



بنك الإثمار  
Ithmaar Bank

## Board of Directors Report

Dear Shareholder,

On behalf of the Board of Directors of Ithmaar Bank B.S.C., it is my pleasure to present you with this short report about the Bank's plan to reorganise with its wholly-owned subsidiary, Shamil Bank of Bahrain B.S.C. (c).

The reorganisation involves both banks pooling their resources to create a single, more efficient and significantly stronger retail-focused Islamic bank under the Ithmaar brand. PricewaterhouseCoopers, Advisory assisted the Bank in conducting an impact study and developing an integration plan with respect to the reorganisation plan

This business model, which will see Ithmaar Bank emerging as a premier Islamic retail bank, was adopted by the Bank as part of its new strategy.

The proposed reorganisation plan, for which the Central Bank of Bahrain has issued its *No Objection*, is still subject to shareholders' and other regulatory approvals.

The reorganisation, which will further improve liquidity, lower the risk profile (of the Bank) and enhance shareholder value by amplifying existing synergies, will put the Bank in a better-than-ever position to capitalise on the exciting business opportunities that are currently available.

The reorganisation will streamline our group structure and work processes, dramatically improving our efficiency and enhancing the existing Islamic banking expertise. It will also further bolster our regulatory capital while facilitating higher standards of corporate governance. This will bring tangible, almost immediate, benefits to all our stakeholders – including our customers, as well as our shareholders and, in broader terms, Bahrain's banking and finance industry.

The reorganisation will, in effect, turn Ithmaar Bank into an Islamic bank with a retail license. The assets, liabilities and business of Shamil Bank will be acquired by Ithmaar Bank. Following the reorganisation, Ithmaar Bank will undertake retail banking activities locally and regionally, while selectively maintaining its investment activities. As a result, the Bank will apply *Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)* standards.

Although the Shamil Bank brand will cease to exist and will be replaced by the Ithmaar Bank brand, the reorganisation will be seamless and there will be no change in customer, depositor or investor accounts or relationships. Rather, Ithmaar Bank will offer the same award-winning products and services in addition to new products and services.



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The reorganisation will also mark an important step towards fulfilling long-standing commitments to developing group synergies, to serving the needs of the economy and, perhaps most importantly, to maintaining a strict standard of ethics and Sharia compliance.

The Board has established a Reorganisation Steering Committee, comprised of the Chief Executive Officers of both banks, as well as the Ithmaar Bank Chief Operating Officer, to execute the Implementation Plan once required approvals are received.

Last but not least, I take this opportunity to thank you, and all other stakeholders, especially the Central Bank of Bahrain, for your anticipated support and confidence in Ithmaar Bank.

**Khalid Abdulla-Janahi**

**Chairman**