Global Banking Corporation B.S.C. (c)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

GBCORP

In the name of Allah, the Beneficent, the Merciful

All Praise is due to Allah, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Muhammad

Shari'a Advisor's Report on the Activities of Global Banking Corporation B.S.C(C) ("GBCORP") for the fiscal year ended 31st December 2015.

Dear Global Banking Corporation BSC(C) Shareholders,
Peace and Mercy of God be Upon You,

With reference to the mandate assigned to me, I am pleased to present the following report:

I have reviewed the principles and contracts related to transactions carried out by GBCORP (the "Bank") during the fiscal year ended 31st December 2015. The review was conducted to render an opinion on whether the bank had followed the principles and provisions of Islamic regulations, specific guidance and Fatwas issued by Shari'a Supervisory Board. While the Bank holds the responsibility to ensure that its operations are completed in accordance with Shari'a regulations that emanate from me, my responsibility is limited to state and express an opinion on the Bank's operations and submit it to the shareholders.

I have conducted my review which included examining on a test basis of each type of transaction, the relevant documentation and procedure adopted by Global Banking Corporation BSC(C). In my opinion:

1. The contracts and operations of the Bank are in compliance with the provisions and principles of Shari'a for the year ended 31st December 2015.
2. The Bank's distribution of profits and transfer of losses related to investment accounts are compatible with the provisions and principles of Islamic regulations.
3. There are no proceeds from sources that are not compatible with the principles and provisions of Islamic law.
4. Zakah calculations are in accordance with the regulations and standards of Shari'a.

And Allah is the source of strength

His Eminence
Sheikh Dr. Osama Mohammed Bahar
Shari'a Advisor

15th Jumaada Al Awwal 1437 H
24th February 2016

GLOBAL BANKING CORPORATION B.S.C. (c)

BOARD OF DIRECTORS REPORT
for the year ended 31st December 2015

In the name of Allah, the Beneficent, the Merciful, Prayers and Peace upon the Last Apostle and Messenger, Our Prophet Mohammad

On behalf of the Board of Directors of Global Banking Corporation B.S.C. (c) (GBCORP), I am pleased to present to you the financial statements of GBCORP for the Financial Year Ended 31st December 2015.

GBCORP's total operating income for the Financial Year Ended 31st December 2015 was US$ 4.78 million compared to US$ 6.65 million for the previous year. Total expenses amounted to US$ 6.86 million, inclusive of total provisions of US$ 0.36 million resulting in an overall net loss of US$2.08 million compared to a net loss of US$4.38 million for 2014. GBCORP's total assets dropped to US$ 126.88 million compared to US$128.98 million in 2014.

In line with Article 188 of the Bahraini Commercial Companies Law No. (21) for the Year 2001 and the Rulebook of the Central Bank of Bahrain, the Board of Directors sitting fees and expenses relating to the financial year ended 31st December 2015 are as follows:

Board of Directors Sitting Fees:	USD 20,000.00
Accommodation, Travel and other expenses:	USD 13,079.00
Total:	USD 33,079.00

After the downsizing of the Bank in 2014, the Bank continues to operate with a small cost base consisting of minimum staff number and controlled expenses. During 2015, no new business activity was undertaken, however, lower expense base compared to prior years improved the liquidity position of GBCORP. In the meantime, the Board of Directors is considering options on the way forward which will be presented to the shareholders in due time.

The Board would like to take this opportunity to express its sincere appreciation to our shareholders, clients and strategic partners for their continued support, trust and faith in our management and staff during this time of uncertainty. The Board also wishes to thank our Shari'a Supervisory Board and the Central Bank of Bahrain, for their constructive assistance and advice. This is immensely encouraging in helping us building towards long- term success.

Hisham Salah Al Saie
Chairman

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GLOBAL BANKING CORPORATION B.S.C. (c)

We have audited the accompanying consolidated statement of financial position of Global Banking Corporation B.S.C. (c) [the "Bank"] and its subsidiaries [together the "Group"] as of 31 December 2015, and the related consolidated statements of income, cash flows and changes in owners' equity for the year then ended and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Emphasis of matters

Without qualifying our opinion, we draw attention to:

a) Note 2.1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern; and

b) Note 6.1 to the consolidated financial statements which indicates the existence of a material uncertainty regarding the full recovery of the Bank's investment in one of its investee Company.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GLOBAL BANKING CORPORATION B.S.C. (c) (continued)

Report on other regulatory requirements

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

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

b) the financial information contained in the directors' report is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Bank or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests. The Bank has also complied with the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.

Ernst + Young

Partner's registration no: 117
28 February 2016
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 US $ 000	2014 US $ 000
ASSETS			
Cash and bank balances		**131**	135
Placements with financial institutions	5	**24,401**	23,921
Investment securities	6	**41,767**	41,826
Investment property	7	**52,333**	53,856
Property and equipment	9	**3,417**	3,796
Other assets	10	**4,826**	5,441
TOTAL ASSETS		**126,875**	128,975
LIABILITIES AND EQUITY			
LIABILITIES			
Accruals and other liabilities	11	**6,954**	6,972
TOTAL LIABILITIES		**6,954**	6,972
EQUITY			
Share capital	12	**200,000**	200,000
Statutory reserve		**7,284**	7,284
Accumulated losses		**(87,511)**	(85,437)
Total equity and reserves attributable to shareholders of the Bank		**119,773**	121,847
Non-controlling stakeholders		**148**	156
TOTAL EQUITY		**119,921**	122,003
TOTAL LIABILITIES AND EQUITY		**126,875**	128,975

Hisham Saleh Al Saie
Chairman

Raed Mohammed Al Saleh
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Note	2015 US$ 000	2014 US$ 000
INCOME			
Income from investment property	13	**4,448**	4,620
Income from placements with financial institutions		**294**	176
Loss from investment securities	14	**(31)**	(27)
Other income		**70**	173
Liability no longer required written back		**-**	1,500
Gain on sale of joint venture	8	**-**	290
Share of loss from joint venture		**-**	(81)
Total income		**4,781**	6,651
EXPENSES			
Staff cost	15	**1,851**	5,553
Depreciation and amortisation	9,10	**1,974**	2,170
Legal and professional expenses		**399**	1,226
Premises costs		**1,050**	1,158
Other operating expenses	16	**1,230**	881
Total expenses		**6,504**	10,988
Loss for the year before provision for impairment		**(1,723)**	(4,337)
Provision for impairment	10	**(359)**	(39)
NET LOSS FOR THE YEAR		**(2,082)**	(4,376)
Attributable to:			
Equity holders of the Bank		**(2,074)**	(4,391)
Non-controlling stakeholders		**(8)**	15
		(2,082)	(4,376)

Hisham Saleh Al Saie
Chairman

Raed Mohammed Al Saleh
Vice Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	*2015* *US$ 000*	*2014* *US$ 000*
OPERATING ACTIVITIES			
Net loss for the year		**(2,082)**	(4,376)
Adjustments for:			
Depreciation and amortisation	9,10,16	**2,526**	2,721
Provision for impairment		**359**	39
Net unrealised loss on investment securities	14	**59**	45
Dividend income	14	**(28)**	(18)
Finance expense	16	**-**	4
Share of loss from joint venture		**-**	81
Gain on sale of joint venture		**-**	(290)
Operating income (loss) before changes in operating assets and liabilities		**834**	(1,794)
Changes in operating assets and liabilities:			
Other assets		**(296)**	17,918
Investors' funds		**-**	(3,171)
Accruals and other liabilities		**(18)**	2,909
Net cash flows from operating activities		**520**	15,862
INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(72)**	(337)
Dividend income	14	**28**	18
Receipt on sale of investment in joint venture	8	**-**	598
Net cash out in investing activities		**(44)**	279
FINANCING ACTIVITY			
Finance cost paid	16	**-**	(4)
Net cash used in financing activities		**-**	(4)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**476**	16,137
Cash and cash equivalents at 1 January		**24,056**	7,919
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**24,532**	24,056
Cash and cash equivalents comprise of:			
Cash and bank balances		**131**	135
Placements with financial and other institutions		**24,401**	23,921
		24,532	24,056

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to shareholders				*Non-*	
	Share capital	*Statutory reserve*	*Accumulated losses*	*Total*	*controlling stakeholders*	*Total equity*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Balance at 1 January 2015	200,000	7,284	(85,437)	121,847	156	122,003
Loss for the year	-	-	(2,074)	(2,074)	(8)	(2,082)
Balance at 31 December 2015	**200,000**	**7,284**	**(87,511)**	**119,773**	**148**	**119,921**
Balance at 1 January 2014	200,000	7,284	(81,046)	126,238	141	126,379
Profit for the year	-	-	(4,391)	(4,391)	15	(4,376)
Balance at 31 December 2014	200,000	7,284	(85,437)	121,847	156	122,003

The attached notes 1 to 25 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Global Banking Corporation B.S.C. (c) (the "Bank") is a closed joint stock company incorporated in the Kingdom of Bahrain on 25 June 2007 under the Bahrain Commercial Companies Law and is registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 65708. The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain (the "CBB").

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board comprising of one Islamic scholar. The principal activities of the Bank include investment banking services that comply with Islamic Shari'a rules and principles as determined by the Bank's Shari'a Supervisory Board.

The Bank and its subsidiaries (together the "Group") operate in the Kingdom of Bahrain.

The consolidated financial statements were approved by the Board of Directors on 28 February 2016.

2 BASIS OF PREPARATION

2.1 Going concern assumption

In May 2014, the Board of Directors of the Bank had resolved not to pursue new business. As a result of this resolution, certain key functions of the Bank became redundant. Therefore, number of employees of the Bank reduced to 10 employees (31 December 2014: 11 employees). As part of this downsizing process, the positions of Chief Operating Officer, Head of Risk, Head of Compliance and the entire investment function had been made redundant (refer to note 16 for one-off redundancy costs). In spite of these circumstances and events, the Board of Directors concluded that the Bank has adequate resources to continue its operations as a going concern for at least next twelve months from the statement of financial position date. Furthermore, as of the date of approval of these consolidated financial statements the Board of Directors intend to continue with the operations of the Bank for the foreseeable future.

2.2 Accounting convention

The consolidated financial statements are prepared on the historical cost basis except for the measurement at fair value of trading securities and investments in managed funds. The consolidated financial statements are presented in US Dollars ("US$"), being the principal currency of the Group's operations. All the values are rounded to the nearest US$ thousand, unless otherwise indicated.

2.3 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives. In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

The significant subsidiaries consolidated during the year include:

Name of the entity	Place of incorporation	Effective % of	Date of incorporation	Nature of business
Diyafa Holdings Company W.L.L.	Kingdom of Bahrain	90%	20 May 2009	Virtual offices and hospitality services
Global Executive Offices Co. S.P.C.	Kingdom of Bahrain	90%	23 December 2009	Providing, operation, leasing and equipping offices.

2 BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

The Bank's subsidiaries are those enterprises (including special purpose entities) controlled by the Bank. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

Share of non-controlling stakeholders represents the portion of net income and net assets not held by the Group and are presented separately in the consolidated statement of income and within owners' equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the Bank. Transactions with the non controlling stakeholders are handled in the same way as transactions with external parties.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency transactions

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

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the consolidated statement of financial position. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Exchange gains and losses on non-monetary items classified as "fair value through statement of income" are taken to the consolidated statement of income and for items classified as "fair value through equity" such differences are taken to the consolidated statement of comprehensive income.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Cash and cash equivalents
For the purpose of statement of cash flows, cash and cash equivalents comprise cash, bank balances and short-term highly liquid assets (placements with financial and other institutions) with original maturities of three months or less when acquired which are subject to insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

3.3 Placements with financial institutions
These comprise interbank placements made under Shari'a compliant contracts. Placements are usually short-term in nature and are stated at their amortised cost.

3.4 Investment securities
Investment securities comprise trading and strategic investments in equity instruments, but exclude investment in subsidiaries and investment in joint ventures.

(i) Classification

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

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

Investments are classified as held-for-trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealers margin or that form part of a portfolio where there is an actual pattern of short-term profit taking. Those include investments in quoted equities.

On initial recognition, an equity-type instrument is designated as FVTSI only if the investment is managed and its performance is evaluated and reported on internally by the management on a fair value basis.

At fair value through equity (FVTE)
Equity-type instruments other than those designated at fair value through statement of income are classified as at fair value through equity. These include investments in certain unquoted equity securities.

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

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

Subsequent to initial recognition, investments carried at FVTSI and FVTE are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at FVTSI are recognised in the consolidated statement of income in the period in which they arise. Gains and losses arising from a change in the fair value of investments carried at FVTE are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments carried at FVTE are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Investment securities (continued)

(iii) Measurement (continued)

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

(iv) Measurement principles

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair values of financial instruments are disclosed in Note 22.

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

3.5 *Investment in joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in joint ventures are accounted for using the equity method (equity-accounted investees). Investments in joint ventures are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity. When the Group's share of losses exceeds its interest in a joint venture, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

3.6 *Special purpose entities*

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

The Group in its fiduciary capacity manages and administers assets held in trust and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity so as to obtain benefits from its activities. Information about the Group's fiduciary assets under management is set out in note 17.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the course of business, use in the production or supply of goods or services or for administrative purposes. The Group follows the cost model to measure its investment property and carries it at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Land is not depreciated. Building is depreciated over a period of 30 years on a straight line basis. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.8 Property and equipment

Property and equipment comprise of fixture and equipment, furniture, motor vehicles and part of building occupied by the Bank which includes land and building. Property and equipment are stated at cost, less accumulated depreciation and impairment losses (if any). Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation on equipment is computed using the straight-line method to write off the cost of the assets over their estimated useful lives ranging from three to five years. Land is not depreciated. Self occupied portion of the building is depreciated over a period 30 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

3.9 Intangible assets

Intangible assets comprise computer software acquired by the Group and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The intangible assets are amortised on a straight-line basis over 3 years, being the estimated useful life of the assets.

3.10 Impairment of assets

The Bank assesses at each reporting date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in quoted equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets carried at amortised cost

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

Unquoted equity securities

For unquoted equity securities carried at cost, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverable amount is assessed to be below the cost of the investment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of assets (continued)

Other non-financial assets
The carrying amount of the Group's other non-financial assets are reviewed at each reporting date to determine whether there is any provision of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use or fair value less costs to sell. A provision for impairment is recognised in the statement of income whenever the carrying amount of an asset exceeds its estimated recoverable amount. Provision for impairment is reversed only if impairment indication no longer exist or there has been a change in the estimates used to determine the recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. Separately recognised goodwill is not amortised and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed.

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

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

3.13 Share capital
Ordinary shares are classified as equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity instruments of the group comprise ordinary shares.

3.14 Statutory reserve
The Bahrain Commercial Companies Law 2001 requires that 10 percent of the annual net profit be appropriated to a statutory reserve after adjustment of accumulated losses which is normally distributable only on dissolution or in circumstances state in Bahrain Commercial Companies Law subject to the Central Bank of Bahrain. Appropriations may cease when the reserve reaches 50 percent of the paid up share capital.

3.15 Restricted investment accounts
Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or an agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

3.16 Revenue recognition
Income from advisory and management services
Income from advisory and management services is recognised when the service is provided and income is earned. This is usually when the Bank has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Bank. Significant acts in relation to a transaction are determined based on the terms agreed in the private placement memorandum/ contracts for each transaction.

Placement, arrangement and management fees
Placement, arrangement and management fees are recognised when services are performed and income is earned.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Revenue recognition (continued)

Income from placements with financial and other institutions
Income from placements with financial and other institutions is recognised on a time-apportioned basis over the period of the related contract.

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

Income from investment property
Rental income from investment property leased out under operating lease is recognised in the statement of income on a straight-line basis over the term of the lease. Utilities income is recognised based on the leased agreement for invoiced amount to tenants in accordance with the lease agreement.

3.17 Earnings prohibited by Shari'a
The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Bank uses these funds for charitable means.

3.18 Zakah
The Group is not required to pay Zakah on behalf of its shareholders on its undistributed profits. However, the Group is required to calculate and notify, under a separate report, individual shareholders of their pro-rata share of the Zakah payable by them on distributed profits. These calculations are approved by the Group's Shari'a Supervisory Board.

3.19 Employee benefits

(i) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits
Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) Post employment benefits
Pensions and other social benefits for Bahraini employees are covered by the General Organisation for Social Insurance scheme and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in statement of income when they are due.

Certain employees on fixed contracts are also entitled to leaving indemnities payable, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the notional liability had all employees left at the reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.21 Prepaid car park rent

The prepaid car park rent is amortised over the lease contract (currently 10 years).

3.22 New standards, amendments and interpretations

FAS 23 – Consolidation

The amendment introduced to FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors.

In terms of voting rights, the amendment also clarifies that an Islamic financial institution shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the consolidated financial statements of the Group.

FAS 27 – Investment Accounts

FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the consolidated financial statements of the Group. FAS 27 is effective for annual periods beginning 1 January 2016.

4 SIGNIFICANT ASSUMPTIONS, JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The most significant uses of judgments and estimates are as follows:

4.1 Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future (refer note 2.1).

4.2 *Special purpose entities*

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

4 SIGNIFICANT ASSUMPTIONS, JUDGEMENTS AND ESTIMATES (continued)

4.3 *Impairment on unquoted equity securities (at cost)*

The unquoted equity securities where fair values are not readily available and are carried at cost, the recoverable amount of such investment is estimated to test for impairment. A significant portion of the Group's unquoted equity securities comprise of investments in long-term real estate development projects. In making a judgement of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

(i) Impairment on receivables

The Group reviews its receivables at each reporting date to assess whether an impairment provision should be recorded in the consolidated financial statements. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes to the provisions.

During the year, a provision of US$ 359 thousand (2014: US$ 39 thousand) has been created on past due receivables. (note 10)

(ii) Impairment on investment property

The impairment assessment of the investment property was based on determination of value in use of the cash generating unit principally using average of income capitalisation approach and cost approach. Income capitalisation approach was based on discounted cash flow projections by an external valuer based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The average occupancy was assumed to be 92.5% per annum, depending on management's expectation for the particular properties. The effect of increase or decrease by 5% in occupancy rate, with all other variables held constant, the fair value amount of investment properties (note 7) would have an estimated increase or decrease of US$ 1,657 thousand.

The capitalisation rate was assumed to be 8.5% for the properties valued by the income capitalisation approach. Were the capitalisation rate used to increase or decrease by 0.5%, the fair value amount of investment properties (note 7) would have an estimated increase or decrease of US$ 3,359 thousand.

(iii) *Performance obligations*

During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. The Group assess its fiduciary responsibilities at each reporting date whether there exists a constructive obligation that can be estimated reliably, and probable that an outflow of economic benefits will be required to settle the obligation (refer to note 17). If any such conditions exist, then a provision is recognised in the consolidated statement of incomes. Management has made an assessment and concluded that no legal or constructive obligation which require provision as of 31

5 PLACEMENTS WITH FINANCIAL INSTITUTIONS

These are on Wakala basis with maturities of less than ninety days with a profit rate of 1% (2014: 1%).

6 INVESTMENT SECURITIES

	Note	*2015* *US$ 000*	*2014* *US$ 000*
Fair value through statement of income (listed)		**243**	302
Fair value through equity	6.1	**41,524**	41,524
		41,767	41,826

6.1 These comprises of Bank's share of investment in Marsa Al Seef Investment Company Limited amount to US$ 33,422 thousand (2014: US$ 33,422 thousand) and Boulevard Al Areen Real Estate Development Company ("Boulevard") amounting to US$ 8,102 thousand (2014: US$ 8,102 thousand). Both of these projects are real estate development projects with participation from investors (note 17). The recoverable amount of these investments have been determined by the management based on recent independent valuation carried out by real estate experts.

Subsequent to the Boulevard's subscription period, the legal title of the subject real estate properties were not transferred to project company by project developer and other owners of the subject real estate properties (collectively "Property Owners"). As a result legal dispute arose between Boulevard and Property Owners. The matter was referred to Bahrain Chamber of Dispute Resolution ("BCDR"). On 19 January 2012, the BCDR decided the matter in favour of Boulevard. During 2014, after going through rigorous legal procedures, the matter was referred to the Execution Court to implement the decision of BCDR for the recovery of the dues from the Property Owners. During 2015, the implementation of BCDR decision was put on hold in order to proceed with out of court settlement between the Boulevard and Property Owners. As of 31 December 2015, the out of court settlement was in progress. Since the ultimate outcome of this recovery is still uncertain at the statement of financial position date, therefore, this casts a significant doubt on full recovery of this investment. However, the carrying value is supported by independent recent valuation of the underlying real east project (note 17).

7 INVESTMENT PROPERTY

Investment property comprises that portion of land and building let out under operating leases. The carrying value of the investment property is given below:

	Land *US$ 000*	*Building* *US$ 000*	*2015* *Total* *US$ 000*	*2014* *Total* *US$ 000*
Cost				
At 1 January	**19,091**	**45,684**	**64,775**	64,775
At 31 December	**19,091**	**45,684**	**64,775**	64,775
Depreciation				
At 1 January	**-**	**9,769**	**9,769**	8,246
Charge for year	**-**	**1,523**	**1,523**	1,523
At 31 December	**-**	**11,292**	**11,292**	9,769
Provision for impairment	**-**	**(1,150)**	**(1,150)**	(1,150)
Net book value at 31 December	**19,091**	**33,242**	**52,333**	53,856

The fair value of the investment property at 31 December 2015 was US$ 59,906 thousand (2014: US$ 58,146 thousand). The fair value is determined by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

8 INVESTMENT IN JOINT VENTURES

During 2014, the Group disposed of it's 50% stake in Abdelwahab Restaurant Co. W.L.L. for US$ 598 thousand and realised a gain on sale of joint venture of US$ 290 thousand.

9 PROPERTY AND EQUIPMENT

	Land	*Building*	*Fixture and equipment*	*Furniture*	*Motor vehicles*	*Total 2015*	*Total 2014*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Cost							
At 1 January	**1,009**	**2,351**	**10,321**	**1,368**	**119**	**15,168**	15,012
Additions during the year	**-**	**63**	**9**	**-**	**-**	**72**	318
Transfer from work-in-progress	**-**	**-**	**23**	**-**	**-**	**23**	-
Write-off (note 9.1)	**-**	**-**	**-**	**-**	**-**	**-**	(162)
At 31 December	**1,009**	**2,414**	**10,353**	**1,368**	**119**	**15,263**	15,168
Depreciation							
At 1 January	**-**	**505**	**9,516**	**1,332**	**42**	**11,395**	10,910
Charge for the year	**-**	**79**	**337**	**11**	**24**	**451**	647
Write-off (note 9.1)	**-**	**-**	**-**	**-**	**-**	**-**	(162)
At 31 December	**-**	**584**	**9,853**	**1,343**	**66**	**11,846**	11,395
Net book value at 31 December	**1,009**	**1,830**	**500**	**25**	**53**	**3,417**	3,773
Capital work-in-progress	**-**	**-**	**-**	**-**	**-**	**-**	23
Total	**1,009**	**1,830**	**500**	**25**	**53**	**3,417**	3,796

9.1 These pertain to fully depreciated assets discarded during the year.

10 OTHER ASSETS

	Note	*2015*	*2014*
		US$ 000	*US$ 000*
Prepayment for car park spaces		**1,977**	2,529
Receivable from tenants	10.1	**2,170**	2,386
Prepayments and other receivables		**530**	486
Project costs recoverable, net	10.1	**149**	40
		4,826	5,441

10.1 Receivable from tenants are net of impairment provisions of US$ 583 thousand (2014: US$ 307 thousand). Project costs recoverable are net of impairment provisions of US$ 4,689 thousand (2014: US$ 4,606 thousand).

11 ACCRUALS AND OTHER LIABILITIES

	Note	2015 US$ 000	2014 US$ 000
Funds due to investors	11.1	**4,379**	4,108
Advance income from tenants		**984**	1,099
Provision for redundancy	11.2	**696**	889
Security deposits from tenants		**348**	345
Accrued expenses		**218**	230
Leaving indemnity		**67**	109
Other payables		**262**	192
		6,954	6,972

11.1 As of 31 December 2015, funds of BD 4,108 thousand (2014: same) due to investors pertaining' to funds which were received on exiting a project promoted by the Bank. These funds have been withheld as the Bank is reviewing certain legal and administrative matters in respect of those investors. Once the outcome of the review of those legal and administrative matters is finalised, the Bank may consider repaying these funds to its remaining investors (note 17).

11.2 The Bank has made a redundancy provision for remaining staff of the Bank, which will be paid to employees on termination of their employment or if employees decide to leave the Bank voluntarily.

12 SHARE CAPITAL

	2015 US$ 000	2014 US$ 000
Authorised:		
500,000,000 ordinary shares of US$ 1 each (2014: same)	**500,000**	500,000
Issued and subscribed:		
200,000,000 ordinary shares of US$ 1 each (2014: same)	**200,000**	200,000
Paid up:		
200,000,000 ordinary shares fully paid US$ 1 each (2014: same)	**200,000**	200,000

13 INCOME FROM INVESTMENT PROPERTY

	2015 US$ 000	2014 US$ 000
Rental income	**3,393**	3,375
Utilities and service income	**1,055**	1,245
	4,448	4,620

14 INCOME FROM INVESTMENT SECURITIES

	2015 US$ 000	2014 US$ 000
Fair value loss on investments at fair value through statement of income	**(59)**	(45)
Dividend income	**28**	18
	(31)	(27)

15 STAFF COST

	Note	*2015* *US$ 000*	*2014* *US$ 000*
Salaries and benefits		**1,381**	2,356
Redundancy costs	2.1	**299**	3,042
Indemnity expense		**95**	20
Social insurance expenses		**55**	109
Other staff expenses		**21**	26
		1,851	5,553

16 OTHER OPERATING EXPENSES

	2015 *US$ 000*	*2014* *US$ 000*
Amortisation of prepaid car park rent	**552**	551
Information technology and communication expenses	**200**	201
Marketing and corporate communication expenses	**34**	19
Finance expense	**-**	4
Other expenses *	**444**	106
	1,230	881

* This include an amount of US$ 271 thousand (2014: nil) pertains to wakala profit earned by the Group, during 2008, on subscriptions received from investors on a project promoted by the Bank and recorded as the Group's income instead of liability toward investors.

17 FUNDS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its investor vehicles, which involve the Group making decisions on behalf of such entities. Assets that are held in such capacity are not included in these consolidated financial statements. At the reporting date, the Group had assets under management of US$ 511,402 thousand (2014: US$ 511,402 thousand). As of 31 December 2015, there was a legal dispute on the underlying real estate properties of one of the investor vehicle managed by the Bank, amounting to US$ 97,000 thousand (2014: US$ 97,000 thousand). Since the ultimate outcome of this dispute is still uncertain at the statement of financial position date, therefore, this casts a significant doubt on full recovery of this investment (note 6.1).

As at 31 December 2015, there is a balance of US$ 4,379 thousand (2014: BD 4,108 thousand) to be distributed to investors (note 11).

18 RELATED PARTY TRANSACTIONS BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, joint ventures, major shareholders, directors, Shari'a Supervisory Board members and executive management of the Group.

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The Group's income from investment banking services is from entities over which the Group exercises influence. Although the entity is considered a related party, the Group administers and manages the entity on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investment. The transactions with these entities are based on agreed terms in the private placement memorandum.

18 RELATED PARTY TRANSACTIONS BALANCES (continued)

The significant related party balances and transactions (including compensation to key management personnel) included in these consolidated financial statements are as follows:

	Joint ventures US$ 000	***Assets under management including special purpose entities US$ 000***	***Shareholders / Key management personnel US$ 000***	***Total US$ 000***
31 December 2015				
Assets				
Investment securities	**-**	**41,524**	**-**	**41,524**
Other assets	**-**	**149**	**-**	**149**
Liabilities				
Accruals and other liabilities	**-**	**4,379**	**498**	**4,877**
Expenses				
Staff costs	**-**	**-**	**612**	**612**
Board member fees	**-**	**-**	**29**	**29**
Legal and professional expenses	**-**	**83**	**47**	**130**

The significant related party balances and transactions (including compensation to key management personnel) included in these consolidated financial statements are as follows:

	Joint ventures US$ 000	*Assets under management including special purpose entities US$ 000*	*Shareholders / Key management personnel US$ 000*	*Total US$ 000*
31 December 2014				
Assets				
Investment securities	-	41,524	-	41,524
Other assets	-	96	-	96
Liabilities				
Accruals and other liabilities	-	4,108	441	4,549
Income				
Rental income from investment property	-	49	-	49
Share of loss from joint ventures	(81)	-	-	(81)
Liability no longer required written back	-	-	1,500	1,500
Expenses				
Staff costs	-	-	638	638
Board member fees	-	-	44	44
Professional and travel expenses	-	549	60	609

19 EARNINGS PROHIBITED BY SHARI'A

During the year, there were no earnings from non-Islamic transactions that are prohibited by Shari'a (2014: Nil).

20 COMMITMENTS AND CONTINGENCIES

Performance obligations
During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects.

In the opinion of the management, no additional liabilities are expected to materialise on the Group at 31 December 2015 due to the performance of any of its projects.

21 SEGMENTS INFORMATION

Information regarding the results of segments is included below:

	Investment banking	*Property management*	*Unallocated*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
2015				
Revenue	-	4,448	333	4,781
Net profit	-	1,875	(3,957)	(2,082)
Assets	41,524	57,343	28,008	126,875
Liabilities	4,379	1,332	1,243	6,954

	Investment banking	*Property management*	*Unallocated*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
2014				
Revenue	-	4,620	2,031	6,651
Net profit	-	1,937	(6,313)	(4,376)
Assets	41,524	59,062	31,209	131,795
Liabilities	4,108	1,444	1,420	6,972

22 FAIR VALUE

Fair value is the value representing the estimate of the amount of cash or cash equivalent that would be received for an asset sold or the amount of cash or cash equivalent paid for a liability extinguished or transferred in an orderly transaction between a willing buyer and a willing seller at the measurement date.

The estimated fair values of the Group's financial instruments are not significantly different from their carrying values.

Fair value hierarchy
The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22 FAIR VALUE (continued)

31 December 2015	*Level 1* *US$ 000*	*Level 2* *US$ 000*	*Level 3* *US$ 000*	*Total* *US$ 000*
Assets measured at fair value				
Equity type instruments carried at fair value through statement of income	243	-	-	243
Assets for which fair values are disclosed				
Investment property	-	-	52,333	52,333
	243	-	52,333	243

31 December 2014	*Level 1* *US$ 000*	*Level 2* *US$ 000*	*Level 3* *US$ 000*	*Total* *US$ 000*
Equity type instruments carried at fair value through statement of income	302	-	-	302
Assets for which fair values are disclosed				
Investment property	-	-	53,856	53,856
	302	-	53,856	54,158

During the year ended 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

23 CLASSIFICATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

The Group's financial instruments have been classified in accordance with their measurement basis as follows:

	Financial assets at fair value through statement of income *US$ 000*	*Financial assets at fair value through equity* *US$ 000*	*Financial assets at cost/ amortised cost* *US$ 000*	*Financial liabilities at cost/ amortised cost* *US$ 000*	*Total 2015* *US$ 000*
ASSETS					
Cash and bank balances	-	-	131	-	131
Placements with financial institutions	-	-	24,401	-	24,401
Investment securities	243	41,524	-	-	41,767
Other assets	-	-	2,319	-	2,319
	243	41,524	26,851	-	68,618
LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS					
Accruals and other liabilities	-	-	-	6,954	6,954
	-	-	-	6,954	6,954

23 CLASSIFICATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (continued)

	Financial assets at fair value through statement of income US$ 000	*Financial assets at fair value through equity US$ 000*	*Financial assets at cost/ amortised cost US$ 000*	*Financial liabilities at cost/ amortised cost US$ 000*	*Total 2014 US$ 000*
ASSETS					
Cash and bank balances	-	-	135	-	135
Placements with financial institutions	-	-	23,921	-	23,921
Investment securities	302	41,524	-	-	41,826
Other assets	-	-	2,426	-	2,426
	302	41,524	26,482	-	68,308
LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS					
Accruals and other liabilities	-	-	-	6,972	6,972
	-	-	-	6,972	6,972

24 RISK MANAGEMENT

Financial assets of the Group comprise bank balances, placements with financial institutions, unquoted equity securities, investments carried at fair value through statement of income, receivable from investment banking services and other receivable balances. Financial liabilities of the Group comprise other payable balances.

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

- credit risk;
- liquidity risk;
- market risks; and
- operational risk.

a. Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. Credit risk arises principally from the Group's balances with banks, placements with financial institutions and other receivables. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Exposure to credit risk

The carrying values of bank balances, placements with financial institutions and other receivables represent the maximum credit risk.

The Group's credit risk on bank balances and placements with financial institutions is limited as these are placed with banks in GCC having good credit ratings.

Impaired receivables

Impaired receivables are those for which the Group determines that it is probable that it will be unable to collect all payments due according to the contractual terms of the receivables agreement(s). During the year an additional provision for impairment of US$ 359 thousand has been provided on certain receivables (2014: US$ 39 thousand). (note 10.1)

24 RISK MANAGEMENT (continued)

a. Credit risk (continued)

Concentration risk

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

The industry sector and geographical wise distribution of assets and liabilities are set out as follows:

Industry sector

31 December 2015	***Banks and financial institutions US$ 000***	***Real estate US$ 000***	***Others US$ 000***	***Total US$ 000***
Assets				
Cash and bank balances	128	-	3	**131**
Placements with financial and other institutions	24,401	-	-	**24,401**
Investment securities	-	41,524	243	**41,767**
Investment property	-	52,333	-	**52,333**
Property and equipment	-	2,839	578	**3,417**
Other assets	283	2,171	2,372	**4,826**
Total assets	**24,812**	**98,867**	**3,196**	**126,875**
Liabilities				
Accruals and other liabilities	326	4,379	2,249	**6,954**
Total liabilities	**326**	**4,379**	**2,249**	**6,954**

31 December 2014	*Banks and financial institutions US$ 000*	*Real estate US$ 000*	*Others US$ 000*	*Total US$ 000*
Assets				
Cash and bank balances	132	-	3	135
Placements with financial and other institutions	23,921	-	-	23,921
Investment securities	-	41,524	302	41,826
Investment property	-	53,856	-	53,856
Property and equipment	-	2,854	942	3,796
Other assets	400	2,529	2,512	5,441
Total assets	24,453	100,763	3,759	128,975
Liabilities				
Accruals and other liabilities	116	4,108	2,748	6,972
Total liabilities	116	4,108	2,748	6,972

24 RISK MANAGEMENT (continued)

a. Credit risk (continued)

Geographic region

Concentration is measured based on the location of the underlying operating assets and not based on the location of the investments. The Group's concentration exposure as at 31 December 2015 and 31 December 2014 is limited to GCC countries.

b. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Board of Directors approves significant policies and strategies related to the management of liquidity. The Management reviews the liquidity profile of the Group on a regular basis and any material change in the Bank's current or prospective liquidity position is notified to the Board.

The management ensures that adequate funds are available to meet the maturing obligations and growth in assets while cost is minimised. The management ensures that all limits and guidelines set by the Board are complied with and any adverse development is reported to the Board. The management also obtains the exceptional approvals when required as per this policy and manages the relationship with other banks and financial institutions.

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity.

The Bank also has an action plan including sales of assets, partial or full disposal of its investment property to generate additional liquidity.

	Gross undiscounted cash flows						
31 December 2015	*Up to 3 months*	*3 to 6 months*	*6 months-1 year*	*1 to 3 years*	*Over 3 years*	*Total*	*Carrying amount*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Financial liabilities							
Other financial liabilities	1,112	-	5,792	50	-	6,954	6,954
Total financial liabilities	**1,112**	**-**	**5,792**	**50**	**-**	**6,954**	**6,954**

	Gross undiscounted cash flows						
31 December 2014	*Up to 3 months*	*3 to 6 months*	*6 months-1 year*	*1 to 3 years*	*Over 3 years*	*Total*	*Carrying amount*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Financial liabilities							
Other financial liabilities	1,126	4,108	1,628	110	-	6,972	6,972
Total financial liabilities	1,126	4,108	1,628	110	-	6,972	6,972

24 RISK MANAGEMENT (continued)

b. Liquidity risk (continued)

Management of liquidity risk (continued)

The table below shows the maturity profile of the Group's assets and liabilities and unrecognised commitments on the basis of their expected realisation/ payment.

31 December 2015	*Up to 3 months*	*3 months to 6 months*	*6 months to 1 year*	*1 year to 3 years*	*Over 3 years*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Assets						
Cash and bank balances	131	-	-	-	-	131
Placements with financial and other institutions	24,401	-	-	-	-	24,401
Investment securities	243	-	-	41,524	-	41,767
Investment property	-	-	-	-	52,333	52,333
Property and equipment	-	-	-	-	3,417	3,417
Other assets	4,200	198	428	-	-	4,826
Total assets	**28,975**	**198**	**428**	**41,524**	**55,750**	**126,875**
Liabilities						
Accruals and other liabilities	1,112	-	5,792	50	-	6,954
Total liabilities	**1,112**	**-**	**5,792**	**50**	**-**	**6,954**

31 December 2014	*Up to 3 months*	*3 months to 6 months*	*6 months to 1 year*	*1 year to 3 years*	*Over 3 years*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Assets						
Cash and bank balances	135	-	-	-	-	135
Placements with financial and other institutions	23,921	-	-	-	-	23,921
Investment securities	302	-	-	41,524	-	41,826
Investment property	-	-	-	-	53,856	53,856
Property and equipment	-	-	-	-	3,796	3,796
Other assets	2,587	-	325	-	2,529	5,441
Total assets	26,945	-	325	41,524	60,181	128,975
Liabilities						
Accruals and other liabilities	1,126	4,108	1,628	110	-	6,972
Total liabilities	1,126	4,108	1,628	110	-	6,972

24 RISK MANAGEMENT (continued)

c. Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income, future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Exposure to profit rate risk

Profit rate risk arises due to differences in timing of re-pricing of the Group's assets and liabilities. The Group's profit rate sensitive assets are mainly placements with financial institutions. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The effective profit rates on the profit bearing financial instruments are given below:

	2015	*2014*
Placements with financial institutions	**1.00%**	1.00%

The following table demonstrates the sensitivity to reasonably possible change in profit rates, with all other variables held constant of the Group's consolidated statement of income. The sensitivity of the consolidated statement of income is the effect of the assumed changes in profit rates on the consolidated net income for the year, based on the placements with financial institutions held as at the date of statement of financial position.

The effect of change in 100 basis points is expected have an equal and opposite effect the consolidated statement of income.

	2015	2014
	US$ 000	*US$ 000*
Placements with financial institutions	**± 24**	± 24

Exposure to foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's major exposure is in GCC currencies, which are primarily pegged to the US Dollars. The Group does not have significant net exposures denominated in other foreign currencies as at 31 December 2015 (2014: same).

Exposure to other market risks

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the value of individual companies' shares. The Group does not have significant exposure to listed equity instruments. The Group's exposure is detailed in note 6 to these consolidated financial statements.

d. Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human error, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, internal checks and balances.

Overall risk management responsibility

As explained in note 2.1 control functions of the Bank have been made redundant. Therefore, the Chief Executive Office (CEO) of the Bank is directly involved in risk management.

25 CAPITAL MANAGEMENT

The Group's regulator Central Bank of Bahrain (the CBB) sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the CBB requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. The total regulatory capital base is net of prudential deductions for large exposures based on specific limits set by the regulator. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank does not have a trading book.

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

The Group's regulatory capital position at 31 December was as follows:

	2015	2014
	US$ 000	*US$ 000*
Capital adequacy		
Total risk weighted assets	**578,602**	124,351
Tier 1 capital	**119,921**	68,347
Total regulatory capital	**119,921**	68,347
Total regulatory capital expressed as a percentage of total risk weighted assets	**20.7%**	55.0%