provisions	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January 2015	293,004	72,289	365,293
Charge for the year	46,357	7,074	53,431
Write back during the year	(14,147)	-	(14,147)
Utilized during the year	(21,557)	(26,294)	(47,851)
Exchange differences	(10,161)	-	(10,161)
At 31 December 2015	**293,496**	**53,069**	**346,565**

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

14. Past due and impaired financings by geographical areas:

Analysis by Geography	Gross exposure	Impairment Provisions	Net exposure
Asia / Pacific	351,453	240,229	111,224
Middle East	250,561	97,039	153,522
Europe	11,866	9,297	2,569
Total	**613,880**	**346,565**	**267,315**

15. Details of credit facilities outstanding that have been restructured during the year ended 31 December 2015:

Restructured financings during the year ended 31 December 2015 aggregated to $39.7 million. This restructuring had an impact of $3.3 million on present earnings during the year ended 31 December 2015. Further, this restructuring is expected to have positive impact of $2.4 million on the Group's future earnings. Extension of maturity dates was the basic nature of concessions given to all the restructured facilities.

16. Credit exposures which are covered by eligible financial collateral:

Exposure funded by Self Finance

	Gross Exposure	Eligible Financial Collateral
Corporate portfolio	1,089,057	194,467
Regulatory retail portfolio	301,718	37,219
Public sector entities	38,346	337
Past due financings	124,374	4,824
Total	**1,553,495**	**236,847**

Exposure funded by Unrestricted Investment Accounts

	Gross Exposure	Eligible Financial Collateral
Corporate portfolio	858,273	56,359
Retail Portfolio	155,533	17,114
Past due financings	1,104,462	141
Total	**2,118,268**	**73,614**

Counterparty Credit Risk (CCR)

	Gross Positive Fair Value of Contracts	Netting Benefit	Credit Risk Mitigation	Net Value Exposure at Default	Risk Weighted Assets
Foreign Exchange Contracts	3,555	-	-	3,555	1,846
Total	**3,555**	**-**	**-**	**3,555**	**1,846**

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

17. Disclosure of regulatory capital requirements for market risk under the standardized approach:

	Risk weighted assets			Capital requirement		
	31 December 2015	**Maximum Value**	**Minimum Value**	**31 December 2015**	**Maximum Value**	**Minimum Value**
Foreign exchange risk	**125,025**	**131,366**	**125,025**	**15,628**	**16,421**	**15,628**
Aggregation						
Foreign exchange risk	1,147	8,999	7,611	143	1,125	951
Profit Rate Risk (Trading Book)	115,964	121,017	83,154	14,496	15,127	10,394
Equity Position Risk	61,753	61,979	44,106	7,719	7,747	5,513
Total	**303,889**	**323,361**	**259,896**	**37,986**	**40,420**	**32,486**

18. Disclosure of regulatory capital requirements for operational risk under the basic indicator approach:

"For regulatory reporting, the capital requirement for operational risk is calculated based on basic indicator approach. According to this approach, the Bank's average gross income over the preceding three financial years is multiplied by a fixed alpha coefficient.

The alpha coefficient has been set at 15% under CBB Basel III guidelines. The capital requirement for operational risk at 31 December 2015 aggregated to $56 million.

19. Tier one capital ratios and Total capital ratios:

	Tier One Capital Ratio	**Total Capital Ratio**
Ithmaar consolidated	11.73%	12.81%
Significant Bank subsidiaries whose regulatory capital amounts to over 5% of group consolidated regulatory capital whether on a stand-alone or sub-consolidated basis are as follows:		
Faysal Bank Limited	12.43%	14.31%

20. Equity position in Banking book:

At 31 December 2015, the Group's sukuk and investment securities aggregated to $1,853.2 million. Out of the total investment securities, $46.7 million were listed investment securities and the remaining $1,806.5 million represented unlisted investment securities.

Cumulative realized income from sale of investment securities during the year ended 31 December 2015 amounted to $2.7 million. Total unrealized loss recognized in the consolidated statement of changes in owners' equity amounted to $4 million.

At 31 December 2015, capital requirements using standardized approach aggregated to $51.1 million for listed investment securities and $84.6 million for unlisted investment securities after aggregation/pro-rata aggregation of investments in Banking and other financial entities.

(Expressed in thousands of United States Dollars unless otherwise stated)

21. Gross income from Mudaraba and profit paid to Unrestricted Investment Accountholders:

	31 December				
	2015	**2014**	**2013**	**2012**	**2011**
Income from unrestricted investment accounts	95,036	100,500	100,796	93,207	67,926
Less: return to unrestricted investment accounts	(69,143)	(76,793)	(77,133)	(70,785)	(65,019)
Group's share of income from unrestricted investment accounts as a Mudarib	**25,893**	**23,707**	**23,663**	**22,422**	**2,907**

For the year ended 31 December 2015 the return generated from unrestricted investment accountholders based on the average balance outstanding during the year stood at 2.3%. The return paid to unrestricted investment accountholders based on the average balance outstanding during the year stood at 1.3%.

22. Movement in Profit Equalization Reserve and Provisions – URIA:

	31 December				
	2015	**2014**	**2013**	**2012**	**2011**
Profit Equalization Reserve					
As at 1 January	**7,548**	**2,546**	**10,061**	**18,607**	**8,154**
Net addition	4,999	5,002	5,183	5,443	10,453
Transfer to impairment provisions	-	-	(12,698)	(13,989)	-
Closing balance	**12,547**	**7,548**	**2,546**	**10,061**	**18,607**
Amount appropriated as a percentage of gross income	5%	5%	5%	6%	15%
Provisions					
As at 1 January	**110,844**	**105,742**	**88,363**	**68,854**	**69,767**
Net addition	7,074	4,892	6,496	6,406	1,456
Transfer from Investment Risk Reserve	-	835	-	-	-
Transfer from Profit Equalization Reserve	-	-	12,698	13,989	-
Net utilization	(29,557)	(625)	(1,815)	(886)	-
Reclassification	-	-	-	-	(2,369)
Closing balance	**88,361**	**110,844**	**105,742**	**88,363**	**68,854**

At 31 December 2015, the ratio of profit equalization reserve and provisions to equity of unrestricted investment accountholders stood at 0.57 % and 4.02% respectively.

At 31 December 2015, the ratio of financings to URIA stood at 72.04%.

At 31 December 2015, the Investment Risk Reserve (IRR) amounted to $8.8 million.

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

22. Movement in Profit Equalization Reserve and Provisions – URIA (Continued):

The following table summarizes the breakdown of URIA and impairment provisions

	31 December				
	2015	2014	2013	2012	2011
URIA : Banks	256,166	266,496	119,655	35,178	58,260
URIA : Non-Banks	1,942,976	1,735,453	1,865,814	1,715,944	1,418,374
Provisions : Banks	10,293	14,755	6,373	1,775	2,717
Provisions : Non-Banks	78,068	96,089	99,369	86,588	66,137

23. Gross return from Restricted Investment Accounts (RIA):

	31 December				
	2015	2014	2013	2012	2011
Gross income / (expense)	6,837	302	4,278	268	2,408
Mudarib fee	164	208	599	809	2,814

24. Average declared rate of return on General Mudaraba deposits:

	31 December				
	2015	2014	2013	2012	2011
	Percentage				
7 Days	0.1	0.2	0.25	0.25	0.30
30 Days	1.03	1.17	1.49	1.90	2.31
90 Days	1.55	1.69	1.99	2.48	2.90
180 Days	1.97	2.14	2.49	2.90	3.25
360 Days	2.47	2.60	2.97	3.40	3.50

25. Profit rate risk:

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates.

	USD	EUR	PKR	BD	AED
Total profit rate exposure	94,372	81,757	334,841	874,911	278,200
Rate shock (assumed) (+/-)	0.30%	0.23%	3.23%	1.42%	0.95%
Total estimated impact (+/-)	**283**	**188**	**10,815**	**12,424**	**2,643**

At 31 December 2015
(Expressed in thousands of United States Dollars unless otherwise stated)

26. Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Substantial portion of the Group's assets and liabilities are denominated in US Dollars, Bahraini Dinars and Pakistani Rupee. Bahraini Dinars and Saudi Riyal are pegged to US Dollars and as such currency risk is minimal.

The significant net foreign currency positions at 31 December 2015 were as follows:

	Long/(Short) Equiv US$ 000
Pakistani Rupee	92,346
Euro	(73,227)
United States Dollars	(57,854)
Polish Zloty	41,298
UAE Dirham	(278,200)
Hong Kong Dollar	75,141

27. Liquidity ratios:

	31 December				
	2015	**2014**	**2013**	**2012**	**2011**
Liquid assets to total assets	10.58%	9.33%	10.19%	8.95%	7.73%
Short term assets to short term liabilities	59.39%	59.35%	66.97%	56.98%	63.80%

28. Legal contingencies and compliance:

At 31 December 2015, the Group had contingent liabilities towards customer and other claims aggregating to $322.8 million. The management is of the view that these claims are not likely to result into potential liabilities. Subsequent to 31 December 2015, the Bank paid penalty of $67 thousand imposed by the CBB due to delay in compliance of regulatory submission requirement relating to 2015.

Share Information

SHAREHOLDING STRUCTURE

	31-Dec-15			31-Dec-14		
	No. of shareholders	No. of shares	%	No. of shareholders	No. of shares	%
1-10,000	130	678,477	0.02	132	661,480	0.02
10,001 - 100,000	2159	45,395,307	1.50	2212	49,065,248	1.62
100,001 - 1,000,000	412	133,497,653	4.41	449	148,525,739	4.90
1,000,001 - 10,000,000	147	463,500,678	15.29	143	439,382,847	14.50
over 10,000,000	33	2,387,682,912	78.78	36	2,393,119,713	78.96
Total	**2881**	3,030,755,027	**100.00**	**2972**	**3,030,755,027**	**100.000**

SHAREHOLDING BY NATIONALITY

	31-Dec-15			31-Dec-14		
Country	No. of Shareholders	No. of shares	%	No. of shareholders	No. of shares	%
Bahamas	2	959,467,864	31.66	2	959,467,864	31.66
Bahrain	828	320,336,976	10.57	826	320,483,303	10.57
KSA	855	754,423,471	24.89	881	763,413,373	25.19
Kuwait	585	731,634,400	24.14	628	704,233,467	23.24
Other GCC Countries	235	113,969,127	3.76	232	129,218,865	4.26
Other Countries	376	150,923,189	4.98	403	153,938,155	5.08
Total	**2881**	3,030,755,027	**100.00**	**2972**	**3,030,755,027**	**100.000**

SHARES OWNED BY GOVERNMENT - DECEMBER 2015

	No. of Shares
Ministry of Finance, Kingdom of Bahrain	40,881,210

MAJOR SHAREHOLDERS OF ITHMAAR BANK

Shareholder	No. of shares	%
Dar Al-Maal Al-Islami Trust	790,416,000	26.08
Islamic Inv. Co. of the Gulf	594,129,224	19.60
Nizar A. Razaq Al-Qurtas & Co.	199,405,814	6.58
Others	1,646,209,803	47.74
TOTAL	**3,030,755,027**	**100.00**

Bahrain Bourse

ITHMR'S TRADING ACTIVITY - Bahrain

PERFORMANCE IN THE BAHRAIN BOURSE

Stock Code: ITHMR

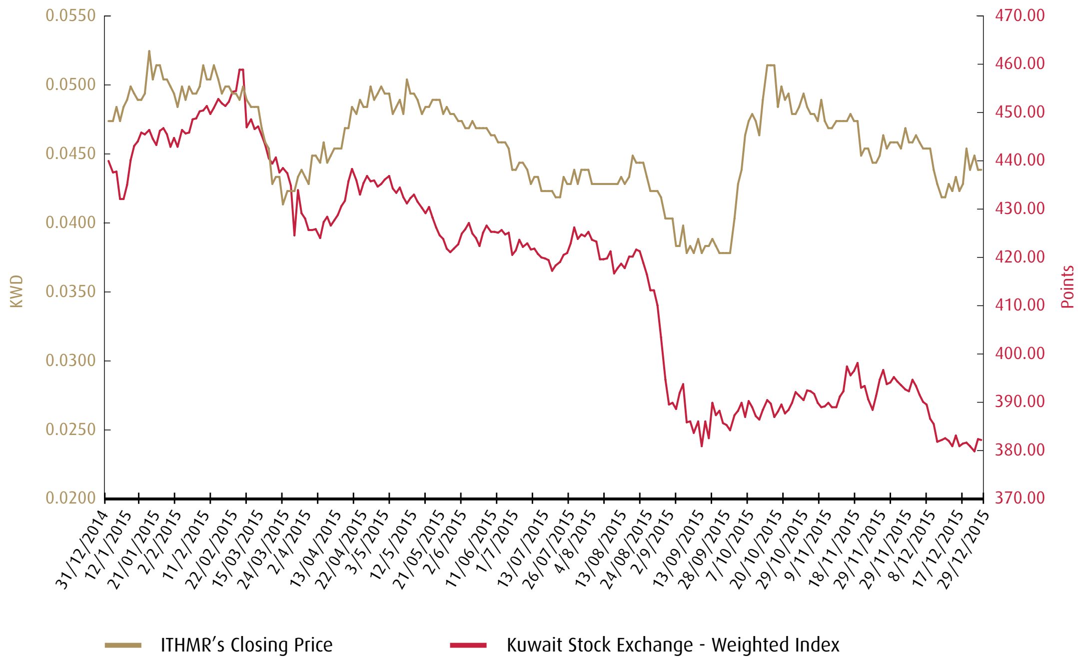
Share Price Relative to Indices 2015	Open	High	Low	Close	% Change in 2015
ITHMR's Share Price (US$)	0.160	0.175	0.120	0.145	(9.38)
Commercial Banks Sector's Index	2,721.17	2,812.76	2,397.62	2,461.82	(9.53)
Bahrain All Share Index	1,426.57	1,482.88	1,189.53	1,215.89	(14.77)
Esterad Index	1,503.57	1,569.63	1,258.92	1,285.80	(14.48)

ITHMR'S SHARE TRADING (BAHRAIN)

	2015	2014
Volume, No. of Shares	49,716,263	88,356,452
Value, US$	7,460,596	16,161,392

Kuwait Stock Exchange

ITHMR'S TRADING ACTIVITY - Kuwait



PERFORMANCE IN THE KUWAIT STOCK EXCHANGE

Stock Code: ITHMR

Share Price Relative to Indices 2015	Open	High	Low	Close	% Change in 2015
ITHMR's Share Price (KWD)	0.047	0.053	0.036	0.044	(7.45)
Commercial Banks Sector's Index	513.75	536.6	461.22	463.69	(9.74)
Kuwait All Share Index	6535.38	6775.08	5560.62	5612.48	(14.12)
K15 Index	1,057	1,120.11	894.90	902.3	(14.64)

ITHMR'S SHARE TRADING (KUWAIT)

	2015	2014
Volume, No. of Shares	920,442,652	1,467,773,749
Value, KWD	43,500,921	75,699,406

Corporate Information

Name of Company:	Ithmaar Bank B.S.C.
Legal Form:	Ithmaar Bank B.S.C. is a Bahrain-based licensed Islamic retail bank regulated by the Central Bank of Bahrain. Ithmaar Bank B.S.C. is incorporated as a Bahrain shareholding company under Bahrain Commercial Companies Law (Law No. 21 of 2001) with its shares listed on the Bahrain Bourse and the Kuwait Stock Exchange.
Company Registration Number:	CR 15210
Stock Exchange Listings:	Bahrain Bourse and Kuwait Stock Exchange
Stock code:	"ITHMR"
Registered Office:	Seef Tower, Building 2080, Road 2825, Al Seef District 428, P. O. Box 2820, Manama, Kingdom of Bahrain Telephone: +973 1758 4000, +973 1758 5000, Facsimile: +973 1758 4017, +973 1758 5151
Swift Code:	FIBHBHBM
E-mail:	info@ithmaarbank.com
Website:	www.ithmaarbank.com
Head Office:	Seef Tower, Building 2080, Road 2825, Al Seef District 428, P. O. Box 2820, Manama, Kingdom of Bahrain
Accounting Year End:	31 December
Compliance Officer:	Hana Ahmed Al Murran - Head, Compliance and AML
Company Secretary:	Dana Aqeel Raees - Head, Legal Department
Auditors:	PricewaterhouseCoopers ME Limited, P.O. Box 21144, Manama, Kingdom of Bahrain