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

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

**Our Vision**

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

**Our Mission**

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

**Our Values**

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

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

“The growth in the Bank’s core retail banking business is due largely to the continuous focus on improving our products and services while also growing closer to our customers.”
We are pleased to announce that the strategic decisions taken by Ithmaar Bank early in 2014, which aim to turn the Ithmaar Group around by significantly transforming the Group’s operations, are continuing to deliver positive results, and that we are now proposing plans for a new group structure as the next key step in this transformation.

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

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

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

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

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

We are also pleased to report that the balance sheet remains stable and continues to grow with total assets increasing by 3.5 percent to US$8.1 billion as at 31 December 2015, compared to US$7.9 billion as at 31 December 2014. The increased confidence in the Bank is evident from the increase
As a result of this clear focus throughout the year, total Retail Banking customer current accounts, savings accounts, Thimaar and URIA deposits increased by 11.6 percent in 2015, from US$1.54 billion at the end of 2014 to US$1.72 billion. Ithmaar Bank's financing business also increased by 29 percent, from US$914 million at the end of 2014, to US$1.18 billion.

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

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

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

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Amr Mohammed Al Faisal  
Chairman

Ahmed Abdul Rahim  
Chief Executive Officer
Review of Operations
Strategy and Focus

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

Economic outlook

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

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

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

Firm focus on core business

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

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

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

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

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

#### Financings – FYE 2015

<table>
<thead>
<tr>
<th>Territory</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Bahrain</td>
<td>90%</td>
</tr>
<tr>
<td>GCC</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

#### Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>81%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>4%</td>
</tr>
<tr>
<td>Real estate and construction</td>
<td>10%</td>
</tr>
<tr>
<td>Trade and manufacturing</td>
<td>3%</td>
</tr>
<tr>
<td>Services</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

#### Customer Funds – FYE 2015

<table>
<thead>
<tr>
<th>Territory</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>89%</td>
</tr>
<tr>
<td>GCC</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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</tbody>
</table>

#### Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>65%</td>
</tr>
<tr>
<td>Financial Institutions</td>
<td>3%</td>
</tr>
<tr>
<td>Real estate and construction</td>
<td>9%</td>
</tr>
<tr>
<td>Trade and manufacturing</td>
<td>5%</td>
</tr>
<tr>
<td>Services</td>
<td>8%</td>
</tr>
<tr>
<td>Government related</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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### Ithmaar Bank Retail Banking – Customer Funds (Bahrain)

Customer Funds (URIA) (US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-11</td>
<td>952</td>
</tr>
<tr>
<td>Dec-12</td>
<td>1,144</td>
</tr>
<tr>
<td>Dec-13</td>
<td>1,382</td>
</tr>
<tr>
<td>Dec-14</td>
<td>1,540</td>
</tr>
<tr>
<td>Dec-15</td>
<td>1,719</td>
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</table>
In 2015, Private Banking continued to attract a steady growth in both liabilities and assets with the introduction of new clientele, despite overall market and industry challenges.

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

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

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

As a result, in 2015, Ithmaar Bank signed an agreement with Tamkeen, a Bahrain semi-government organisation which works to make the private sector the key driver of sustainable economic development, to add US$26.5 million to the joint Ithmaar-Tamkeen enterprise finance scheme portfolio. The scheme, which aims to help the private sector enterprises meet their financing needs and achieve their business objectives, helps support the sustainable growth and development of Bahrain’s SMEs. Ithmaar Bank was the first Bank in Bahrain to offer SME financing with Tamkeen during 2007.
Meanwhile, in order to support Ithmaar Bank’s geographic diversification strategy, the International Banking Unit continued to focus on identifying new opportunities in regional and overseas markets on a selective basis.

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

Improving Asset Allocation

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

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

Investing in our people

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

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

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

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

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

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

Celebrating employee excellence

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

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

BIBF Levy Training

Total: 1,190 Hours
Managers and Above: 170 Hours
Below Managers: 1,020 Hours

External Training

Total: 1,218.5 Hours
Managers and Above: 896.5 Hours
Below Managers: 322 Hours

Islamic Banking Ethics and Governance Course – CBB Requirement

11 Employees attended

Anti-Money Laundering (AML) – CBB Requirement

New Joiners: 43 Employees
Annual Refresher Course: 220 Employees

Staff Overview (Bahrain)

<table>
<thead>
<tr>
<th>Role in the community</th>
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Ithmaar Bank continued in 2015 to fulfil its social responsibilities towards the community by supporting worthy local charities, as well as by sponsoring various education, medical and sporting activities.

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

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

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

Ithmaar Bank also continued to support the education of underprivileged students and, together with the Kingdom of Bahrain’s Royal Charity Organisation, sponsors 18 orphaned students from preschool through to Grade 12 at an accredited private school in Bahrain, as well as one Bachelor degree student at an accredited university in Bahrain.
In cooperation with the CBB, Ithmaar hosted the Head of the Research Committee of the Association for Development of Islamic Finance in Kazakhstan for a two-day research trip that included meetings with various department heads to learn about the day-to-day management and operations of an Islamic retail bank.

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

**Empowering women in banking**

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

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

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

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

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

Financial Performance

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

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

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

Financial Position

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

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

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

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

Key operating subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HRH Prince Amr Mohammed Al Faisal
Chairman

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shaikha Hissah has more than 17 years of banking experience.

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

Shaikha Hissah studied Public Administration and Political Science at the American University of Beirut, Lebanon, and holds a Doctorate in Humane Letters.
Abdelhamid Mohamed Aboumousa  
Executive Board Member  
Elected 11 May 2006, 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

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

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

Khalid Abdulla-Janahi  
Executive Board Member  
Elected 11 May 2006, 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

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

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

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

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

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

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

Mohammed A. Rahman Bucheerei  
Non-Executive Board Member  
Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)

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

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

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

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

He studied accounting, mathematics and economics at Gulf Polytechnic, Bahrain.
Nabeel Khaled Mohamed Kanoo  
Independent, Non-Executive Board Member  
Elected 28 March 2010 and 31 March 2013 (approved by the CBB on 9 May 2013)  

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

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

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

Abdullah Ebrahim Al-Qassimi  
Independent, Non-Executive Board Member  
Appointed 15 July 2012 and Elected 31 March 2013 (approved by the CBB on 9 May 2013)  

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

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

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

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

Imtiaz Ahmad Pervez  
Non-Executive Board Member  
Appointed 15 July 2012 and Elected 31 March 2013 (approved by the CBB on 9 May 2013)  

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

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

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

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

Graham R. Walker  
Non-Executive Board Member  
Elected 31 March 2013 (approved by the CBB on 9 May 2013)  

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

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

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

Mr. Walker qualified as a Chartered Accountant and is a member of the Institute of Chartered Accountants of Scotland.
Omar Abdi Ali  
Non-Executive Board Member 

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

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

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

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

Mr. Ali is a Certified Accountant, Leeds College of Commerce, UK, and a Fellow of the Association of Chartered Certified Accountants.
Sheikh Abdullah Sulaiman Al Manee’a
Chairman,
Appointed 2011, reappointed 2013
Sheikh Al Manee’a is a prominent, highly-respected Sharia scholar. He is a member of the Senior Sharia Board in the Kingdom of Saudi Arabia and a consultant in the Royal Court. He is the Vice Chairman of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). He is also Chairman or a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions.
An expert at the Islamic Fiqh Academy, Sheikh Al Manee’a holds a Master’s degree from the Higher Institute for Judgment and has authored several books including ‘Paper Money: Truth, History and Reality’ and ‘Economic Research’ and others.

Sheikh Dr. Nedham Yaqouby
Member,
Appointed 2011, reappointed 2013
Sheikh Dr. Yaqouby is a prominent, highly-respected Islamic Sharia scholar and a successful businessman from the Kingdom of Bahrain. He is a member of the Sharia Board of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), and is also a member of the Sharia Supervisory Boards of several banks, Islamic financial institutions, investment funds and international banks in the GCC region, Arab countries and around the world.
In 2007, the King of Bahrain, His Majesty King Hamad bin Isa Al Khalifa, awarded Sheikh Dr. Yaqouby the Order Merit in recognition of his services in Bahrain and abroad. Sheikh Dr. Yaqouby has also received the Euromoney award for Innovation in Sharia Supervision, as well as the Malaysian Islamic Banking award and other awards.
Sheikh Dr. Yaqouby holds many academic, appreciation and honorary degrees. He has authored a large number of books.

Sheikh Mohsin Al-Asfoor
Member,
Appointed 2011, reappointed 2013
Sheikh Al-Asfoor is a well-known and highly-respected Sharia scholar from the Kingdom of Bahrain. In addition to his membership of the Ithmaar Bank Sharia Supervisory Board, he is a member in several Sharia Supervisory Boards in the Kingdom of Bahrain and abroad. He has previously been a judge at the Supreme Sharia Court of Appeal (Jaaafari).
Sheikh Al-Asfoor is the Head of the Jaaafari Endowments and is a member of the Curriculum Development at the Jaaafari Religious Institute as well as the Sharia Board of the International Islamic Rating Agency of the Islamic Development Bank. He is a graduate of Islamic Hawza from Qom, Iran and has authored more than 60 books on Islamic Sharia.

Sheikh Dr. Osama Mohammed Saad Bahar
Member,
Appointed 2011, reappointed 2013
Sheikh Dr. Bahar is a well-known, highly-respected Sharia scholar from the Kingdom of Bahrain.
He is currently a Sharia member and Head of the Sharia Compliance and Advisory at First Energy Bank. He is also the Chairman or a member of the Sharia Supervisory Boards of several other Islamic banks and financial institutions, funds and investment portfolios in Bahrain and abroad.
Sheikh Dr. Bahar holds a Doctorate from Lahaye University in the Netherlands, a Master’s degree from Al Emam Al Awzae University in Lebanon, and a Bachelor’s degree in Islamic Sharia from Prince Abdul Qader Al Jaazaeri University of Islamic Studies in Algeria.
Sheikh Dr. Bahar has authored several books in Islamic banking as well as society affairs. He also has several radio interviews and participations and newspaper columns.
Executive Management

Ahmed Abdul Rahim  
Chief Executive Officer

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

Ravindra Anant Khot  
Chief Operating Officer

Qualifications and experience:
• Fellow Chartered Accountant (FCA), the Institute of Chartered Accountants of India (1996).
• 30 years of banking and finance experience.
• Joined the Bank in 2007.

Abdulhakeem Khalil Al Mutawa  
General Manager, Retail & Private Banking

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

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

Qualifications and experience:
• Commercial Diploma from Bahrain (1973).
• 42 years of banking experience.
• Joined the Group in 1991.

Mohammed Hasan Janahi  
Assistant General Manager, Retail Banking

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

Yousif Abdulla Alkhan  
Assistant General Manager, Information Technology

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

Rafed Ahmed Al Mannai  
Head, Private Banking

Qualifications and experience:
• Master of Commerce in Information Systems, University of Queensland (2000).
• Bachelor of Science in Architectural Engineering, University of Bahrain (1998).
• 15 years of banking experience.
• Joined the Group in 2007.
Abdulla Abdulaziz Ali Taleb  
Head, Commercial and International Banking  
Qualifications and experience:  
- Bachelor of Science in Banking and Finance, Kingdom University (2009).  
- 16 years of banking experience.  
- Joined the Bank in 2014.

Saqib Mahmood Mustafa  
Head, Financial Control  
Qualifications and experience:  
- Member of the Institute of Chartered Accountants of England & Wales (ICAEW).  
- Fellow Member of the Association of Chartered Certified Accountants (ACCA).  
- Certified Islamic Professional Accountant (CIPA) awarded by AAOIFI.  
- 17 years of banking and finance experience.  
- Joined the Bank in 2007.

Ahmed Baluch Abdulhameed  
Head, Risk Management  
Qualifications and experience:  
- Master of Business Banking and Finance, Monash University, Australia (2005)  
- Master of Business Administration Finance and Accounting, Institute of Business Administration (IBA) Karachi, Pakistan (1996)  
- 15 years of banking and finance experience.  

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

Hana Ahmed Al Murran  
Head, Compliance and AML  
Qualifications and experience:  
- Master of Business Administration, University of Strathclyde Business School, United Kingdom (2012).  
- Bachelor of Science in Banking and Finance, University of Bahrain (2003).  
- 13 years of regulatory, banking and finance experience.  
- Joined the Bank in 2015.

Dr. Adel Ahmed Al Marzooqi  
Head, Sharia Compliance  
Qualifications and experience:  
- Master’s Degree in Islamic Studies, Lebanon (2004).  
- Bachelor of Science in Islamic Studies, Lebanon (1997).  
- 15 years of Sharia experience.  
- Joined the Group in 2009.
Corporate Governance
Corporate Governance

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

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

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

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

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

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

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

BANK ADMINISTRATION

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

The Bank adheres to a business approach that is transparent, honest and fair. It has established various written policies such as the Code of Ethics and Business Conduct, Anti-Money Laundering and Whistle-Blowing Policy for strict adherence by Directors, executives and employees at all levels.
Notes:
- For Remedial Management related matters, the Head of Remedial Management and Collections reports to the Chief Operating Officer and, for Collections, reports to the Head of Retail Banking.
- For Corporate Secretarial related matters, the Corporate Secretary reports to the Chairman of the Board of Directors and, administratively, reports to the Chief Executive Officer.
- For Corporate Communications related matters, the Head of Marketing and Corporate Communications reports to the Chief Operating Officer and, for Marketing Communications, reports to the Head of Retail Banking.
BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

STRUCTURE AND COMPOSITION OF THE BOARD

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

DUTIES OF DIRECTORS

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

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

Duty of Obedience

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

Duty of Care

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

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

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

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

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

**DIRECTORS’ ELECTION AND EVALUATION SYSTEM**

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

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

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

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

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

**BOARD INDUCTION PROGRAMME**

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

**DIRECTORS’ REMUNERATION**


**REMUNERATION RELATED DISCLOSURES**

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

The key features of the policy are summarised below.

**Remuneration strategy**

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

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

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

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

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

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

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

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

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

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

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

Scope of application of the remuneration policy
The remuneration policy has been adopted in 2014 on a bank-wide basis.

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

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

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

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

In determining the amount of variable remuneration, the Bank starts from setting specific targets and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures (including forward-looking considerations).
The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Bank’s objective to pay out bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the RNC.

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

**Remuneration of control functions**

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

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

**Variable compensation for business units**

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

**Risk assessment framework**

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

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

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

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

**Risk adjustments**

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

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

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

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

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

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

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

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

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

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

Components of Variable remuneration
Variable remuneration has the following main components:

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront cash</td>
<td>The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.</td>
</tr>
<tr>
<td>Deferred Cash</td>
<td>The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over a vesting period of three years.</td>
</tr>
<tr>
<td>Deferred shares</td>
<td>The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over a vesting period of three years.</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Element of variable remuneration</th>
<th>Assistant General Managers and above</th>
<th>Executive Senior Managers</th>
<th>Deferral period</th>
<th>Retention</th>
<th>Malus</th>
<th>Clawback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upfront cash</td>
<td>40%</td>
<td>70%</td>
<td>Immediate</td>
<td>-</td>
<td>-</td>
<td>Yes</td>
</tr>
<tr>
<td>Deferred cash</td>
<td>-</td>
<td>30%</td>
<td>Over 2 years</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>-</td>
<td>Over 3 years</td>
<td>-</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Deferred shares</td>
<td>50%</td>
<td>-</td>
<td>Over 3 years</td>
<td>6 months</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

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

Employee remuneration (Bahrain)

<table>
<thead>
<tr>
<th>BHD No. of Staff</th>
<th>Fixed remuneration</th>
<th>Sign on bonuses</th>
<th>Guaranteed bonuses</th>
<th>Variable remuneration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash (Cash/shares)</td>
<td>Cash Cash</td>
<td>Cash Cash Shares</td>
<td>Cash Shares</td>
<td></td>
</tr>
<tr>
<td>Business lines</td>
<td></td>
<td>110,683</td>
<td>27,671</td>
<td>138,354</td>
<td>854,614</td>
</tr>
<tr>
<td>Control &amp; support</td>
<td>4 560,462 - 30,222</td>
<td>68,411</td>
<td>17,103</td>
<td>85,514</td>
<td>761,712</td>
</tr>
<tr>
<td>Other material</td>
<td>Not Applicable</td>
<td>Not</td>
<td>Not</td>
<td></td>
<td></td>
</tr>
<tr>
<td>risk takers</td>
<td></td>
<td>applicable</td>
<td>applicable</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other staff

<table>
<thead>
<tr>
<th>Other Staff of Bahrain Operations</th>
<th>Not Applicable</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff of Branches &amp; subsidiaries</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>65,529 179,094</td>
</tr>
</tbody>
</table>
Deferred awards 2015

<table>
<thead>
<tr>
<th></th>
<th>Cash (BHD)</th>
<th>Shares (Number)</th>
<th>Other (BHD)</th>
<th>Total (BHD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>44,774</td>
<td>3,643,031</td>
<td>223,868</td>
<td>268,642</td>
</tr>
<tr>
<td>Awarded during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paid out / released during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service, performance and risk adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in value of unvested opening awards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Deferred awards 2014

<table>
<thead>
<tr>
<th></th>
<th>Cash (BHD)</th>
<th>Shares (Number)</th>
<th>Other (BHD)</th>
<th>Total (BHD)</th>
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<tr>
<td>Opening balance</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>-</td>
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<td>-</td>
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<td>44,774</td>
<td>3,643,031</td>
<td>223,868</td>
<td>268,642</td>
</tr>
</tbody>
</table>

Additional remuneration data will be made available on the Bank’s website.
BOARD COMMITTEES

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

AUDIT AND GOVERNANCE COMMITTEE

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

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

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

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

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

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

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

RISK MANAGEMENT COMMITTEE

(formerly Risk Policy Committee until 4 June 2015)

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

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

The Risk Management Committee comprises:

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

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

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

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

The Executive Committee comprises:

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

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

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

REMUNERATION AND NOMINATION COMMITTEE

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

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

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

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

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

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

**2015 Board of Directors / Board Committees Meetings Attendance**

<table>
<thead>
<tr>
<th></th>
<th>Board of Directors</th>
<th>Audit &amp; Governance Committee</th>
<th>Executive Committee</th>
<th>Remuneration &amp; Nomination Committee</th>
<th>Risk Management Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligible Attended</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 HRH Prince Amr Mohammed Al Faisal</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2 Sheikh Zamil Abdullah Al-Zamil</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3 Tunku Datu’ Ya’acob Bin Tunku Abdullah</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>4 Shaikha Hissah Bint Saad Al-Sabah</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>5 Abdelhamid Mohamed Aboumousa</td>
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**Dates of meetings during 2015**

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**Notes:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment and Credit Committee
The main objective of this Committee is to manage the credit risk of the Bank including reviewing, approving and ratifying business proposals falling within its authority, reviewing risk management reports and resolving all credit-related issues. The Committee is chaired by the Chief Executive Officer.
Asset-Liability Committee
The Committee is responsible for business performance review, managing the market and liquidity risks of the Bank and monitoring capital adequacy ratio. The main functions are to develop and manage the Bank’s assets and liabilities in accordance with the Strategic Business Plan and relevant banking regulations and laws. The Committee is chaired by the Chief Executive Officer.

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

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

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

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

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

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

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

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

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

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

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

Compliance, Anti-Money Laundering and Internal Controls

Funds Under Management
Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Establishment of an effective governance structure with clear reporting lines and segregation of duties.
- Maintenance of an effective internal control environment.
- Escalation and resolution of risk and control incidents and issues.
A workflow process for reporting of Operational Risk events and maintaining a database of all internal Risk events is in place. The Bank has also implemented a Risk Control Self Assessment (RCSA) process whereby the risk in a process is identified and evaluated taking into consideration the residual risk. The Risk Register which enables the RCSA process is prepared jointly by the risk and line managers.

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

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

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

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

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

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

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

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

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

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

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

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

**COMPLIANCE**

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

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

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

**CUSTOMER COMPLAINT PROCEDURES**

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

**ANTI-MONEY LAUNDERING**

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

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

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

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

**INTERNAL CONTROLS**

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

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

- Business plans and strategies;
- Results of operations;
- Key risk areas;
- Variances against budget; and
- Other performance data.
As a commercial financial institution, a fundamental objective of Ithmaar Bank is to act as a financial intermediary, channelling funds between deficit and surplus agents, for economic benefits. This is usually done through pooling monetary resources from Investment Accountholders (IAH), investing them in the market, and sharing the profits with IAHs at predetermined rates and conditions set out in the agreements. This activity is known as Funds Under Management (FUM).

**STRUCTURE OF THE FUNDS**

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

I. **Un-restricted Funds (URIA)**

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

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

- General Modaraba
- Special Modaraba

II. **Restricted Funds (RIA)**

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

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

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

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

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

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

III. Collective Investment Undertakings (CIU)

CIU have the following features:

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

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

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

RISK AND REWARD

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

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

Specific Term

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

Open Term

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

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

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

REDEMPTIONS

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

FIDUCIARY OBLIGATIONS

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

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

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

GOVERNANCE OF FUNDS UNDER MANAGEMENT

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

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

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

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

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

<table>
<thead>
<tr>
<th>Period</th>
<th>Bank’s share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undetermined term (savings account)</td>
<td>60</td>
</tr>
<tr>
<td>1 month</td>
<td>50</td>
</tr>
<tr>
<td>3 months</td>
<td>45</td>
</tr>
<tr>
<td>6 months</td>
<td>40</td>
</tr>
<tr>
<td>9 months</td>
<td>38</td>
</tr>
<tr>
<td>1 year</td>
<td>35</td>
</tr>
<tr>
<td>18 months</td>
<td>33</td>
</tr>
<tr>
<td>2 years</td>
<td>30</td>
</tr>
<tr>
<td>30 months</td>
<td>28</td>
</tr>
<tr>
<td>3 years</td>
<td>25</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>BD or US$</th>
<th>1 day</th>
<th>7 days</th>
<th>1 month</th>
<th>3 months</th>
<th>6 months</th>
<th>9 months</th>
<th>1 year</th>
<th>18 months</th>
<th>2 years</th>
<th>30 months</th>
<th>3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>0.10</td>
<td>0.10</td>
<td>1.03</td>
<td>1.55</td>
<td>1.97</td>
<td>2.07</td>
<td>2.47</td>
<td>2.52</td>
<td>2.57</td>
<td>2.63</td>
<td>2.70</td>
</tr>
<tr>
<td>General Modaraba</td>
<td>0.10</td>
<td>0.10</td>
<td>1.03</td>
<td>1.55</td>
<td>1.97</td>
<td>2.07</td>
<td>2.47</td>
<td>2.52</td>
<td>2.57</td>
<td>2.63</td>
<td>2.70</td>
</tr>
<tr>
<td>Special Modaraba</td>
<td>-</td>
<td>-</td>
<td>1.33</td>
<td>1.85</td>
<td>2.28</td>
<td>2.38</td>
<td>2.83</td>
<td>2.88</td>
<td>2.93</td>
<td>2.93</td>
<td>3.03</td>
</tr>
</tbody>
</table>
## Share Information

### Shareholding Structure

<table>
<thead>
<tr>
<th>No. of Shareholders</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10,000</td>
<td>130</td>
<td>678,477</td>
</tr>
<tr>
<td>10,001 - 100,000</td>
<td>2159</td>
<td>45,395,307</td>
</tr>
<tr>
<td>100,001 - 1,000,000</td>
<td>412</td>
<td>133,497,653</td>
</tr>
<tr>
<td>1,000,001 - 10,000,000</td>
<td>147</td>
<td>463,500,678</td>
</tr>
<tr>
<td>over 10,000,000</td>
<td>33</td>
<td>2,387,682,912</td>
</tr>
<tr>
<td>Total</td>
<td>2881</td>
<td>3,030,755,027</td>
</tr>
</tbody>
</table>

### Shareholding by Nationality

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Shareholders</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>2</td>
<td>959,467,864</td>
<td>31.66</td>
</tr>
<tr>
<td>Bahrain</td>
<td>828</td>
<td>320,336,976</td>
<td>10.57</td>
</tr>
<tr>
<td>KSA</td>
<td>855</td>
<td>754,423,471</td>
<td>24.89</td>
</tr>
<tr>
<td>Kuwait</td>
<td>585</td>
<td>731,634,400</td>
<td>24.14</td>
</tr>
<tr>
<td>Other GCC Countries</td>
<td>235</td>
<td>113,969,127</td>
<td>3.76</td>
</tr>
<tr>
<td>Other Countries</td>
<td>376</td>
<td>150,923,189</td>
<td>4.98</td>
</tr>
<tr>
<td>Total</td>
<td>2881</td>
<td>3,030,755,027</td>
<td>100.00</td>
</tr>
</tbody>
</table>

### Shares Owned by Government - December 2015

- **Ministry of Finance, Kingdom of Bahrain**
  - No. of Shares: 40,881,210

### Major Shareholders of Ithmaar Bank

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>No. of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dar Al-Maal Al-Islami Trust</td>
<td>790,416,000</td>
<td>26.08</td>
</tr>
<tr>
<td>Islamic Inv. Co. of the Gulf</td>
<td>594,129,224</td>
<td>19.60</td>
</tr>
<tr>
<td>Nizar A. Razaq Al-Qurtas &amp; Co.</td>
<td>199,405,814</td>
<td>6.58</td>
</tr>
<tr>
<td>Others</td>
<td>1,646,209,803</td>
<td>47.74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,030,755,027</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
**Bahrain Bourse**

ITHMR’S TRADING ACTIVITY - Bahrain

![Graph showing ITHMR’s Closing Price and Bahrain All Share Index]

**PERFORMANCE IN THE BAHRAIN BOURSE**

Stock Code: ITHMR

<table>
<thead>
<tr>
<th>Share Price Relative to Indices 2015</th>
<th>Open</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
<th>% Change in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITHMR’s Share Price (US$)</td>
<td>0.160</td>
<td>0.175</td>
<td>0.120</td>
<td>0.145</td>
<td>(9.38)</td>
</tr>
<tr>
<td>Commercial Banks Sector’s Index</td>
<td>2,721.17</td>
<td>2,812.76</td>
<td>2,397.62</td>
<td>2,461.82</td>
<td>(9.53)</td>
</tr>
<tr>
<td>Bahrain All Share Index</td>
<td>1,426.57</td>
<td>1,482.88</td>
<td>1,189.53</td>
<td>1,215.89</td>
<td>(14.77)</td>
</tr>
<tr>
<td>Esterad Index</td>
<td>1,503.57</td>
<td>1,569.63</td>
<td>1,258.92</td>
<td>1,285.80</td>
<td>(14.48)</td>
</tr>
</tbody>
</table>

**ITHMR’S SHARE TRADING (BAHRAIN)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume, No. of Shares</td>
<td>49,716,263</td>
<td>88,356,452</td>
</tr>
<tr>
<td>Value, US$</td>
<td>7,460,596</td>
<td>16,161,392</td>
</tr>
</tbody>
</table>
### PERFORMANCE IN THE KUWAIT STOCK EXCHANGE

**Stock Code: ITHMR**

<table>
<thead>
<tr>
<th>Share Price Relative to Indices 2015</th>
<th>Open</th>
<th>High</th>
<th>Low</th>
<th>Close</th>
<th>% Change in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITHMR’s Share Price (KWD)</td>
<td>0.047</td>
<td>0.053</td>
<td>0.036</td>
<td>0.044</td>
<td>(7.45)</td>
</tr>
<tr>
<td>Commercial Banks Sector’s Index</td>
<td>513.75</td>
<td>536.6</td>
<td>461.22</td>
<td>463.69</td>
<td>(9.74)</td>
</tr>
<tr>
<td>Kuwait All Share Index</td>
<td>6535.38</td>
<td>6775.08</td>
<td>5560.62</td>
<td>5612.48</td>
<td>(14.12)</td>
</tr>
<tr>
<td>K15 Index</td>
<td>1,057</td>
<td>1,120.11</td>
<td>894.90</td>
<td>902.3</td>
<td>(14.64)</td>
</tr>
</tbody>
</table>

### ITHMR’S SHARE TRADING (KUWAIT)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume, No. of Shares</td>
<td>920,442,652</td>
<td>1,467,773,749</td>
</tr>
<tr>
<td>Value, KWD</td>
<td>43,500,921</td>
<td>75,699,406</td>
</tr>
</tbody>
</table>
Corporate Information

Name of Company: Ithmaar Bank B.S.C.
Legal Form: Ithmaar Bank B.S.C. is a Bahrain-based licensed Islamic retail bank regulated by the Central Bank of Bahrain.
Ithmaar Bank B.S.C. is incorporated as a Bahrain shareholding company under Bahrain Commercial Companies Law (Law No. 21 of 2001) with its shares listed on the Bahrain Bourse and the Kuwait Stock Exchange.

Company Registration Number: CR 15210
Stock Exchange Listings: Bahrain Bourse and Kuwait Stock Exchange
Stock code: “ITHMR”
Registered Office: Seef Tower, Building 2080, Road 2825, Al Seef District 428, P. O. Box 2820, Manama, Kingdom of Bahrain
Telephone: +973 1758 4000, +973 1758 5000, Facsimile: +973 1758 4017, +973 1758 5151
Swift Code: FIBHBHBM
E-mail: info@ithmaarbank.com
Website: www.ithmaarbank.com
Head Office: Seef Tower, Building 2080, Road 2825, Al Seef District 428, P. O. Box 2820, Manama, Kingdom of Bahrain
Accounting Year End: 31 December
Compliance Officer: Hana Ahmed Al Murran - Head, Compliance and AML
Company Secretary: Dana Aqeel Raees - Head, Legal Department
Auditors: PricewaterhouseCoopers ME Limited, P.O. Box 21144, Manama, Kingdom of Bahrain