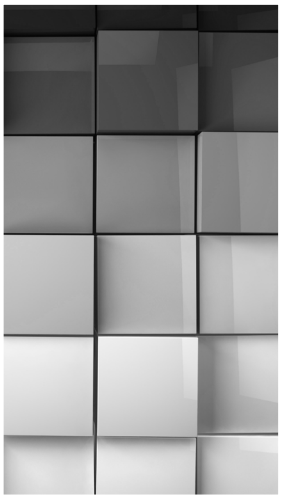


مصرف إبدار
Ibdar Bank

Annual Report 2014

www.ibdarbank.com

Ibdar Bank B.S.C (c), Telephone : +973 1751 0000,Facsimile : +973 1751 0051,
Zamil Tower, Sixth Floor, Alkhalifa Avenue, P.O. Box 1001, Manama, Kingdom of Bahrain

Ibdar Bank is licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain

His Royal Highness Prince
Khalifa bin Salman Al Khalifa
The Prime Minister of the Kingdom of Bahrain

His Majesty King
Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness Prince
Salman bin Hamad Al Khalifa
The Crown Prince, Deputy Supreme
Commander of Bahrain Defence Force
& First Deputy Prime Minister

Table of Contents

Corporate Profile

Ibdar is a multi-disciplined Islamic investment bank that combines financial expertise with a proven record of accomplishment of business innovation and responsible execution in order to deliver wealth to stakeholders. Ibdar aims to be the region's most ethical and rewarding Islamic bank and has intention to grow to be an Islamic Institution known for its business ingenuity and financial talent.

Licensed as an Islamic wholesale bank by the Central Bank of Bahrain, Ibdar Bank has USD300 million in paid up capital. Ibdar is engaged in private equity, Sukuk capital markets and real estate activities through which it aims to generate diversified and recurring income streams for the Bank, its shareholders and co-investors.

Geographically, the Bank's focus is on the GCC and MENA region including Turkey. It also transacts in Southeast Asia and select developed markets on an opportunistic basis. Ibdar has significant expertise in areas such as aviation, infrastructure, maritime, oil & gas, and real estate, among others.

Shareholders

Ibdar Bank is backed and supported by a select group of regional shareholders and a close-knit network of strategic partners, business associates and allies. The Bank's shareholders include a group of well-established, diversified and renowned institutions across the GCC countries among which are:

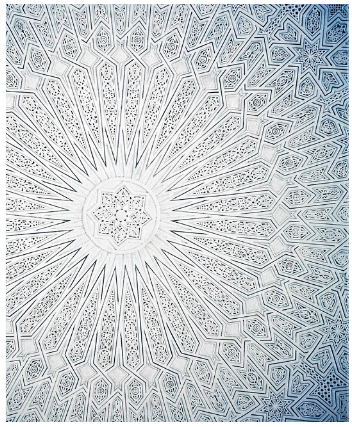
Kuwait Finance House – Kuwait	30.08%
Kuwait Investment Company	7.69%
Sukouk Holding Company	4.89%
Kuwait Finance House B.S.C. (C)- Bahrain	4.71%
Qatar Islamic Bank	4.60%
Al-Bassam Investment Company W.L.L.	3.90%
Overseas Investment S.P.C.	3.45%
Bahrain Islamic Bank B.S.C.	3.37%
Samama Global Corporation – BVI	3.35%
Gulf Investment House	2.95%
National Amlak Investment Company	2.79%
Islamic Corporation for the Development of Private Sector	2.30%
Others	25.92%

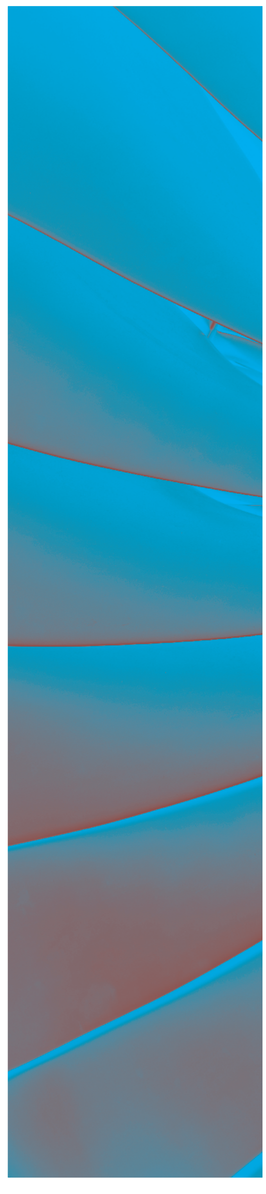
Vision

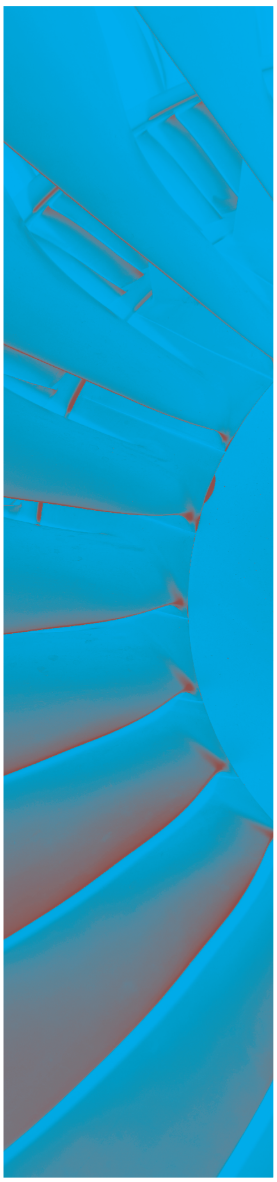
To be the Islamic Investment Bank of choice.

Mission

To excel in enhancing shareholders' value, providing consistent rewarding returns to clients, and harnessing a rewarding career path to our staff, with an aim to become an Islamic investment-banking powerhouse.







Board of Directors

Chairman's Report
Board Members
Board Committees

Chairman's Report

In the name of Allah, the Most Merciful, the Most Compassionate. Praise be to Allah, and Peace and Prayers upon the Last Prophet and Messenger Mohammed, his household and his Companions.

Dear Ladies and Gentlemen,

Assalamu alaikum wa rahmatu Allah wa barakatuh

On behalf of the members of the board of directors, it is my pleasure to present to you the performance report of Ibdar Bank (the "Bank") and the audited financial statements for the year ended 31 December 2014.

After the successful completion of the merger, and as a result, Ibdar Bank - with a strong capital base and diversified exposure in various regions and sectors - is well positioned to distinguish itself and realize the aspirations of the merger.

In 2014, the board of directors focused on improving the operational and working environment at Ibdar Bank, while calling for the rationalization of its existing portfolio. Steady progress has been made throughout the year as consolidated and unified policies, procedures and processes were completed and implemented, creating a solid platform for the Bank to transact new business.

Also, efforts were made to further bolster and add value to core assets within the portfolio whilst preparing for strategic exits of non-core businesses and investments.

MANAGEMENT CHANGE

2014 marked a major management achievement for Ibdar Bank, with the appointment of Mr. Basel Al-Hag-Issa as a Chief Executive Officer effective from 1st September 2014. Mr. Al-Hag-Issa has the full support from the board to commence the Bank's next stage of development, and we are confident that his appointment will contribute to Ibdar's capabilities while strengthening its position in Bahrain and the region.

INVESTMENT INITIATIVE

In 2014 Ibdar Bank successfully launched it's first investment transaction by concluding the structuring of a 12-year agreement for acquiring four brand new Bombardier Q400 Next Generation aircraft and leasing them to Ethiopian Airlines. The deal valued at USD 100 million, marked a significant Shari'ah - compliant transaction in Africa's aviation sector.

FINANCIAL RESULTS

We have mixed news to report regarding Ibdar Bank's financial performance for 2014. Excluding fair value losses, we are moving in the right direction with total income of USD 14.7 million, the net result prior to impairment would have been USD 2.3 million profit. Unfortunately, however, we recognized non cash losses of USD 15.8 million due to impairment and fair value losses on our legacy assets. This loss is based on our periodic assessment as to whether there is objective evidence that any of our assets are impaired or there is a decline in fair value. Such impairment and losses were driven by market forces beyond our control.

Accordingly, we recorded a net loss for 2014 of USD 13.5 million. Our total assets increased to USD 426 million compared to USD 360 million in 2013 and our total equity declined to USD 318 million compared to USD 328 million in 2013.

Paul Andrew Mercer
Chairman

ADHERENCE TO ISLAMIC VALUES

On behalf of the Bank's board of directors, I would like to thank our Shari'ah Supervisory Board of well-respected scholars his Eminence Dr. Abdul Sattar Abdul Kareem Abu-Ghuddah, Chairman, his Eminence Shaikh Adnan Abdulla Al Qattan and his Eminence Shaikh Nidham Mohammed Saleh Yaquby, who continued to work tirelessly to ensure the bank continued to adhere to Islamic values.

FUTURE OUTLOOK

We remain of the view that the Bank is well placed to undertake new and diversified investment opportunities and accordingly, we are fully focused on re-engaging with the markets and bringing new products, platforms and co-investment opportunities across sectors and asset classes to our clients.

Ibdar Bank will continue to actively seek unique and rewarding opportunities to grow the values and potentials of its investments and business partners' wealth. We are now in the process of developing the Bank's investment strategy, which will guide us in achieving our targets. We aim to match the aspirations of the shareholders, clients, and staff for a dynamic institution with consistent returns and benefits. Ibdar Bank will engage in private equity, capital markets and real estate through which it aims to generate diversified and recurring income streams for the Bank, its shareholders and co-investors.

AKNOWLEDGEMENT

On behalf of the Bank's board of directors and executive management, I would like to take this opportunity to thank his Majesty King Hamad Bin Isa Al Khalifa, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince and First Deputy Prime Minister.

I would also like to extend our sincere appreciation to the Central Bank of Bahrain and Ministry of Industry and Commerce for their valuable direction and assistance throughout the year.

Finally, I would like to thank our business partners and shareholders for their continuous support, and the management and staff for their dedication and professionalism.

Paul Andrew Mercer
Chairman

Board Members

Reflecting the Bank's top tier institutional shareholders base, the Board of Directors at Ibdar brings a wealth of financial and industry-specific experience. The primary responsibility of each Director is to provide effective governance over the Bank's affairs and to promote and achieve sustainable performance that results in long-term growth for the benefit of all our shareholders. The Board also has the duty of balancing the interests of our stakeholders, including our clientele, business partners, correspondents, employees, suppliers, and our local communities, whilst continuing to maintain high standards of transparency and accountability.

Paul Andrew Mercer
Chairman

Mr. Paul Andrew Mercer joined the Board in 2011 and was re-elected Chairman of Ibdar Bank in January 2013. He holds a Post Graduate Diploma in Law from Chester Law School, UK and Bachelor and Master Degrees in Law from Cambridge University, UK, and has an extensive experience of 20 years in Law and Banking.

Mr. Mercer is an Executive Manager at Kuwait Finance House (Bahrain) and heads up the Legal, Compliance & AML, Risk Management, Strategic Planning & Governance, Credit, Operations, Collections and IT departments. He is also the Vice Chairman of Bahrain-based Menatelecom and a Board member of Turkapital Holding, Bahrain, and Motherwell Bridge, UK. From 1995 until 2003, he worked as a private practice lawyer with leading UK law firms Clifford Chance, Norton Rose and Macfarlanes.

Abdul Hakim Al-Adhamy
Board Member

Mr. Abdul Hakim Al-Adhamy joined the Board in 2013 bringing with him 36 years of experience in auditing, risk advisory and banking. He holds a Bachelor degree in Commerce from Baghdad University.

Currently, Mr. Al-Adhamy serves as Independent Member of the Board of Directors and member of the Audit Committee of Ebrahim Khalil Kanoo BSC (c), Bahrain, Member of the Board and Executive Committee of Amwaj Property Limited BVI, Member of the Audit, Risk & C. G. Committee, Kuwait Finance House BSC (c), Bahrain, and Member of the audit & Risk committee, Commercial Bank of Dubai PSC. Dubai, UAE.

Previously, Mr. Al-Adhamy was a Partner with both KPMG Bahrain and Qatar from 1997 to 2007 and Ernst and Young Bahrain from 1985 to 1990. He also served as Member of the Board and Chairman of Audit & Risk Committee of Islamic Bank of Britain, PLC-UK, Bahrain National Holding BSC – Bahrain, Capital Management House BSC (c), Bahrain, and Member of the Audit Committee, Solidarity Saudi Takaful Company.

He is also a member of the Institute of Chartered Accountants of England and Wales, since 1977.

Abdullah Almarzouq
Board Member

Mr. Abdullah Almarzouq joined the Board in 2011. He holds an MBA from MIT Sloan School of Management, USA 2002, and a BSC degree in Mechanical Engineering from Tufts University, USA. He has been involved in the banking industry and business management for over 19 years.

Mr. Almarzouq heads the International Investment Department at Kuwait Finance House (KFH) and represents KFH in various boards in Kuwait, the Kingdom of Saudi Arabia and Bahrain. Before his appointment at KFH, Mr. Almarzouq handled the responsibility of Investment Banking at HSBC – Middle East, Manager of Stocklord Hedge Fund with a focus on energy and commodities, and Head of Corporate Finance at the National Bank of Kuwait.

Khalid Abdulla Al Bassam
Board Member

Mr. Khalid Abdulla Al Bassam joined the Board in 2013. He graduated with a Bachelor degree in Business Administration, from Eastern New Mexico University, USA. His 26-year career includes extensive experience in management, banking and investments. Mr. Al Bassam is the Chairman of both Al Bassam Investment Company W.L.L, and Foulath Holding BSC(C) and its subsidiaries, Bahrain. He is also a Board member of Gulf Investment Corporation, Kuwait.

Previously, he was the Deputy Governor of the Central Bank of Bahrain, Vice Chairman of the Bahrain Stock Exchange and a Board member of the General Organization for Social Insurance ("GOSI") Bahrain.

Khalid bin Mohammed Alaboodi
Board Member

Mr. Khalid bin Mohammed Alaboodi holds a Bachelor Degree in Economics from King Saud University, KSA, and a Master Degree in Economics from the Northeastern University, USA. He has been involved in the economics, banking industry and business management for almost 31 years.

Mr. Alaboodi has been the Chief Executive Officer of the Islamic Cooperation for the Development of the Private Sector (ICD) since 2007. He started his tenure with the Ministry of Finance & National Economy of Saudi Arabia and, following a move to Washington, was appointed Alternate Executive Director for Saudi Arabia at the World Bank Board.

Currently, Mr. Alaboodi serves as the Chairman of Bosna Bank International's Real Estate Company, Bosna, Arab Fisheries Company, Saudi Arabia, Burj Bank, Pakistan, Africa Finance Corporation, Senegal, and Mauritania investment group.

Khalid Mohamed Yusuf Najibi
Board Member

Mr. Khalid Mohammed Najibi holds a Bachelor's Degree in Business Administration with a major in Finance from Schiller International, UK, and is a Certified Public Accountant (CPA). He has been involved in the banking, investment and finance industry and business management for over 24 years.

Mr. Najibi is the Founding Member and Executive Director of Najibi Investment Company, Board Member of Arbah Capital in the Kingdom of Saudi Arabia, and Board Member of Skaugen Gulf Petchem Carriers.

Previously, Mr. Najibi was a Board Member and Managing Director of Capital Management House in Bahrain, Board Member and Chairman of the Nomination & Remuneration Committee of QInvest in Qatar, Board Member of LONA Real Estate, Board Member of Gulf Finance House in Bahrain, and Board Member of Crown Industries.

Mishari Zaid Al Khalid
Board Member

Mr. Mishari Zaid Al Khalid joined the Board in 2013. He holds a Bachelor Degree in Business Administration from the University of Cairo, Egypt. Through his 38-year career, he has gained extensive experience in banking, investment and business management. Mr. Al Khalid is the General Manager of Al Khalid International Group in Kuwait.

Before that, he served as the Chairman and Managing Director of Al-Safat Real Estate Company in Kuwait, General Manager of Kuwaiti Real Estate Investment Group, Executive Committee Member at Egyptian Gulf Bank in Egypt, and Director of Investment Affairs Office of the General Organization for Social Insurance in Kuwait. He is also the Vice Chairman of Kuwait Investment Company and a member of the Board of National Hotels Company in Bahrain. In addition, he served as a member of the Board of Directors of CAPIVEST in Bahrain, Al-Safat Investment Company in Kuwait, and Kuwaiti Egyptian Investment Company in Egypt.

Saleh Hassan Al Afaleq
Board Member

Mr. Saleh Hassan Al Afaleq holds a Bachelor Degree in Management Information System from King Faisal University, Saudi Arabia, and a Master Degree in Human Resource Development from Seattle University, USA, and has extensive experience of 24 years in business management.

Mr. Al Afaleq is the Director and CEO of Al- Kifah Holding Company and its subsidiaries, Chairman and Founding Member of Al-Ahsa Amusement and Tourism Company, Vice Chairman of Arbah Capital (KSA), and Member of the Board of Noor Capital (Abu Dhabi), Member of the Board of Saudi Industrial Property Authority (MODON), and Member of the Board of General Authority of Civil Aviation. He is also the Chairman of Al Ahsa Chamber of Commerce & Industry (Saudi Arabia) and a Board Member of The Council of Saudi Chambers of Commerce.

Zeyad Tareq Al Mukhaizeem
Board Member

Mr. Zeyad Tareq Al Mukhaizeem joined the Board in 2013. He graduated with a Bachelor of Science in Civil Engineering, from the University of the Pacific, USA 2004, and MBA from DePaul University, USA – Bahrain Campus 2007. His 12-year career includes extensive experience investment management, real estate, and business restructuring/turnaround.

Mr. Al Mukhaizeem is Executive Director of the International Investment Division at Aref Investment House in Kuwait. He also serves as a Chairman of the Board and Executive Committee for Munshaat Real Estate Projects Company and a Board member of Bank of London and the Middle East (BLME) with board positions for real estate and private equity funds.

Prior to that, Mr. Al Mukhaizeem worked as Project Manager at the Kuwaiti Manager Company and Bovis Lend Lease, Kuwait/ Kingdom of Bahrain, and Investment Manager at the Direct Investment Department at Kuwait Finance House, Kuwait.

He has also been a member of the Project Management Institute (PMI) since 2004, and the International Association of Consultants Valuators and Analysts since 2009.

Board Committees

The Board of Ibdar Bank has established four sub sommittees with specific delegated authorities and responsibilities to assist in carrying out its functions and ensure that there is independent oversight of internal control and risk management. The Committees - Audit, Executive, Nomination & Remuneration, and Risk - report to the Board on their activities based on approved charters setting forth their roles and duties.

Audit Committee

The Committee performs the following functions:

- Review accounting and financial policies and procedures.
- Review the integrity of the Bank financials and internal controls.
- Recommend appointment of external auditors.
- Review and assess external and internal audit work.
- Ensure that management has appropriate controls for identifying and monitoring of risk, compliance and practice standards.
- Oversee the internal audit function
- Encourage culture of accountability in the bank and, particularly, for financial matters.

Members

Abdul Hakim Al Adhami	Chairman
Mishari Zaid Al Khalid	
Khalid Abdulla Al Bassam	

Executive Committee

The Committee performs the following functions:

- The Committee plays an effective supervisory role in Ibdar Bank's business decisions.
- It oversees the Bank's long term policy objectives and its activities and has among other, the duties of developing and reviewing strategies, framework, policies and procedures for the approval of the Board.
- The Committee reviews the plans and annual budgets of the Bank and monitors the general performance against these plans and budgets.
- The Committee assesses and approves new product or activities proposed by the business units. It identifies business opportunities both in terms of products, acquisition or disposals.
- The Committee decides on all investments within its authoritative limits delegated by the Board.

Members

Khalid Mohamed Yusuf Najibi	Chairman
Abdullah Almarzouq	
Saleh Hassan Al Afaleq	
Zeyad Tareq Al Mukhaizeem	

Nomination and Remuneration Committee

The Committee performs the following functions:

- The Committee identifies and recommends members of the Board and senior management.
- Recommends remuneration for duties and for senior management.
- Reviews the Bank's remuneration policy for approved persons.
- Recommends Board members remuneration based on attendance and performance.
- Monitors compliance of the bank with the CBB relevant corporate rules.
- Monitors evolution of the bank corporate structure.

Members

Khalid bin Mohammed Alaboodi	Chairman
Mishari Zaid Al Khalid	
Khalid Mohamed Yusuf Najibi	

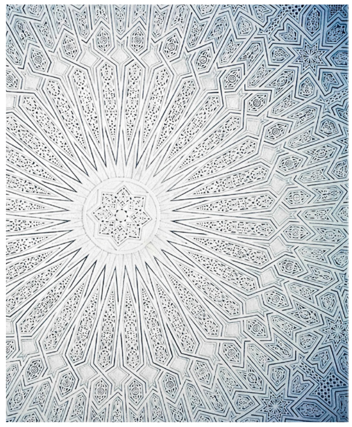
Risk Committee

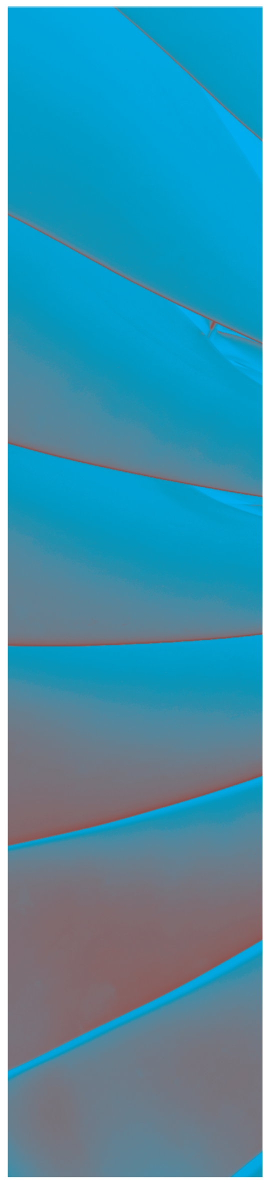
The Committee performs the following functions:

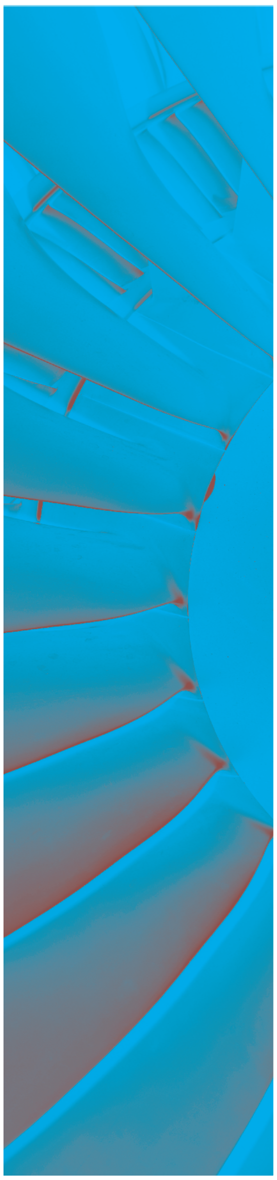
- The Committee plays a key role in advising and assisting the Board in the implementation of risk management framework keeping in view the recommended Basel II framework.
- The Committee is responsible to oversee the Bank's risk management framework, and ensure that the procedures for identification, assessment, monitoring, mitigating, and managing risks are in place and operating effectively to reach compliance with internal risk management guidelines and Basel II.

Members

Khalid Abdulla Al Bassam	Chairman
Paul Andrew Mercer	
Abdul Hakim Al Adhami	







Executive Management

Management Review
Management Team
Management Committees
Organizational Structure
Risk Management and Compliance

Management Review

Integration, development and achievement were defining characteristics of 2014. Strategically and practically, the Bank had an eventful year that witnessed the finalisation of the operations integration, launching Ibdar's first investment transaction, reinforcing our strive for a leadership position in the local and regional banking and finance industry.

Since 2012, we have worked relentlessly on meeting the challenging deadline we have set for ourselves to realise the vision that this Bank was created for, to be the Islamic Investment Bank of Choice.

Basel Al-Hag-Issa
Chief Executive Officer

The Bank has smoothly fulfilled the requirements of the merger process while adhering to world class standards and adopting best international practices in the banking and finance industry. The successful completion of the merger, during a challenging global economic and financial environment, is a demonstrable evidence of our strength and resilience, our abilities to withstand and reflects the distinguished financial and managerial capabilities and expertise of our management team and human assets.

Our key focus during 2014 has been on preserving shareholder value and managing cost efficiencies resulting from the ongoing rationalisation and the integration process. We have continued in our conservative and robust credit and risk management framework, which is bearing fruit with credit metrics in line with our expectations.

With intent to maintain a good position in order to succeed amid a challenging business environment, Ibdar focused in 2014 on restructuring its legacy investments through developing a dynamic business model. This strategy has been illustrated in:

1. Embarking on a wide cost saving program to create a turnaround strategy by emphasizing on improving and enhancing income generating assets and reducing unnecessary overhead costs to overcome the unfavourable market conditions, which existed due to economic and political turmoil.

2. Ibdar reassessed the values of its investments under the market conditions considering different assumptions. Detailed analyses were prepared for each investment in order to devise a suitable plan and timing of exits. In addition, the assets were impaired and adequate provisions were allocated to reflect true and fair values of the assets.

That strategy proved to be effective and Ibdar ended 2014 with total income (excluding fair value losses) of USD 14.7 million, the net result prior to impairment would have been USD 2.3 million profit. However, non-cash losses of USD 15.8 million were recognized due to impairment and fair value losses on some legacy assets. This loss is based on our periodic assessment as to whether there is objective evidence that any of our assets are impaired or there is a decline in fair value. Market forces beyond our control drove such impairment and losses. As results, the Bank recorded a net loss for 2014 of USD 13.5 million. Our total assets increased to USD 426 million compared to USD 360 million in 2013 and our total equity declined to USD 318 million compared to USD 328 million in 2013.

INVESTMENT INITIATIVE

Q400 Aviation Company

Ibdar Bank contributed as investor with USD 22 million, while an amount of USD 78 million was secured through a funding agreement with Canada's Export Credit Agency "EDC", the export finance agency of Canada.

2014 witnessed the successful launching of Ibdar's first investment transaction by concluding the structuring of a 12-year agreement for acquiring four brand new Bombardier Q400 Next Generation aircraft and leasing them to Ethiopian Airlines. The deal valued at USD 100 million, marked a significant Shari'ah-compliant transaction in Africa's aviation sector.

MAIN LEGACY INVESTMENT OVERVIEW

Tanger Palace

Tanger Palace is an income-generating real estate asset that was acquired by the Bank in September 2013 as a result of an in-kind exit from its investment in Aseel Real Estate Company. The target was to replace a non-controlling stake in a company with a fully controlled yielding investment. The property was sold in September 2014 and resulted in an immediate gain of USD 373,133, thus providing an overall return on investment of 16.56% (YTD).

Saar Central

Sales has concluded at Saar Central, with the last villa booked in the month of January 2015, full payment on the same completed by the end of February 2015. Villa sales in the region have picked up significantly, indicating recovery in demand for this sector. The company has, since the settlement of financing, achieved a financing free status and has to date successfully redeemed 99.5% of investors capital from the villas sale proceeds.

Ijara 6

The total assets of the Ijara 6, as of 31 December 2014, stood at USD 6.23 million. The Net Rental Income generated from the property during the year 2014 and the latest valuations of the property, which has increased in 2014 by approximately 3%, resulted in the increase of approximately 9% in the Net Asset Value of Ijara 6. During 2014, Ijara 6 distributed quarterly dividends to the investors totalled USD 108,850 representing 5% of the original invested amount.

Ijara 9

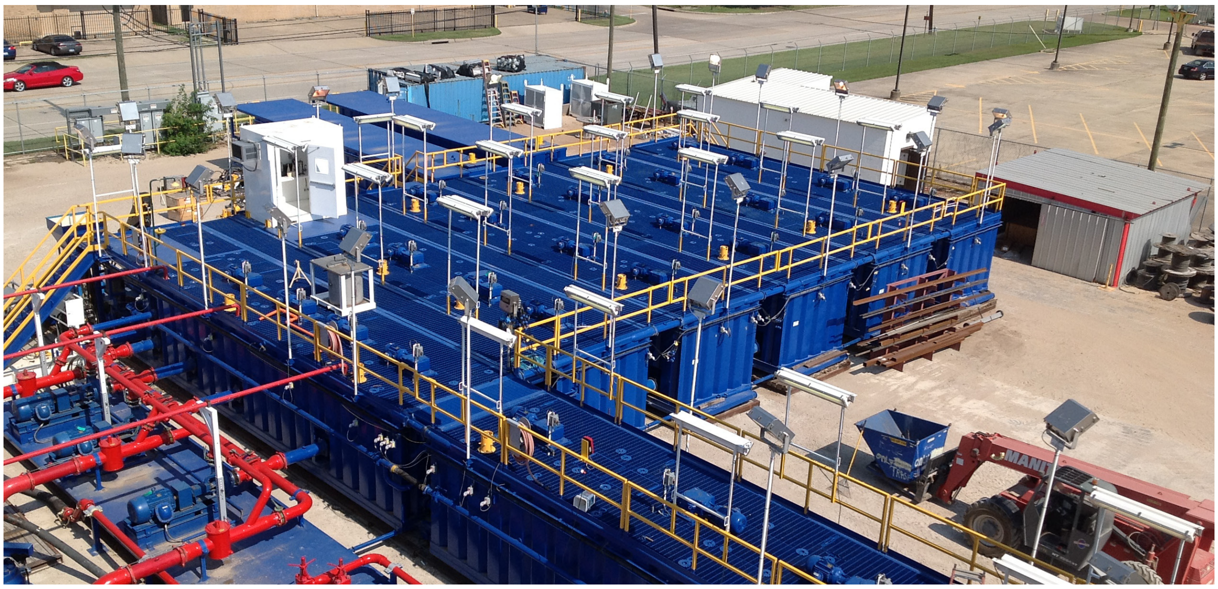
The total assets of the Ijara 9, as at 31 December 2014 stood at USD 33.17 million and the product generated an income of USD 3.53 million during 2014. The properties' valuation improved over the past few years, increasing by approximately 7% in 2014, which resulted in an increase of approximately 38% in Net Asset Value of Ijara 9. During 2014, Ijara 9 distributed quarterly dividends to the investors totalled USD 775,000 representing 5% of the original invested amount.

Triple Seven Aviation Company

The global aviation industry has shown consistent long-term growth despite the various challenges in the global financial markets, with the Middle East region representing one of the fastest growing travel hubs in the world today. Given the strong balance sheet of Emirates, this investment continues to perform as expected and generating healthy returns for the Bank and its co-investors. During 2014, Triple Seven Aviation Company distributed quarterly dividends to the Investors totalled 10% of the original invested amount.

Libya Fund

The shareholders of the Libya Fund agreed to dissolve the Fund due to the expiration of the investment period. The legal process of dissolving the Libya Fund was completed in 2014, and it will be automatically dissolved by the end of April 2015. All shareholders of the Libya Fund received ownership of shares in TAB Energy Limited (the subsidiary of Libya Fund) pro-rata to their ownership in the Libya Fund.



TAB Energy Limited

The security situation in Libya severely affected the performance of Etelaf, the subsidiary of TAB Energy Limited. All foreign operators stopped operations while few national companies, one of which is Etelaf's current client Sirte Oil Company, managed to sustain operations on and off. Etelaf was the last drilling contractor providing drilling and work over services until December 2014, at which date the rig was released due to a combination of budgetary restrictions and worsening security environment. As a result, the rig only operated at 50% level over 2014. Currently the rig is stored in a secure location. Given these circumstances, the immediate objective is to secure the safety of company's personnel and assets while monitoring developments in the country and a safe opportunity to resume work. In February 2014, Ibdar extended bridge financing to complete the acquisition of the Houston rig. The rig was successfully tested and commissioned and the mast upgraded to 3000 HP in order to enhance its marketability.

Skaugen Gulf Petchem Carriers

Through our fully-owned subsidiary "Suffun Bahrain", Ibdar Banks owns a 30% stake in Skaugen Gulf Petchem Carriers, a joint venture with Nogaholding, and

I.M. Skaugen. SGPC owns the Norgas Sonoma, a Singapore-registered LNG tanker, which has resulted in a net income of approximately USD 1 million in 2014. During the year, SGPC successfully refinanced a Nordea Bank bridge facility on the vessel with Bahrain Islamic Bank.

TREASURY AND FINANCIAL INSTITUTIONS

Subdued growth in global economies and challenging market conditions saw Ibdar's shareholder capital preserved through efficient liquidity management and value investing. We build on existing resources in creating a competitive edge in markets in which we operate, with a strategy to take into account of present realities and future trends. As operating conditions for banks remain challenging, we constantly read markets and anticipate broad changes in the global business environment to continuously improve the Bank's performance and in enhancing shareholder value. The Bank's liquid assets are protected as we continue to capitalise on market opportunities to ensure an optimal balance between calculated risks and reward. Our Liquidity Management capabilities are demonstrated by providing various prudent liquidity and cash management solutions in compliance with international Shari'ah standards. Our Capital Markets capabilities are proven by having a consistent track record of capital preservation and in outperforming benchmark indexes in Sukuk Portfolio Management. Expectations of rate hikes in the major economies saw volatility in global bond markets. Despite difficult conditions, in 2014 the total return on our Sukuk Fund was 7.33% vs 6.95% in 2013.

ORGANIZATIONAL MILESTONES

Human Capital

Continuing with the philosophy of deriving sustained competitive advantage and growth through human capital, employees of the Bank remained one of the key pillars of our strategy. We have implemented an ongoing resource program with cross-training, redeployment, and job expansion to support the change process.

Ibdar continued to restructure its internal teams and re-assign resources with business demands. As part of the integration process, the Bank developed and unified; the policies and procedures, employees benefits, payroll system, code of conduct, job descriptions and contracts.

In addition to the above, 2014 saw substantial changes in the CBB's approach towards regulating variable remuneration of executives in the Bank. The CBB deployed new rules for the licensed banks regarding Sound Remuneration Practices. These rules, being comprehensive in nature, have substantially impacted the Bank's earlier policy on Variable Remuneration i.e. Bonus. To this effect, the Bank has developed a new policy for deciding variable remuneration of senior executives in the Bank in order to fully comply with the regulations of the CBB. The new policy shall be presented during the next Assembly General Meeting for shareholder approval.

Risk Management

Considering the high integration of global financial markets, innovation in financial products, extensive use of derivatives, market volatility and large scale regulatory changes, the management of risk is a key issue for Ibdar.

Risk management at Ibdar has always been conservative and proactive with the objective of achieving a balanced relation between risk appetite and expected returns. The Bank has developed risk management over the years into a core competence and remains well positioned to meet the different challenges.

Regulators and investors are demanding more focus not only on the consolidated risk of the firm, but also on the risk inherited in business units and product lines. Therefore, the Bank put in place in 2014 a better enterprise-wide approach to data management and governance to identify emerging pattern of risks that span their legal and operating structures.

To ensure that we are in line with global best practices, practical initiatives to enhance standards have been approached. Ibdar moved forward with the implementation of new procedures and processes in order to comply with Basel II requirements. The Bank is committed to maintaining the highest level of communication and transparency with all its stakeholders, and regulating bodies.

Information Technology

The year 2014 began with strategic projects and initiatives in the Information Technology area to primarily enhance our banking experience.

IT Infrastructure was upgraded to achieve the objective of a concerted migration towards technology services and in ensuring compliance for regulatory authorities as well as compliance for internal control.

FUTURE OUTLOOK

As we move into 2015, I am confident that Ibdar Bank will continue to meet the needs and exceed the expectations of both our long-standing and new partners. We have taken the opportunity to complement our product range, and enhance our product features. Ibdar Bank is committed to openness and accessibility, which will allow us to adapt and provide even better products and services for today's new and changing requirements. This has proven our ability to capitalise on value-adding opportunities for our shareholders.

We will continue our pursuit to enhance our relationship with our shareholders, customers and correspondents, developing and advancing our systems and methods of work, offering more services and products that meet the aspirations of our clients according to best quality standards.

It is indeed an honour to lead this great financial institution, and with our solid business fundamentals, strong management team and dedicated members of staff, I am confident we can continue to deliver value for our clients and stakeholders into the future and emerge stronger from the current financial climate.

Basel Al-Hag-Issa
Chief Executive Officer

Management Team

Ibdar Bank has a strong and seasoned management team, delegated by the Board, to preside over all activities of the Bank and the execution of its financial and operational strategy. The management team takes responsibility for ensuring the Bank is managed in an effective, ethical and legal manner designed to produce significant and consistent value for its shareholders in accordance with its mission, policies and standards.

Basel A. Al-Hag-Issa
Chief Executive Officer

Mr. Basel A. Al-Hag-Issa named Chief Executive Officer of Ibdar Bank in September 2014 to take the responsibility for overlooking the overall performance of the Bank, setting the bank's strategic direction, management of the bank's assets and liabilities, and managing the communications with shareholders.

Throughout his career, Mr. Al-Hag-Issa has gained over 20 years of extensive experience in Corporate and investment banking sectors. He also brings along substantial experience in planning and business development.

Prior to joining Ibdar, Mr. Al-Hag-Issa was the CEO of Saba Islamic Bank in Yemen from June 2012 to August 2014. From February 2008 until May 2012, Mr. Al-Hag-Issa worked at the Islamic Corporation for the Development of the Private Sector in Saudi Arabia as a Director of both the Financial Institution Development Department and the Unit Investment Fund. He served as Executive Director for Planning and Business Development at the Arab Islamic Bank in Palestine.

Mohamed A. Aljasim
Chief Investment Officer

Mr. Mohamed A. Aljasim was appointed Chief Investment Officer of Ibdar Bank in 2013 subsequent to the merger of Elaf Bank, Capital Management House (CMH) and CAPIVEST. He has over 15 years of extensive experience in venture capital, private equity, real estate, asset management and fund raising within various industry segments.

Before his appointment at Ibdar, Mr. Aljasim handled the responsibility of Chief Investment Officer at CMH, Senior Executive Director and Head of Investment Banking at Gulf Finance House BSC (c), and held directorships in other companies.

He graduated from the University of Portsmouth, UK with a BA (Hons) Accounting in 1999.

Management Committees

The two Management Committees at Ibdar Bank support the Management in managing and overseeing the Bank's activities, and in proposing new strategies, policies, and procedures to the Board. These Committees are:

Asset and Liability Committee (ALCO)

The Asset and Liability Committee determines the appropriate levels of liquidity, and ensures that all future commitments are funded in the most appropriate and cost-efficient manner. The Committee also ensures that the Bank fully adheres to the requirements of the CBB regarding capital, liquidity, and mismatched risk. It ascertains that approved investment deposits limits are not exceeded, and Treasury management and dealing activities are within the policy guidelines set by the Board. Furthermore, it monitors and supervises the overall balance sheet structure.

Members

Chairman	*(1 January 2014 – 31 August 2014)*	Chairman
CEO	*(1 September 2014 – up to date)*	
Chief Operating Officer	*(retired 1 January 2015)*	Member
Chief Investment Officer		Member
Head of Financial Control		Member
Head of Treasury & Capital Market		Member
Head of Risk Management		Member

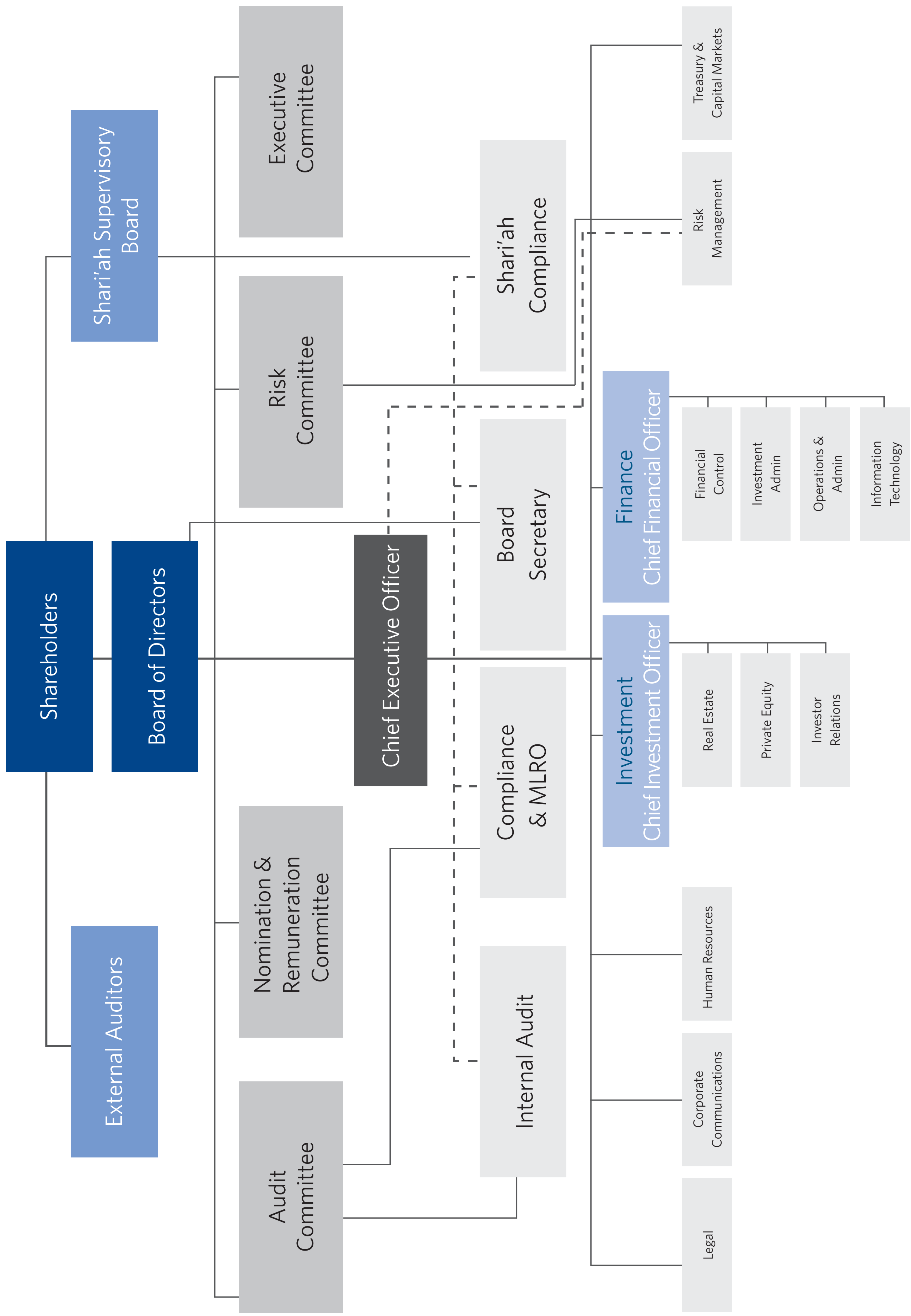
Investment, Credit and Risk Committee

The Investment, Credit and Risk Committee is responsible for managing and supervising all activities related to investments, credit and risk management. The Committee reviews and recommends investment policies, strategies, and products and services to the Executive Committee and the Board. It also examines, recommends, and approves investment proposals as per the policies and strategies approved by the Board. In addition, it monitors the risk profile and risks per product to ensure that adequate measures have been taken to maintain the quality of the Bank's assets.

Members

Chairman	*(1 January 2014 – 31 August 2014)*	Chairman
CEO	*(1 September 2014 – up to date)*	
Chief Operating Officer	*(retired 1 January 2015)*	Member
Chief Investment Officer		Member
Head of Financial Control	*(1 September 2014 – up to date)*	Member
Head of Treasury & Capital Market	*(1 September 2014 – up to date)*	Non Voting Member
Head of Risk Management		Non Voting Member
Head of Legal		Non Voting Member

Organizational Structure



Effective 2015

Risk Management and Compliance

Risk Management

Being in business of taking risks, our success is largely dependent on how efficiently we identify, measure, control and manage these risks. Hence, we view risk management as a core competency from a strategic point of view and the Basel II Accord as a catalyst to the successful implementation of the pillars of risk management. The fundamental principle underlying our risk management framework is ensuring that accepted risks are within Board approved risk appetite and the returns are commensurate with the risks taken. The objective is creating shareholder value through protecting the Bank against unforeseen losses, ensuring maximization of earnings potential and opportunities in relation to the Bank's risk appetite and ensuring earnings stability. With this in mind, the Bank's establishment plan gave priority to the development of an effective and practical risk management framework and independent risk management and compliance function in line with best risk management practice locally and internationally, the requirements of the Central Bank of Bahrain and the Basel II Accord.

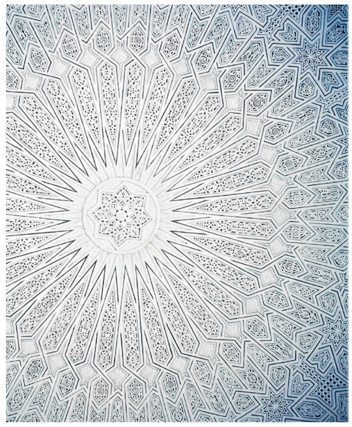
Risk Management Framework

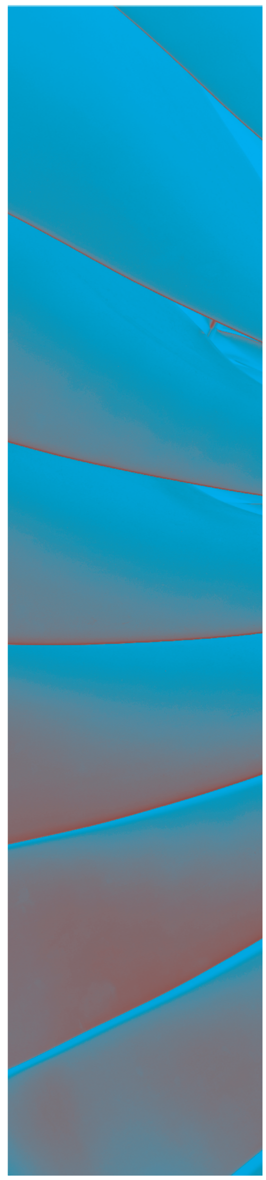
The risk management framework defines the risk culture of Ibdar Bank and sets the tone to practice the right risk behavior consistently to ensure that there is always a balance between business profits and risk appetite.

The risk management framework achieves this through the definition of the Bank's key risk management principles covering credit, market, operational, strategic and reputation risks, the role and responsibilities of the Board and Senior Management towards risk management, the risk assessment methodology based on likelihood and consequences, the major risk policies, procedures and risk limits, the risk management information systems and reports, the internal control framework and the Bank's approach to capital management. The effectiveness of the risk management framework is independently assessed and reviewed through internal audits, external audits and Central Bank of Bahrain supervision, in addition to periodic control risk self-assessments. As a result, the risk management framework creates an alignment between business and risk management objectives.

Compliance & Anti-Money Laundering

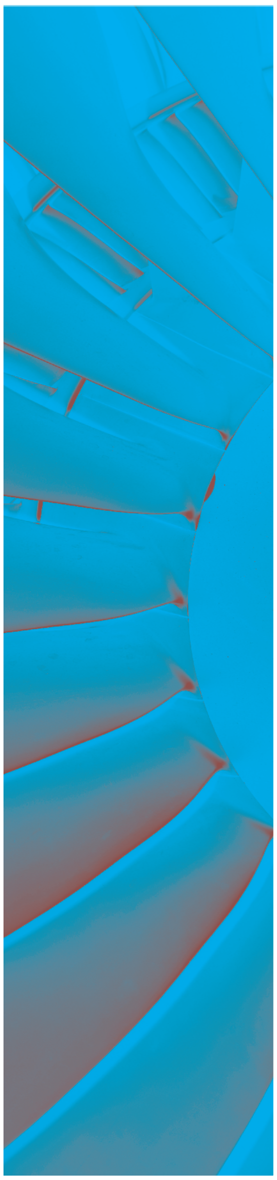
The Bank has an independent and dedicated unit to coordinate the implementation of compliance and Anti-Mony Laundering and Anti-Terrorist Financing program. The program covers policies and procedures for managing compliance with regulations, anti-money laundering, disclosure standards on material and sensitive information and insider trading. In line with its commitment to combat money laundering and terrorist financing, Ibdar Bank through it's Anti-Money Laundering policies ensures that adequate preventive and detective internal controls and systems operate effectively. The policies govern the guidelines and procedures for client acceptance, maintenance and monitoring in line with the Central Bank of Bahrain and International standards such as Basel Committee's "Customer Due diligence for Banks" paper; which are relevant to Islamic Bank licenses. The compliance program also ensures that all applicable Central Bank of Bahrain regulations are complied with and/ or non-compliance is detected and addressed in a timely manner. The program includes compliance with regulations set by Ministry of Industry & Commerce.





Shari'ah Compliance

Shari'ah Supervisory Board Members
Shari'ah Supervisory Board's Report



Shari'ah Supervisory Board Members

The Shari'ah Supervisory Board forms an integral part of the Banks' operations. Our Board members review all transactions and projects to ensure that they are fully compliant, and in accordance, with the rules and principles of the Islamic Shari'ah.

Our Shari'ah Supervisory Board consists of three of the most prominent and distinguished scholars in the field of Islamic Shari'ah:

His Eminence Dr. Abdul Sattar Abdul Kareem Abu-Ghuddah
Chairman

Dr. Abdul Sattar Abdul Kareem Abu-Ghuddah joined the Shari'ah Supervisory Board of Ibdar Bank in 2013. He holds two Bachelor degrees in Law and Shari'ah from the University of Damascus; and two Master Degrees in Shari'ah and Hadith, and a PhD in Comparative Fiqh from the Al-Azhar University in Egypt. Dr. Abu-Ghuddah is an active member of the Islamic Fiqh Academy, which evolved from the Organization of Islamic Conference in Jeddah, KSA. He is also a member of both the Accounting Standards Board and Shari'ah Board of AAOIFI in Bahrain.

Dr. Abu-Ghuddah teaches Fiqh, Islamic studies and Arabic in Riyadh and has performed the valuable task of researching information for the Fiqh Encyclopaedia complied by the Ministry of Awqaf and Islamic Affairs in Kuwait.

He is currently the chairman and member of the Shari'ah supervisory boards of numerous international and regional Islamic banks and financial institutions, including the Shari'ah Board of the Central Bank of Bahrain. In addition to his participation in Islamic finance conferences, Dr. Abu-Ghuddah is also very prominent for his publications in the various topics of Islamic banking.

His Eminence Shaikh Adnan Abdulla Al Qattan
Board Member

Shaikh Adnan Abdulla Al Qattan holds a Bachelor's degree in Islamic Shari'ah from the Islamic University, Madinah, Saudi Arabia, and a Master's degree in Quran and Sunnah from the University of Um Al-Qura, Makkah, Saudi Arabia.

Shaikh Al Qattan is the Chairman of Bahrain's Hajj Mission, President of the Supreme Shari'ah Appeal Court, and a member of the Supreme Council for Islamic Affairs. He is also the President of the Board of Trustees of Al Sanabel Orphans Care and Vice-President of the Royal Charity Organization.

Shaikh Al Qattan serves in the Shari'ah Supervisory Board of various Islamic banks and financial and investment institutions, in addition to being Friday sermon orator at Al-Fatih Grand Mosque in Manama (Bahrain).

His Eminence Shaikh Nidham Mohammed Saleh Yaquby
Board Member

Shaikh Nidham Mohammed Saleh Yaquby holds a Bachelor's degree in Economics and Comparative Religion from McGill University, Montreal and PhD from Lahaye University.

Shaikh Nidham obtained his Shari'ah knowledge and teachings from prominent Shari'ah scholars in the Gulf region and achieved their highest valuation. Shaikh Nidham is the chairman and member in numerous Shari'ah supervisory boards of international Islamic banks and financial institutions including the Dow Jones Islamic Index.

He is a member of the Shari'ah board of Central Bank of Bahrain, the AAOIFI Shari'ah Board, and the Islamic Rating Agency Shari'ah Board. Shaikh Nidham is also very prominent for his participation, contribution in international Islamic finance conferences, and offering financial solutions and instruments for contemporary financing schemes. Shaikh Yaquby is a visiting professor at the International Islamic University, Malaysia.

Shari'ah Supervisory Board's Report

مصرف إبدار
Ibdar Bank

16 Rabi'e Al-a'khir 1436
5 February 2015

Thanks to Allah Almighty, and Prayers and Peace be upon His Messenger, our Prophet Mohammed and all his Relatives and Companions.

After completing the financial on 31/12/2014, we report you the following:

vvvvWe have studied the products introduced by the bank and verify the extent of the Bank's commitment to the provisions and principles of Islamic Shari'ah's laws, and with the specific fatwas, rulings and guidelines issued by us.

Since the Executive Management takes the responsibility to ensure that the Bank's commitment to act in accordance with the rules and principles of Shari'ah law, our responsibility is limited to declaring and stating the Shari'ah opinion on the banking and investment transactions that were presented the Shari'ah Supervisory Board.

Ibdar Bank's operations have been discussed and reviewed by Shari'ah Supervisory Board and it's executive member , where nine meetings were conducted through the year , beside the dialy engagement of the internal Shari'ah Supervision and Advisory Department , were a full thorough review for all documents, agreements , guidelines and policies that were introduced from the management or transferred from the Board of Directors to the Shari'ah Supervisory Board.

The scope of our review covered the most important investment projects, such as, Investments in Aviation , Private Equities , Real Estate investments , Shipping , Sukuks & Money market, food processing, Unrestricted investments and Funds' proposals.

The Shari'ah Supervisory Board also respond to the inquiries by the concerned departments in the bank directly or through its Executive member, as well as

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مصرف إبدار ش.م.ب (م)، برج الزامل، الطابق السادس، شارع الخليفة، ص.ب ١٠٠١ المنامة، مملكة البحرين، هاتف : ٩٧٣١٧٥١٠٠٠٠+، فاكس : ٩٧٣١٧٥١٠٠٥١+
Ibdar Bank BSC (c), Zamil Tower, Sixth Floor, Al Khalifa Avenue, P.O. Box 1001 Manama, Kingdom of Bahrain, Telephone: +973 17 510000, Facsimile: +973 17 510051

مصرف إبدار
Ibdar Bank

declaring opinions and advices, when requested to do so, on new contracts and financial transactions structuring developed.

In our opinion:

1. The contracts and transactions entered into by the Bank during the year ended 31December 2014, that we have reviewed are in compliance with the Islamic Shari'ah rules and principles;

2. The allocation of profit and losses relating to investment accounts conform to the basis that had been approved by us in accordance with Islamic Shari'ah rules and principles;

3. Paying Zakat is the responsibility of the Shareholders, The basis of Zakat calculation and estimation is in compliance with Islamic rules and with accordance to AAOIFI Shari'ah Standard. The exact amount of Zakat per share shall be announced to the Shareholders on a separate report.

4. Impure earnings were identified during the year 2014, the management is directed to disburse those amounts for charity purposes.

We pray to Allah almighty to grant the Bank all success and further compliance with the principles of Islamic Shari'ah.

Prayer and peace be upon our prophet Mohammed, His relatives and companions.

Dr.Abdulsttar Abu Ghudda SSB Chairman	Shaikh /Adnan Al-Qattan SSB Member	Shaikh/ Nizam Yacoby SSB Executive Member

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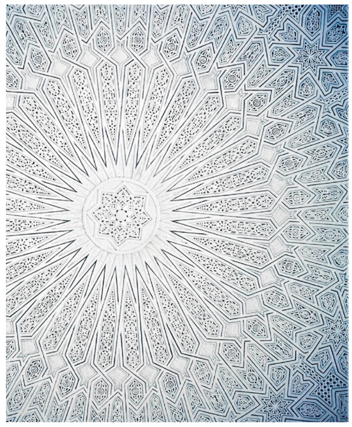
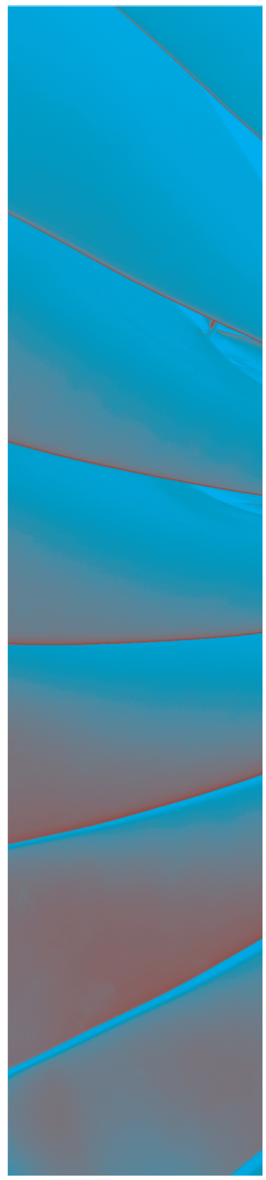
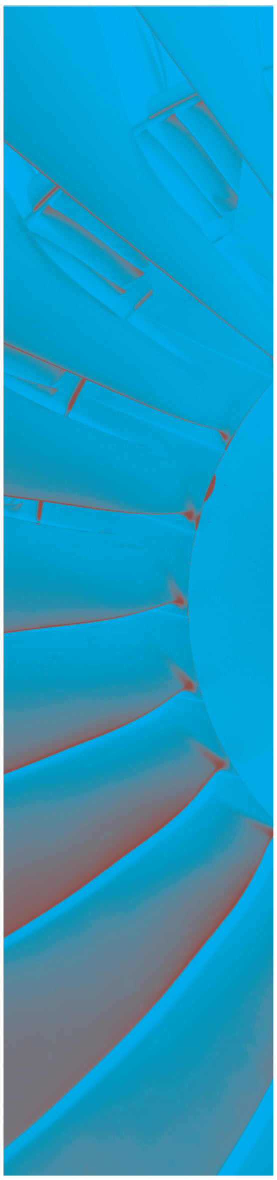
Ibdar Bank BSC (c), Zamil Tower, Sixth Floor, Al Khalifa Avenue, P.O. Box 1001 Manama, Kingdom of Bahrain, Telephone: +973 17 510000, Facsimile: +973 17 510051
Ibdar Bank Licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain مصرف إبدار مرخص من قبل مصرف البحرين المركزي كبنك جملة إسلامي







Financial Performance

Independent Auditor's Report
Consolidated Financial Statements

Independent Auditor's Report

KPMG

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Audit
12th Floor
Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

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Tel +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Ibdar Bank B.S.C. (c)
Manama, Kingdom of Bahrain

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Ibdar Bank B.S.C. (c) (the "Bank") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2014, 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.

Respective responsibilities of board of directors and auditors
These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the board of directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and of its consolidated results of operations, its consolidated cash flows, its consolidated changes in owners' equity and its consolidated 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 and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

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

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the Chairman's report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year 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) or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

Other matter
The consolidated financial statements of the Group as at and for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 19 February 2014.

KPMG

KPMG Fakhro
Partner Registration no. 137
18 February 2015

Consolidated Financial Statements

Ibdar Bank B.S.C (c)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As 31 December 2014 — **USD 000's**

	note	31 December 2014	31 December 2013
ASSETS			
Cash and balances with banks	5	17,016	16,239
Placements with financial institutions	6	8,976	15,591
Financing receivables	7	11,169	787
Assets held-for-sale	8	95,943	-
Receivable from Ijarah investors	9	27,033	27,033
Investment in Ijarah asset	10	-	4,792
Ijarah muntahia bittamleek	11	657	1,283
Investment securities	12	206,152	228,867
Equity-accounted investees	13	12,468	11,372
Investment in real estate	14	43,239	44,080
Development properties	15	834	6,164
Other assets	16	2,971	3,852
Total assets		**426,458**	360,060
LIABILITIES			
Due to financial institutions	17	21,208	22,785
Due to investors	18	165	165
Liabilities related to assets held-for-sale	8	75,621	-
Other liabilities	19	11,138	8,456
Total liabilities		**108,132**	**31,406**
Equity of investment account holders		-	498
OWNERS' EQUITY			
Share capital	20	300,000	300,000
Share premium		16,385	16,385
Statutory reserve		676	676
Accumulated losses		(16,385)	(1,100)
Investment fair value reserve		(494)	3,348
Property fair value reserve		3,518	2,089
General reserve		4,618	4,618
Equity attributable to shareholders of Bank		**308,318**	326,016
Non-controlling interests		913	2,140
Non-controlling interests related to assets held-for-sale	8	9,095	-
Total owners' equity		**318,326**	328,156
Total liabilities, equity of investment account holders and owner's equity		**426,458**	360,060

The consolidated financial statements consisting of pages 2 to 45 were approved by the Board of Directors on 18 February 2015 and signed on its behalf by:

Paul Mercer — Chairman

Khalid M. Najibi — Director

Basel Al-Hag-Issa — Chief Executive Officer

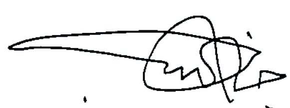
The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Ibdar Bank B.S.C (c)
CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2014

USD 000's

	note	2014	2013
INCOME			
Income from continuing operations			
Finance income	21	527	2,797
Income from investment securities	22	7,903	7,545
Fair value loss on unquoted equity securities	12	(10,468)	(1,616)
Share of (loss) / profit of equity-accounted investees	13	(1,424)	262
Income from investment banking services		454	753
Gain on sale of development properties	15	2,701	1,479
Other income	23	1,836	2,504
Total income from continuing operations		**1,529**	13,724
Income from assets held-for-sale, net	8	2,677	-
Total income		**4,206**	13,724
EXPENSES			
Staff cost	24	6,586	6,234
Finance expense		128	427
Depreciation and amortisation		488	142
Other expenses	25	5,147	4,703
Total expenses		**12,349**	11,506
(Loss) / profit before impairment allowances		**(8,143)**	2,218
Impairment allowances		(5,374)	(2,195)
(LOSS) / PROFIT FOR THE YEAR		**(13,517)**	23
(LOSS) / PROFIT FOR THE YEAR FROM:			
-Continuing operations		(16,194)	23
-Assets held-for-sale		2,677	-
		(13,517)	23
Attributable to:			
Shareholders of Bank		(15,285)	(1,100)
Non-controlling interests		654	1,123
Non-controlling interests related to assets held-for-sale		1,114	-
		(13,517)	23

The consolidated financial statements consisting of pages 2 to 45 were approved by the Board of Directors on 18 February 2015 and signed on its behalf by:


Paul Mercer
Chairman

Khalid M. Najibi
Director

Basel Al-Hag-Issa
Chief Executive Officer

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Ibdar Bank B.S.C (c)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

for the year ended 31 December 2014

USD 000's

2014	Equity attributable to shareholders of Bank										
	Share capital	Share premium	Statutory reserve	Accumulated losses	Investment fair value reserve	Property fair value reserve	General reserve	Total	Non-controlling interests	Non-controlling interests relating to assets held-for-sale	Total owners' equity
Balance at 1 January 2014	300,000	16,385	676	(1,100)	3,348	2,089	4,618	326,016	2,140	-	328,156
(Loss) / profit for the year	-	-	-	(15,285)	-	-	-	(15,285)	654	1,114	(13,517)
Share of reserve from equity-accounted investees	-	-	-	-	-	17	-	17	-	-	17
Cumulative changes in fair value	-	-	-	-	(3,842)	1,412	-	(2,430)	-	-	(2,430)
Total recognised income and expense for the year	**-**	**-**	**-**	**(15,285)**	**(3,842)**	**1,429**	**-**	**(17,698)**	**654**	**1,114**	**(15,930)**
Partial disposal of non-current assets held-for-sale, net (note 8)	-	-	-	-	-	-	-	-	-	7,981	7,981
Distribution to non controlling interests	-	-	-	-	-	-	-	-	(1,881)	-	(1,881)
Balance at 31 December 2014	**300,000**	**16,385**	**676**	**(16,385)**	**(494)**	**3,518**	**4,618**	**308,318**	**913**	**9,095**	**318,326**

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Ibdar Bank B.S.C (c)

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

for the year ended 31 December 2014

USD 000's

	Equity attributable to shareholders of Bank									
2013	Share capital	Share premium	Statutory reserve	Accumulated losses	Investment fair value reserve	Property fair value reserve	General reserve	Total	Non-controlling interests	Total owners' equity
Balance at 1 January 2013	300,000	16,385	676	-	796	-	4,618	322,475	3,913	326,388
(Loss) / profit for the year	-	-	-	(1,100)	-	-	-	(1,100)	1,123	23
Share of reserves of equity-accounted investees	-	-	-	-	-	165	-	165	-	165
Cumulative changes in fair value	-	-	-	-	2,552	1,924	-	4,476	-	4,476
Total recognised income and expense for the year	-	-	-	(1,100)	2,552	2,089	-	3,541	1,123	4,664
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(2,896)	(2,896)
Balance at 31 December 2013	300,000	16,385	676	(1,100)	3,348	2,089	4,618	326,016	2,140	328,156

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Ibdar Bank B.S.C (c)
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014 **USD 000's**

OPERATING ACTIVITIES	2014	2013
(Loss) / profit for the year	**(13,517)**	23
Adjustments for:		
Depreciation and amortisation	488	142
Fair value loss on unqouted equity securities	10,468	1,616
Gain on sale of investment securities	(2,041)	(1,653)
Gain on sale of fixed assets	-	(18)
Gain on sale of investment in real estate	(400)	(857)
Impairment allowances	5,374	2,195
Share of loss / (profit) of equity accounted investees	1,424	(262)
Net amortization of premium / (discount) on sukuk	433	683
	2,229	1,869
Changes in operating assets and liabilities:		
Financing receivables	(10,355)	2,360
Placements with financial institutions (with original maturity of 91 days or more)	4,538	(11,704)
Investment in Ijara assets	4,792	170
Ijarah muntahia bittamleek	625	623
Development properties	5,330	13,249
Other assets	537	813
Other liabilities	2,621	(7,479)
Equity of investment accounts holders	(498)	(766)
Net cash generated from / (used in) operating activities	**9,819**	(865)
INVESTING ACTIVITIES		
Purchase of investment securities	(33,194)	(43,104)
Proceeds from sale of investment securities	37,872	42,444
Proceeds from sale of investment in real estate	2,653	857
Proceeds from sale of equipment	-	18
Payments for assets held-for-sale, net	(20,323)	-
Purchase of investment in real estate	-	(1,542)
Payments for purchase of equipment	(149)	(435)
Payments for acquisition of associate	(2,503)	(5,898)
Net cash (used in) / generated from investing activities	**(15,644)**	(7,660)
FINANCING ACTIVITIES		
Distribution to non-controlling interests	(1,881)	(2,896)
Non-controlling interests related to assets held-for-sale	7,981	-
Due to financial institutions	(1,577)	(4,548)
Due to investors	-	(271)
Net cash generated from / (used in) financing activities	**4,523**	(7,715)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,302)**	(16,240)
Cash and cash equivalents at 1 January	27,294	43,534
CASH AND CASH EQUIVALENTS AT 31 December	**25,992**	27,294
CASH AND CASH EQUIVALENTS comprise:		
Cash and bank balances	17,016	16,239
Placements with financial institutions (with original maturity of 90 days or less)	8,976	11,055
	25,992	27,294

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

Ibdar Bank B.S.C (c)

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

for the year ended 31 December 2014 **USD 000's**

	Marketable equity securities portfolio	**Unlisted securities portfolio**	**Real estate portfolio**	**Total**
31 December 2014				
Balance at 1 January 2014	2,833	67,043	42,538	112,414
Redemptions / withdrawals	(2,340)	-	(1,402)	(3,742)
Fair value changes	(9)	(435)	-	(444)
Balance at 31 December 2014	**484**	**66,608**	**41,136**	**108,228**

	Marketable equity securities portfolio	Unlisted securities portfolio	Real estate portfolio	Total
31 December 2013				
Balance at 1 January 2013	1,756	66,250	42,725	110,731
Additions	-	613	-	613
Redemptions / withdrawals	(442)	-	(187)	(629)
Fair value changes	1,519	180	-	1,699
Balance at 31 December 2013	2,833	67,043	42,538	112,414

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

for the year ended 31 December 2014 USD 000's

1 INCORPORATION AND ACTIVITIES

Ibdar Bank B.S.C.(c) (the "Bank"), is a closed shareholding company incorporated in the Kingdom of Bahrain on 12 June 2007 under commercial registration (CR) number 65549. The Bank operates as an Islamic Wholesale Investment Bank under a license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Zamil Tower, 6th Floor, Al Khalifa Avenue, Block 305, Manama, Kingdom of Bahrain.

The Bank was previously known as Elaf Bank BSC (c) which was amalgamation of Elaf Bank BSC (c), Capivst BSC (c) and Capital Management House BSC (c) in 2012.

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board (SSB) whose role is defined in the Bank's Memorandum and Articles of Association.

The principal activities of the Bank and its subsidiaries (together the "Group") include investment advisory services and investment transactions, which comply with Islamic rules and principles according to the opinion of the Group's Shari'a Supervisory Board.

The Bank carries out its business activities through its head office in the Kingdom of Bahrain and its Branch in Malaysia. The branch was granted a license to perform licensed banking business on 15 June 2011 under Islamic Banking Act 1983. During the year, the Bank initiated liquidation of its Branch.

Consolidated financial statements
The consolidated financial statements comprise the results of the Bank and its subsidiaries.

The following are the principal subsidiaries of the Bank that are consolidated:

Subsidiary	Ownership	Year of incorporation / Acquisition	Country of incorporation	Principal activity
Elaf Bahrain Real Estate Company B.S.C. (c)	100%	2008	Bahrain	Purchase and sale of real estate properties
Elaf Corporate Services Limited	100%	2008	British virgin Island	Manage affiliated companies
Sokouk Exchange Centre – Tadawul Holding W.L.L.	100%	2008	Bahrain	Manage affiliated companies
Tamkeen Investment Company B.S.C. (c)	100%	2008	Bahrain	Administer Management Incentive Program ("MIP").
Suffun Bahrain W.L.L.	100%	2010	Bahrain	Investment Holding Company
Suffun Investment Company	100%	2010	Cayman Islands	Investment Holding Company
GCC Balanced Growth Fund Company B.S.C.(c)	100%	2010	Bahrain	SPV for GCC Balanced Growth Fund
Medical Management Group SPC	100%	2005	Bahrain	SPV to invest in health care
Palma Ibdar Aviation	52%	2013	British virgin Island	Purchase and lease of aircraft to airline company
Sakan Development Company Limited	70.91%	2006	Cayman Islands	Development of real estate properties

1 INCORPORATION AND ACTIVITIES (continued)

The Group has other special purpose entities (SPE's) holding companies and subsidiaries which are set up to supplement the activities of the Group and its principal subsidiaries.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards ('IFRS').

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for certain investment securities carried at fair value. The consolidated financial statements are presented in United States Dollars (USD), being the functional currency of the Group's operations. All financial information presented in USD has been rounded to the nearest thousands, except when otherwise indicated.

c) Basis of consolidation

i) Subsidiaries

Subsidiaries are those enterprises (including special purpose entities) controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the recognised of particular assets, or the execution of a specific borrowing or investment transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

The Group in its fiduciary capacity also manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's fiduciary assets under management is set out in note 35.

2 BASIS OF PREPARATION (continued)

c) Basis of consolidation (continued)

i) Subsidiaries (continued)

Loss of control

Upon the loss of control, the Group recognised the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to the consolidated income statement.

ii) Investment in associates (Equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exit when the Group holds between 20% and 50% of the voting power of another entity.

On initial recognition of an associate, the Group makes an accounting policy choice as to whether the associate shall be equity accounted or designated as at fair value through income statement. The Group makes use of the exemption

2 BASIS OF PREPARATION (continued)

c) Basis of consolidation (continued)

ii) Investment in associates (Equity-accounted investees) (continued)

in FAS 24 – Investment in Associates for venture capital recognised and designates certain of its investment in associates, as 'investments carried at fair value through income statement'. These investments are managed, evaluated and reported on internally on a fair value basis (refer note 3 (b)).

If the equity accounting method is chosen for an associate, these are initially recognised at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investees after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investees arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in an equity-accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investees.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an equity-accounted investee at the date of acquisition is recognised as goodwill, and included within the carrying amount of the investment. When the excess is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

If the ownership interest in an equity-accounted investee is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to the consolidated income statement where appropriate.

iii) Transactions eliminated on consolidation and equity accounting

Intra-group balances and transactions, and any recognised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group gains on transactions between the Group and its equity-accounted investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated in the same way as recognised gains, but only to the extent that there is no evidence of impairment.

The reporting period of the Group's subsidiaries and equity-accounted investees are identical and their accounting policies conform to those used by the Group for like transactions and events in similar circumstances. The accounting policies of the subsidiaries and equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 BASIS OF PREPARATION (continued)

d) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated income statement immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated income statement. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements.

New standards, amendments and interpretations issued but not yet effective for adoption
There are no AAOIFI accounting standards or interpretations issued that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Group.

a) Foreign currency transactions

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, which is the Group's functional and presentation currency.

Foreign currency transactions are translated 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 year-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 equity securities measured at fair value through equity, are included in investments fair value reserve.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Foreign currency transactions (continued)

Other group companies
The other Group companies functional currencies are either denominated in US dollars or currencies which are effectively pegged to the US dollars, and hence, the translation of financial statements of the group companies that have a functional currency different from the presentation currency do not result in exchange differences.

b) Investment securities

Investment securities comprise debt and equity instruments, but exclude investment in subsidiaries and equity-accounted investees (refer note 2 (c ii)).

(i) Classification

The Group segregates its investment securities into debt-type instruments and equity-type instruments.

Debt-type instruments

Debt-type instruments are investments that provide fixed or determinable payments of profits and capital. Investments in debt-type instruments are classified in the following categories:

At fair value through income statement (FVTIS)
These investments are either not managed on contractual yield basis or designated on initial recognition at FVTIS to avoid any accounting mismatch that would arise on measuring the assets or liabilities or recognised the gains or losses on them on different bases. Currently, the Group does not have any investment under this category.

At amortised cost
This classification is for debt-type instruments which are not designated as FVTIS and are managed on contractual yield basis. These include investments in medium to long-term sukuk.

Equity-type instruments

Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities. Investments in equity type instruments are classified in the following categories:

At fair value through income statement (FVTIS)
Equity-type instruments classified and measured at FVTIS include investments held-for-trading and those designated on initial recognition at FVTIS.

Investments are classified as held-for-trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investment securities (continued)

(i) Classification (continued)

At fair value through income statement (FVTIS) (continued)
dealers margin or that form part of a portfolio where there is an actual pattern of short-term profit taking. The Group currently does not have any of its investments classified as investments held-for-trading purposes.

On initial recognition, an equity-type instrument is designated as FVTIS only if the investment is managed and its performance is evaluated and reported on internally by the management on a fair value basis. This category currently includes investment in private equity, funds and investment in associates (refer note 2 l (ii))

At fair value through equity (FVTE)
Equity-type instruments other than those designated at FVTIS are classified as at fair value through equity. This category includes investment in unquoted equity securities.

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are recognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Investment securities are measured initially at fair value, which is the value of the consideration given. For investments carried at FVTIS, transaction costs are expensed in the consolidated income statement. For other investment securities, transaction costs are included as a part of the initial recognition.

Subsequent to initial recognition, investments carried at FVTIS and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTIS are recognised in the consolidated income statement in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity.

When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated income statement.

Investments carried at FVTE where the entity is unable to determine a reliable measure of fair value on a continuing basis, such as investments that do not have a quoted market price or where there are no other appropriate methods from which to derive reliable fair values, are stated at cost less impairment allowances.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Investment securities (continued)

(iii) ***Measurement*** **(continued)**

Subsequent to initial recognition, debt-type investments other than those carried at FVTIS are measured at amortised cost using the effective profit method less any impairment allowances.

(iv) ***Measurement principles***

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative recognised using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analysis and other valuation models with accepted economic methodologies for pricing financial instruments.

c) Placements with financial institutions

These comprise inter-bank placements made using Shari'a compliant contracts. Placements are usually for short-term and are stated at their amortised cost.

d) Financing receivables

Financing receivables comprise Shari'a compliant contracts with fixed or determinable payments and are stated at amortised cost less provision for impairment, if any. Specific provisions are created for impairment where losses are expected to arise on non-performing receivables. The receivables are written off when they are considered to be uncollectible to reduce all impaired financing receivables to their expected recognised values.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Musharaka financing

Musharaka is stated at the fair value of consideration given less any impairment. Musharaka capital provided by the Group at inception in kind (if other than cash) is measured at the fair value of the assets. If the valuation of assets results in difference between fair value and book value, such difference is recognised as profit or loss to the Group.

f) Investment in ijarah asset

Investment in ijarah asset is stated at cost less accumulated depreciation and accumulated impairment.

Depreciation is calculated using the straight-line method to write down the cost of ijarah asset to its residual values over lease term.

Ijarah asset is recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the ijarah asset (calculated as the difference between the net disposal proceeds and the carrying amount of the ijarah asset) is recognised in the consolidated statement of income in the year the asset is recognised.

g) Ijarah Muntahia Bittamleek

Ijarah Muntahia Bittamleek are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis over the period of the lease term (except for land which is deemed to have indefinite life).

The Group assesses at each reporting date whether there is objective evidence that the assets acquired for leasing are impaired. Impairment losses, if any, are recognised in the consolidated income statement.

h) Investment in real estate

Investment in real estate comprise land and building held to earn rental income and/or are expected to benefit from capital appreciation or land held for undetermined future use. Investment in real estate are measured initially at cost, including directly attributable expenditures. Subsequently, investment property is carried at fair value.

Any recognised gains arising from a change in the fair value of investment in real estate shall be recognised directly in owners' equity under "Property fair value reserve".

Investment in real estate are derecognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Any losses resulting from re-measurement at fair value of investment in real estate carried at fair value shall be adjusted in owners' equity against the property fair value

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Investment in real estate (continued)

reserve to the extent of the available credit balance of this reserve. In case such losses exceed the available balance, the losses shall be recognised in the consolidated income statement. In case there are recognised losses relating to investment in real estate that have been recognised in the consolidated income statement in a previous financial period, the recognised gains relating to the current financial period shall be recognised to the extent of crediting back such previous losses in the consolidated income statement.

i) Development properties

Development properties represents properties developed and held for sale in the ordinary course of business. The cost of development properties include the cost of land and related expenses incurred for development. Development properties are carried at lower of cost or net realisable value which is estimated selling price less costs to be incurred in connection with the sale.

j) Assets held-for-sale and discounted operations

Classification

The Group classifies non-current assets or disposal groups as held-for-sale if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use within twelve months. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. A subsidiary acquired exclusively with a view to resale is classified as disposal group held-for-sale and income and expense from its operations are presented as part of discontinued operation.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, recognised or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and investment property carried at fair value, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Measurement

Non-current assets or disposal groups classified as held-for-sale, other than financial instruments, are measured at the lower of its carrying amount and fair value less

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Assets held-for-sale and discounted operations (continued)

Measurement (continued)
costs to sell. Financial instruments that are non-current assets and 'held-for-sale' continue to be measured in accordance with their stated accounting policies. On classification of equity-accounted investee as held-for-sale, equity accounting is ceased at the time of such classification as held-for-sale. Non-financial assets (i.e. intangible assets, equipment) are no longer amortised or depreciated.

Discounted operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

k) Impairment of assets

The Group assesses at each reporting date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement.

Investments carried at fair value through equity (FVTE)
In the case of equity type instruments carried at fair value through equity, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in recognition of an impairment loss. If any such evidence exists for equity type instruments, the recognised re-measurement loss

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment of assets (continued)

shall be transferred from equity to the consolidated income statement. Impairment losses recognised in consolidated income statement for an equity investment are reversed directly through equity.

For equity type instruments carried at cost due to the absence of reliable fair value, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the expected recoverable amount is assessed to be below the carrying amount of the investment. All impairment losses are recognised through the consolidated income statement and is not reversed.

Other non-financial assets

The carrying amount of the Group's assets or its cash generating unit, other than financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

l) Due to financial institutions

These comprise funds from financial institutions received on Shari'ah compliant contracts. Due to financial institutions are stated at their amortised cost.

m) Share capital and reserves

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares and equity component of share-based payments and convertible instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Statutory reserve

The Bahrain Commercial Companies Law 2001 requires that 10 percent of the annual net profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Equity of investment account holders

Equity of investment account holders are funds held by the Group, which it can invest at its own discretion. The investment account holder recognised the Group to invest the account holders' 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. Equity of investment account holders are carried at fair value of consideration received plus accrued profits less amounts settled.

o) Restricted investment accounts

Restricted investment accounts represent funds received by the Group from third parties for investment in specified products as directed by the investment account holders. These assets are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn all of the rewards on these investments. Restricted investments are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these investments except within the conditions of the contract between the Group and holders of restricted investment accounts. Currently, the Group does not earn any income from such activities.

p) Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and placements with financial institutions with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

q) Revenue recognition

Revenue is recognised to the extent that it is possible that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue earned by the Group and gain / loss on assets are recognised on the following basis:

Management and other fees are recognised as income when earned and the related services are performed.

Income from placements financial institutions are recognised on a time-apportioned basis over the period of the related contract using the effective profit rate.

Dividend income from investment securities is recognised when the right to receive is established. This is usually the ex-dividend date for equity securities.

Fair value gain / (loss) on investment securities (recognised gain or loss) is recognised on each measurement date in accordance with the accounting policy for equity-type instruments carried at fair value through income statement (refer note 2 (f)).

Gain on sale of investment securities (recognised gain) is recognised on trade date at the time of derecognition of the investment securities. The gain or loss is the difference between the carrying value on the trade date and the consideration received or receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Revenue recognition (continued)

Gain on sale of development properties is recognised as the difference between the carrying value of the development properties and the considered received or receivable.

Finance income / expenses are recognised using the amortised cost method at the effective profit rate of the financial asset / liability.

r) Earnings prohibited by Shari'a

The Group is committed to avoid recognised any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means.

s) Zakah

Pursuant to the decision of the shareholders', Zakah is the responsibility of the shareholders. The Group is also required to calculate and notify, under a separate report, individual shareholders of their pro-rata share of the Zakah payable by them on distributed profits. These calculations are approved by the Group's Shari'a Supervisory Board.

t) Employees benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(ii) Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme, which is a "defined contribution scheme" in nature under, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in consolidated income statement when they are due.

Expatriate and certain Bahraini employees on fixed contracts are entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment, has been made by calculating the notional liability had all employees left at the reporting date. These benefits are in the nature of a "defined benefit scheme" and any increase or decrease in the benefit obligation is recognised in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Dividends and board remuneration

Dividends to shareholders and board remuneration are recognised as liabilities in the period in which they are declared.

v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

w) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is probable. Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

x) Leases

Payments under operating lease are recognised in the consolidated income statement on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

y) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

z) Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

aa) Offsetting of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets include cash and balances with banks, placements with financial institutions, financing receivables, investment securities and other assets. Financial liabilities include due to financial institutions, due to customers, other liabilities and financial guarantees.

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that effect 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.

Judgement

Classification of investments
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments at fair value through income statement or investments carried at fair value through equity or investments carried at amortised cost. 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 (note 2 (f)).

Special Purpose Entities
The Group sponsors the formation of special purpose entities (SPE's) primarily for the purpose of allowing clients to hold investments. The Group provides corporate administration, investment management and advisory services to these SPE's, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPE's 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 SPE's activities, its exposure to the risks and rewards, as well as about the Group intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

Classification as held-for-sale
The Group classified non-current assets (or disposal group) are held-for-sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. In such case, the asset is available for immediate sale in its present condition subject to only to terms that are usual and customary for sale of such assets and the sale is highly probable. Further, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value.

Estimations

Fair value of financial instruments
The Group determines fair value of investments designated at fair value that are not quoted in active markets by using valuation techniques such as discounted cash flows and recent transaction prices. Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible,

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Estimations (continued)

Fair value of financial instruments (continued)
based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments. In case where discounted cash flow models have been used to estimate fair values, the future cash flows have been estimated by the management based on information from and discussions with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements. The basis of valuation have been reviewed by the Management in terms of the appropriateness of the methodology, soundness of assumptions and correctness of calculations and have been approved by the Board of Directors for inclusion in the consolidated financial statements.

Impairment on investments carried at fair value carried through equity
Equity-type instruments classified as investments at FVTE but carried at cost less impairment due to the absence of reliable measure of fair value are tested for impairment. A significant portion of the Group's equity-type investments comprise investments in long-term real estate and infrastructure development projects. In making an assessment of impairment, the Group evaluates among other factors, liquidity of the project, evidence of a deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. The Group has exposures to investments and projects that operate in countries and geographies where business and political environment are subject to rapid changes.

The performance of the investments and recoverability of exposures is based on condition prevailing and information available with management as at the reporting date. It is the management's opinion that the current level of provisions are adequate and reflect prevailing conditions and available information. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

Fair value of investment in real estate
The fair value of investment in real estate is determined by independent real estate valuation experts. The determination of the fair value of such assets requires the use of judgment based on estimates by independent valuation experts that are based on local market conditions existing at the reporting date.

Impairment of receivables
Each counterparty exposure is evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently evaluated.

for the year ended 31 December 2014 USD 000's

5 CASH AND BALANCES WITH BANKS

	31 December 2014	31 December 2013
Cash	1	1
Balances with banks	17,015	16,238
	17,016	16,239

6 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Mudaraba and Wakala contracts	8,976	15,591
	8,976	15,591

7 FINANCING RECEIVABLES

	31 December 2014	31 December 2013
Gross murabaha receivables	12,180	-
Less: Deferred profit	(1,163)	-
Net murabaha receivables	11,017	-
Musharaka financing	152	787
	11,169	787

Musharaka financing is net of impairment allowance of USD 251 thousand (31 December 2013: USD 278 thousand) (refer note 26). The financing receivables are subject to a profit rate of 10 – 16.4% with varying maturity period ranging from 1 month to 1 year.

8 ASSETS AND LIABILITIES HELD-FOR-SALE

During the period, the Group acquired four Q400 next generation Bombardier aircrafts using a special purpose vehicle funded using a combination of equity by the Bank and financing from financial institutions. The aircraft has been leased to Ethiopian airlines for a period of 12 years and the objective of the investment structure is to provide recurring yields to the investors. The Bank has acquired the aircraft with an intention to sell to investors, and is currently in the process of marketing the structure through a private placement memorandum. Accordingly, the assets and corresponding liabilities have been presented in the consolidated financial statements as "held-for-sale". The net income from the investment during the period amounting to USD 2,677 thousand (2013: Nil) is presented in the condensed consolidated income statement under "income from assets held-for-sale". During the year the group sold 42.47% and subsequent to the year end, the Group sold majority stake (53.3%) in the special purpose vehicle established for the acquisition of aircrafts, resulting in de-consolidation.

for the year ended 31 December 2014 USD 000's

9 RECEIVABLE FROM IJARAH INVESTORS

Receivable from ijarah investors represent balances due from investors who participated in the Group's real estate ijarah series products which will be settled in accordance with the respective product structures.

In accordance with the initial agreement, the receivables will be settled through the exit of the underlying properties. As at 31 December 2014, the fair value of the properties based on valuation by independent valuers was USD 37.7 million (2013: USD 35.39 million).

10 INVESTMENT IN IJARAH ASSET

During the year, investment in ijarah asset was disposed and settled in full.

11 IJARAH MUNTAHIA BITTAMLEEK

	2014	2013
Cost:		
At 1 January	2,500	2,500
At 31 December	**2,500**	2,500
Depreciation:		
At 1 January	1,217	594
Charge for the year	626	623
At 31 December	**1,843**	1,217
Net book value:		
As at 31 December	**657**	1,283

12 INVESTMENT SECURITIES

	31 December 2014	31 December 2013
Debt type instruments		
At amortized cost		
- Quoted sukuk	65,863	74,808
Equity type instruments		
At fair value through income statement		
- Unquoted equity securities	9,022	15,121
- Quoted sukuk	13,023	5,055
At fair value through equity		
-Quoted equity securities (at fair value)	20,988	29,753
-Quoted sukuk (at fair value)	5,699	5,050
-Unquoted equity securities (at fair value)	-	4,369
-Unquoted equity securities (at cost)	91,557	94,711
	206,152	228,867

for the year ended 31 December 2014 USD 000's

12 INVESTMENT SECURITIES (continued)

Unquoted equity securities of USD 91,557 thousand (31 December 2013: USD 94,711) thousand are carried at cost less impairment in the absence of reliable measure of fair value. During the period, the Group recognised impairment allowances of USD 4,938 thousand (31 December 2013: USD 4,921 thousand) on unquoted equity securities carried at cost.

The Group›s investments in sukuk held at amortized cost amounting to USD 66,263 thousand (2013: USD 79,863 thousand) has a fair value amounting to USD 67,436 thousand (2013: USD 80,885 thousand). During the year the Group recognised impairment allowance of USD 400 thousand on the quoted sukuk (2013: Nil).

Fair value loss on unquoted equity securities amounted to USD 10,468 thousand (31 December 2013: USD 1,616 thousand)

13 EQUITY-ACCOUNTED INVESTEES

Investment in associates comprise:

	Country of incorporation	% holding	Nature of activities
Ali Iskandar Al Ansari and Partners W.L.L.(i)	Qatar	35%	A company operates in earth moving activities
Aqari Real Estate Company B.S.C. (c)	Bahrain	31.88%	Invest in income generating residential, office and commercial real estate assets
Alpha Lease and Finance Holding Company BSC (c)(ii)	Bahrain	30%	Leasing of equipment.
Apex Real Estate Company B.S.C.(c) (i)	Bahrain	30%	Property management company
Skaugen Gulf Petchem Carriers B.S.C. (c)	Bahrain	30%	Petrochemical shipping company with vessels operating through the Norgas Pool

(i) These associates are fully provided for and the financial information below does not include their financial results.

(ii) An impairment allowance of USD 1,500,000 is maintained against the Group's investment in this associate.

for the year ended 31 December 2014 USD 000's

13 EQUITY-ACCOUNTED INVESTEES (continued)

	2014	2013
At 1 January	11,372	5,047
Reclassified from assets held-for-sale	-	5,898
Capital increase	2,503	-
Share of (loss) / profit of equity-accounted investees	(1,424)	262
Share of reserve of equity accounted investees	17	165
At 31 December	**12,468**	11,372

Summarised financial information of associates that have been equity accounted in these consolidated financial statements, not adjusted for percentage of ownership held by the Group (based on most recent audited financial statements / most recent management accounts):

	2014	2013
Assets	69,258	73,699
Liabilities	26,593	24,756
Revenue	7,461	1,426
Profit / (loss) for the year	787	(5,655)

14 INVESTMENT IN REAL ESTATE

	31 December 2014	31 December 2013
Land	28,355	28,355
Buildings	14,884	15,725
	43,239	44,080

	2014	2013
At 1 January	44,080	38,442
Fair value changes	1,412	1,924
Additions	-	3,714
Disposals	(2,253)	-
At 31 December	**43,239**	44,080

The fair value of investment in real estate is determined by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment in real estate that is being valued. For all investment in real estate, their current use equates to the highest and best use. Buildings were valued based on capitalization of future rental cash flows, estimated vacancy rates and capitalization rates. The fair value of land was determined based on sales comparison approach taking into consideration comparable properties in close proximity. There is no change in the valuation technique during the year.

for the year ended 31 December 2014 USD 000's

15 DEVELOPMENT PROPERTIES

	31 December 2014	31 December 2013
Land	308	2,270
Development cost	526	3,894
	834	6,164

During the year, the Group sold development properties of carrying value of USD 5,330 thousand (2013: USD 10,009 thousand) for USD 8,031 thousand (2013: USD 14,728 thousand) resulting in gain of USD 2,701 thousand (2013: USD4,719 thousand).

16 OTHER ASSETS

	31 December 2014	31 December 2013
Project related advances	297	-
Accrued profit on sukuk	1,045	1,365
Ijarah receivable	401	621
Staff receivable	366	423
Prepaid expenses	210	213
Equipment	387	726
Others	265	504
	2,971	3,852

17 DUE TO FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Placements from financial institutions	11,671	11,765
Financing from financial institution	9,537	11,020
	21,208	22,785

Financing from financial institution mainly represents financing obtained for purchase of properties on behalf of project investors in ijarah product and secured against investment properties of carrying value USD 29,580 thousand. The financing was rolled over in May 2014. The Group is in the process of finalising the revised terms of the rolled over financing. During the year, USD 621 Thousands (2013: USD 689 Thousands) cost of financing was charged to the investors of Ijarah product from the rental income generated by properties.

18 DUE TO INVESTORS

These mainly represent funds received from investors to be invested in entities to be set up or promoted by the Group.

for the year ended 31 December 2014 USD 000's

19 OTHER LIABILITIES

	31 December 2014	31 December 2013
Accounts payables	3,950	2,811
Due to Ijara investors	1,861	1,475
Restructuring provision	450	898
Provision for employee benefits	1,607	704
Directors' fee accrual	80	530
Others	3,190	2,038
	11,138	8,456

20 SHARE CAPITAL

	31 December 2014	31 December 2013
Authorized:		
500,000,000 (2013: 500,000,000) ordinary shares at USD 1 per share	**500,000**	500,000
Issued, subscribed and paid-up capital		
300,000,000 (2013: 300,000,000) ordinary shares at USD 1 per share	**300,000**	300,000

Share premium
Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue expenses, are treated as share premium. This amount is not available for distribution, but can be utilized as stipulated by the Bahrain Commercial Companies Law and following the approval of the CBB.

21 FINANCE INCOME

	2014	2013
Income from		
- Ijarah	209	1,748
- Mudaraba	228	440
- Murabaha receivables	39	354
- Wakala contracts	20	192
- Musharaka financing	31	63
	527	2,797

for the year ended 31 December 2014 USD 000's

22 INCOME FROM INVESTMENT SECURITIES

	2014	2013
Income from sukuk	4,870	4,972
Gain on sale of investment securities	1,234	1,019
Dividend income	992	920
Gain on sale of sukuk	807	634
	7,903	7,545

23 OTHER INCOME

	2014	2013
Rental income from investments in real estate	1,337	1,223
Gain on disposal of investment in real estate	400	857
Gain on disposal of equipment	2	18
Miscellaneous	97	406
	1,836	2,504

24 STAFF COST

	2014	2013
Salaries and benefits	4,689	4,754
Social insurance expenses	330	393
Other staff expenses	1,567	1,087
	6,586	6,234

25 OTHER EXPENSES

	2014	2013
Professional expenses	700	776
Premises cost	688	649
Board of directors sitting fee and expenses	1,041	655
Travel and accommodation	331	171
Other administrative expenses	2,387	2,452
	5,147	4,703

for the year ended 31 December 2014 USD 000's

26 IMPAIRMENT ALLOWANCES

	note	2014	2013
Financing receivables	7	(26)	222
Investment securities:			
- Quoted sukuk	12	400	-
- Unquoted equity securities carried at cost	12	4,938	4,921
Murabaha receivables		62	291
		5,374	5,434

27 CONCENTRATION OF ASSETS AND LIABILITIES

a) Geographic region

The geographical distribution of the Group's assets and liabilities as of 31 December 2014 is as follows:

	Middle East	Europe	Africa	South East Asia & Others	Total
31 December 2014					
Assets					
Cash and balances with banks	14,684	2,223	-	109	17,016
Placements with financial institutions	4,472	4,504	-	-	8,976
Assets held-for-sale	-	-	-	95,943	95,943
Financing receivables	-	-	11,017	152	11,169
Receivable from Ijarah investors	27,033	-	-	-	27,033
Investment in Ijarah asset	-	-	-	-	-
Ijarah muntahia bittamleek	-	-	-	657	657
Investment securities	175,235	21,200	7,758	1,959	206,152
Equity-accounted investees	12,468	-	-	-	12,468
Investment in real estate	43,239	-	-	-	43,239
Development properties	834	-	-	-	834
Other assets	2,080	2	233	656	2,971
Total assets	**280,045**	**27,929**	**19,008**	**99,476**	**426,458**
Equity of investment account holders	-	-	-	-	-
Liabilities					
Due to financial institutions	11,671	2,500	-	7,037	21,208
Due to investors	165	-	-	-	165
Liabilities related to assets held-for-sale	-	-	-	75,621	75,621
Other liabilities	9,479	-	675	984	11,138
Total liabilities	**21,315**	**2,500**	**675**	**83,642**	**108,132**

for the year ended 31 December 2014 USD 000's

27 CONCENTRATION OF ASSETS AND LIABILITIES (continued)

a) Geographic region (continued)

2013	Middle East	Europe	Africa	South East Asia & Others	Total
Assets					
Cash and balances with banks	6,957	7,575	-	1,707	16,239
Placements with financial institutions	15,591	-	-	-	15,591
Financing receivables	-	-	-	787	787
Receivable from ijarah investors	27,033	-	-	-	27,033
Investment in ijarah asset	-	-	-	4,792	4,792
Ijarah muntahia bittamleek	-	-	-	1,283	1,283
Investment securities	178,631	35,887	14,349	-	228,867
Equity-accounted investees	11,372	-	-	-	11,372
Investment in real estate	44,080	-	-	-	44,080
Development properties	6,164	-	-	-	6,164
Other assets	3,046	68	53	685	3,852
Total assets	292,874	43,530	14,402	9,254	360,060
Equity of investment account holders	367	-	131	-	498
Liabilities					
Due to financial institutions	16,266	-	-	6,519	22,785
Due to investors	165	-	-	-	165
Other liabilities	8,254	4	133	65	8,456
Total liabilities	24,685	4	133	6,584	31,406

for the year ended 31 December 2014 USD 000's

27 CONCENTRATION OF ASSETS AND LIABILITIES (continued)

b) *Industry sector*

The industrial distribution of the Group's assets and liabilities as of 31 December 2014 is as follows:

	Trading and manufacturing	Banks and financial institutions	Real estate	Others	Total
31 December 2014					
Assets					
Cash and balances with banks	-	17,016	-	-	17,016
Placements with financial institutions	-	8,976	-	-	8,976
Assets held-for-sale	-	-	-	95,943	95,943
Financing receivables	-	-	-	11,169	11,169
Receivable from Ijarah investors	-	-	-	27,033	27,033
Investment in Ijarah asset	-	-	-	-	-
Ijarah muntahia bittamleek	-	-	-	657	657
Investment securities	1,052	72,119	71,849	61,132	206,152
Equity-accounted investees	-	1,773	1,886	8,809	12,468
Investment in real estate	-	-	43,239	-	43,239
Development properties	-	-	834	-	834
Other assets	-	279	421	2,271	2,971
Total assets	**1,052**	**100,163**	**118,229**	**207,014**	**426,458**
Equity of investment account holders	-	-	-	-	-
Liabilities					
Due to financial institutions	-	21,208	-	-	21,208
Due to investors	-	-	-	165	165
Liabilities related to assets held-for-sale	-	-	-	75,621	75,621
Other liabilities	73	-	3,162	7,904	11,139
Total liabilities	**73**	**21,208**	**3,162**	**83,690**	**108,133**

for the year ended 31 December 2014 USD 000's

27 CONCENTRATION OF ASSETS AND LIABILITIES (continued)

b) Industry sector (continued)

	Trading and manufacturing	Banks and financial institutions	Real estate	Others	Total
31 December 2013					
Assets					
Cash and balances with banks	-	16,238	-	1	16,239
Placements with financial institutions	-	15,591	-	-	15,591
Financing receivables	-	-	-	787	787
Receivable from ijarah investors	-	-	-	27,033	27,033
Investment in ijarah asset	-	-	-	4,792	4,792
Ijarah muntahia bittamleek	-	-	-	1,283	1,283
Investment securities	21,537	69,905	77,993	59,432	228,867
Investment in associates	-	3,444	1,948	5,980	11,372
Investment in real estate	-	-	44,080	-	44,080
Development properties	-	-	6,164	-	6,164
Other assets	72	206	511	3,063	3,852
Total assets	21,609	105,384	130,696	102,371	360,060
Equity of investment account holders	135	-	-	362	497
Liabilities					
Due to financial institutions	-	22,785	-	-	22,785
Due to investors	-	-	-	165	165
Other liabilities	152	163	2,428	5,713	8,456
Total liabilities	152	22,948	2,428	5,878	31,406

for the year ended 31 December 2014 USD 000's

28 MATURITY PROFILE OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

31 December 2014 Assets	Up to 3 months	3 months to 1 year	Total up to 1 year	1 to 5 years	5 to 10 years	No fixed maturity	Total
Cash and balances with banks	17,016	-	17,016	-	-	-	**17,016**
Placements with financial institutions	8,976	-	8,976	-	-	-	**8,976**
Assets held-for-sale	-	95,943	95,943	-	-	-	**95,943**
Financing receivables	7,277	3,740	11,017	152	-	-	**11,169**
Receivable from Ijarah investors	27,033	-	27,033	-	-	-	**27,033**
Investment in Ijarah asset	-	-	-	-	-	-	**-**
Ijarah muntahia bittamleek	-	-	-	657	-	-	**657**
Investment securities	-	4,301	4,301	45,728	15,834	140,289	**206,152**
Equity-accounted investees	-	-	-	-	-	12,468	**12,468**
Investment in real estate	-	-	-	-	-	43,239	**43,239**
Development properties	834	-	834	-	-	-	**834**
Other assets	513	372	885	1,200	216	670	**2,971**
Total assets (a)	**61,649**	**104,356**	**166,005**	**47,737**	**16,050**	**196,666**	**426,458**
Equity of Investment account holders (b)	-	-	-	-	-	-	**-**
Liabilities							
Due to financial institutions	21,208	-	21,208	-	-	-	**21,208**
Due to investors	-	165	165	-	-	-	**165**
Liabilities related to assets held for sale	-	75,621	75,621	-	-	-	**75,621**
Other liabilities	1,508	6,123	7,631	2,550	453	504	**11,138**
Total liabilities (c)	**22,716**	**81,909**	**104,625**	**2,550**	**453**	**504**	**108,132**
Commitments	**-**	**8,765**	**-**	**-**	**-**	**-**	**8,765**
Net liquidity gap (a-b-c)	**38,933**	**22,447**	**61,380**	**45,187**	**15,597**	**196,162**	**318,326**
Cumulative net liquidity gap	**38,933**	**61,380**	**100,313**	**106,567**	**122,164**	**318,326**	**-**

for the year ended 31 December 2014 USD 000's

28 MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

31 December 2013 Assets	Up to 3 months	3 months to 1 year	Total up to 1 year	1 to 5 years	5 to 10 years	No fixed maturity	Total
Cash and balances with banks	16,239	-	16,239	-	-	-	16,239
Placements with financial institutions	11,055	4,536	15,591	-	-	-	15,591
Financing receivables	-	-	-	787	-	-	787
Receivable from Ijarah investors	-	27,033	27,033	-	-	-	27,033
Investment in Ijarah asset	174	4,618	4,792	-	-	-	4,792
Ijarah muntahia bittam-leek	208	625	833	449	-	-	1,283
Investment securities	-	-	-	54,519	25,343	149,004	228,867
Equity-accounted inves-tees	-	-	-	-	-	11,372	11,372
Investment in real estate	-	-	-	-	-	44,080	44,080
Development properties	-	-	-	-	-	6,164	6,164
Other assets	837	1,700	2,537	378	-	938	3,852
Total assets (a)	28,513	38,513	67,026	56,133	25,344	211,557	360,060
Equity of Investment ac-count holders (b)	498	-	498	-	-	-	498
Liabilities							
Due to financial institu-tions	6,596	16,189	22,785	-	-	-	22,785
Due to investors	-	165	165	-	-	-	165
Other liabilities	1,361	3,959	5,320	2,845	-	291	8,456
Total liabilities (c)	7,957	20,313	28,270	2,845	-	291	31,406
Commitments	-	9,382	9,382	36	-	-	9,418
Net liquidity gap (a-b-c)	20,556	18,200	38,756	53,288	25,344	211,266	328,654
Cumulative net liquidity gap	20,556	38,756	59,312	92,044	117,388	328,654	-

for the year ended 31 December 2014 USD 000's

29 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise major shareholders, directors, shari'a supervisory board, external auditors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

The related party balances included in these consolidated financial statements are as follows:

	31 December 2014				
	Associates	Directors/ key Management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total
Assets					
Cash and balances with banks	-	-	4	-	4
Financing receivables	-	-	-	7,678	7,678
Investment securities	-	-	-	7,104	7,104
Equity-accounted investees	12,468	-	-	-	12,468
Other assets	-	-	-	222	222
Liabilities					
Due to investors	-	-	157	-	157
Other liabilities	**80**	**540**	**12**	**1,476**	**2,108**
Equity of investment account holders	-	-	-	-	-
Off-balance sheet					
Commitments	-	-	-	6,290	6,290

for the year ended 31 December 2014 USD 000's

29 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	31 December 2013				
	Associates	Directors/ key Management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total
Assets					
Cash and balances with banks	-	-	35	-	35
Financing receivables	-	-	-	-	-
Investment securities	8,504	-	-	18,498	27,002
Equity-accounted investees	11,372	-	-		11,372
Other assets	191	-	2	210	403
Liabilities					
Due to investors	-	-	157	-	157
Other liabilities	80	1,194	46	580	1,900
Equity of investment account holders	-	131	-	-	131
Off-balance sheet					
Commitments	-	-	-	9,169	9,169

The related party transactions included in these consolidated financial statements are as follows:

	2014				
	Associates	**Directors/ key Management personnel Shari'a board members**	**Major shareholders / entities in which directors are interested**	**Assets under management**	**Total**
Income					
Share of (loss) / profit of equity-accounted investees	(1,424)	-	-	-	(1,424)
Income from investment securities	-	-	9	(8,149)	(8,140)
Income from investment banking services	46	-	-	261	307
Expenses					
Staff cost	-	1,667	-	-	1,667
Other expenses	-	1,041	-	-	1,041

for the year ended 31 December 2014 USD 000's

29 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	2013				
	Associates	Directors/ key Management personnel Shari'a board members	Major shareholders / entities in which directors are interested	Assets under management	Total
Income					
Share of (loss) / profit of equity-accounted investees	262	-	-	-	262
Income from investment securities	-	-	569	(1,616)	(1,047)
Income from investment banking services	81	-	491	-	572
Expenses					
Staff cost	-	935	-	-	935
Other expenses	-	1,077	-	-	1,077

30 COMMITMENTS

	31 December 2014	31 December 2013
Uncalled capital commitments in respect of investment	8,391	9,169
Commitment related to project developments	132	132
Operating lease commitments:		
- Within one year	242	80
- One to three years	-	36
	8,765	9,417

31 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risk

The Group has a risk management and governance framework which is intended to integrate risk management in its strategic thinking and business practices.

31 FINANCIAL RISK MANAGEMENT (continued)

Furthermore, the Group has taken several initiatives to implement a comprehensive Basel II framework. These initiatives involve steps to identify all risk areas that it manages and has particularly strengthened its risk management policies and procedures.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk.

Risk Management and Governance Structure

Board of Directors
The Board of Directors of the Group has overall responsibility for establishing the Group's approach to risk and ensuring that an effective risk management framework is in place. The Board approves and periodically reviews the risk management policies and strategies of the Group. The Bank's Board of Directors' structure constitute of 9 members as of 31 December 2014.

Audit Committee
The mandate of the Audit Committee requires it to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, auditing and financial reporting practices. The committee is responsible to assist the Board in its oversight of (i) the integrity and reporting of the Group's quarterly and annual consolidated financial statements, (ii) compliance with legal and regulatory requirements; and (iii) the independence and performance of the Group's internal and external auditors. The Committee also reviews the activities and performance of the internal audit function.

Risk Committee
The Risk Committee ("RC") is a sub-committee of the Board of Directors and assists the Board in fulfilling its oversight responsibilities with regards to development of risk management framework across all spectrums of business and operational activities conducted by the Group. The mandate of this committee is to develop and implement risk management strategies and policies. The committee is also responsible for assessment of the efficiency of overall risk management function of the Group and compliance with regulatory requirements relating to risk management. The committee also ensures transparency and timeliness of internal and external disclosures on risk matters.

Shari'a Supervisory Board
The Group's compliance with Shari'a principles is overseen by an external and independent Shari'a Supervisory Board (SSB), fully supported by the Group's other departments. The SSB is responsible for ensuring that there is an ongoing process of reviewing and auditing for Shari'a compliance in accordance with AAOIFI standards for existing and new investments. The SSB ensures that all investments undertaken by the lines of business are structured in such a manner that investments comply strictly with Shari'a principles.

Asset and Liability Committee
The Asset and Liability Committee ("ALCO") establishes policy and objectives for management of the Group's assets and liabilities in terms of structure, distribution, risk

31 FINANCIAL RISK MANAGEMENT (continued)

Asset and Liability Committee (continued)
and return and its impact on profitability. It also monitors cash flows, tenor and cost/yield profiles of assets and liabilities and evaluates the Group's consolidated statement of financial position both from profit rate sensitivity and liquidity points of view, makes corrective adjustments based upon perceived trends and market conditions, monitors liquidity and foreign exchange exposures and positions.

Investment, Credit & Risk Committee
The Investment Credit & Risk Committee ("ICRC") comprises of the Chief Executive Officer, Chief Investment Officer and Head of Financial Control as voting members, in addition to the Heads of Risk Management and Legal as non-voting members. In addition to facilitating the credit and investment decisions, the ICRC's mission is to establish and maintain a risk management framework throughout the Group to best manage Bank's shareholders and client interests. Its mandate is to identify, assess and measure risks arising from the Group's activities, and to define the appropriate course of action to mitigate or manage them.

Risk Management Department
The Risk Management Department ("RMD") is responsible for implementing and maintaining risk related policies & procedures to ensure an independent control process. It provides oversight compliance with risk principles, policies and limits across the Group. The department is also responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This department also ensures complete capture of the risks in risk measurement and reporting systems.

Internal Audit
Internal Audit is responsible for carrying out a risk-based program designed to provide assurance that assets are being safeguarded. This involves ensuring that controls are in place and working effectively in accordance with Group policies and procedures as well as with laws and regulations. The work carried out by Internal Audit includes providing assurance on the effectiveness of the risk management functions as well as that of controls operated by the business units. The Audit Committee approves the annual audit plan and also receives regular reports of the results of audit work.

Risk Management and Reporting Structure
The Group identifies, measures, controls and monitors its material risks on a periodic basis. The Group has established relevant risk limit structures to quantify its risk appetite. RC reviews and recommends the limits, suggested by the ICRC to the Board which is ultimately responsible for the final approval of the limit. The monitoring and controlling of risks is managed through limits set by the ICRC. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

The RMD presents reports to the Board of Directors through ICRC and RC. These reports include risk and investment review of Group's portfolio and its impact on Group's capital adequacy.

31 FINANCIAL RISK MANAGEMENT (continued)

Risk Management and Reporting Structure (continued)
As part of the Risk Management's reporting framework, tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. A periodic briefing is given to the Executive Management and all other relevant members of the Group on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Being a wholesale investment bank, the Group is involved in investment advisory services and investment transactions which comply with Islamic rules and principles according to the opinion of the Shari'a Board. Credit risk arises largely through balance with banks, short-term placements with financial institutions, financing receivables, musharaka financing, receivable from ijarah investors, investment in securities and other assets.

The Group manages and controls its credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Counterparty limits are established with the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to revision at the time of renewal of the facility.

The Board has delegated responsibility for the management of credit risk to its ICRC. ICRC is the highest management-level authority on all credit exposures. The overall role of ICRC is to facilitate the business of the Group in the most effective and efficient manner within the risk guidelines specified by the Board or its designated RC. Prior to funding a facility, and regardless of its size, the ICRC provides an independent assessment of the opportunity, highlighting key risks prior to commitment.

The RMD regularly monitors the level of risk within the Group's portfolio to ensure that appropriate level of economic capital is maintained. This process ensures that the required risk capital is below the available equity, which results in a positive equity cushion. The RMD ensures that Ibdar maintains appropriate asset diversification by geography, industry and investment type.

Maximum exposure to credit risk
The table below shows the gross maximum exposure to credit risk for the components of the consolidated statement of financial position. The figures represent gross exposure net of any provision for impairment, without taking into account any collateral held and other credit mitigants.

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

	Maximum exposure	
	31 December 2014	31 December 2013
Balances with banks	17,015	16,239
Placements with financial institutions	8,976	15,591
Financing receivables	11,169	13,019
Receivable from ijarah investors	27,033	27,033
Investment securities (Sukuk)	65,863	74,808
Other financial assets	2,375	2,913
	132,431	149,603

Credit quality per class of financial assets

The table below analyses the Group's maximum credit exposure where the credit quality is reflected by external credit ratings (S&P, Moody's, Fitch and Capital Intelligence) of the counterparties where relevant:

31 December 2014	**Balances with banks**	**Placements with financial institutions**	**Financing receivables**	**Receivable from ijarah investors**	**Investment securities**	**Other financial assets**	**Total**
Prime to High grade: AAA - AA	47	-	-	-	-	-	47
Medium grade: A - BBB	-	-	-	-	-	-	-
Non-investment / speculative: BB - B	65	-	-	-	13,622	189	13,876
Unrated	16,903	8,976	11,169	27,033	52,241	2,186	118,508
Total	17,015	8,976	11,169	27,033	65,863	2,375	132,431

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality per class of financial assets (continued)

31 December 2013	Balances with banks	Placements with financial institutions	Financing receivables	Receivable from ijarah investors	Investment securities	Other financial assets	Total
Prime to High grade: AAA - AA	1,284	-	-	-	3,303	64	4,651
Medium grade: A - BBB	-	-	-	-	30,106	490	30,596
Non-investment / speculative: BB - B	32	-	-	-	4,577	165	4,774
Unrated	14,923	15,591	13,019	14,801	36,822	2,194	97,350
Total	16,239	15,591	13,019	14,801	74,808	2,913	137,371

Concentration risk
Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economic, political or other conditions. The Group seeks to manage the concentration risk by establishing and constantly monitoring geographic and industry wise concentration limits.

The Group's financial assets with credit risk, before taking into account any collateral held or other credit enhancements, can be analysed by the following industry sector:

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

31 December 2014	**Neither past due not impaired**	**Past due but not impaired**	**Individually impaired**	**Impairment / provisions**	**Total**
Balances with banks	17,015	-	-	-	**17,015**
Placements with financial institutions	8,976	-	-	-	**8,976**
Financing receivables	11,017	-	403	(251)	**11,169**
Receivable from Ijarah investors	-	27,033	-	-	**27,033**
Investment in Ijarah asset	-	-	-	-	**-**
Ijarah muntahia bittamleek	657	-	-	-	**657**
Investment securities (Sukuk)	64,367	-	1,896	(400)	**65,863**
Equity-accounted investees	10,696	-	3,272	(1,500)	**12,468**
Other financial assets	2,375	-	-	-	**2,375**
	115,103	**27,033**	**5,571**	**(2,151)**	**145,556**

31 December 2013	Neither past due not impaired	Past due but not impaired	Individually impaired	Impairment / provisions	Total
Balances with banks	16,239	-	-	-	16,239
Placements with financial institutions	15,591	-	-	-	15,591
Financing receivables	-	-	1,065	(278)	787
Receivable from Ijarah investors	-	27,033	-	-	27,033
Investment in Ijarah asset	-	-	6,696	(1,904)	4,792
Ijarah muntahia bittamleek	1,283	-	-	-	1,283
Investment securities (Sukuk)	74,808	-	-	-	74,808
Equity-accounted investees	7,928	-	4,944	(1,500)	11,372
Other financial assets	2,913	-	-	-	2,913
	118,762	27,033	12,705	(3,682)	154,818

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Exposures that are past due but not impaired are either past due for <30 Months> and management assessment – As the value of properties on which finance is provided is higher and these properties are registered in our name.

Aging analysis of past due but not impaired

31 December 2014	90 - 180 days	180-365 days	1-3 years	Over 3 years	Total
Receivable from Ijarah investors	-	-	27,033	-	**27,033**
	-	**-**	**27,033**	**-**	**27,033**

31 December 2013	90 - 180 days	180-365 days	1-3 years	Over 3 years	Total
Receivable from Ijarah investors	-	27,033	-	-	27,033
	-	27,033	-	-	27,033

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The main action to manage the Group's liquidity is through the adherence to limits on liquidity mismatches. These include the limits of the cumulative excess of maturing liabilities over assets in the short-term and limits on dependence on short-dated funds.

Treasury department is overall responsible for ensuring that the limits enacted are adhered to, on a day-to-day basis and managing excess liquidity of the Group through short term placements and investments. Treasury department maintains a constant communication with the banks which have extended a committed short term financing line to the Group. Treasury department provides a monthly report to the ALCO regarding the dependability and reliability of these banks. Treasury department also monitors the market conditions.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

	Gross undiscounted cash flows				
	Less than 3 months	**3 to 12 months**	**Over 1 year**	**Total**	**Carrying value**
At 31 December 2014					
Due to financial Institutions	21,217		-	21,217	21,208
Due to investors	-	165	-	165	165
Liabilities related to assets held-for-sale	-	95,521	-	95,521	95,521
Other financial liabilities	1,508	5,973	1,557	9,038	9,038
Total financial liabilities	**22,725**	**101,659**	**1,557**	**125,941**	**125,932**
Commitments	**-**	**8,765**	**-**	**8,765**	**8,765**

	Gross undiscounted cash flows				
	Less than 3 months	3 to 12 months	Over 1 year	Total	Carrying value
At 31 December 2013					
Due to financial Institutions	6,596	16,189	-	22,785	22,785
Due to investors	-	165	-	165	165
Other financial liabilities	1,361	3,959	3,136	8,456	8,456
Total financial liabilities	**7,957**	**20,313**	**3,136**	**31,406**	**31,406**
Commitments	-	9,382	36	9,418	9,418

c) Market risks

Market risk is the risk that changes in market prices, such as profit rates, equity prices, foreign exchange rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises equity position risk, profit rate risk, commodities risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group does not have a trading portfolio and hence is not exposed to market risk in relation to such instruments. The Group is not exposed to commodities or price risk as there is no commodity holding either in the banking or trading book. Market risk for the Group arises only on account of its foreign exchange exposure in the banking book.

The Group manages its market risk exposures by evaluating each new product and activity with respect to the market risk introduced by it.

31 FINANCIAL RISK MANAGEMENT (continued)

c) Market risks (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the transactions completed by the Group are in US Dollar. However, in the normal course of business certain non-trading monetary assets and liabilities are in other currencies and give rise to currency risk.

Positions are monitored regularly to ensure that they are maintained within established limits and guidelines. The Group is not exposed to any significant currencyrisk.

Equity price risk

Equity price risk is the risk that the fair value of equity investments decreases as a result of fluctuations in the respective stock market indices. The Group has investments at fair value through equity quoted on stock exchanges. Based on the values at 31 December 2014, a change in the quoted price of plus or minus 5% would change the value of these investments by plus or minus USD 3,313 thousand (2013: USD 1,782 thousand) with a corresponding increase or decrease in equity, except in case of impairment which will result in loss being taken to consolidated statement of income.

The Group also has unquoted investments carried at fair value using either net asset value or valuations from independent valuers. Based on the values at 31 December 2014, a change in the valuation of 5% would change the value of these investments by plus or minus USD 4,578 thousand (2013: USD 4,745 thousand) with a corresponding increase or decrease in equity, except in case of further decline on impaired investments which will result in loss being taken to consolidated statement of income.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its counterparties repay or request repayment earlier or later than expected. The Group is not exposed to any significant prepayment risk.

Profit rate risk in banking book

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

for the year ended 31 December 2014 USD 000's

31 FINANCIAL RISK MANAGEMENT (continued)

c) Market risks (continued)

31 December 2014	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Above 5 years**	**Total**
Assets					
Placements with financial institutions	8,976	-	-	-	**8,976**
Financing receivables	-	7,277	3,892	-	**11,169**
Investment securities	-	4,301	45,727	55,544	**105,572**
Total profit rate sensitive assets	**8,976**	**11,578**	**49,619**	**55,544**	**125,717**
Liability					
Due to financial institutions	21,208	-	-	-	**21,208**
Total profit rate sensitive liabilities	**21,208**	**-**	**-**	**-**	**21,208**
Profit rate sensitivity gap	**(12,232)**	**11,578**	**49,619**	**55,544**	**104,509**

31 December 2013	Up to 3 months	3 months to 1 year	1 to 5 years	Above 5 years	Total
Assets					
Placements with financial institutions	11,055	4,536	-	-	15,591
Financing receivables	-	-	787	-	787
Investment securities	-	-	53,615	26,248	79,863
Total profit rate sensitive assets	11,055	4,536	54,402	26,248	96,241
Liability					
Due to financial institutions	6,596	16,189	-	-	22,785
Total profit rate sensitive liabilities	6,596	16,189	-	-	22,785
Profit rate sensitivity gap	4,459	(11,653)	54,402	26,248	73,456

The sensitivity of the Group's consolidated statement of income to a 200 basis points parallel increase (decrease) in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) on floating rate non trading financial assets and liabilities, would be an increase (decrease) of profit by USD 443 thousand (2013:USD 1,242 thousand).

31 FINANCIAL RISK MANAGEMENT (continued)

d) Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. It is an inherent risk faced by all business and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Risk and Control Self Assessment ("RCSA") is an annual exercise as per Bank's policy and is a requirement by Central Bank of Bahrain based on Basel II principles related to operational risk management. The Bank has started the RCSA exercise which will be completed during 2015.

The Group has developed a Disaster Recovery and Business Continuity Plan ("DR&BCP") to enable the Group to survive a disaster and to reestablish normal business operations. The DR&BCP will enable the Group to minimize interruptions to business service operations, resume critical operations within a specified time after a disaster, minimize financial loss due to disruptions, limit the severity of the disruption, expedite the restoration of services and maintain a positive public image of the Bank.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed, willing parties (seller and buyer) in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Valuation techniques

Fair value of quoted securities are derived from quoted market prices in active markets. In case of unquoted securities, the fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

for the year ended 31 December 2014 USD 000's

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of unquoted funds are based on net asset values which are determined by the fund manager using the quoted market prices of the underlying assets, if available, or other acceptable methods such as a recent price paid by another investor, the market value of a comparable company or other proprietary valuation models.

The fair value of other financial instruments on the consolidated statement of financial position are not significantly different from the carrying values included in the consolidated financial statements.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at				
- fair value through income statement	13,023	-	9,022	22,045
- fair value through equity	7,233	-	19,454	26,687
	20,256	**-**	**28,476**	**48,732**

31 December 2013	Level 1	Level 2	Level 3	Total
Investments carried at				
- fair value through income statement	5,055	-	15,121	20,176
- fair value through equity	14,457	-	24,716	39,173
	19,512	-	39,837	59,349

Movements in level 3 financial instruments

The following table shows the reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value:

for the year ended 31 December 2014 USD 000's

32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments (continued)

	At 1 January 2014	Total losses recorded in consolidated income statement	Total gains recorded in equity	Purchases	Sales/ transfers	At 31 December 2014
Investments carried at fair value through:						
- income statement	17,271	(10,468)	-	-	2,219	9,022
- equity	96,930	(2,935)	-	-	(74,541)	19,454
	114,201	**(13,403)**	**-**	**-**	**(72,322)**	**28,476**

	At 1 January 2013	Total losses recorded in consolidated income statement	Total gains recorded in equity	Purchases	Sales/ transfers	At 31 December 2013
Investments carried at fair value through:						
- income statement	20,348	(1,616)	-	-	(3,611)	15,121
- equity	125,673	(4,052)	-	-	(96,905)	24,716
	146,021	(5,668)	-	-	(100,516)	39,837

Transfers between level 1, level 2 and level 3
There were no transfers between the levels during the year ended 31 December 2014.

For investment securities the Bank adjusted the discount rate ± 1% and carrying values ± 5% where appropriate, which is considered by the Bank to be within a range of reasonably possible alternatives.

33 SHARI'A SUPERVISORY BOARD

The Group's Shari'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Shari'a principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'a principles.

34 EARNINGS PROHIBITED BY SHARI'A

Earnings prohibited by Shari'a, if earned are set aside for charitable purposes or otherwise dealt with in accordance with directions of the Shari'a Supervisory Board.

for the year ended 31 December 2014 USD 000's

35 ASSETS UNDER MANAGEMENT

	31 December 2014	31 December 2013
Clients	**30,000**	30,000
	30,000	30,000

Proprietary assets are included in the consolidated statement of financial position under "investment securities". Client assets, which represent client investments, are managed in a fiduciary capacity without recourse to the Group and are not included in the consolidated statement of financial position.

36 CAPITAL MANAGEMENT

The Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. CBB capital adequacy regulations are based on the principles of Basel II and IFSB capital adequacy guidelines.

The Bank's regulatory capital is analysed into two tiers:

- *Tier 1 capital,* includes ordinary share capital, disclosed reserves including share premium, general reserves, legal / statutory reserve as well as retained earnings after deductions for goodwill and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- *Tier 2 capital,* includes interim retained profits reviewed by the auditors and an allowed portion profit equalisation reserve (PER) and investment risk reserves (IRR). As per CBB, the PER & IRR can be up to a maximum amount equal to the capital charge pertaining to 30% of the risk weighted assets financed by unrestricted investment accounts.

Certain limits are applied to elements of the capital base in line with regulatory requirements. Tier 1 capital should represent at least half of the total eligible capital, i.e., Tier 2 capital is limited to 100% of Tier 1 capital. The limit on Tier 2 capital is based on the amount of Tier 1 capital after all deductions of investments pursuant to Prudential Consolidation and Deduction Requirements (PCD) Module of the CBB. The PCD Module sets out the regulatory rules for prudential consolidation, pro-rata consolidation or deduction where the own controlling or significant minority stakes in regulated financial entities, insurance entities and have significant exposures to investment in commercial entities. It also sets out the framework for the prudential deductions from capital for various instances including exposures to counterparties exceeding the large exposure limits as set out by CBB.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

for the year ended 31 December 2014 USD 000's

36 CAPITAL MANAGEMENT (continued)

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains adequate capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue new capital. No changes were made in the objectives, policies and processes from the previous years.

The Group has adopted the standardised approach for credit risk and market risk and basic indicator approach for operational risk regulatory capital computation purposes under the CBB capital adequacy framework. The Group does not have Basel II permissible credit risk mitigants against any of its credit exposures.

The Group's capital adequacy ratio, calculated in accordance with the capital adequacy rules determined by the Central Bank of Bahrain, is as follows:

	2014	2013
Regulatory capital base:		
Tier 1 capital	301,244	338,456
Tier 2 capital	1,605	1,790
Total regulatory capital	**302,849**	340,246
Risk-weighted assets	**562,174**	606,415
Tier 1 capital adequacy ratio	53.59%	55.81%
Total capital adequacy ratio	53.87%	56.11%

The Group has complied with the externally imposed capital requirements set by the regulator for its consolidated capital adequacy ratio throughout the year.

Capital allocation
The allocation of capital between specific operations and activities is primarily driven by regulatory requirements. The Bank's capital management policy seeks to maximise return on risk adjusted while satisfying all the regulatory requirements. The Bank's policy on capital allocation is subject to regular review by the Board.

Future requirements
During the year, CBB issued the final regulations to give effect to the Basel III framework which is effective from 1 January 2015. Basel III introduces capital components like core equity tier I (CET1), and additional tier I (AT1), it also requires maintenance of certain capital

36 CAPITAL MANAGEMENT (continued)

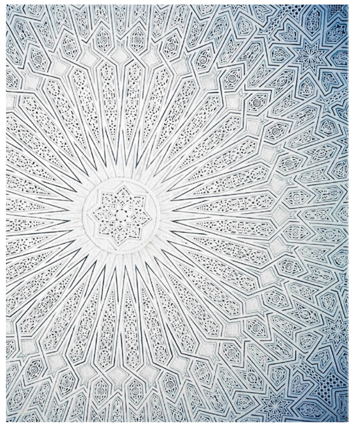
buffers. Computation of CET1 is subject to certain regulatory deductions, these deductions would be effective in a phased manner through the transitional arrangements under the revised regulations over the period from 2015 to 2018. The revised regulations prescribe higher risk weight for certain type of exposures and for the significant investments in financial institutions, significant investments in commercial entities and large exposures that exceed materiality thresholds. The Bank is currently assessing the full impact of the revised regulations and believes that the current capital position is sufficient to meet the new regulatory capital requirements.

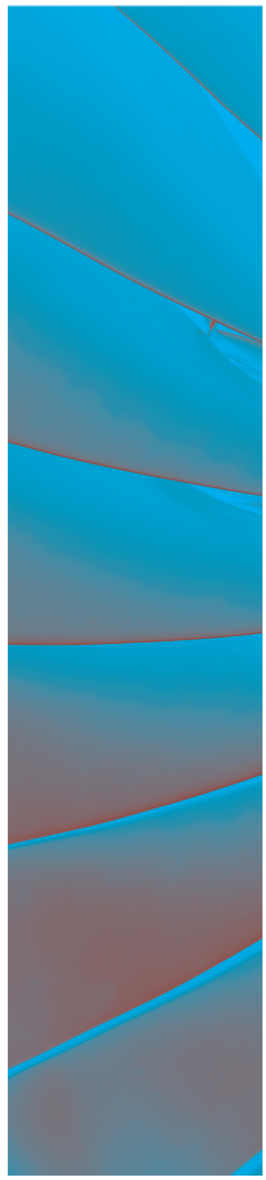
37 SOCIAL RESPONSIBILITY

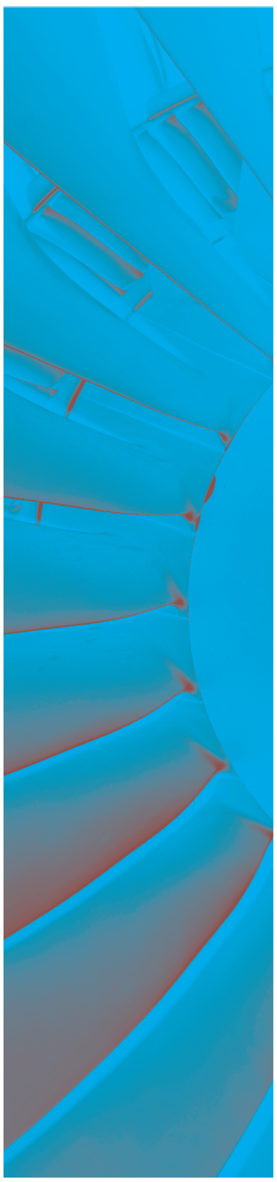
The Group discharges its social responsibilities through donations to charitable causes and organisation.

38 COMPARATIVES

Certain prior year amounts have been regrouped to conform to current year's presentation. Such regrouping did not affect previously reported profit for the year or owners' equity.







Basel II, Pillar III Disclosures

1 INTRODUCTION

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

The public disclosures under this section have been prepared in accordance with the CBB requirements outlined in its Public Disclosure Module ("PD"), Section PD–1: Annual Disclosure requirements, CBB Rule Book, Volume 2 for Islamic Banks. Rules concerning the disclosures under this section are applicable to Ibdar Bank B.S.C. (c) being a locally incorporated bank with a wholesale Islamic Investment banking license, and its branch and subsidiaries (together known as "the Group"). This document should be read in conjuction with audited consolidated financial statements for the year ended 31 December 2014. Information already included in the audited consolidated financial statements are not repeated.

1.1 Pillar I – Minimum Capital Requirements

Pillar I deals with the rules for the computation of regulatory capital requirements in respect of credit, market and operational risk. It defines the various classes of assets and the calculation of Risk Weighted Assets (RWAs) in respect of each class of assets. The capital adequacy ratio is calculated as the ratio of the Bank's regulatory capital to its total risk weighted assets. All locally incorporated banks are required to maintain a minimum capital adequacy ratio of 12% under current rule book requirements. In addition, the CBB requires banks to maintain an additional 0.5% buffer above the minimum capital adequacy ratio.

1.1.1 Credit risk

Basel II provides three approaches to the calculation of credit risk regulatory capital. The Bank has adopted the standardised approach under which on and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. Under the standardised approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external rating agencies approved by the CBB.

1.1.2 Market risk

The Bank has adopted the Standardised Approach for determining the market risk capital requirement.

1.1.3 Operational risk

The Bank has adopted the Basic Indicator Approach for operational risk. It is calculated by applying a coefficient of 15 percent to the average gross income for the preceding three financial years.

1.2 Pillar II – The Supervisory Review and Evaluation Process

Pillar II involves the process of supervisory review of Bank's risk management framework and capital adequacy. It requires banks to hold additional capital for

1 INTRODUCTION (continued)

1.2 Pillar II – The Supervisory Review and Evaluation Process (continued)

risks not covered by Pillar 1. Other risk types which are not covered by the minimum capital requirements in Pillar 1 include liquidity risk, profit rate risk in the banking book, business risk and concentration risk.

Pillar II comprises of an Internal Capital Adequacy Assessment Process (ICAAP) and supervisory review and evaluation process.

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the Bank is exposed. The Bank has established an ICAAP which quantifies the capital requirements for the key risks that the Bank is exposed to including credit, investment, liquidity, strategic, reputation, operational, and concentration risks. The Bank also conducts comprehensive stress tests for various portfolios and assesses the impact on the capital and profitability. In addition, the Bank's stress testing frameworks and models allow for forward looking scenarios, which are considered for business growth strategies. The ICAAP of the Bank is driven by the Board through the Capital Adequacy Strategy and the ICAAP Policy. In case a plausible stress scenario is identified which may severely affect the capital adequacy of the Bank, the senior management decides an appropriate corrective action to be taken under such a scenario.

1.3 Pillar III – Market Discipline

Pillar III is related to market discipline and requires the Bank to publish detailed qualitative and quantitative information of its risk management and capital adequacy policies and processes to complement the first two pillars and the associated supervisory review process. The disclosures in this report are in addition to the disclosures set out in the audited consolidated financial statements of the Bank for the year ended 31 December 2014.

1.3.1 Pillar II quantitative and qualitative disclosures

For the purpose of computing regulatory minimum capital requirements, the Bank follows the rules as laid out under the CBB Rulebook module PCD: Prudential Consolidation and Deduction Requirements, PCD-1 & PCD-2 and the Capital Adequacy (CA) Module. Accordingly,

a) Unrealized gains arising from fair valuing equities is reported only to the extent of 45%; and
b) Properties revaluation reserve is included under Tier 2 capital to the extent of 45%.

There are no restrictions on the transfer of funds or regulatory capital within the group and all investments are made fully complying with the CBB approval instructions.

1.4 Overall Risk and Capital Management

For the purpose of computing the Capital Adequacy Ratio (""CAR"") the Bank is not consolidating subsidiaries that are Commercial Entities, (Refer to section 4 for the treatment of the Bank's investments for capital adequacy calculation purpose).

1 INTRODUCTION (continued)

1.4 Overall Risk and Capital Management (continued)

In the consolidated financial statements, subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continues to be consolidated until the date that control ceases.

The Bank does not hold any interest in insurance entities.

1.5 Compliance with Module (HC) high level control (PD-1.3.10(x))

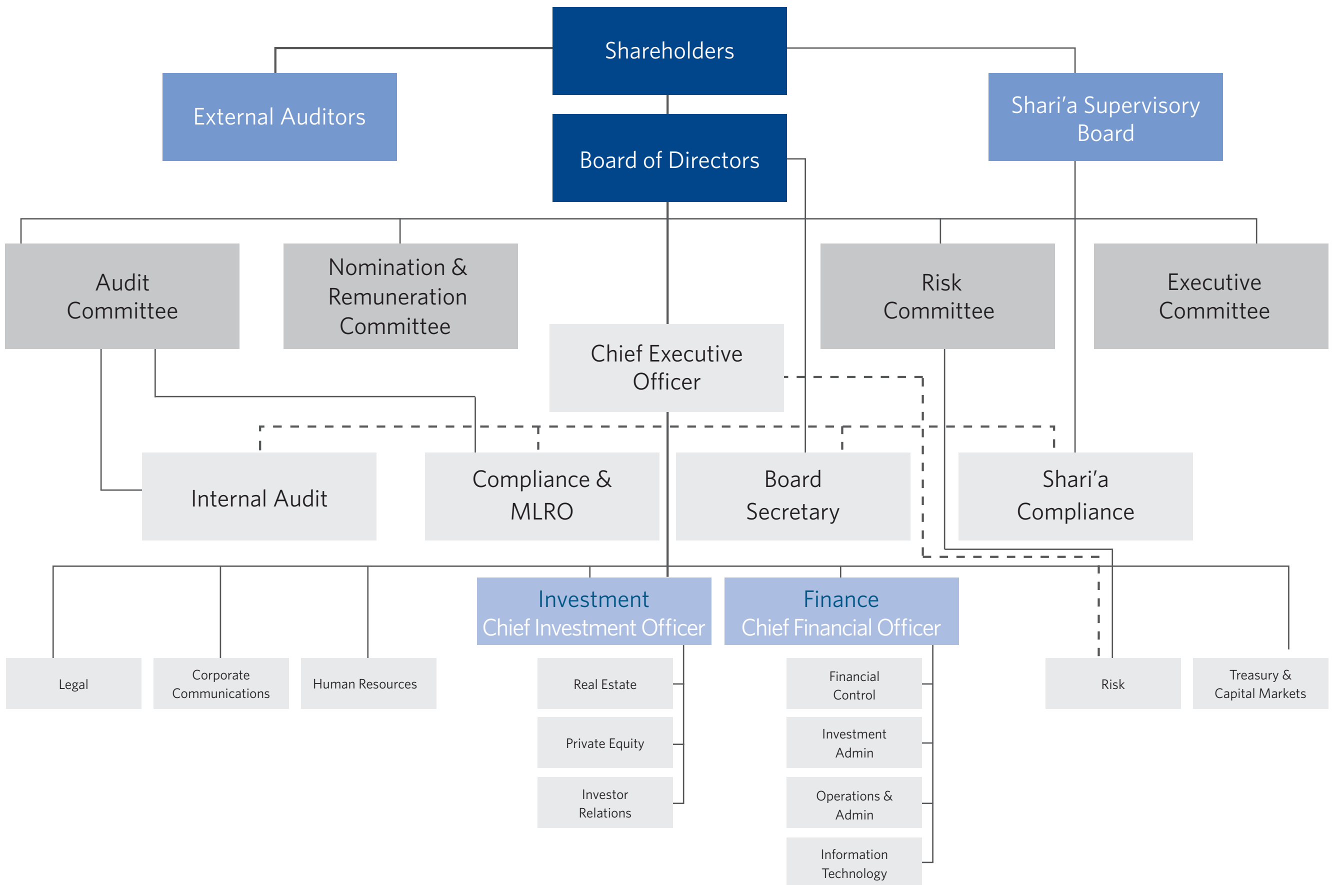
In October 2010, CBB introduced new requirements to Module HC that have to be met by all licensees with respect to, corporate governance principles to be in line with the Principles relating to the Corporate Governance Code issued by the Ministry of Industry and Commerce; International best practice corporate governance standards set by bodies such as the Basel Committee for Banking Supervision; and related high-level controls and policies. The Group made detailed self-assessments on the revised content of Module HC to ensure compliance with the new requirements with specific milestones for implementation of any shortfalls. The Group's Board of Directors and senior management were fully apprised the subject amendments.

2 RISK MANAGEMENT STRUCTURE

The Board has the ultimate responsibility for understanding the nature and level of risk taken by the Bank. The Board is responsible for reviewing the strategy and objectives of the Bank with respect to various risks and ensures that there is a clear guidance regarding the level of risks acceptable to the Bank.

2 RISK MANAGEMENT STRUCTURE (continued)

Figure 1 Group Organisation Structure (PD-1.3.10(a))



As at 31 December 2014 the Chief Financial Officer position is vacant.

2.1 Board of Directors (PD - 1.3.10 (n) and PD - 1.3.10 (o))

The Board is responsible for establishing objectives for the Bank and developing the strategies that direct the ongoing activities of the Bank to achieve those objectives. The Board is in process of reviewing and approving the Bank's strategy document which demonstrates that it is able to proactively identify and understand the risks that the Bank faces in achieving its business objectives through its business strategies and plans.

As part of its strategy review process, the Board at the minimum shall: (PD-1.3.10(n, o)):

a. Review major strategy papers and business plans;
b. Set performance objectives;
c. Oversees major capital expenditures and acquisitions;
d. Reassesses annually the Bank's objectives, strategies and plans;
e. Demonstrates its responsibility to supervisors, shareholders, employees & other stakeholders; and
f. Monitors the control environment and risk profile of the Bank.
g. Approved financial statements of the Bank.

Detailed responsibilities of the Board are provided in the Bank's Articles of Associations and Board Terms of Reference.

2 RISK MANAGEMENT STRUCTURE (continued)

2.1 Board of Directors (PD - 1.3.10 (n) and PD - 1.3.10 (o)) (continued)

The Board has approved a comprehensive authority matrix which outlines the authority of the Board, the Board Committees, Executive and Senior Management for financial and non-financial transactions.

The Board of Directors has delegated the management of the Bank to the Executive Management, comprising of Mr. Basel Al-Hag-Issa - Chief Executive Officer, Mr. Mohammad Aljasim - Chief Investment Officer and Mr. Sameeh Al Khan - Chief Operating Officer, who meet on a regular basis to discuss any issues and updates regarding operations and business of the Bank. December 31, 2014, was the last working day for Mr. Sameeh Al Khan at Ibdar Bank. The following committees are involved in managing the risk and ensuring the compliance with the Bank's policies and risk management framework.

2.2 Board Committees

Board committees with their respective objectives and members are as follows:

2.2.1 Executive Committee

2.2.1.1 Objective/Function

Consider specific matters delegated to it by the full Board and make recommendations thereon to the Board or decisions based on authorities specifically delegated by the Board.

2.2.1.2 Members	Independent / Non Independent
Abdullah AlMarzouq	Non-Independent / Executive
Khalid Najibi	Independent / Non-Executive
Saleh AlAfaleq	Independent / Non-Executive
Zeyad AlMukhaizeem	Non-Independent / Executive

2.2.2 Audit Committee

2.2.2.1 Objective/Function

To review the Banks financial reporting process, internal controls, and process for monitoring compliance with policies, procedures, laws and regulations and the Bank's own Code of Business Conduct.

2.2.2.2 Members	Independent / Non Independent
Abdulhakim Aladhamy	Independent / Non-Executive
Khalid AlBassam	Independent / Non-Executive
Mishari AlKhalid	Non-Independent / Non-Executive

2.2.3 Remuneration & Nomination Committee

2.2.3.1 Objective/Function

The review and approve (according to the guidelines set by the Board) policies and procedures for the remuneration of Board members, Committees members, executive and non-executive employees.

2 RISK MANAGEMENT STRUCTURE (continued)

2.2 Board Committees (continued)

2.2.3 Remuneration & Nomination Committee (continued)

2.2.3.2 Members	Independent / Non Independent
Khalid AlAboodi	Independent / Non-Executive
Khalid Najibi	Independent / Non-Executive
Mishari AlKhalid	Non-Independent / Non-Executive

2.2.4 Risk Committee

2.2.4.1 Objective/Function

To assist the Board of Directors in discharging its accountability and responsibility for risk management of the Bank-wide risk management systems, practices, and procedures including Credit, Market, and Operational Risk, and providing recommendations for improvement.

2.2.4.2 Members	Independent / Non Independent
Abdulhakim Aladhamy	Independent / Non-Executive
Khalid AlBassam	Independent / Non-Executive
Paul Mercer	Non-Independent / Executive

2.3 Management Committees

The following committees are the two management committees at Ibdar which are involved in managing and overseeing the Bank's activities, and in proposing new strategies, policies, and procedures to the Board. These Committees are:

2.3.1 Asset and Liability Committee ("ALCO")

2.3.1.1 Objective/Function

The Asset and Liability Committee determines the appropriate levels of liquidity, and ensures that all future commitments are funded in the most appropriate and cost-efficient manner. The Committee also ensures that the Bank fully adheres to the requirements of the CBB regarding capital, liquidity, and mismatched risk. It ascertains that approved investment deposits limits are not exceeded, and Treasury management and dealing activities are within the policy guidelines set by the Board. Furthermore, it monitors and supervises the overall balance sheet structure.

2.3.1.2 Members Name	Designations	
Mr.Basel Al-Hag-Issa	Chief Executive Officer	Chairman
Mr. Sameeh Abdulla Al-Khan	Chief Operating Officer *	Member
Mr. Mohamed A. Aljasim	Chief Investment Officer	Member

2 RISK MANAGEMENT STRUCTURE (continued)

2.3 Management Committees (continued)

2.3.1 Asset and Liability Committee ("ALCO") (continued)

2.3.1.2 Members Name	Designations (continued)	
Mr. Ahmed Mustafa Abdulla	Head of Financial Control	Member
Ms. Eridani Tutiana Jusat	Head of Treasury & Capital Market	Member
Mr. Rehan Zulqadar Rashid	Head of Risk Management	Member

* December 31, 2014, was the last working day for Mr. Sameeh Al Khan at Ibdar Bank.

2.3.2 Investment, Credit and Risk Committee ("ICRC")

2.3.2.1 Objective/Function

The Investment, Credit and Risk Committee is a senior management committee responsible for managing and supervising all activities related to investments, credit and risk management.

2.3.2.2 Members Name	Designations	
Mr.Basel Al-Hag-Issa	Chief Executive Officer	Chairman
Mr. Sameeh Abdulla Al-Khan	Chief Operating Officer *	Member
Mr. Mohamed A. Aljasim	Chief Investment Officer	Member
Mr. Ahmed Mustafa Abdulla	Head of Financial Control	Member
Ms. Eridani Tutiana Jusat	Head of Treasury & Capital Market	Non Voting Member
Mr. Rehan Zulqadar Rashid	Head of Risk Management	Non Voting Member
Mr. Omar Haydar	Head of Legal	Non Voting Member

* December 31, 2014, was the last working day for Mr. Sameeh Al Khan at Ibdar Bank.

3 LEGAL CONTINGENCIES

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

1. Ali Iskandar Ansari and Partners - We are defendants to a claim in a private equity in Qatar whereby the local promoter is claiming approximately USD 1 million due as fees for establishing the joint venture, which we believe they are not entitled to as they have not fulfilled the contractual obligations to earn the fees. The local promoter also raised 3 other claims in court and all three cases have ended in our favor. Our

3 LEGAL CONTINGENCIES (continued)

expectation is this will like wise result in our favor. Additionally, we may be pursuing our own claim against the promoter in the near future to recover our investment in the joint venture.

2. Transweld - Our Libyan investment vehicle TAB Energy's subsidiary Etelaf was sued by a service provider relating to the oil rigs owned by the company.A judgment in the amount of USD 600,000 had been obtained outside of Libya. Transweld is attempting to enforce the judgment in Libya through a local law firm. The case is still following its course in the Libyan court system.

3. Ensign - Our Libyan investment vehicle TAB Energy's subsidiary Etelaf retained Ensign for services, and was not able to pay the fees due to liquidity issues. Claim amount is approximately USD 600,000 - USD 700,000 and a claim has been filed. An agreement was reached between Ensign and Etelaf granting the later a one year grace period and scheduling the repayment over a one-year period. The repayments should start on May 2015.

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

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

3.1 Managing and Controlling Legal Risks

As a general policy, the Bank seeks to resolve any potential conflict amicably to the extent practicable. In cases where we are faced with circumstances in which resolution may not be reached for a variety of reasons, we attempt to mitigate the risks involved by ensuring at the outset that we are fully aware of the risks involved and obtain an expert legal opinion on the matter and expected outcome. The bank also attempts to ensure that disputes are handled efficiently and expeditiously by sophisticated capable arbiters. As such, and in accordance with the guidance of the CBB, our preferred venue for dispute resolution is mediation followed by arbitration and lastly litigation in the traditional courts.

4 CAPITAL ADEQUACY

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

4 CAPITAL ADEQUACY (continued)

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

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

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

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

Basis of Consolidation for Accounting and Regulatory Purposes

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

4 CAPITAL ADEQUACY (continued)

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

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

The Bank does not hold any interest in insurance entities.

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

The following table summarises the eligible capital after deductions for Capital Adequacy Ratio (CAR) calculation as of:

4 CAPITAL ADEQUACY (continued)

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

	31 December 2014	
	Tier 1	**Tier 2**
	(USD '000)	**(USD '000)**
Components of capital		
Core Capital - Tier 1		
Issued and fully paid ordinary shares	300,000	
General reserves	4,612	
Legal / statutory reserves	676	
Share Premium	16,385	
Others	-	
Retained profit brought forward	(19,873)	
Total Tier 1 Capital	**301,800**	
Deductions from Tier 1		
Unrealized gross losses arising from fair valuing equity securities	552	
Tier 1 Capital before PCD deductions	**301,248**	
Supplementary Capital - Tier 2		
Current interim profits		-
Asset revaluation reserve - Property, plant, and equipment (45% only)		1,583
Unrealized gains arising from fair valuing equities (45% only)		26
Tier 2 Capital before PCD deductions		**1,609**
Total Available Capital before PCD deductions (Tier 1 and Tier 2)		**302,857**
Deductions		
Capital shortfall of non-consolidated entities subsidiaries *	4	4
Excess amount over maximum permitted large exposure limit **	-	-
Additional deduction from Tier 1 to absorb deficiency in Tier 2	-	
Total Deductions	**4**	4
Net Available Capital (1.10 and 2.9 less 3.11) (Tier 2 up to 100% of Tier 1)	**301,244**	1,605
Total Eligible Capital		**302,849**

* This represents capital shortfall in Medical Management Group SPC.

** This represents aggregate exposure to connected counterparty exceeding 25%.

4 CAPITAL ADEQUACY (continued)

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

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

	31 December 2014	
	Risk Weighted Amount (USD '000)	Capital requirements (USD '000)
Type of Islamic financing contracts		
Due from financial institutions	8,975	1,077
Financing receivables	11,016	1,322
Musharaka financing	152	18
Ijarah muntahia bittamleek	1,059	127
Investment in securities - Sukuk	84,585	10,150
	105,787	12,694

	31 December 2014	
	Risk Weighted Amount (USD '000)	Capital requirements (USD '000)
Cash items	-	-
Claims on Sovereigns	-	-
Claims on PSE	4,911	589.00
Claim on banks	16,830	2,020
Claim on Corporations	55,473	6,657
Past Due Facilities	5,090	611
Investment in securities	101,384	12,166
Holding of Real Estate	286,718	34,406
Other assets	56,592	6,791
	526,997	63,240

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

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

	31 December 2014 (USD '000)
Market Risk - Standardised Approach	
Foreign exchange risk	1,065
Total of market risk - Standardised Approach	1,065
Multiplier	12.5
Total Market Risk Weighted Exposures	13,315
Minimum capital requirement (12%)	1,598

4 CAPITAL ADEQUACY (continued)

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

The following table summarises the amount of exposures subject to the Basic Indicator Approach of operational risk and related capital requirements:

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

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

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

	31 December 2014	
	Total capital ratio	**Tier 1 capital ratio**
Top consolidated group in Bahrain	**53.87%**	**53.59%**

5 RISK MANAGEMENT

5.1 Overview

5.1.1 Bank-wide Risk Management Objectives

The risk management objective for each area of risk is to adopt the industry best practices and adhere to Basel II and CBB requirements. The Bank identifies, captures, monitors and manages different dimensions of risk with the aim to protect asset values and income streams, and to optimise the Bank's shareholder return, while maintaining its risk exposure within defined parameters. The Bank's management believes in the proactive management of risk in the full cycle of a financial transaction including its operating circumstances from the origination stage to its final disposal from the books of the Bank.

The Bank reviews and redefines its risk appetite according to the evolving business plan of the Bank, which includes fluctuations in economic and market conditions and future forecasts.

5 RISK MANAGEMENT (continued)

5.1 Overview

5.1.2 Strategies Processes and Internal Controls

The Bank's risk strategy, backed by appropriate limit structures, is articulated through risk management policies and procedures. These policies and procedures are an integral part of an enterprise-wide integrated risk management framework at the Bank. These policies and procedures identify risk objectives, processes, strategies and risk governance both at the board and the management level. The capital management policy is aimed at ensuring financial stability by allocating enough capital to cover unexpected losses. Limit structures serve as a key component in articulating risk strategy in quantifiable risk appetite. In addition, the Bank intends to implement various risk systems to help quantify not just the regulatory capital but also the economic capital allocated to various portfolios.

The Bank is exposed to various types of risk, such as market, credit, profit rate, liquidity and operational, all of which require the comprehensive controls and ongoing oversight. The risk management framework encapsulates the spirit behind Basel II, which includes management oversight & control, risk culture & ownership, risk recognition & assessment, control activities, adequate information & communication channels, monitoring risk management activities and correcting deficiencies.

Credit Risk

The Bank manages its credit risk exposures by assessing the credit worthiness of all customers & counterparties. For each new product & activity, the Bank evaluates credit risk introduced by it. The Bank has established a limit structure to avoid concentration of risks for counterparty, sector and geography.

Market Risk

The Bank is not exposed to significant market risk due to the nature of its activities and its limited market risk exposure is managed through combination of limits, internal controls & processes. The Group manages its market risk exposures by evaluating each new product and activity with respect to the market risk introduced by it.

Operational Risk

The Bank has established a Risk Control and Self Assessment ("RCSA") process necessary for identifying and measuring and controlling its operational risks. This exercise covers the Bank's business lines and associated critical activities, exposing the Bank to operational risks.

Equity Risk in the Banking Book

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks.

5 RISK MANAGEMENT (continued)

5.1 Overview (continued)

5.1.2 Strategies Processes and Internal Controls (continued)

The equity price risk exposure arises from the Group's investment portfolio. The Group manages and monitors its equity risk using sector, geography and investment type limits.

The strategy used has been effective throughout the reporting period.

Profit Rate Risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group manages its profit rate risk using various risk management tools and methodologies.

Displaced Commercial Risk

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

The Bank manages DCR through the Assets and Liability Committee. The Bank intends to develop written policies and procedures for Displaced Commercial Risk. In some situations the Bank will forego its fee in case DCR arises based on executive management decision and on case to case basis. The Bank benchmarks its rates with other leading banks in the market.

5.1.3 Risk Measurement and Reporting System

The Group identifies, measures, controls and monitors its material risks on a periodic basis. The Group has established relevant risk limit structures to quantify its risk appetite. Risk Committee ("RC") reviews and recommends the limits, suggested by the Investment, Credit and Risk Committee to the Board which is ultimately responsible for the final approval of the limits. The monitoring and controlling of risks is managed through limits approved by the Board. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

The Risk Management Department ("RMD") presents reports to the Board of Directors through ICRC and RC. These reports include risk and investment review of Group's portfolio and its impact on Group's capital adequacy.

As part of the Risk Management reporting framework, tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information. A periodic briefing is given to the Management Committees on the utilisation of market limits, proprietary investments, and liquidity, plus any other risk developments.

5 RISK MANAGEMENT (continued)

5.2 Credit risk

5.2.1 Introduction

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. The Group controls credit risk by monitoring credit exposures, and continually assessing the creditworthiness of counterparties.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept in terms of counterparties, product types, geographical and industry. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a comprehensive approval process.

All credit proposals undergo a comprehensive risk assessment which examines the customer's financial condition, performance, nature of the business, quality of management, and market position, etc. The credit approval decision is then made and terms and conditions are established.

Exposure limits are based on the aggregate exposure to counterparty and any connected entities across the group. Investments are reviewed on regular basis by the respective departments and ICRC.

5.2.2 Types of Credit Risk

Financing receivables mainly comprise of Murabaha (International Commodity), Mudaraba and Musharaka.

5.2.2.1 Murabaha (International Commodity)

A commodity Murabaha is a contract between the Bank and its client for the sale of goods at a price plus an agreed profit margin for the Bank. The instrument is called an international commodity Murabaha because the profits are made on the international buying and selling of a commodity, usually metal, such as copper, aluminum or lead.

5.2.2.2 Mudaraba

The Group enters into Mudaraba contracts by investing in funds operated by other banks and financial institutions for a definite period of time.

5.2.2.3 Musharaka

Musharaka financing is partnership in which the Group contributes capital. These are stated at the fair value of consideration given less impairment.

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

5.2.3 Past Due and Impaired Islamic Financing

The Group defines non–performing facilities as the facilities that are overdue for a period of 90 days or more. These exposures are placed on a non–accrual status with income being recognised to the extent that it is actually received. It is the Group's policy that when an exposure is overdue for a period of 90 days or more, the whole financing facility extended is considered as past due, not only the overdue installments and payments.

As a policy, the Group has placed on a non–accrual status any facility where there is reasonable doubt about the collectability of the receivable irrespective of whether the customer concerned is currently in arrears or not.

Islamic financing assets are stated at cost less impairment allowances. Specific provisions are created for impairment where losses are expected to arise on non-performing contracts. These assets are written off when they are considered to be uncollectable to reduce all impaired assets to their expected realisable values. Deferred income and provision for impairment are netted off against the related receivables. The Group assesses at each financial position date whether there is objective evidence that a financial asset is impaired. In the case of equity-type instruments at fair value through equity, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for equity-type instruments 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 that financial asset previously recognised in consolidated statement of income) is removed from owners' equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not subsequently reversed through the consolidated statement of income.

Impairment losses on murabaha receivables and debt-type instruments at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses, if any, are recognised in the consolidated statement of income and reflected in an allowance account against murabaha receivables and debt-type instruments at amortised cost. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income.

As of 31 December 2014, an amount of USD 27,033 thousands has been outstanding for over 6 months. This amount is receivable from various individuals and corporates based in the GCC region.

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

5.2.4 External Credit Assessment Institutions

To assess the creditworthiness of Financial Institutions ("FI") the Group relies on external ratings by external credit assessment institutions like Standard & Poor's, Fitch and Moody's. In case of unrated FIs, the Group will assess the credit risk on the basis of its internally developed approach & methodology. The Bank uses ECAI's for due from financial institutions and its sukuk portfolio.

5.2.5 Definition of Geographical Area

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

5.2.6 Concentration Risk

Concentration risk is the credit risk stemming from not having a well diversified credit portfolio, i.e. being overexposed to a single customer, industry sector or geographic region. As per CBB's single obligor regulations, Banks incorporated in Bahrain are required to obtain the CBB's approval for any planned exposure to a single counterparty, or group of connected counterparties, exceeding 15% of the regulatory capital base.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. In case any exposure exceeds the CBB's prescribed limits, Group obtains approval from the CBB.

5.2.7 Credit Risk Mitigation

Credit risk mitigation is defined as the utilisation of a number of techniques, such as collaterals and guarantees to mitigate the credit risks that the Group is exposed to. The Group's first priority when establishing Islamic financing is to determine the borrower's capacity to repay and not to rely principally on security or collateral. Nonetheless, the Group intends to develop its collateral management policy which would be in line with its business activities.

5.2.8 Counterparty Credit Risk

5.2.8.1 Introduction

A counterparty is defined as an obligor (individual, company, other legal entity), a guarantor of an obligor, or person receiving funds from the Group. It also includes the issuer of a security in case of a security held by the Group, or a party with whom a contract is made by the Group for financial transactions.

The measure of exposure reflects the maximum loss that the Group may suffer in case the counterparty fails to fulfill its commitments. Group

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

5.2.8 Counterparty Credit Risk (continued)

5.2.8.1 Introduction

exposure is defined as the total exposure to all counterparties closely related or connected to each other. Large exposure is any exposure whether direct, indirect or funded by restricted investment accounts to a counterparty or a group of closely related counterparties which is greater than or equal to 10% of the Group's Capital Base. The Group has adopted Standardised Approach to allocate capital for counterparty credit risk.

5.2.8.2 Credit Limit Structure

The Bank has put in place an internal counterparty limit structure which is based on an approved methodology. The Bank has also set concentration limits as a percentage of shareholders equity. In case of a counterparty rating degrade, the Bank may require further collateral or advise the counter party to reduce its exposure on a case by case basis.

Reporting

The Bank reports large counterparty exposures to CBB and senior management on periodic basis. The Bank reports the exposures on a gross basis without any offset. However, debit balances on accounts may be offset against credit balances where both are related to the same counterparty, provided the Bank has a legally enforceable right to do so.

Early warning indicators

The Bank maintains a strong focus on identification of signs of deterioration in credit quality at an early stage in order to take remedial measures before the facility becomes substandard or doubtful.

5.2.8.3 Connected counterparties

Connected counterparties are companies or individuals connected with the Bank or its subsidiaries and associated companies (whether such association is due to control or shareholding or otherwise), Directors and their associates (whether such association is due to control, family links or otherwise), members of the Shari'a Supervisory Board, management and other staff and shareholders holding more than 10% or more of the equity voting rights in the Bank.

As a Bank's strategy exposure to connected counterparties may be undertaken only when negotiated and agreed on an arm's length basis. The Bank shall not assume any exposure to its external auditors or members of Shari'a Supervisory Board. The disclosure relating to related party transactions has been made in the consolidated financial statements. All related party transactions have been made on arm's length basis.

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

5.2.8 Counterparty Credit Risk (continued)

5.2.8.4 Highly Leveraged Counterparties

The Bank assess counterparties through financial and non-financial due diligence and uses CBB's definition of Highly Leveraged Counterparties to determine exposure to them. Currently, the Bank is not exposed to any Highly Leveraged Counterparties.

5.2.8.5 Restructuring of Credit Facilities

There was no restructuring of credit facilities that took place during the year.

5.2.8.6 Recourse Transactions

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

5.2.9 Credit risk mitigation

The credit exposure information presented in table 6 of this report represents gross exposures prior to the application of any credit risk mitigation techniques. Collateral items and guarantees which can be used for credit risk mitigation under the capital adequacy framework are referred to as eligible collateral. However, extending credit facilities is not a part of the Bank's core business activities. The Bank's credit risk mainly arises from its investment transactions.

Nonetheless, the Bank intends to develop its collateral management policy and provisioning policy which would be in line with its business activities.

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

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

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

	31 December 2014	
	Total gross credit exposure (USD '000)	*Average gross credit exposure over the year (USD '000)
Funded exposure		
Balances with banks	17,015	14,420
Due from financial institutions	8,976	9,191
Assets held-for-sale	95,943	48,166
Financing receivables	11,017	6,616
Musharaka financing	152	655
Receivable from Ijara investors	27,033	27,033
Investment in securities	65,863	63,902
Other assets	2,375	12,515
Unfunded exposure		
Uncalled capital commitments in respect of investment	8,391	12,148
Promise to purchase foreign currency commitment	-	750
Operating lease commitments - expiring within one year	242	201
Operating lease commitments - expiring in one to three years	-	70
Commitment related to project developments	132	133
	237,139	195,798

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

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

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

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

	31 December 2014				
	Middle East	Europe	Africa	South East Asia & Others	Total
	USD (USD '000)	USD (USD '000)	USD (USD '000)	USD (USD '000)	USD (USD '000)
Funded exposure					
Cash and balances with banks	14,683	2,223	-	109	17,015
Placements with financial institutions	4,472	4,504	-	-	8,976
Assets held-for-sale				95,943	95,943
Financing receivables	-	-	11,017	152	11,169
Receivable from Ijara investors	27,033	-	-	-	27,033
Investment in securities	60,659	1,746	1,500	1,958	65,863
Other assets	1,484	2	233	656	2,375
Unfunded exposure					
Uncalled capital commitments in respect of investment	8,391	-	-	-	8,391
Promise to purchase foreign currency commitment	-	-	-	-	-
Operating lease commitments - expiring within one year	-	-	-	242	242
Operating lease commitments - expiring in one to three years	-	-	-	-	-
Commitment related to project developments	132	-	-	-	132
	116,854	8,475	12,750	99,060	237,139

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

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

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

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

	31 December 2014				
	Trading and manufacturing (USD '000)	Banks and financial institutions (USD '000)	Real Estate (USD '000)	Others (USD '000)	Total (USD '000)
Funded exposure					
Cash and balances with banks	-	17,015	-	-	17,015
Placements with financial institutions	-	8,976	-	-	8,976
Assets held-for-sale	-	-	-	95,943	95,943
Financing receivables	-	-	-	11,169	11,169
Receivable from Ijara investors	-	-	-	27,033	27,033
Investment in securities	-	10,929	26,998	27,936	65,863
Other assets	216	-	402	1,757	2,375
Unfunded exposure					
Uncalled capital commitments in respect of investment	-	-	-	8,391	8,391
Promise to purchase foreign currency commitment	-	-	-	-	-
Operating lease commitments - expiring within one year	-	-	-	242	242
Operating lease commitments - expiring in one to three years	-	-	-	-	-
Commitment related to project developments	-	-	-	132	132
	216	36,920	27,400	172,603	237,139

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

Table – 9. Credit Risk – Concentration of Risk

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

The following are the balances representing the concentration of risk to individual counterparties as of 31 December 2014:

	Own capital and current account Concentration risk
Counterparties	**%**
Counterparty # 1	**14.05%**
Counterparty # 2	**12.29%**
Counterparty # 3	**11.03%**

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

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

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

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

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

The following table summarises the residual contractual maturity breakdown of the whole credit portfolio, broken down by major types of credit exposure as of 31 December 2014:

Funded exposure	**Up to 3 months**	**3 months to 1 year**	**Total up to 1 year**	**1 to 5 years**	**5 to 10 years**	**No fixed maturity**	**Total**
Cash and balances with banks	**(USD '000)**	**(USD '000)**	**(USD '000)**	**(USD '000)**	**(USD '000)**	**(USD '000)**	**(USD '000)**
Placements with financial institutions	**17,015**	**-**	**17,015**	**-**	**-**	**-**	**17,015**
Assets held-for-sale	**8,976**	**-**	**8,976**	**-**	**-**	**-**	**8,976**
Financing receivables	**-**	**95,943**	**95,943**	**-**	**-**	**-**	**95,943**
Receivable from Ijara investors	**7,277**	**3,740**	**11,017**	**152**	**-**	**-**	**11,169**
Investment in securities	**27,033**	**-**	**27,033**	**-**	**-**	**-**	**27,033**
Equity accounted investees	**-**	**4,301**	**4,301**	**32,049**	**29,513**	**-**	**65,863**
Other assets						**12,468**	**12,468**
	514	**373**	**887**	**1,200**	**6**	**282**	**2,375**
Unfunded exposure							
Uncalled capital commitments in respect of investment	**-**	**8,391**	**8,391**	**-**	**-**	**-**	**8,391**
Promise to purchase foreign currency commitment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating lease commitments - expiring within one year	**-**	**242**	**242**	**-**	**-**	**-**	**242**
Operating lease commitments - expiring in one to three years	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Commitment related to project developments	**-**	**132**	**132**	**-**	**-**	**-**	**132**
	60,815	**113,122**	**173,937**	**33,401**	**29,519**	**12,750**	**249,607**

5 RISK MANAGEMENT (continued)

5.2 Credit risk (continued)

Table – 11. Breakup of provision by geographic area (PD-1.3.23(h & i)) and (PD-1.3.24(c))

	Specific impairment provision (USD '000)	Collective impairment (USD '000)	Total (USD '000)
Europe	5,335		**5,335**
South East Asia		38	**38**
	5,335	**38**	**5,373**

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

	Specific		
	OPENING (USD '000)	Charged during the year (USD '000)	Closing (USD '000)
Corporate	278	(27)	**251**

Only an amount of USD (27) thousand of musharaka financing was recovered back as of 31 December 2014 (2013: USD 278 thousand as impairment).

5.3 Market risk

5.3.1 Introduction

Market risk is defined as the risk of losses in on-balance sheet and off-balance-sheet positions arising from movements in market prices. The risks subject to this requirement are:

- The risks pertaining to profit rate related instruments and equities in the trading book; and
- Foreign exchange risk and commodities risk throughout the Bank.

The Group manages its market risk exposures by evaluating each new product and activity with respect to the market risk introduced by it.

5.3.2 Market Risk Factor

For the Bank, market risk may arise from movements in foreign exchange rates. A single transaction or financial product may be subject to foreign exchange risk.

5.3.3 Market Risk Strategy

The Board is responsible for approving and reviewing the market risk strategy. The Bank's senior management is responsible for implementing the market risk strategy.

5 RISK MANAGEMENT (continued)

5.3 Market risk (continued)

5.3.3 Market Risk Strategy (continued)

approved by the Board, and continually enhancing the market policies and procedures for identifying, measuring, monitoring and controlling market risks.

In line with the Bank's Risk Management objectives and risk tolerance levels, the specific strategies for market risk management include:

- Proactively monitoring and managing the market risk in its portfolio using a Board approved limit structure;
- At all times holding sufficient capital in line with the Pillar 1 regulatory capital requirements of the CBB
- Carry out stress testing periodically to assess the effect of extreme movements in market variables which may expose the Bank to high risks;
- Managing the market risk in all foreign currencies in which it has significant exposure; and
- Manage its market risk exposure by evaluating each new product or activity with respect to the market risk introduced by it.

5.3.4 Market Risk Measurement Methodology

The Group is not exposed to significant market risk due to the nature of its activities and hence uses measurements involving a combination of limits to control market risk exposures. For calculating the market risk capital charge, the Group applies the Standardised Approach.

5.3.5 Market Risk Monitoring & Reporting and Limits Structure

The Bank uses a combination of limits to control its market risk exposures. Positionsare monitored on a regular basis to ensure risk is maintained within established limits.

Table – 12. Market Risk Capital Requirements

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

	31 December 2014	
	Weighted risk exposures (USD '000)	**Market risk capital requirement (USD '000)**
Capital requirements - Foreign Exchange Risk	**13,315**	**1,598**
Maximum value of RWE	**17,790**	**2,135**
Minimum value of RWE	**13,315**	**1,598**

5 RISK MANAGEMENT (continued)

5.4 Operational risk

5.4.1 Introduction

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events, whether intentional, unintentional or natural. It is an inherent risk faced by all business and covers a large number of operational risk events including business interruption and systems failures, internal and external fraud, employment practices and workplace safety, customer and business practices, transaction execution and process management, and damage to physical assets.

The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Board has the ultimate responsibility to manage operational risk. Oversight rests with the RC, ICRC and RMD. Risk and Control Self Assessment ("RCSA") is an annual exercise as per Bank's policy and is a requirement by CBB based on Basel II principles related to operational risk management. The exercise will be completed by 2015.

The Group has developed a Disaster Recovery and Business Continuity Plan ("DR&BCP") to enable the Group to survive a disaster and to re-establish normal business operations. The DR&BCP will enable the Group to minimize interruptions to business service operations, resume critical operations within a specified time after a disaster, minimize financial loss due to disruptions, limit the severity of the disruption, expedite the restoration of services and maintain a positive public image of the Bank.

5.4.2 Sources of Operational Risk

The different sources of operational risks faced by the Bank can be classified broadly into the following categories:

People Risk which arise due to staffing inadequacy, unattractive remuneration structure, lack of staff training, lack in procedures for appointment, unhealthy professional working relationship and unethical environment;

Processes Risk which arise due to inadequate general controls, inadequate application controls, improper business and market practices and procedures, inappropriate or inadequate monitoring and reporting; and

Systems (Technology) Risk which arise due to the Integrity of information, hardware failures due to power surge, obsolescence, low quality and software failure due to unauthorized or incorrect modifications to software programs, computer virus, programming bug.

5 RISK MANAGEMENT (continued)

5.4 Operational risk (continued)

5.4.3 Operational Risk Management Strategy (continued)

The Bank's Board is responsible for approving and reviewing (at least annually), the operational risk strategy and significant amendments to the operational risk policies. The Bank's senior management is responsible for implementing the operational risk strategy approved by the Board to identify, measure, monitor and control the risks faced by the Bank. The Bank continuously monitors the process and controls framework surrounding all business units to assess their effectiveness and efficiency.

As a strategy the Bank will identify the sources of operational risks in coordination with each business unit.

Management and Reporting of KRIs

The Bank plans to integrate the process of KRIs into the RCSA process and then start reporting KRIs to senior management.

Incident reporting

An incident is the occurrence of an operational risk event that has caused, or has the potential to cause a financial, reputation or regulatory impact on the Bank. It includes credit or market risk events, which have been caused by an operational risk event, and non-compliance with any legal or regulatory requirement, license, internal policy or procedure or code.

Operational Loss Database

The Operational Loss Database (OLD) is a key component to quantify past operational risk exposures. The OLD contains a subset of the information captured by the incident reporting process since all incidents involving an actual or potential financial impact (including near misses) is captured.

5.4.4 Operational Risk Monitoring and Reporting

The internal monitoring and reporting process ensures a consistent approach for providing pertinent information to Senior Management and the RC for the quick detection and correction of deficiencies in the policies, processes and procedures for managing operational risk through ongoing, periodic reviews.

The objective of the reporting process is to ensure relevant information is provided to senior management and the Board to enable the proactive management of operational risk. The process ensures a consistent approach for providing information that enables appropriate decision making and action taking.

5.4.5 Operational Risk Mitigation and Control

Control activities are necessary to address the specific operational risks that the Bank has identified through the RCSA process. For the material risks identified by the Bank, the Bank decides whether to use procedures to control, mitigate, transfer, or accept the risks.

5 RISK MANAGEMENT (continued)

5.4 Operational risk (continued)

5.4.5 Operational Risk Mitigation and Control (continued)

The Bank has several options for controlling and/or mitigating these risks:

- Decline to accept the risk (i.e. by avoiding certain business strategies or customers)
- Accept and retain the risk but introduce mitigating internal or external controls
- Accept the risk and transfer it in part or in whole.

Key controls
The Bank aims to control the operational risks it is exposed to by strengthening its internal controls, continuing its efforts to identify, assess, measure and monitor its risks, evolving in its risk management sophistication and promoting a strong control culture within the Bank.

Each business unit head is responsible for ensuring that the internal controls relevant to its operations are complied with on a day to day basis in spirit as well as in letter. The Bank will furthermore establish control processes and procedures and implement a system for ensuring compliance with these internal risk control processes and procedures.

5.4.5 Disaster Recovery and Business Continuity Plan

The Bank has developed a Disaster Recovery and Business Continuity Plan based on risk review of the banks activities. The Bank ensures that business recovery & contingency plans are reviewed and updated periodically. The DR&BCP is in the implementation stage.

In particular, the DR&BCP will satisfy the following:

- it will cover incidents related to IT, communication and premises;
- testing will include critical business processes; and
- testing will cover critical types of plausible scenarios to which the Bank may be vulnerable.

5.5 Equity price risk

5.5.1 Equity price risk management

Equity price risk is the risk that the fair value of equities decreases as the result of adverse changes in equity prices or indices, or fair value in the case of unquoted equities. Equity price risk arises from the Bank's investment portfolio. The Bank does not have an active trading book and all its equities are in the banking book. A 100% risk weight is assigned to listed equities. Unlisted equities and unrated funds are risk weighted at 150%.

5 RISK MANAGEMENT (continued)

5.5 Equity price risk (continued)

5.5.1 Equity price risk management (continued)

The accounting policies, including valuation methodologies and their related key assumptions, are disclosed in the consolidated financial statements.

An assessment is made at each year-end to determine whether there is any objective evidence that equity investments may be impaired. Any impairment for significant and prolonged decline in the value of investments is reflected as a write down of investments. Any subsequent increase in their fair value is recognised directly in equity. Investments are managed within maximum concentration risk limits, approved by the Board of Directors of the Bank.

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

The following table summarises the total and average gross exposure of equity based financing structures by types of financing contracts and investments as of 31 December 2014:

	Total gross exposure (USD '000)	* Average gross exposure over the period (USD '000)	Publicly Traded (USD '000)	Privately held (USD '000)	Capital requirement (USD '000)
Amortized cost	**65,863**	**63,902**	**65,863**	**-**	**7,904**
Fair value through income statement	**22,045**	**20,189**	**13,023**	**9,022**	**2,645**
Fair value through equity	**118,244**	**125,160**	**26,687**	**91,557**	**14,189**
Equity accounted investees	**12,468**	**12,443**	**-**	**12,468**	**1,496**
	218,620	**221,694**	**105,573**	**113,047**	**26,234**

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

5 RISK MANAGEMENT (continued)

5.5 Equity price risk (continued)

5.5.1 Equity price risk management (continued)

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

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

	31 December 2014 USD ('000)
Cumulative realised gains arising from sales or liquidations in the reporting year	-
Total unrealized gains recognised in the consolidated statement of financial position but not through consolidated statement of income	-
Unrealised gross losses included in Tier 1 Capital	552
Asset revaluation reserve - Property, plant, and equipment (45% only)	1,583
Unrealised gains included in Tier 2 Capital (45% only)	26

5.6 Rate of return risk

5.6.1 Rate of return risk management

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

5 RISK MANAGEMENT (continued)

5.6 Rate of return risk (continued)

5.6.1 Rate of return risk management (continued)

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

2014	Up to 3 Months (USD '000)	3 months to 1 year (USD '000)	1 to 5 years (USD '000)	Above 5 Years (USD '000)	No fixed maturity (USD '000)	Total (USD '000)
Assets						
Due from financial institutions	8,976	-	-	-	-	**8,976**
Financing receivable	-	7,277	3,892	-	-	**11,169**
Investments in quoted sukuks and equities	-	4,301	45,727	55,544	-	**105,572**
Total profit rate sensitive assets	**8,976**	**11,578**	**49,619**	**55,544**	**-**	**125,717**
Liabilities						
Due to financial institutions	21,208	-	-	-	-	21,208
Total profit rate sensitive liabilities	**21,208**	**-**	**-**	**-**	**-**	**21,208**
Profit rate sensitivity gap	**(12,232)**	**11,578**	**49,619**	**55,544**	**-**	**104,509**

The sensitivity of the Group's consolidated statement of income to a 200 basis points parallel increase (decrease) in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) on floating rate non trading financial assets and liabilities, would be an increase (decrease) of profit by US$ 443 thousand (2013:USD 1,242 thousand).

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

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

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

The bank benchmarks its rates with other leading banks in the market.

5 RISK MANAGEMENT (continued)

5.7 Liquidity risk

5.7.1 Introduction

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The main action to manage the Group's liquidity is through the adherence to limits on liquidity mismatches. These include the limits of the cumulative excess of maturing liabilities over assets in the short-term and limits on dependence on short-dated funds.

Treasury department is overall responsible for ensuring that the limits enacted are adhered to, on a day-to-day basis and managing excess liquidity of the Group through short term placements and investments. Treasury maintains a constant communication with the banks. The Treasury provides a monthly report to the ALCO regarding the market conditions and the volatilities of the asset prices and as such the exogenous liquidity risk the Group is exposed to.

5.7.2 Sources of Liquidity Risk

Broadly, sources of liquidity risk can be listed as:

Funding Risk – Inability to replace net outflows due to unanticipated withdrawal of capital or deposits;
Call Risk – Crystallisation of a contingent liability; and
Event Risk – Rating downgrades or other negative news leading to a loss of m arket confidence in the Bank.

Liquidity risk may also arise if certain inter-bank funding lines are withdrawn or assets do not realise cash as expected and when anticipated.

5.7.3 Liquidity Risk Strategy

The Board is overall responsible for approving and reviewing (at least annually), the liquidity risk strategy and significant amendments to the liquidity risk policies. The Bank's senior management is responsible for implementing the liquidity risk strategy to identify, measure, monitor and control the risks faced by the Bank.

The Bank monitors the liquidity positions by comparing maturing assets and liabilities in different time buckets.

To mitigate the liquidity risk, the Group works with diversified funding sources, manages its assets with liquidity in mind and closely monitors periodic cash forecasts which take into account the Group's maturity profile.

5.7.4 Liquidity Risk Measurement Tools

The Bank has developed risk management policies and procedures including liquidity risk management framework. The Bank will use a combination of techniques for measurement of its liquidity risk. These include monitoring of liquidity ratios.

5 RISK MANAGEMENT (continued)

5.7 Liquidity risk (continued)

5.7.4 Liquidity Risk Measurement Tools

Table – 16. Liquidity ratios (PD-1.3.37)

The following table summarises the liquidity ratios as of:

	31 December 2014
Liquid assets to total assets	**6.09%**
Short term assets to short term liabilities	**158.67%**

Formula is as follows:
Liquid Assets to total assets =
(Cash and bank balances + placements with financial institutions)/total assets

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

Table – 17. Quantitative indicators of financial performance and position (PD–1.3.9)

	Dec 2014	Dec 2013	Dec 2012	Dec 2011*	Dec 2010*
Return on average equity (ROAE)	**-4.18%**	0.01%	-5.14%	-2.66%	-11.92%
Return on average assets (ROAA)	**-3.44%**	0.01%	-4.55%	-2.60%	-11.88%
Total cost to Income ratio	**293.60%**	83.32%	76.73%	92.66%	90.39%

* Ratios are based on pre-merger financials

Formula is as follows:
ROAE = Net Income/Average Equity
ROAA= Net profit/ Average Assets

5.7.5 Bank's Financial Performance (PD-1.3.9 (a))

2014 was a year of weak economic growth for the global economy with the sovereign debt crisis in Europe and policy uncertainties in the U.S impacting investment and business sentiment. The general challenging environment made it very difficult for the Group to achieve rewarding financial returns. In 2014, the net loss was USD 13.5 million compared to USD 23 thousand income in 2013, the total revenues stood at USD 4.2 million compared to USD 13.7 million in 2013, while total assets summed up to USD 426 million compared to USD 360 million in 2013. Moreover, Shareholders' equity recorded USD 318.3 million compared to USD 328.2 million in 2013.

5 RISK MANAGEMENT (continued)

5.7 Liquidity risk (continued)

5.7.5 Bank's Financial Performance (PD-1.3.9 (a))

With an authorized capital of USD 500 million and paid up capital of USD 300 million, the Group is strengthened with a total equity of approximately USD 318 million and total assets in excess of USD 426 million as at 31 December 2014 spanning the Middle East and North Africa (Mena), Europe and Asia.

5.8 Equity of Investment Account Holders

The CBB requires the Group to maintain capital to cover the price risk arising from 30% of the assets funded by equity of investment account holders on a pro-rata basis. The Group intends to develop policies and procedures applicable to equity of investment account holders. Funds are intended to be invested and managed in accordance with Shari'a requirements.

The total equity of investment account holders deposit as at 31 December 2014 is nil compared to USD 497 thousand as of December 31, 2013 . The Group does not maintain PER and IRR for equity of investment account holders. No profit was distributed to equity of investment account holders. No management fee or other administrative expenses was charged during the year 2014 from the equity of investment account holders. No financing was provided to equity of investment account holders. No assets related to equity of investment account holders were pledge during the year 2014. The equity of investment account holders funds have not been invested.

The Bank has not charged any management fee from equity of investment account holders for the past 5 years.

5.9 Off Balance Sheet Equity of Investment Account Holders

The Group holds Investments of portfolio customers under fiduciary relationship and thus RIA assets and liabilities, are held Off- Balance sheet and separate portfolio accounts are maintained for each client.

Although the underlying investments are held in the name of the Bank, these assets are not consolidated in the Group's financial statements and the aggregated exposures as at 31 December 2014 is USD 108,228 thousand. The Group intends to develop policies and procedures applicable to Restricted Investment Accounts.

The Bank arose from merger of three entities in 2012 and has been in existence for three years. The Bank's restricted investment accounts did not generate any returns for the past five years except for two investments whose returns were distributed directly to restricted investments accounts holders, there were no returns shared between the Bank and the restricted investment account holders. Hence, the other disclosures relating to PD 1.3.35 were not applicable.

5 RISK MANAGEMENT (continued)

5.9 Off Balance Sheet Equity of Investment Account Holders (continued)

Table – 18. Maturity Profile (PD-1.3.38) (continued)

The maturity profile of the Group's assets and liabilities are based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the financial position date to the contractual maturity date. The consolidated maturity profile at 31 December 2014 was as follows:

2014	Up to 3 months USD	3 months to 1 year USD	Sub total USD	1 to 5 years USD	5 to 10 years USD	No fixed maturity USD	Total USD
Assets							
Cash and balances with banks	17,015,608	-	17,015,608	-	-	-	17,015,608
Placements with financial i nstitutions	8,975,623	-	8,975,623	-	-	-	8,975,623
Assets held for sale	-	95,943,835	95,943,835	-	-	-	95,943,835
Financing receivables	7,275,865	3,740,102	11,015,967	151,735	-	-	11,167,702
Receivable from ijarah investors	27,033,290	-	27,033,290	-	-	-	27,033,290
Investment in ijarah asset	-	-	-	-	-	-	-
Ijarah muntahia bittamleek	-	-	-	657,534	-	-	657,534
Investment securities	-	4,301,229	4,301,229	45,727,331	15,834,283	140,288,668	206,151,511
Equity-accounted investees	-	-	-	-	-	12,467,524	12,467,524
Investment in real estate	-	-	-	-	-	43,239,030	43,239,030
Development properties	833,719	-	833,719	-	-	-	833,719
Other assets	514,291	372,542	886,833	1,200,554	216,097	669,734	2,973,219
Total assets	**61,648,396**	**104,357,708**	**166,006,104**	**47,737,155**	**16,050,380**	**196,664,956**	**426,458,595**

5 RISK MANAGEMENT (continued)

5.9 Off Balance Sheet Equity of Investment Account Holders (continued)

Table – 18. Maturity Profile (PD-1.3.38) (continued)

2014	Up to 3 months US$	3 months to 1 year US$	Sub total US$	1 to 5 years US$	5 to 10 years US$	No fixed maturity US$	Total US$
Liabilities							
Due to financial institutions	21,208,208	-	21,208,208	-	-	-	21,208,208
Due to investors	-	164,576	164,576	-	-	-	164,576
Liabilities related to assets held for sale	-	75,620,880	75,620,880	-	-	-	75,620,880
Other liabilities	1,507,737	6,123,494	7,631,231	2,549,537	453,480	504,223	11,138,470
Total liabilities	**22,715,945**	**81,908,950**	**104,624,896**	**2,549,537**	**453,480**	**504,223**	**108,132,134**
Equity of investment accountholders	-	-	-	-	-	-	-
Total liabilities and equity of investment accountholders	22,715,945	81,908,950	104,624,896	2,549,537	453,480	504,223	108,132,134
Net liquidity gap	38,932,451	22,448,758	61,381,208	45,187,618	15,596,900	196,160,734	318,326,460
Cumulative net liquidity gap	38,932,451	61,381,208	100,313,659	106,568,826	122,165,727	318,326,460	-
Commitments	-	8,765,448	-	-	-	-	8,765,448

6 CORPORATE GOVERNANCE AND TRANSPARENCY

The Bank is committed to adopting the best international standards and global leading practices in corporate governance. The Bank has established a strong corporate governance framework that is designed to protect the interests of all stakeholders, ensure compliance with regulatory requirements, and enhance organisational efficiency.

The Bank has established a concrete organisational structure that clearly segregates functions and responsibilities, and reflects a division of roles and responsibilities of the Board of Directors and Management. Clear mandates exist for the Board, Chairman of the Board, Board Committees, Chief Executive Officer, the Management, and Senior Management Committees.

The Bank has only one class of equity shares and the shareholders are from the following nationalities (PD-1.3.10(i)):

Country	Percentage
1- State of Kuwait	50.52%
2- Kingdom of Bahrain	23.44%
3- Kingdom of Saudi Arabia	15.06%
4- Qatar	4.71%
5- United Arab Emirates	4.00%
6- Oman	2.03%
7- Jordan	0.13%
8- Yemen	0.05%
9- Philippines	0.02%
10- Sri Lanka	0.01%
11- Canada	0.01%
12- United Kingdom	0.01%
13- India	0.01%

The distribution of ownership of shares by size of shareholder is provided below (PD-1.3.10(l)):

Size of Ownership	No. of Shareholders
30 - 35 %	1
5 - 10 %	1
1 - 5 %	18
Less than 1 %	217
	237

6.1 Board Members' Profile

The primary responsibility of the Board is to provide effective governance over the Bank's affairs and promote and achieve sustainable performance that has long-term growth potential for the benefit of its shareholders. The Board also has the duty of balancing interest of all its stakeholders, including its clientele, business partners, correspondents, employees, suppliers and local communities, all the time maintaining standards of transparency and accountability.

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.1 Board Members' Profile (continued)

In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the Bank's best interest. In discharging this obligation, they may rely on the professional integrity of the Bank's Senior Executives, as well as its external advisors and auditors. The Board of directors members are:

Table – 19. Corporate Governance and Transparency – Board Members' Profile (PD-1.3.10(b,c,p,q))

Ibdar's Board of Directors' structure constitutes of 9 members as of December 31, 2014.

The following table summarises the information about the profession, business title, experience in years, start date and the qualifications of the current Board members;

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.1 Board Members' Profile (continued)

Table – 19. Corporate Governance and Transparency – Board Members' Profile (PD-1.3.10(b,c,p,q))

Name of Board Member	Profession	Business Title	Executive / Non Executive Independent / Non Independent	Experience in years	Start date and term	Qualification
Paul Mercer	Lawyer	Executive Manager, Kuwait Finance House – Bahrain	Non-Independent / Executive	Over 17	July 2011, 3 years from January 2013	M.A. Law - Cambridge University
Abdulla A. Al Marzouq	Banker	Deputy Dept Manager, International Investments, Kuwait Finance House - Kuwait	Non-Independent / Executive	Over 18	July 2011, 3 years from January 2013	MBA - MIT Sloan School of Management
Zeyad Tareq Al Mukhaizeem	Banker	Executive Director, International Investments, Aref Investment Group	Non-Independent / Executive	Over 11	January 2013, 3 years	MBA - Depaul University
Mishari Z. Al Khalid	Banker	Deputy Chairman - Kuwait Investment Company	Non-Independent / Non-Executive	Over 28	January 2013, 3 years	Bachelor of Commerce - Business Management - Cairo University
Khalid Mohammed Najibi	Accountant	Executive Director - Najibi Investment Company	Independent / Non-Executive	Over 21	January 2013, 3 years	Bachelor - Schiller International, CPA
Khalid Abdullah Al Bassam	Banker	Chairman - AlBassam Investment Company	Independent / Non-Executive	Over 26	January 2013, 3 years	Bachelor - Eastern New Mexico University
Khalid Mohammed Al Aboodi	Banker	CEO - Islamic Corporation for the Development of the Private Sector	Independent / Non-Executive	Over 26	January 2013, 3 years	Masters - Economics - Northeastern University
Saleh Hassan Al Afaleq	Banker	CEO - AlKifah Holding	Independent / Non-Executive	Over 25	January 2013, 3 years	Masters - Human Resource Development - Seattle University
Abdulhakim Al Adhamy	Accountant	Retired	Independent / Non-Executive	Over 36	September 2013, 3 years	Bachelors - Commerce - Baghdad University, ICA

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.1 Board Members' Profile (continued)

The Board shall meet on a quarterly basis, or otherwise at least four times in every financial year. During the year ended 31 December 2014, 5 Board meetings were held. The following table summarises the information about Board of Directors meeting dates and attendance of directors at each meeting;

Table - 20. Corporate Governance and Transparency - Board of Directors meetings in 2014 (PD-1.3.10(t and u))

Date	Names of Directors Present (Physical)	Names of Directors who participated by phone/video link	Names of Directors not Present
9-Jan-14	Paul Mercer, Mohammed AlAdsani Khalid AlAboodi, Abdulhakim Aladhamy, Saleh AlAfaleq, Khalid AlBassam, Mishari AlKhalid, Zeyad AlMukhaizeem, Khalid Najibi	Abdullah AlMarzouq	
19-Feb-14	Paul Mercer, Abdulhakim Aladhamy Saleh AlAfaleq, Khalid AlBassam Zeyad AlMukhaizeem	Khalid AlAboodi Khalid Najibi	Mohammed AlAdsani Mishari AlKhalid Abdullah AlMarzouq
8-May-14	Paul Mercer, Khalid AlAboodi Abdulhakim Aladhamy, Saleh AlAfaleq, Khalid AlBassam, Mishari AlKhalid, Abdullah AlMarzouq, Zeyad AlMukhaizeem, Khalid Najibi	Mohammed AlAdsani	
18-Sep-14	Paul Mercer, Khalid AlAboodi Abdulhakim Aladhamy, Saleh AlAfaleq, Khalid AlBassam, Mishari AlKhalid Abdullah AlMarzouq, Zeyad AlMukhaizeem, Khalid Najibi		
6-Nov-14	Paul Mercer, Khalid AlAboodi Abdulhakim Aladhamy, Saleh AlAfaleq Khalid AlBassam, Mishari AlKhalid, Abdullah AlMarzouq, Zeyad AlMukhaizeem, Khalid Najibi		

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.2 Changes in Board Structure

The Board was elected on January 29, 2013 during the Ordinary General Meeting. On July 02, 2014, Mr. Mohammed AlAdsani resigned from the Board.

The following table summarises the information about the directorships held by the directors in other boards:

Table – 21. Information on the directorships held by the directors on other boards

Name of Board Member	Directorship in other companies - based outside Bahrain	Directorship in other companies - based in Bahrain
Paul Mercer	Liberty Aerospace, Inc. Liberty Aerospace Holdings, Inc. Liberty Assets LLC Baytik International Investments Advisory Ltd Fernas Investors Ltd Sunshine Storage Ltd Sinwan Limited	Themar Baytik BSC Turkapital Holdings BSC Menatelecom WLL Bayan Group for Property Investment
Abdulla A. Al Marzouq	Hayat Investment Company, Kuwait Kuwait Finance House, Saudi Arabia	Kuwait Finance House - Bahrain
Zeyad Al Mukhaizeem	Munshaat Real Estate Projects Company Bank of London and Middle East EURX Fund	
Mishari Al Khalid	Kuwait Investment Company Al-Khaled International Holding Co.	National Hotels Company
Saleh Al Afaleq	AlKifah Holding Al-Ahsa Amusement & Tourism Company Arbah Capital Noor Capital General Authority of Civil Aviation Council of Saudi Chambers of Commerce National Cenre of Palm and Dates Al-Ahsa Irrigation and Drainage Authority	

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.2 Changes in Board Structure (continued)

Table – 21. Information on the directorships held by the directors on other boards (continued)

Name of Board Member	Directorship in other companies - based outside Bahrain	Directorship in other companies - based in Bahrain
Khalid Najibi	Arbah Capital	Najibi Investment Company Skaugen Gulf Petchem Carriers
Khalid Al Bassam	Gulf Investment Corporation	AlBassam Investment Company WLL Foulath Holding, Bahrain BSC © Sulb BSC © Bahrain Steel BSC ©
Khalid Al Aboodi	Tamweel Africa, Senegal. Kazakhstan Leasing Company. Tijari Leasing Company,Malaysia. Burj Bank, Pakistan. Saudi SME Fund, Saudi Arabia. Alinma Tokyo Marine, Saudi Arabia. South Europe Investment Company, Bosnia.	
Abdulhakim Al Adhamy	Amwaj Property Limited BVI	Ebrahim Khalil Kanoo BSC AlKindi Specialist Hospital

6.2.2 Auditors fees

During the year, the shareholders at the AGM appointed KPMG Fakhro as the external auditors as a good corporate governance.

6.3 Board Committees

The minimum number of Board Committee meetings per year, per committee, should be four as per the Bank's policies and procedures. The following tables summarises the information about Board Committee meeting dates and attendance of directors at each meeting;

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.3 Board Committees (continued)

Table – 22. Corporate Governance and Transparency – Audit Committee meetings in 2014 (PD-1.3.10(w))

Date	Names of Directors Present	Names of Directors Not Present
6-Feb-14	Abdulhakim Aladhamy, Khalid AlBassam, Mishari AlKhalid	None
4-May-14	Abdulhakim Aladhamy, Khalid AlBassam, Mishari AlKhalid	None
21-Jul-14	Abdulhakim Aladhamy, Khalid AlBassam, Mishari AlKhalid	None
27-Oct-14	Abdulhakim Aladhamy, Khalid AlBassam, Mishari AlKhalid	None

Table – 23. Corporate Governance and Transparency – Executive Committee meetings in 2013 (PD-1.3.10(w))

Date	Names of Directors Present (Physical)	Names of Directors who participated by phone/video link	Names of Directors not Present
8-Jan-14	Mohammed AlAdsani, Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
22-Jan-14	Mohammed AlAdsani, Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
9-Mar-14	Mohammed AlAdsani, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq	Saleh AlAfaleq	
4-May-14	Mohammed AlAdsani, Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.3 Board Committees (continued)

Table - 23. Corporate Governance and Transparency - Executive Committee meetings in 2013 (PD-1.3.10(w)) (continued)

Date	Names of Directors Present (Physical)	Names of Directors who participated by phone/video link	Names of Directors not Present
11-Sep-14	Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
17-Sep-14	Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
29-Oct-14	Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
5-Nov-14	Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		
13-Nov-14	Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq	Saleh AlAfaleq,	
21-Dec-14	Saleh AlAfaleq, Zeyad AlMukhaizeem, Khalid Najibi, Abdullah AlMarzouq		

6 CORPORATE GOVERNANCE AND TRANSPARENCY (continued)

6.3 Board Committees (continued)

Table - 24. Corporate Governance and Transparency - Risk Committee meetings in 2014 (PD-1.3.10(w))

Date	Names of Directors Present	Names of Directors Not Present
6-Feb-14	Abdulhakim Aladhamy, Paul Mercer, Khalid AlBassam	None
4-May-14	Abdulhakim Aladhamy, Paul Mercer, Khalid AlBassam	None
21-Jul-14	Abdulhakim Aladhamy, Paul Mercer, Khalid AlBassam	None
27-Oct-14	Abdulhakim Aladhamy, Paul Mercer, Khalid AlBassam	None
10-Nov-14	Abdulhakim Aladhamy, Paul Mercer, Khalid AlBassam	None

Table - 25. Corporate Governance and Transparency - Remuneration and Nomination Committee meetings in 2014 (PD-1.3.10(w))

Date	Names of Directors Present	Names of Directors Not Present
9-Jan-14	Khalid AlAboodi, Mishari AlKhalid	None
30-Jan-14	Khalid AlAboodi, Mishari AlKhalid	None
30-Mar-14	Khalid AlAboodi, Mishari AlKhalid, Khalid Najibi	None
14-Sep-14	Khalid AlAboodi, Mishari AlKhalid, Khalid Najibi	None
27-Oct-14	Khalid AlAboodi, Mishari AlKhalid, Khalid Najibi	None
22-Dec-14	Khalid AlAboodi, Mishari AlKhalid, Khalid Najibi	None

6.4 Changes in the Corporate Governance Structures (PD-1.3.10(g))

No changes to the Corporate Governance Structures occurred in 2014.

6 Corporate governance and transparency (continued)

6.5 Remuneration Policy and Aggregate Remuneration Paid to Senior Management and Board (PD-1.3.10(d, ii, jj and kk))

The Bank's remuneration policy for Senior Management is to provide competitive remuneration structure to attract and retain highly skilled personnel.

Aggregate remuneration paid to senior management during 2014 was USD 1,667 thousand (this includes salaries, allowances, other benefit and bonuses paid for the year ended 31 December 2014).

The Bank's remuneration policy for Board Members is to appropriately compensate and remunerate board members for their active participation in board meetings. Based on this policy the Board of Directors remuneration was structured to comprise the following:

(a) Sitting fees
(b) Perdiem for members attending Board and sub-committee meetings
(c) Daily Allowance
(d) First class air tickets

Aggregate remuneration paid to Board Members during 2014 was USD 641 thousand.

6.6 A. Ownership of Shares by government (PD-1.3.10(m))

Name of Government Authority	Country	No. of Shares	Percentage%
Social Insurance Organization	Kingdom of Bahrain	4,693,951	1.565%
The Public Authority for Minor Affairs	State of Kuwait	1,642,877	0.548%
Awqaf Public Foundation	State of Kuwait	1,642,877	0.548%
Directorate of Minors Affairs	Kingdom of Bahrain	259,880	0.087%

B. Director's trading of the bank's shares during the year (PD–6.1.1 (c))

Directors have not made any trade of the bank's shares during the year.

6.7 Ownership of Shares by Directors / Senior Managers (PD-1.3.10(k))

Name of Director / Senior Manager	On Behalf of	No. of Shares	Percentage %
Khalid AlBassam	Al-Bassam Investment Company	11,717,524	3.906%
Saleh AlAfaleq	Al-Kifah Holding Company	6,872,503	2.291%
Khalid Najibi	Najibi Investment Co. W.L.L.	5,328,110	1.776%
Mohamed AlJasim	Individual	322,149	0.107%
Sameeh AlKhan *	Individual	291,561	0.097%

* December 31, 2014, was the last working day for Mr. Sameeh Al Khan at Ibdar.

6 Corporate governance and transparency (continued)

6.8 Type of Material Transactions that require Board approval (PD-1.3.10(o))

The following types of material transactions require Board approval if suggested by the approved policies:

(a) Conclude loan agreements with certain limit;
(b) Sell the company's assets;
(c) Mortgage the Company's properties;
(d) Grant guarantees to third parties;
(e) Discharge the Company's debts; and
(f) Engage in any other acts which may be integral to the company's objects as set out in the Memorandum of Association.

6.9 Induction, Education and Orientation of New Directors (PD-1.3.10(r))

All new Directors participate in an orientation exercise that is administered by the Directors and members of the Management at Ibdar. This orientation includes presentations by the Chairman and senior management to familiarize new Directors with Ibdar's strategic plans, significant financial, accounting and risk management issues, compliance programs, the Code of Conduct, its principal officers, and internal and independent auditors.

In addition, the orientation includes visits to Ibdar headquarter and, to the extent practical, Ibdar's significant facilities. It is emphasized that Directors stay up-to date in relation to matters relevant to the Bank, the industry and the particular areas of expertise for which they have been invited on to the BOD in the first place. In particular the induction/orientation process will aim for a Director to have:

(a) An appropriate level of knowledge of the industry Ibdar operates in.
(b) A clear understanding of Ibdar's business operations.
(c) A clear understanding of Ibdar's financial circumstances.
(d) A clear understanding of Ibdar's strategy and direction.
(e) A high level knowledge of the business risks that may affect its success.
(f) Access to relevant background information on key employees and the other members of the BOD.
(g) In addition, new Directors are provided an Induction Package

The process of director induction is critical to having the new directors effectively and efficiently contributing to the Board of Directors. As part of this process, specifically, the new director shall:

(a) Be welcomed formally by the Chairman of the Board, who shall brief him generally on the Bank, the Board, the other directors, and the culture and operation of the Board.
(b) Meet with the Chief Executive Officer onsite at the Bank office to discuss the Bank strategy and plan and be introduced to key management staff.
(c) Be briefed on the history and legacy of the Bank and its key shareholders, clients, and partners.

6 Corporate governance and transparency (continued)

6.9 Induction, Education and Orientation of New Directors (PD-1.3.10(r)) (continued)

(d) Be briefed by the Board Secretary on the general operations of the Board.

(e) Be provided all of the pertinent documentation, including but not limited to:

i. Applicable laws and regulations, including the Commercial Companies Law, the CBB Rulebook and regulations
ii. The Memorandum and Articles of Association
iii. The Corporate Governance Manual
iv. Organization Chart
v. Business Plan
vi. Schedule for Upcoming Board and Committee Meetings
vii. The Board Minutes for the last 12 months (including the audio recording of the last meeting, if available)
viii. The Board Packs for the last 12 months
ix. The Board Committee Minutes for the respective committee he will be appointed to for the last 12 months (including the audio recording of the last meeting, if available)
x The Annual Reports for the last 2 years
xi. The Quarterly Financials for the last 12 months

(f) Be provided any other documentation on the Bank, its products, services, market or competition, upon his request.

(g) Be afforded the opportunity to meet swith any staff, consultants, or advisors, including the external auditor, upon his request.

6.10 Executive Members' Profile

Delegated by the Board with the authority for managing the Bank's operations, the Executive Management Team of the Bank are responsible for implementing decisions, policies, procedures, and strategies approved by the Board of Directors. The Executive Management Team comprises:

6 Corporate governance and transparency (continued)

6.10 Executive Members' Profile (continued)

Table - 26. Corporate Governance and Transparency - Executive Members' Profile (PD-1.3.10(b))

The following table summarises the information about the profession, business title, experience in years and the qualifications of each Executive member;

Name of Executive Member	Designation	Profession	Business Title	Experience in years	Qualification
Mr. Basel Al-Hag-Issa	Chief Executive Officer	Banker	Executive	Over 20	Master degree in Business Administration and Bachelor of Science (Mathematics) from Marshall University, USA
Mr. Mohamed AlJasim	Chief Investment Officer	Banker	Executive	Over 15	B.A. (Hons) Accounting
Mr. Sameeh AlKhan *	Chief Operating Officer	Banker	Executive	Over 30	Advanced Management Diploma

* December 31, 2014, was the last working day for Mr. Sameeh Al Khan at Ibdar Bank.

6.11 Bank's Performance Linked Incentive Structure (PD-1.3.10(d))

The remuneration & incentive structure of the Board Members and Shari'a Members is discussed at the Board level. Remuneration of Board Members is approved in the Annual General Meeting ("AGM"). Bonuses are based on Bank's performance, division or department performance and individual staff performance. The board approves all performance bonus schemes for staff.

6.12 Related Party Transactions (PD-1.3.10(f))

Related party transactions are governed by the Group corporate governance policy. All related party transactions were concluded at arm's length.

Where the Bank proposes to enter into a related party transaction the following procedures apply:

1- The relevant responsible officer involved in the transaction makes appropriate disclosure to the Compliance Officer of the bank. The Compliance Officer will review the transaction and send his/her comments to the Investment, Credit & Risk Committee about the proposed transaction. This disclosure should include the following:

6 Corporate governance and transparency (continued)

6.12 Related Party Transactions (PD-1.3.10(f)) (continued)

(a) Details of the proposed transaction;
(b) Proposed transaction parties and how they are related;
(c) How arm's length may be evidenced

2- The committee will consider the information provided in order to determine whether and how to proceed with the proposed transaction. The committee may confer with risk management and legal department or may take external legal advice, in reaching this determination.

3- The Committee shall review the material facts of the transactions that require the Committee's approval and either approve or disapprove of the entry into the related party transaction.

6.13 Assessment of Board of Directors Effectiveness & Contribution (PD-1.3.10(aa))

The Board and the management of the Bank are committed to the highest standards of corporate governance and risk management, therefore the Bank has developed a methodology which incorporates a process to self-assess the performance of the Board by the Board members on ongoing basis. This methodology and performance criteria is developed and recommended in line with the Board approved corporate governance policy and terms of reference. Self assessment shall help the board to establish clear expectations and goals to measure against these standards. The areas covered by the self assessment process are:

- Objective and strategy
- Selecting and retaining competent management
- Monitoring and assessing operations
- Efficient operations
- General assessment

6.14 Review of internal control processes and procedures (PD-1.3.10(y))

Internal control processes and procedures are regularly reviewed by the Bank's Internal Auditor in line with the internal audit plan approved by the Board's Audit Committee.

6.15 Governance arrangements, systems and controls employed by the bank to ensure Shari'a compliance (PD-1.3.10(ff))

Shari'a compliance department conducts review of all business financing and investment proposals together with audit of all executed transactions of Ibdar Bank and its affiliates to confirm compliance with Shari'a rules and principles, and also with specific rulings and guidelines issued by the Shari'a Supervisory Board.

The Shari'a review and audit are conducted internally by the Shari'a Compliance Department, which includes examining all transactions without exception, with all its relevant documentation and execution procedures adopted by Ibdar Bank.

6 Corporate governance and transparency (continued)

6.15 Governance arrangements, systems and controls employed by the bank to ensure Shari'a compliance (PD-1.3.10(ff)) (continued)

The Shari'a review and audit are planned and performed after obtaining all the information and explanations which are considered necessary to provide sufficient evidence and give reasonable assurance that Ibdar Bank and its affiliates are in compliance with Islamic Shari'a rules and principles.

The findings are reported to the Shari'a Supervisory Board during the periodic meeting, which is held on quarterly basis or at any other time as the case may require. The Shari'a Supervisory Board reviews the review and audit reports of the Shari'a Compliance Department and provides the necessary recommendations in this regard, if needed, and issues the official opinion by means of the Shari'a Compliance Certificate after each meeting.

6.16 Handling of Non Shari'a compliance earnings and expenditures (PD-1.3.10(gg))

Any amount that has been identified as being non Shari'a compliant are fully reimbursed to a charity organization or a Bahraini Non-Profit organization.

6.17 Information on mediation, advise and complaint procedures at the bank (PD-1.3.10(dd))

The investors may use the Bank's website for logging a query or a complaint, which is managed by the Corporate Communications Department ("CCD") through the info@ibdarbank.com or complaint@ibdarbank.com in the "Contact Us" page on the website.

After receiving a query or a complaint through the email address associated with the "Contact Us" page, CCD/Compliance channel the query or the complaint to the concerned department to follow up with a response. The investor's query is addressed accordingly by the appropriate department or person who was asked to handle the issue. An acknowledgement goes to the customer within 5 working days and a full reply within a maximum of 4 weeks.

6.18 Election system of directors and any termination arrangements (PD-1.3.10(s))

As per the Memorandum and Articles of Association of the Bank, the Board shall be elected by the shareholders for a period of three years. The Board shall meet and elect its Chairman and Vice Chairman for a period equivalent to the term of the Board. The termination arrangements of the Board of Directors are as stated in the Articles of Association (Articles 24, 25 & 27).

6.19 Bank's Communication Strategy (PD-1.3.10(h and cc))

The CCD is responsible for preparing marketing materials in liaison with other Business Departments, which are used to communicate new product information and inform the investors of the Bank's activities. The various channels of communication may include corporate publications, website, direct mailers, electronic mail and local & regional media (through press releases). All marketing materials & corporate documents are approved by Senior Management prior to disclosing to the public.

The Bank adopted an open policy for communication where it uses all available suitable channels to communicate with its stakeholders, in line with the principle of transparency

6 Corporate governance and transparency (continued)

6.19 Bank's Communication Strategy (PD-1.3.10(h and cc))

and disclosure that is integral to good corporate governance. This includes wide use of the media for the purposes of providing information on the Bank's progress.

Furthermore, the Bank provides information on all events that merit announcement, either on its website or through other communication channels. The Bank's annual report and previous years financial statements are also published on the website, as well as the Corporate Governance reports. The Bank's quarterly results are also published in both Arabic and English newspapers, and are posted on the Bank's website.

The Board attaches a high degree of importance to continuous communication with shareholders, especially direct dialogue with them at the Bank's annual general meetings. Shareholders are therefore encouraged to actively participate at such meetings.

6.20 Bank's Code of Ethical Business Conduct and Conflict of Interest (PD-1.3.10(v) & PD–6.1.1 (j))

The Board establishes corporate values for itself, senior management, and employees. These values have been communicated throughout the Bank, so that the Board and senior management and staff understand their accountabilities to the various stakeholders and fulfill their fiduciary responsibilities to them.

Bank's ethics dictate that a Board Member should:

1 - Not enter competition with the Bank;
2 - Not demand or accept substantial gifts for himself or his associates;
3 - Not take advantage of business opportunities to which the Bank is entitled for himself or his associates;
4 - Report to the Board any conflict of interest in their activities with, and commitments to other organizations. In any case, all Board Members declare in writing all of their other interest in other enterprises or activities (whether as a shareholder, manager, or other form of participation) to the Board (or the Audit Committees / Corporate Officer) on an annual basis;
5 - Absent themselves from any discussions or decision-making that involves a subject where they are incapable of providing objective advice, or which involves a subject or proposed transaction where a conflict of interest exists; and
6 - Ensure, collectively with the Board, that systems are in place to ensure that necessary client confidentiality is maintained and the privacy or the organization itself is not violated, and that clients' rights and assets are properly safeguarded.

During 2014, there has not been any cases of conflict of interest in the Bank.

6.21 Monitoring Compliance to and Enforcement of Code of Conduct

The matters covered in the Code of Conduct are of the utmost importance to the Bank, its stakeholders and its business partners and are essential to the Bank's ability to conduct its business in accordance with its stated values. The Bank clearly communicates to all of its employees that they are expected to adhere to these rules in carrying out their duties for the Bank.

6 Corporate governance and transparency (continued)

6.21 Monitoring Compliance to and Enforcement of Code of Conduct (continued)

The Board, through independent evaluators (i.e. Internal Auditor) and Senior Management, continuously monitor adherence to the set Code of Conduct and take appropriate action against any employee whose actions are found to violate these policies or any other policies of the Bank. Disciplinary actions may include immediate termination of employment or business relationship at the Bank's sole discretion. Employees are prohibited from participating in or concealing criminal activity or illegal behavior. Periodic reports and assessments of compliance to Code of Conduct will be presented to the board to report any incident of non compliance.

6.22 Auditor's Fees and Non-Audit Services

The details of the audit fees charged and non-audit services provided by the Bank's external auditors will be made available to the shareholders as and when requested. Such details will be made available to the Bank's shareholders as per their specific request, provided that these disclosures do not negatively impact the Bank's interest.

6.23 Social Functions and Charitable contributions of the Bank

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

6.24 Penalties or Fines by Central Bank of Bahrain

The bank did not pay any penalties to the Central Bank of Bahrain in 2014.

6.25 Penalties charged to Customers for Default

No penalties were charged to customers with regards to defaults during 2014.

7 REMUNERATION RELATED DISCLOSURES

The Bank's total compensation approach, which includes the variable remuneration policy, sets out the Banks's policy on remuneration for Directors and senior management and the key factors that are taken into account in setting the policy.

During the year, the Bank adopted regulations concerning Sound Remuneration Practices issued by the Central Bank of Bahrain and has proposed revisions to its variable remuneration framework. The revised policy framework and incentive components are subject to the approval of the shareholders in the upcoming Annual General Meeting. Once approved, the policy will be effective for the 2014 annual performance incentives and will be fully implemented for future periods.

The key features of the proposed remuneration framework are summarised below.

7.1 Remuneration Strategy

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation 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.

7 REMUNERATION RELATED DISCLOSURES (continued)

7.1 Remuneration Strategy (continued)

These elements support the achievement of our objectives through balancing rewards 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 quality and long-term commitment of all of our employees is fundamental to our success. We therefore aim to attract, retain and motivate the very best people who are committed to maintaining a career with the Bank, and who will perform their role in the long-term interests of our shareholders. The Bank's reward package is comprised of the following key elements:

1- Fixed pay
2- Benefits
3- Annual performance bonus
4- Long Term Incentives

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

The Bank's remuneration policy in particular, considers the role of each employee and has set guidance 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 requires prior regulatory approval because of the significance of the role within the Bank and an employee is considered a Material Risk Taker if they are the Head of a significant business line or any individuals within their control who has a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to the Bank's values, risks and compliance measures and above all 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 NRC believes the latter contributes to the long-term sustainability of the business.

7.2 NRC Role and Focus

The NRC has oversight of all reward policies for the Bank's employees. The NRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan and risk profile of the Bank.

7.2 NRC Role and Focus (continued)

The responsibilities of the NRC with regards to the Bank's variable remuneration policy, 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 account of 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 same short-run profit but take different amount of risk on behalf of the bank.
- Ensure that for Material Risk Takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including salaries, fees, expenses, bonuses and other employee benefits.
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC will question payouts for income that cannot be realized or whose likelihood of realization remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial control and compliance functions the mix of fixed and variable remuneration is weighted in favor 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.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration-and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Table – 28. NRC Membership

NRC Member Name	Appointment date	Number of meetings attended
Khalid Al Aboodi - Chairman	28-Jan-13	6 meetings attended in 2014
Mishari Al Khalid	28-Jan-13	6 meetings attended in 2014
Khalid Najibi	30-Jan-14	4 meetings attended in 2014

The aggregate remuneration paid to NRC members during the year in the form of sitting fees amounted to USD 50,000 [2013: USD 50,000].

7 REMUNERATION RELATED DISCLOSURES (continued)

7.3 External Consultants

Consultants were appointed during the year to advise the Bank on amendments to the variable remuneration policy to be in line with the CBB's Sound Remuneration Practices and industry norms. This included assistance in designing an appropriate Share-based Incentive Scheme for the Bank.

7.4 Scope of Application of the Remuneration Policy

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

7.5 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 total remuneration (excluding sitting fees) does not exceed 5% of the Bank's net profit after all required deductions as outlined in Article 188 of the Companies law, in any financial year. Board remuneration is subject to approval of the shareholders in the Annual General Meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses or pension benefits.

7.6 Variable Remuneration for Staff

Variable remuneration is performance related and consists primarily of the annual performance bonus award and long term incentives for future performance. As a part of our staff'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 of meeting both satisfactory financial performance and the achievement of other non-financial factors, that will, all other things being equal, deliver a target bonus pool for employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted for determining the variable remuneration pool, the NRC aims to balance the distribution of the Bank's profits between shareholders and employees.

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 result in a target 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 NRC carefully evaluates practices by which remuneration is paid for potential future

7 REMUNERATION RELATED DISCLOSURES (continued)

revenues whose timing and likelihood remain uncertain. NRC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

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

For the overall Bank to have any funding for distribution of a bonus pool; threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework."

7.7 Remuneration of Control Functions

The remuneration level of staff 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 favor of fixed remuneration. The variable remuneration of control functions is to be based on function-specific objectives and is not be determined by the financial performance of the business areas they monitor.

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.

7.8 Variable Compensation for Business Units

The variable remuneration of the business units is primarily determined by 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 requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the bank are treated differently by the remuneration system.

7.9 Risk Assessment Framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavor to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes and delivers an appropriate mix of remuneration that is risk aligned.

7 REMUNERATION RELATED DISCLOSURES (continued)

7.9 Risk Assessment Framework (continued)

The Bank's NRC 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 for all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessments to review financial and operational performance against business strategy and risk performance prior to 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 the bank's current capital position and it's ICAAP.

The bonus pool takes into account the performance of the Bank which is considered within the context of the Bank's risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

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.

The NRC keeps itself abreast of the Bank's performance against the risk management framework. The NRC will use this information when considering remuneration to ensure returns, risks and remuneration are aligned.

7.10 Risk Adjustments

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

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

- There will be considerable contraction of the Bank's total variable remuneration.
- At an individual level, poor performance by the Bank will mean individual KPIs are not met and hence employee performance ratings will be lower
- Reduction in the 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 variable awards may be considered.

7 REMUNERATION RELATED DISCLOSURES (continued)

7.10 Risk Adjustments (continued)

The NRC, with the Board's approval, can rationalize and make the following discretionary decisions:

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

7.11 Malus and Claw Back Framework

The Bank's malus and clawback provisions allow 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 remuneration 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 behavior 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 made by the Bank's Board of Directors.

The Bank's malus and clawback provisions allow 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 willful misbehavior, material error, negligence or incompetence of the employee causing the Bank/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, misbehavior 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.

7 REMUNERATION RELATED DISCLOSURES (continued)

7.12 Components of Variable remuneration

Table - 29. Variable remuneration has 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 period of 3 years
Upfront share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.
Deferred shares	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a period of 3 years
Other Non-Cash Awards	Non-Cash Awards that link rewards to the risk and profitability of individual transactions or transaction portfolios including: - Profit Share in Investments - Carried Interest - Co-Investment in Assets

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).

7.13 Deferred Compensation

All staff earning in excess of BHD 100,000 and the CEO, his deputies and 5 most highly paid business line employees are subject to the following deferral rules:

Table - 30. Deferral Rules - Business Line Employees

Element of variable remuneration	Payout percentages	Vesting period	Retention	Malus*	Clawback*
Upfront cash	40%	immediate	-	-	Yes
Deferred cash	10%	3 years	-	Yes	Yes
Deferred Phantom Shares	10-50%	3 years	6 months	Yes	Yes
Other Non-Cash Awards	0-40%	Transaction linked	6 months	Yes	Yes

All other covered staff are subject to the following deferral rules:

7 REMUNERATION RELATED DISCLOSURES (continued)

7.13 Deferred Compensation (continued)

Table - 31. Deferral Rules - Other Covered Staff

Element of variable remuneration	Payout percentages	Vesting period	Retention	Malus*	Clawback*
Upfront cash	50%	immediate	-	-	Yes
Upfront non-cash awards	10%	immediate	6 months	Yes	Yes
Deferred non-cash awards	40%	3 years	6 months	Yes	Yes

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

7.14 Details of Remuneration Paid

Table - 32. Board of Directors

	2014	2013
Sitting Fees	475,068	475,959
Remuneration	-	-
Others	165,730	178,724

Table - 33. Employee Remuneration

	2014					
	Number of Staff	Variable Remuneration		Fixed Remuneration		Total
		Cash (BHD)	Others (BHD)*	Cash (BHD)	Others (BHD)*	
Approved Persons						
- Business Lines	4	7	-	290	147	444
- Control and Support	5	15	-	315	13	343
Other Material Risk Takers	2	8	-	161	81	250
Other Staff	40	70	-	1348	28	1,446
Total	51	100	-	2114	269	2,483

There was no sign on bonuses, guaranteed bonuses, and variable remuneration (upfront shares, deferred cash/ shares/ others) paid during the year 2014. No bonuses were paid during 2013.

* Others include non cash remuneration

There were no deferred awards either for 2013 or 2014.

7 REMUNERATION RELATED DISCLOSURES (continued)

7.13 Deferred Compensation (continued)

Table - 34. Severance Pay

	2014	2013
Number of Staff	1	39
Severance Pay (USD)	447,882	1,904,989
Highest such award to a single person (USD)	447,882	260,958