Ithmaar Bank

Public Disclosures
As at 30 June 2016

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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 interim condensed consolidated financial information for the six month period ended 30 June 2016, 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. Qualitative disclosures

Capital Adequacy 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%.

Risk Management:

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.

3. Qualitative disclosures (continued)

Risk Management (continued)

Funds Under Management (FUM):

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

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 profit 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.

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.

Displaced Commercial Risk (DCR):

DCR refers to the market pressure to pay returns to Unrestricted Investment Account (URIA) holders that exceeds the expected profit rate that has been earned on the assets financed by the URIA, when the return on assets is under performing as compared with competitor's rates.

The Bank manages DCR through the internal policy approved by the Board. The Bank compares its rates with the rates offered by peer Islamic banks in the market and may adjust its profit rate in order to minimise DCR.

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

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

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

بنـــك الإثـمـار
Ithmaar Bank

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	(527,170)
Loss for the period	(12,424)
Losses resulting from converting foreign currency to the parent currency	(43,700)
Unrealized gains from fair valuing equities	15,716
Total Common Equity Tier 1 (CET1) prior to regulatory adjustments	**434,541**
Less: Investments in own shares	(30,149)
Total CET1a Capital	**404,392**
Positive Adjustments due to Aggregation CET1	145,621
Total CET 1d Capital	**550,013**

B Other Capital (Tier 2 Capital)

General provision	17,790
Positive Adjustments due to Aggregation of Tier 2 Capital	29,411
Total Tier 2 capital	**47,201**

C Total Capital	**597,214**

(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	35,293	4,412
Claims on banks	109,485	13,686
Investments in equity securities	1,008,003	126,000
Holding of real estate	500,969	62,621
Regulatory retail portfolio	1,566	196
Past due facilities	65,716	8,215
Other assets	176,879	22,110
Aggregation	1,460,517	182,565
Total	**3,358,428**	**419,805**

Exposure funded by Unrestricted Investment Accounts (URIA)

	Risk weighted assets	Capital requirement
Claims on sovereign	3,000	375
Claims on banks	478	60
Investments in equity securities	13,385	1,673
Holding of real estate	26,369	3,296
Regulatory retail portfolio	258,075	32,259
Past due facilities	57,352	7,169
Corporate portfolio	281,039	35,130
Total	**639,698**	**79,962**

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

8. Gross credit exposures:

	Gross credit exposure	Average gross credit exposure
Credit risk exposure relating to on balance sheet assets are as follows:		
Cash and balances with banks and central banks	600,353	595,381
Commodity and other placements with banks, financial and other institutions	286,264	278,542
Murabaha and other financings	3,443,292	3,421,531
Musharaka financing	167,433	158,553
Investments	3,303,958	3,202,375
Other assets	373,857	346,647
Fixed assets	108,302	110,346
Intangible assets	187,821	191,586
Total on balance sheet credit exposure	**8,471,280**	**8,304,961**
Credit risk exposure relating to off balance sheet items are as follows:		
Financial guarantees and irrevocable letters of credit, acceptance and endoresements	833,808	832,874
Financing commitments, Undrawn facilities and other credit related liabilities	2,611,293	2,491,186
Total off balance sheet credit exposure	**3,445,101**	**3,324,060**
Total credit exposure	**11,916,381**	**11,629,021**
Total credit exposure financed by URIA	**2,430,006**	**2,346,468**
Total credit exposure financed by URIA (%)	**20.39%**	**20.18%**

Average gross credit exposures have been calculated based on the average of balances outstanding during the six month period ended 30 June 2016.

(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	271,928	240,989	69,167	18,269	-	600,353
Commodity and other placements with banks, financial and other institutions	121,176	165,088	-	-	-	286,264
Murabaha and other financings	1,697,380	1,443,493	252,322	127	49,970	3,443,292
Musharaka financing	167,433	-	-	-	-	167,433
Investments	1,973,980	1,219,323	91,600	19,055	-	3,303,958
Other assets	176,141	152,177	34,916	10,616	7	373,857
Fixed assets	48,655	59,247	400	-	-	108,302
Intangible assets	17,672	166,091	4,058	-	-	187,821
Total on balance sheet items	**4,474,365**	**3,446,408**	**452,463**	**48,067**	**49,977**	**8,471,280**
Off balance sheet items	**2,874,661**	**536,230**	**22,405**	**-**	**11,805**	**3,445,101**
Total credit exposure	**7,349,026**	**3,982,638**	**474,868**	**48,067**	**61,782**	**11,916,381**

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

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

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	600,353	-	-	-	-	-	-	600,353
Commodity and other placements with banks, financial and other institutions	286,264	-	-	-	-	-	-	286,264
Murabaha and other financings	669,246	895,680	129,046	89,315	1,131,236	242,903	285,866	3,443,292
Musharaka financing	35,445	78,352	230	13,901	10,428	2,547	26,530	167,433
Investments	2,391,937	107,714	481,915	88,060	185,236	-	49,096	3,303,958
Other assets	224,616	22,157	39,044	39	26,900	-	61,101	373,857
Fixed assets	48,655	-	59,647	-	-	-	-	108,302
Intangible assets	187,821	-	-	-	-	-	-	187,821
Total on balance sheet items	**4,444,337**	**1,103,903**	**709,882**	**191,315**	**1,353,800**	**245,450**	**422,593**	**8,471,280**
Off balance sheet items	**1,835,564**	**771,543**	**83,017**	**24,299**	**27,407**	**24,833**	**678,438**	**3,445,101**
Total credit exposure	**6,279,901**	**1,875,446**	**792,899**	**215,614**	**1,381,207**	**270,283**	**1,101,031**	**11,916,381**

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

11. Maturity breakdown of credit exposures and liabilities:

	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	600,353	-	-	-	-	-	-	600,353
Commodity and other placements with banks, financial and other institutions	113,409	55,477	117,378	-	-	-	-	286,264
Murabaha and other financings	630,277	418,463	517,377	1,035,642	774,849	66,684		3,443,292
Musharaka financing	10,262	10,680	10,082	102,683	26,468	7,258	-	167,433
Investments	561,912	381,727	547,062	653,414	188,413	167,588	803,842	3,303,958
Other assets	232,727	29,967	74,826	20,564	8,414	7,359	-	373,857
Fixed assets	4,499	30	1,880	9,696	12,883	31,415	47,899	108,302
Intangible assets	-	-	-	5,832	13,886	94,504	73,599	187,821
Total on balance sheet items	**2,153,439**	**896,344**	**1,268,605**	**1,827,831**	**1,024,913**	**374,808**	**925,340**	**8,471,280**
Off balance sheet items	**2,101,804**	**342,473**	**438,378**	**529,468**	**32,978**	**-**	**-**	**3,445,101**
Total credit exposure	**4,255,243**	**1,238,817**	**1,706,983**	**2,357,299**	**1,057,891**	**374,808**	**925,340**	**11,916,381**
Liabilities and Equity of unrestricted investment accountholders								
Customer current accounts	1,500,673	-	-	-	-	-	-	1,500,673
Due to banks, financial and other institutions	1,242,429	116,914	217,877	13,630	6,079			1,596,929
Due to investors	1,468,871	130,443	419,198	57,319	567	-	-	2,076,398
Equity of unrestricted investment accountholders	826,654	249,655	828,668	452,035	-	-	-	2,357,012
	5,038,627	**497,012**	**1,465,743**	**522,984**	**6,646**	**-**	**-**	**7,531,012**

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 30 June 2016 were as follows:

Affiliated companies	460,615
Directors & key management	12,969
Total	**473,584**

(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	224,795	189,244	35,551
Agriculture	16,414	7,533	8,881
Construction	53,865	9,833	44,032
Finance	7,973	1,008	6,965
Trade	133,668	57,350	76,318
Personal	70,493	9,395	61,098
Credit cards	2,069	1,798	271
Real estate	15,233	9,175	6,058
Other sectors	7,963	2,114	5,849
Total	**532,473**	**287,450**	**245,023**
Ageing analysis			
Over 3 months up to 1 year	49,252	6,918	42,334
Over 1 year up to 3 years	104,194	14,408	89,786
Over 3 years	379,027	266,124	112,903
Total	**532,473**	**287,450**	**245,023**

Movement in specific impairment provisions	Relating to owners	Relating to unrestricted investment accounts	Total
At 1 January 2016	**293,496**	**53,069**	**346,565**
Charge for the period	15,323	1,000	16,323
Write back during the period	(8,055)	-	(8,055)
Utilized during the period	(32,324)	(37,021)	(69,345)
Exchange differences	1,994	(32)	1,962
At 30 June 2016	**270,434**	**17,016**	**287,450**

Movement in general impairment provisions	Relating to owners
At 1 January 2016	**11,821**
Charge for the period	1,400
Allocation for the period	(1,139)
At 30 June 2016	**12,082**

The above general impairment provisions are not specifically allocated to any geographical region.

(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	346,962	266,613	80,349
Middle East	185,511	20,837	164,674
Total	**532,473**	**287,450**	**245,023**

15. Details of credit facilities outstanding that have been restructured during the six month period ended 30 June 2016:

Restructured financings during the six month period ended 30 June 2016 aggregated to $8.8 million. This restructuring had an impact of $1.6 million on present earnings during the six month period ended 30 June 2016. Further, this restructuring is expected to have positive impact of $1 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	1,078,421	199,891
Regulatory retail portfolio	296,188	38,769
Claims Secured by Residential Property	37,772	332
Past due financings	107,403	6,252
Total	**1,519,784**	**245,244**

Exposure funded by Unrestricted Investment Accounts

	Gross Exposure	Eligible Financial Collateral
Corporate portfolio	993,782	56,984
Retail Portfolio	146,775	14,244
Past due financings	1,147,013	13
Total	**2,287,570**	**71,241**

Counterparty Credit Risk (CCR)

	Gross Positive Fair Value of Contracts	Netting Benefit	Credit Risk Mitigation	Net Value Exposure at Default	Risk Weighted Assets
Profit Rate Contracts	132	-	-	132	132
Foreign Exchange Contracts	4,135	-	-	4,135	2,403
Total	**4,267**	**-**	**-**	**4,267**	**2,535**

(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		
	30 June 2016	Maximum Value	Minimum Value	30 June 2016	Maximum Value	Minimum Value
Foreign exchange risk	122,634	124,735	122,634	15,329	15,592	15,329
Aggregation						
Foreign exchange risk	4,272	4,272	3,519	534	534	440
Profit Rate Risk (Trading Book)	88,496	88,496	91,708	11,062	11,062	11,464
Equity Position Risk	82,166	82,166	67,436	10,271	10,271	8,430
Total	**297,568**	**299,669**	**285,297**	**37,196**	**37,459**	**35,663**

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 30 June 2016 aggregated to $56.2 million.

19. Tier one capital ratios and Total capital ratios:

	Tier One Capital Ratio	Total Capital Ratio
Ithmaar consolidated	11.60%	12.59%
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	12.64%	14.15%

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

20. Equity position in Banking book

At 30 June 2016, the Group's sukuk and investment securities aggregated to $1,981.8 million. Out of the total investment securities, $115 million were listed investment securities and the remaining $1,866.8 million represented unlisted investment securities.

Cumulative realized income from sale of investment securities during the six month period ended 30 June 2016 amounted to $1.7 million. Total unrealized gain recognized in the consolidated statement of changes in owners' equity amounted to $0.4 million.

At 30 June 2016, capital requirements using standardized approach aggregated to $59 million for listed investment securities and $84 million for unlisted investment securities after aggregation/pro-rata aggregation of investments in Banking and other financial entities.

21. Gross income from Mudaraba and profit paid to Unrestricted Investment Accountholders:

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
Income from unrestricted investment accounts	52,159	45,884	95,036	100,500	100,796	93,207	67,926
Less: return to unrestricted investment accounts and impairment provisions	(37,465)	(34,054)	(69,143)	(76,793)	(77,133)	(70,785)	(65,019)
Group's share of income from unrestricted investment accounts as a Mudarib	**14,694**	**11,830**	**25,893**	**23,707**	**23,663**	**22,422**	**2,907**

For the six month period ended 30 June 2016 the return generated from unrestricted investment accountholders based on the average balance outstanding during the six month period stood at 2.3%. The return paid to unrestricted investment accountholders based on the average balance outstanding during the period stood at 1.4%.

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)

22. Movement in Profit Equalization Reserve Investment Risk Reserve and Provisions – URIA:

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
Profit Equalization Reserve							
As at 1 January	12,547	7,548	7,548	2,546	10,061	18,607	8,154
Net addition	2,500	2,499	4,999	5,002	5,183	5,443	10,453
Transfer to impairment provisions	-	-	-	-	(12,698)	(13,989)	-
Closing balance	**15,047**	**10,047**	**12,547**	**7,548**	**2,546**	**10,061**	**18,607**
Amount appropriated as a percentage of gross income	5%	5%	5%	5%	5%	6%	15%
Investment Risk Reserve							
As at 1 January	8,804	2,915	2,915	-	-	-	-
Net addition	2,500	3,389	5,889	2,915	-	-	-
Closing balance	**11,304**	**6,304**	**8,804**	**2,915**	**-**	**-**	**-**
Amount appropriated as a percentage of gross income	5%	7%	6%	3%	0%	0%	0%
Provisions							
As at 1 January	88,361	110,844	110,844	105,742	88,363	68,854	69,767
Net addition	1,000	1,700	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	(37,052)	(26,388)	(29,557)	(625)	(1,815)	(886)	-
Reclassification	-	-	-	-	-	-	(2,369)
Closing balance	**52,309**	**86,156**	**88,361**	**110,844**	**105,742**	**88,363**	**68,854**

At 30 June 2016, the ratio of profit equalization reserve, investment risk reserve and provisions to equity of unrestricted investment accountholders stood at 0.64 %, 0.48% and 2.22% respectively.

At 30 June 2016, the ratio of financings to URIA stood at 69.15%.

At 30 June 2016, the percentage of each type of Islamic financing to total URIA financing was as follows:

	Percentage Financing to Total URIA Financing
Murabaha and other financings	88.10%
Assets acquired for leasing	11.90%

The following table summarizes the breakdown of URIA and impairment provisions

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
URIA : Banks	325,154	253,144	256,166	266,496	119,655	35,178	58,260
URIA : Non-Banks	2,031,858	1,924,327	1,942,976	1,735,453	1,865,814	1,715,944	1,418,374
Provisions : Banks	7,216	10,016	10,293	14,755	6,373	1,775	2,717
Provisions : Non-Banks	45,093	76,140	78,068	96,089	99,369	86,588	66,137

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

23. Gross return from Restricted Investment Accounts (RIA)

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
Gross income / (expense)	1,592	302	6,837	302	4,278	268	2,408
Mudarib fee	81	87	164	208	599	809	2,814

24. Average declared rate of return on General Mudaraba deposits:

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
7 Days	0.10	0.10	0.10	0.20	0.25	0.25	0.30
30 Days	1.10	1.10	1.03	1.17	1.49	1.90	2.31
90 Days	1.65	1.60	1.55	1.69	1.99	2.48	2.90
180 Days	2.10	2.00	1.97	2.14	2.49	2.90	3.25
360 Days	2.60	2.50	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	29,337	98,633	360,157	760,788	309,177
Rate shock (assumed) (+/-)	0.16%	-0.32%	0.05%	-0.23%	0.15%
Total estimated impact (+/-)	**47**	**(316)**	**180**	**(1,750)**	**464**

(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 30 June 2016 were as follows:

	Long/(Short)
Pakistani Rupee	92,657
Euro	(89,978)
United States Dollars	(109,743)
Polish Zloty	40,473
UAE Dirham	(309,177)
Hong Kong Dollar	71,327

27. Performance ratios:

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
Return on average assets	0.29%	0.32%	-0.58%	-0.12%	-1.08%	-0.38%	-0.91%
Return on average Shareholders' equity	2.13%	2.19%	-12.97%	-2.85%	-14.34%	-5.23%	-10.20%
Cost to operating income Ratio	72.36%	60.88%	70.95%	87.28%	97.60%	85.38%	121.71%

28. Liquidity ratios

	30 June		31 December				
	2016	2015	2015	2014	2013	2012	2011
Liquid assets to total assets	10.47%	12.48%	10.58%	9.33%	10.19%	8.95%	7.73%
Short term assets to short term liabilities	59.24%	58.11%	59.39%	59.35%	66.97%	56.98%	63.80%

29. Legal contingencies and compliance:

At 30 June 2016, the Group had contingent liabilities towards customer and other claims aggregating to $354.6 million. The management is of the view that these claims are not likely to result into potential liabilities. During 2016 Bank paid penalty of $67 thousand imposed by the CBB due to delay in compliance of regulatory submission requirement relating to 2015.