



Expansion Diversification Growth

Chairman's introduction

Dear Shareholders

It is once again my privilege to introduce BBK's annual report, detailing our ...

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Board of Directors' report

The Board of Directors is honoured to present the 44th annual report and consolidated financial statements ...

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Chief Executive's review

During 2015, our liquidity – especially in dollar terms and also in domestic currency – was strengthened in ...

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Corporate social responsibility

Investing in people and communities is a long-held BBK commitment, recognition that business success is inextricably linked ...

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Vision and mission

Our vision

BBK will be the premier regional financial services enterprise in providing superior products and services of high quality through innovation, technology and lifelong client relationships.

Our mission

The Bank will expand its overseas presence in more locations in which it chooses to operate in order to satisfy the diversified needs of clients. We believe clients are the driving force in everything we do. We will not compromise on our absolute commitment to providing the very best in client service.

We believe our people are our number one asset with the highest degree of competence, integrity and professionalism. We instil in our people the principles of entrepreneurship, decision-making and ownership through our commitment to training, development, delegation and performance based reward systems.

We are determined to utilise cutting-edge technology which we recognise as most critical in supporting our short, medium and long-term business objectives.

Our shareholders are the source of our financial strength and can expect continued growth and profitability. They are supportive and are confident of our vision of the future.

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Financial highlights

	2011	2012	2013	2014	2015
Income statement highlights (BD millions)					
Net interest income	58.9	65.8	68.9	72.3	72.7
Other income	46.9	42.9	43.5	45.2	48.4
Operating expenses	47.9	50.6	54.4	46.2	49.8
Net profit	31.8	42.4	45.1	50.1	53.2
Cash dividend	25%	10%	10%	20%	25%
Stock dividend	-	10%	10%	5%	-
Financial statement highlights (BD millions)					
Total assets	2,765	3,108	3,231	3,501	3,646
Loans and advances	1,407	1,499	1,619	1,846	1,765
Investments	830	937	1,117	1,116	1,188
Customer deposits	2,076	2,205	2,353	2,471	2,643
Term borrowings	237	238	239	241	205
Total equity	238	290	333	359	361
Profitability					
Earnings per share (fils)	38	46	44	47	50
Cost/income	45.30%	46.54%	48.41%	39.33%	41.14%
Return on average assets	1.20%	1.46%	1.43%	1.49%	1.44%
Return on average equity	13.42%	16.34%	14.56%	13.93%	14.79%
Profit per employee (BD)	28,952	38,789	45,232	48,826	52,169
Capital					
Capital adequacy	14.85%	14.29%	15.33%	15.63%	14.87%
Equity/total assets	8.61%	9.32%	10.31%	10.26%	9.89%
Debt/equity	99.41%	82.18%	71.94%	67.05%	56.74%
Liquidity and business indicators					
Loans and advances/total assets	50.87%	48.23%	50.10%	52.74%	48.40%
Loans and advances/customer deposits	67.75%	67.98%	68.79%	74.72%	66.78%
Investments excluding treasury bills/total assets	22.24%	24.85%	24.82%	23.53%	21.77%
Liquid assets/total assets	34.98%	36.50%	33.25%	29.19%	32.04%
Net yield ratio	2.38%	2.50%	2.39%	2.32%	2.12%
Number of employees	1,098	1,092	996	1,026	1,020

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Total assets BD millions

2015	3,646
2014	3,501
2013	3,231
2012	3,108
2011	2,785

Net interest income BD millions	Customer deposits BD millions	Net profit BD millions
+0.6%	+7.0%	+6.2%
72.7	2,643	53.2

Operating environment

Market conditions posed many challenges during 2015, not least the sustained decline in oil prices. At the end of last year, analysts were reasonably confident of an oil price rebound by mid-2015. This did not materialise. In fact benchmark prices dropped even further, significantly affecting government spending, the main driver of the overall regional economy.

It is clear now that the fall in oil prices is part of a longer economic cycle and the current situation may prevail for another one to two years. Previous downturns in the oil price followed a similar pattern and a short-term recovery is unlikely.

Internationally, volatility in interest and foreign exchange rates, especially in the second half of the year, continue to be problematic. Nevertheless, BBK responded very well to these challenges and the Bank's 2015 results are all the more commendable in such circumstances.

A year of strategic progress

The decision to opt for early re-financing of a \$500 million bond maturing in October proved very prudent and timely. Going to the market in March to raise \$400 million meant bearing duplicate funding costs, but eventually this was more than offset by the change in market sentiment and the increase in rates.

The March issue was closed at 3.5 percent. By the second half of the year the going rate had doubled and market appetite all but evaporated. The \$100 million differential between the maturing bond and new funding was more than covered by the growth in customer deposits.

Plans for selective international expansion continued to advance, with approval granted in January 2016 for BBK's representative office in Turkey. The Central Bank of Bahrain (CBB) has also approved our proposed joint venture in the UK and an application to the British regulator will be submitted soon.

Financial highlights

BBK achieved a net profit of BD 53.2 million for 2015, surpassing the previous year by BD 3.1 million, a 6.2 percent improvement. Net interest income rose marginally to BD 72.7 million, and shareholders' equity rose by 0.4 per cent to BD 361 million.

The Bank delivered consistent underlying performance in its core business, demonstrating the strength of its strategy and management team. The total balance sheet strengthened to BD 3,646 million by the end of 2015, an increase of BD 146 million over 2014. This was driven by further growth in customer deposits, which rose by BD 172 million or 7.0 percent. BBK's reputation as one of the strongest and most community-oriented banks in the Kingdom of Bahrain continues to inspire the confidence of new and existing customers. BBK's capital adequacy ratio remained above the minimum regulatory requirement at 14.87 percent, with the ratio of liquid assets to total assets strengthening to 32.0 percent, from 29.2 percent in 2014.

The Board has recommended a cash dividend of 25 fils per share.

Business review

The benefits of BBK's strong position in the domestic market, coupled with excellent performance by its subsidiaries and good performance by its overseas operations, were very evident in the Bank's 2015 results.

Despite the challenging environment, the Bank's strategy and direction provided agility, enabling BBK to maintain a positive outlook and benefit from its focus on customers and service excellence. Although national GDP growth over the period was in the region of 3.0 percent, BBK recorded growth of 6.2 percent on its bottom line.

The balance sheet was strengthened by substantial growth in the value of liquid assets, while an increase in fee income from various services helped to reinforce the bottom line, compensating for the slow-down in the growth of the loans portfolio. Deposit growth shows the high level of public confidence in BBK, with funds flowing from individuals and institutions, again strengthening the Bank's overall financial position.

Cross-border operations continued to make a positive contribution to the year's results, with most units performing well. BBK's representative office in the UAE maintained its excellent performance of recent years, while Kuwait branch also met expectations. India has four branches now but is still a market under development, especially the Aluva and New Delhi branches, which were inaugurated in the past two years and will take at least two more years to begin achieving their potential.

Credimax, BBK's specialist credit card subsidiary, is already a market leader and continues to perform exceptionally well, amply justifying the Bank's policy of reinvesting annual profits rather than drawing dividends. Credimax expansion in Iraqi Kurdistan is still being pursued.

In Kuwait, the joint venture between the Bank's call-centre subsidiary Invita and a quasi-government firm provides efficient and highly effective call centre services to other banks, government departments, utilities, and embassies.

Two key developments occurred just after the year-end in January 2016. Approval was received from Turkey's Banking Regulation and Supervision Agency (BDDK) to open a BBK representative office in Istanbul. And at home in Bahrain, the new Hidd branch was inaugurated.

Close attention to the loan quality and recovery efforts contributed to a significant improvement in the ratio of non-performing loans (NPLs), which stood at close to 6.2 percent two years ago. Writing off legacy loans and pursuing recovery from borrowers has resulted in the ratio being reduced to almost 4.4 percent, very much in line with CBB guidelines. NPLs are covered about two times by provisions and the underlying securities.

Regulatory compliance and governance

BBK's status as a Domestic Systemically Important Bank (D-SIB), conferred by the CBB and reflecting BBK's importance to the national economy, brings added responsibilities and procedures. Meetings with the CBB that previously took place annually are now conducted quarterly, and more detailed information is being supplied.

The CBB is also encouraging greater involvement by the Board of Directors and the Bank's various Board and management committees. Improved governance practices include special attention to Board training, covering issues such as risk management and succession planning.

The requirements of Basel III, the global framework on bank capital adequacy, also form a much more stringent compliance regimen, entailing close coordination between the Bank's divisions and its various areas of operation. The new rules stipulate more frequent inspections of compliance processes and procedures meetings but BBK has responded proactively, taking the initiative in meeting the requirements of domestic and international regulators well ahead of schedule. The Bank has also established a comprehensive Recovery and Resolution plan in accordance with CBB requirements.

The Bank has long been a leader in matters of corporate governance and compliance, not only implementing all official requirements but making full disclosure of its policies and practices on its website and in statutory reports. It meets all the specifications of the Foreign Account Tax Compliance Act, a United States federal law requiring US citizens including those living outside the US to report their non-US financial accounts, and the anti-money laundering guidelines specified by the global Financial Action Task Force.

The Bank's leadership in this area has been recognised four times by Hawkamah, the corporate governance institute, which gave BBK the award for excellent corporate governance practices.

Appropriations

The Board of Directors recommends the below-listed appropriations of the Bank's net profit for approval by shareholders:

	BD'000
Retained earnings as at 1 January 2015	82,017
Profit for the year 2015	53,212
Transfer to general reserve	(2,575)
Transfer to statutory reserve	(2,575)
Proposed appropriation for donations	(1,400)
Retained earnings as at 31 December 2015 available for distribution (before proposed dividend)	128,679
Proposed cash dividends (25% of paid-up capital, net of treasury stock)	(26,611)
Other positive changes in retained earnings	512
Retained earnings as at 31 December 2015 (after proposed dividend)	102,580

Looking ahead

The Bank's new three-year strategy – approved by the Board of Directors in December – builds on the 2013-15 business plan that proved so successful in generating expansion and diversification. The same principles continue as the foundations for sustained success and achieving BBK's vision to be the premier regional financial services enterprise, providing superior products and services through innovation, technology, and lifelong customer relationships.

The three core elements of the new strategy are: consolidating the Bank's position in Bahrain; growing fee-driven business (as opposed to lending activities); and optimising BBK's international network by diversifying and expanding into new markets.

The Bank has made full commitment to further international expansion. Developing new business in Bahrain is also very important, although constrained by the already high market share and limited growth opportunities.

Trade finance is seen as an important opportunity. A significant investment in technology is being considered that would create potential for an appealing customer proposition, meeting all requirements for convenience and speed of service.

In all new initiatives, the primary consideration will be commercial viability: seeking synergies and ensuring that any new ventures achieve returns on investment that are as good as, if not better than, BBK's outstanding historical performance.

Maintaining and improving the Bank's capital position and capital adequacy will be a priority, especially in the context of more stringent domestic regulatory requirements and compliance with the rigorous specifications of Basel III for stress testing and market liquidity risk. This was evident from the Board Directors' direct involvement in 2015, working with the management team to identify ways to strengthen BBK's capital adequacy, and the timing for its implementation.

Appointment of auditors

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Ratings

Both major rating agencies – Fitch and Moody's – adjusted BBK's ratings in 2015, following changes in the Kingdom of Bahrain's sovereign ratings.

Moody's commented in its 27 November credit opinion: "BBK's ba1 BCA captures its strong domestic franchise, leading to a comfortable liquidity and funding profile, which in addition to recent efficiency improvements supports profitability."

"The negative outlook is in line with the negative outlook on Bahrain's Baa3 ratings, and partly signals authorities' potentially reduced capacity to support the banking system."

On 9 December, Fitch Ratings also revised its outlook on BBK from 'stable' to 'negative', while affirming the Bank's long-term issuer default rating at 'BBB-'. This automatically followed Fitch's 4 December revision of Bahraini sovereign rating from 'stable' to 'negative'.

Fitch commented: "BBK's viability rating is supported by the bank's satisfactory and fairly resilient financial performance, despite the uncertain operating environment in Bahrain. Its well-established franchise and satisfactory funding and liquidity indicators are important rating drivers."

Fitch		Moody's	
	Rating		Rating
Long Term Issuer Default Rating	BBB-	Bank Deposits	Baa3/P-3
Short Term Issuer Default Rating	F3	Baseline Credit Assessment	ba1
Viability Rating	bbb-	Adjusted Baseline Credit Assessment	ba1
Support Rating	2	Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Support Rating Floor	BBB-	Senior Unsecured	Baa3
Outlook	Negative	Subordinate	Ba2
Report issue date: 9 December 2015		Outlook	Negative
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Appreciation

The Board extends its gratitude to BBK's shareholders for their continued confidence, to our clients for their loyalty and patronage, and to BBK's management and employees for the hard work and commitment that underpins another year of excellent results for the Bank.

On behalf of the Board of Directors

Murad Ali Murad
Chairman

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Fitch
Long Term Issuer Default Rating

BBB-

Moody's
Long Term Bank Deposits

Baa3

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On behalf of the Board of Directors

Murad Ali Murad
Chairman

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Chief Executive's review

Sustaining growth trend is a top strategic priority

In March, we raised \$400 million in capital markets, largely replacing the bond that was maturing in October. With hindsight, the decision to go to market early proved very favourable, despite the duplicate holding costs.



We faced and overcame challenges during 2015, recording very satisfactory results despite the unfavourable conditions that prevailed for most of the year. Oil prices continued to be depressed, reducing the funding capabilities of regional governments, and the volatility of finance markets and exchange rates created difficulties at a global level.

Nevertheless, our strategic approach and direction proved equal to the circumstances. We maintained our record of year-on-year profit increases, achieved healthy balance sheet growth, and further strengthened our liquidity and funding position.

The domestic economy

Bahrain is relatively well prepared to cope with a continued downward trend in regional and international economies. Diversification into non-oil sectors, which now account for 80 percent of GDP, has helped offset the impact of depressed oil prices. However, the Kingdom lacks the cushion of current account surpluses held by other Gulf states. The Government is responding by reducing the subsidies that have applied to items such as fuel, electricity, and foodstuffs.

Fitch Ratings has revised its outlook on Bahraini sovereign rating from 'stable' to 'negative'. Following the weakening of Bahrain's ability to support its domestic banks, BBK – as a Domestic Systemically Important Bank (D-SIB) – has had a corresponding revision in rating.

Strengthening foundations

The Central Bank of Bahrain's selection of BBK as a D-SIB, coupled with the new Basel III regulatory framework, makes capitalisation more challenging – a D-SIB bank has more onerous requirements – and this issue is being addressed as we finalise BBK's strategic plan for 2016-18.

Strong capital adequacy ratios are essential to maintain the normal growth in our balance sheet and bottom line, and we are evaluating various options to increase capital by about BD 100 million.

During 2015, our liquidity – especially in dollar terms and also in domestic currency – was strengthened in several ways. In March, we raised \$400 million in capital markets, largely replacing the bond that was maturing in October. With hindsight, the decision to go to market early proved very favourable, despite the duplicate holding costs.

We secured the funding at an attractive rate, whereas the market may well have been closed to us had we waited till later in the year. By then, market sentiment had turned negative and rates had roughly doubled.

We have also engaged in several other transactions to bolster liquidity, such as repo deals with international banks that have extended our maturity profile. Our special relationship with institutional shareholders in Kuwait has also been very valuable in the long-term placement of dollars.

Consequently, we have a very satisfactory liquidity position and a good balance between dollars and Bahraini dinars. This is particularly relevant against a background of rising deposit rates and increased cost of funding. For example, the CBB's BIBOR rate has moved from 0.7 percent to 1.5-1.7 percent in the past year.

The recent re-rating of Bahrain by the international agencies is a matter of some concern. The country being downgraded from 'investment' status will affect banks like BBK – the cost of borrowing will rise and our ability to raise funds in the international markets will weaken. This in turn will impact end-users as the increased cost of funding is factored into lending rates.

Further strengthening of capital adequacy is therefore a high priority. The Board has held extensive discussions on this issue, bringing in expert advisers and consulting with institutional shareholders. We now have a detailed plan in place that will address our needs, both in the short term and further into the future.

Growth areas

Expansion and diversification continue. Our Hidd branch in Bahrain officially opened on 13 January 2016. Based at the Hidd Medical Centre – itself a BBK funded project, part of our corporate social responsibility activities – the new branch serves customers in the medical centre and throughout the entire Hidd area.

The Bahraini and Turkish regulators have both approved the opening of BBK's representative office in Turkey. And the CBB approved our proposal to establish a joint-venture wholesale investment firm in London. The licence application to the UK regulator is now being prepared and we are optimistic that this will be granted.

Trade finance has been identified as an area of significant potential growth. Technology upgrades are necessary to take advantage of this opportunity and the necessary investment has been allocated as part of the Bank's new three-year strategy.

Plans to expand CrediMax into Erbil in Iraqi Kurdistan have been affected by the continuing conflict in that region, but we believe the proposition is still sound and we will be working with the Central Bank of Iraq to gain formal approval once the geopolitical situation becomes clearer. We are also exploring the potential for CrediMax to enter a new GCC market. Discussions with the relevant authorities have established initial acceptability and we are now proceeding with formal submissions.

The new BBK branch in Delhi – our fourth in India – is bedding-in well and is on track to meet expectations. As with all new branches, it takes two to three years before full potential begins to be realised.

More international expansion initiatives feature in the Bank's new three-year strategy. Our growth in Bahrain is limited by an already strong market position, and expansion in Middle East countries and other parts of the world is our clear path to sustaining growth.

Fees for the various services provided by BBK compensated for the slowdown in the growth in our loan portfolio during 2015. Although there is a definite market for loans, we must take into account capital adequacy considerations. Our ratios are in line with Basel III requirements, but a greater margin is needed to enable spare capacity to grow the loan portfolio.

Deposit growth in 2015 shows the high level of confidence in the Bank, having attracted increased volumes of funds from both institutions and individuals.

Technology

The Bank's business continuity plan has achieved ISO 22301 certification, which confirms that the plan reduces the possibility of a disruptive incident, and if such an incident does occur, the organisation is ready to respond effectively and minimise potential damage. Certification is a requirement by the CBB and is subject to re-testing every three years.

Branch automation has migrated to a new platform that gives customers improved efficiency in online transactions and also supports business continuity by creating a very stable IT working environment.

The new electronic funds transfer system introduced by the CBB enables retail banks to conduct various transfers and payments from different channels of communication through branches or online and mobile banking. The system applies to domestic transactions and is more cost-effective than using the international system, while maintaining the highest levels of confidentiality.

A programme to upgrade ATMs is introducing machines with multi-function capabilities to replace the traditional deposit and withdrawal models. During 2015, 10 new machines became operational, with a further 20 planned over the next year and continuing until the entire network of about 50 ATMs is multi-functional.

The high standards of information security within the Bank were underlined by qualifying for ISO 27001-2013 certification.

Compliance

For years, BBK has been recognised for excellent corporate governance practices. Further developments in BBK's compliance management include consolidating overseas branches' compliance under the Head Office code and Central Bank of Bahrain requirements, as well as regulatory requirements in their country of operation.

The CBB is also introducing a separate compliance structure for conventional and Shariah practices, such as maintaining separate accounting streams. BBK is well advanced in meeting the new requirements and is awaiting CBB approval for its new structure, having had a special task force working on the project and meeting weekly during the past year.

Compliance testing became a central bank requirement in 2015, with BBK successfully demonstrating fulfilment of its obligations to meet the CBB's rulebook.

Operations

Cash management is migrating customers from manual to electronic processing of transactions. As a result, corporate and SME payroll business has increased by about 150 percent.

Market share in trade finance has also grown, largely because of increased volumes of letters of credit for local and international businesses.

BBK's 'straight-through processing' (STP) capabilities in Bahrain received awards from Barclays and JP Morgan, while BBK Kuwait received the same from Standard Chartered Bank. STP enables the entire process for capital market and payment transactions to be conducted electronically without the need for manual intervention, and is now a standard BBK practice.

Our people

A new remuneration system that links rewards to performance has been signed-off by the CBB. The system also takes into account the levels of risk for which employees are responsible. And a new Women's Empowerment Policy was announced to coincide with International Women's Day. The aim is to promote gender equality at all levels, and underlines BBK's commitment to women's empowerment and its corporate social responsibility.

Internally, the Bank is accelerating the development of female managers through fast-track programmes and ensuring equal access to education and training, with the aim of achieving a gender balance in senior management. Currently, women comprise about 35 percent of BBK employees, many holding managerial positions. The Bank's relationships with women-owned businesses are also being expanded and reinforced.

Formation of the BBK Alumni Club strengthens the bonds between the Bank and its former employees, bridging the gap through various activities arranged by the club and showing appreciation of the role of former employees in the development of Bahrain's financial sector. Over the Bank's 45 years of existence, it has had about 3,500 employees – with several hundred attending the first reunion of the Alumni Club in December.

BBK's Management Trainee Development Programme is now in its seventh cycle since inception in 2004. A total of 18 new graduates, selected in 2014 from more than 400 applicants, continued in 2015 the final phases of the programme which nurtures banking expertise in young Bahrainis and covers all areas of banking.

Since inception, the programme has trained about 120 graduates, including the current intake. All are products of highly reputed local and international universities and have exhibited leadership skills and capabilities, a key requirement for selection. The first four-month phase of the programme involves comprehensive training at the Bahrain Institution of Banking and Finance, followed by practical on-the-job experience at BBK, rotating through various functions and departments.

Conclusion

As we embark on a new three-year strategy cycle we can be confident that we have built the foundations well and that further diversification and cross-border expansion will continue to fuel long-term growth.

On behalf of BBK's management team, I thank our Board of Directors for their valued guidance in the course of the year. Our thanks go also to the Central Bank of Bahrain, the Bahrain Bourse, and the regulators of the State of Kuwait, the Republic of India, and the United Arab Emirates.

We gratefully acknowledge the support of our loyal customers everywhere, and of course the effort and commitment of our employees who contribute so much to our continued success.

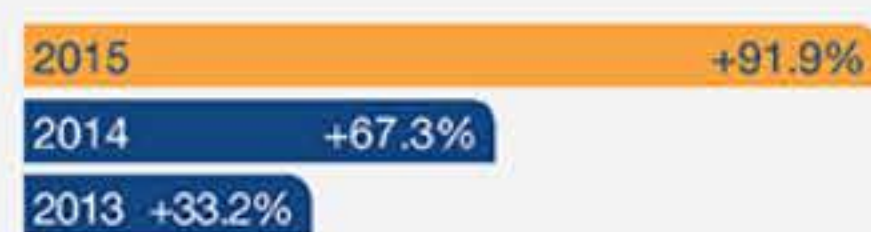
Abdulkarim Ahmed Bucheery
Chief Executive

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Growth in BBK online transactions



Branch automation has migrated to a new platform that gives customers improved efficiency in online transactions.



Best Mobile Web Services Award

BBK's leadership in banking technology was recognised at the Banker Middle East Product Awards 2015, designed to encourage, inspire, and reward distinction, setting the standard for others within the banking sector.



Management Trainee Development Programme

BBK's programme has trained about 120 graduates since 2004, all products of highly reputed local and international universities. A number of graduates now hold senior positions within the Bank.



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Executive management



Abdulkarim Ahmed Bucheery
Chief Executive

Qualifications and experience:
BSc, University of Aleppo, Syria (1976).

38 years' banking experience.

Joined BBK in 2002.



Abdulkarim Ahmed
Bucheery



Reyadh Yousif Sater



Jamal Mohamed Hijris



Mohammed Ali Malik



Abdulrahman Ali Saif



Rashad Ahmed Akbari



Jamal Mohamed Al
Sabbagh



Hassaan Mohammed
Burshaid



Mohammed Abdulla Isa



C.K. Jaidev



Nadeem A. Aziz Kooheji



Amit Kumar

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Investing in people and communities

Investing in people and communities is a long-held BBK commitment, recognition that business success is inextricably linked with social responsibility.



Recognition of BBK's CSR efforts

BBK received the Golden Award and the Certificate of Merit for Corporate Social Responsibility from the Arab Organization for Corporate Responsibility and the Excellence Awards Academy.



'Golden Award' honours BBK's CSR leadership

BBK's leadership in this area received prominent recognition during 2015 in the form of the Golden Award and Certificate of Merit from the Arab Organization for Corporate Responsibility and the Excellence Awards Academy.

The award gives even greater impetus to BBK's corporate social responsibility efforts as it continues to act in the most ethical and transparent manner while striving to further expand its support to economic, social, and educational development. This ranges from financing infrastructure projects to offering innovative banking solutions, as well as giving back to society.

By supporting employees, empowering customers and investors, and responding to the needs of communities, BBK nurtures sustained growth while stimulating long-term prosperity and economic development within the Kingdom of Bahrain.

Stemming from its belief in fulfilling corporate obligation towards society and taking an active role in the community where it operates, BBK has a high-level donation policy that governs the Bank's support of various non-profit organisations in education, health, environment, and philanthropy.

Every year the Bank allocates substantial donations and sponsorships that benefit community-related projects and worthy causes. An annual appropriation is approved by shareholders, amounting to BD 1.39 million in 2015.

Investing in people

Among many far-reaching CSR initiatives, BBK is committed to enhance the career development of its employees and to empower them with greater responsibilities. The Bank is proud to have 96 percent Bahrainisation.

Investing in Bahrainis through training initiatives and professional development empowers them with professional skills and opportunities for career advancement and leadership positions. BBK also rewards employees through competitive benefits, stock options, health and life insurance savings, retirement programmes, and a well-formulated recognition system.

Proud to be an 'employer of choice', BBK rewards long-standing employees who have contributed to the success of the Bank over many years and recognises them at the annual awards ceremony, marking progressive length of service in five-year periods over 10 to 40 years. The Bank also has an alumni club for former employees to preserve the ties between past and present members of the BBK family.

Contributing to women's empowerment

2015 marked the launch of a high-level policy, approved by the Board of Directors, to empower women within BBK and support Bahrain's Women Empowerment Strategy. It sets out a clear vision and consistent messages to encourage empowerment and gender equality at all levels. It guides employees to adopt gender equality principles in their professional lives and fosters an organisational culture that exemplifies the Bank's commitment to women's empowerment and corporate social responsibility, especially as women represent 35 percent of BBK employees.

To achieve the objectives of this policy, the Bank established a Women's Empowerment committee, chaired by the Chief Executive, to develop various related initiatives and programmes and to report progress to the Board of Directors.

The Bank continues to expand and reinforce business relationships with women-owned ventures, including small businesses and entrepreneurs. BBK also continues to support various women's societies and associations, where the objectives are to promote and protect women's rights.

Backing Bahrain

The Bank consistently strives to exceed regulatory requirements in respect of corporate governance, adopting sound policies and practices and applying the highest standards of business ethics and transparency.

BBK has been designated as a Domestic Systemically Important Bank (D-SIB), reflecting its importance to the national economy. It is also ISO 27001 and ISO 22301 certified for its Information Security Management System (ISMS) and Business Continuity Management System (BCMS). This undoubtedly plays an important role in building trust among customers and investors and contributes to strengthening Bahrain's economy.

In this context, BBK was a lead sponsor of Euromoney's fourth annual GCC Financial Forum, co-hosted by the Bahrain Economic Development Board. The 2015 conference attracted financiers, investors, policymakers, and business leaders from 22 countries across the GCC region, the Middle East, Europe, Asia and North America. Two days of debate and discussion focused on the growth and development of industry and financial services in the GCC – and Bahrain in particular – as a hub for financial integration in the region.

Helping young Bahrainis to become more knowledgeable in banking and investment, BBK continues to sponsor the region's first educational dealing room, established by the Bahrain Institute of Banking and Finance to boost high-quality professional education and training in finance.

The Bank also sponsors the Bahrain Bourse's TradeQuest competition – a stock trading simulation programme for high school students – by providing monetary assistance and delegating one of the Bank's portfolio managers as an advisor to the participating teams.

Funding for the future

In 2012, the Bank established a 'sinking fund' which is being built over the years to support future CSR mega projects serving the community. In 2015, an amount of BD 400,000 was dedicated for this purpose out of the total donation appropriation. It will serve projects similar to the BBK Health Centre in Hidd, a state-of-the-art health centre for which the Bank underwrote all costs including construction and medical equipment; the Pedestrian Bridge on Al Fateh Highway; and the BBK Rehabilitation centre.

Healthcare

Health and wellbeing have been at the forefront of BBK contributions over the years. BBK regularly donates to medical entities and research institutes active in fighting diseases such as diabetes, sickle cell anaemia, cancers, and many others, thus contributing to the health and longevity of Bahrain's population.

Education

By investing in education, BBK helps pave the way for future generations supporting the development of young Bahraini talent. As a Platinum Sponsor of the Crown Prince's International Scholarship Programme, BBK has contributed BD 1 million to the initiative, which gives Bahrain's most talented young people the opportunity to study at top international universities and colleges.

As part of a five-year commitment, BD 50,000 has been invested in the Isa Bin Salman Fund, a scholarship fund established in 2013 to help students pursue their studies.

BBK cooperates with InJaz Bahrain, the local equivalent of America's Junior Achievement programme, to provide internship to selected students. The programme aims to model future leaders and give students insight to how the banking industry works. BBK's Chief Executive, Abdulkarim Bucheeri, is also a board member of InJaz Bahrain.

The Bank also provides on-the-job training to employees' children and to university students, enabling them to obtain real work experience that supplements classroom learning.

Serving society

BBK places the utmost importance on the wellbeing of its communities and is very active in supporting the needs of the society in which it operates.

During 2015, the Bank allocated 25% of its donation budget towards philanthropic and social activities. It has also renewed its support to the Ministry of Social Development NGO Fund with a donation of BD 30,000. The fund gives grants to societies and charitable organisations for development initiatives.

Caring for the elderly is a key focus, with approximately BD 45,000 donated to a wide range of care homes during 2015. BBK also places importance on ensuring orphans benefit from the Bank's donations.

Special needs is area where BBK has always invested, reflecting the importance the Bank places on integration and support for this segment of the society. As well as donating BD 115,000 to special needs societies and associations, the Bank was the first in Bahrain to install a state-of-the-art ATM with special functions to assist the visually impaired in making secure cash withdrawals and deposits. Employees continue to be trained in sign language and all the branches have wheelchair access.

Culture

In supporting and preserving Bahrain's heritage and culture, BBK is a Gold Sponsor of the Sheikh Ebrahim Bin Mohammed Al-Khalifa Centre for Culture and Research and has made a BD 100,000 contribution as part of a five-year commitment, in addition to other amounts committed towards the sustainability of cultural preservation and the restoration of cultural heritage and historical facilities.

Sport

The Bank supports many sports activities that enhance national pride, inspire the young, and promote physical wellbeing. Through donation or sponsorship, BBK is proud to have maintained 30 to 40 years of support for football, junior tennis, and equestrianism to name but a few.

Encouraging social responsibility culture.

BBK employees are always encouraged to volunteer in various programmes that benefit people and society. During 2015, many employees participated in the InJaz Bahrain programme by giving classroom lectures in public schools.

A group of female employees participated in a mentoring programme as part of the 2015 'Women in the Financial and Banking Sector', with the objective to provide participating students from various universities with an opportunity to learn from the experience of industry leaders and explore potential careers in a vibrant, growing industry. Mentors had the chance to give back to the Bahraini community and share their expertise and success stories.

Environment friendly

BBK continuously enhances its digital services with the goal of reducing its environmental impact. The Bank follows energy-saving practices and recycles waste paper in efforts to reduce its carbon footprint and contribute to environmental sustainability.

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Remuneration report

The Bank follows a total compensation approach to remuneration. This includes the Bank's variable remuneration policy for rewarding performance as well as providing competitive fixed remuneration for attracting and retaining talents.

In 2014, the Bank adopted regulations concerning sound remuneration practices issued by the Central Bank of Bahrain and consequently revised its variable remuneration framework. The revised policy framework and incentive components were approved by the shareholders in their Annual General Meeting on March 10th, 2015.

The key features of the remuneration framework are summarised below.

Remuneration strategy

The Bank's basic compensation philosophy is to provide a competitive level of total compensation to attract and retain qualified and competent employees. The Bank's variable remuneration policy is 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 the objectives through balancing rewards for both short-term results and long-term sustainable performance. The strategy is designed to share the success, of the Bank and to align employees' incentives with the risk framework and risk outcomes.

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

- 1 Fixed pay
- 2 Benefits
- 3 Annual (short term) performance bonus
- 4 Annual (long term) performance bonus
- 5 Subsidiaries Board Remuneration

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

The Bank's remuneration policy in particular considers the role of each employee and sets the criteria to determine on whether an employee is a material risk taker and/or an approved person in a business line, control or support function.

An approved person is an employee whose appointment requires prior regulatory approval because of the significance of his role within the Bank and an employee is considered a material risk taker if they are the head of a significant business line or any individuals within their control who have a material impact on the Bank's risk profile.

In order to ensure alignment between what we pay our people and our business strategy, we assess individual performance against annual and long-term financial and non-financial objectives summarised in our performance management system. This assessment also takes into account adherence to the Bank's values, risks and compliance measures and above all integrity. Altogether, performance is therefore judged not only on what is achieved over the short and long-term but also importantly on how it is achieved in order to ensure long-term sustainability of the business.

NRCG role and focus

The NRCG has oversight of all reward policies for the Bank's employees. The NRCG is the supervisory and governing body for compensation policy, practices, and plans. It is responsible for determining, reviewing, and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRCG ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, the business plan, and risk profile of the Bank.

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

- Approve, monitor and review the remuneration system to ensure the system operates as intended.
- Review and recommend remuneration for the approval of the Board.
- Approve the remuneration amounts for each approved person and material risk-taker, as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, contributions, expenses, bonuses and other employee benefits.
- Recommend the Chief Executive's remuneration for the Board of Directors approval.
- Ensure remuneration is adjusted for all types of risks and that the remuneration system takes into consideration employees that generate same short-run profit but take different amount of risk on behalf of the bank.
- Ensure that for material risk takers, variable remuneration forms a substantial part of their total remuneration.
- Review the stress testing and back testing results before approving the total variable remuneration to be distributed including salaries, fees, expenses, bonuses, and other employee benefits.
- Carefully evaluate practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRCG will question payouts for income that cannot be realised or whose likelihood of realisation remains uncertain at the time of payment.
- Ensure that for approved persons in risk management, internal audit, operations, financial control, and compliance functions the mix of fixed and variable remuneration is weighted in 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.
- Ensure appropriate compliance mechanisms are in place to ensure that employees commit themselves not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

Nomination, Remuneration and Corporate Governance Committee members

As outlined in the Corporate Governance section of the annual report, the Board is satisfied that all Directors are non-executive and that the majority of the NRCG members are independent including the Chairman of the Committee. The NRCG comprises the following members:

NRCG member name	Appointment date	Number of meetings attended
Murad Ali Murad	21 March 1999	4
Sh Khalifa bin Duaij Al Khalifa	27 February 2005	3
Marwan Mohammed Al Saleh	30 December 2014	2

The aggregate remuneration paid to NRCG members during the year in the form of sitting fees amounted to BD 5,500 (2014: BD 5,000).

External consultancy

A consultant was appointed during the year to undertake a remuneration benchmarking study of BBK's Board of Directors & Executive Management and provide recommendations regarding compensation and pay practices to ensure alignment with local and regional markets.

Scope of application of the remuneration policy

The variable remuneration policy is adopted on a group basis covering BBK Bahrain and BBK Kuwait. BBK India is excluded from the policy because they follow the Reserve Bank of India in this regard. Invita and Credimax are excluded because the new guidelines are not applicable to them.

Board remuneration

The Bank's Board remuneration is determined in line with the provisions of Article 188 of the Bahrain Commercial Companies Law, 2001. The Board of Directors' remuneration will be capped so that total remuneration (excluding sitting fees) does not exceed 10 percent of the Bank's net profit after all required deductions in any financial year. Board remuneration is subject to approval of the shareholders in the annual general meeting. Remuneration of non-executive Directors does not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or pension benefits.

Employees' variable remuneration

Variable remuneration is performance related and consists primarily of the annual performance bonus award and long-term incentives for future performance. As a part of our staff's variable remuneration, the annual bonus rewards delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

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

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

In determining the amount of variable remuneration, the Bank starts from setting specific targets and other qualitative performance measures that result in a target bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures including forward-looking considerations.

The NRCG carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. NRCG demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

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 NRCG.

For the overall Bank to have any funding for distribution of a bonus pool, threshold financial targets have to be achieved. The performance measures ensure that total variable remuneration is generally, considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool as determined above is subject to risk adjustments in line with the risk assessment and linkage framework.

Remuneration of control and support 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 is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives and is not determined by the financial performance of the business areas they monitor.

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

Variable compensation for business units

The variable remuneration of the business units is primarily determined by key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, and market and regulatory requirements. The consideration of risk assessments in the performance evaluation of individuals ensures that any two employees who generate the same short-run profits but take different amounts of risk on behalf of the bank are treated differently by the remuneration system.

Risk assessment framework

The purpose of risk linkages is to align variable remuneration to the risk profile of the Bank. In its endeavour to do so, the Bank considers both quantitative measures and qualitative measures in the risk assessment process. Both quantitative measures and human judgment play a role in determining any risk adjustments. The risk assessment process encompasses the need to ensure that the remuneration policy as designed reduces employees' incentives to take excessive and undue risks, is symmetrical with risk outcomes, and delivers an appropriate mix of remuneration that is risk aligned.

The Bank's NRCG 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 assessments to review financial and operational performance against business strategy and risk performance prior to distribution of the annual bonus.

The Bank ensures that total variable remuneration does not limit its ability to strengthen its capital base. The extent to which capital needs to be built up is a function of the bank's current capital position and 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
- (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 prior risk assumptions.

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

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

The NRCG, with the 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 non-cash awards
- Recovery through malus and claw back arrangements

Malus and claw back framework

The Bank's malus and claw back provisions allow the Bank's Board of Directors to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted or the delivered variable remuneration recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors on which reward decisions were based turn out not to reflect the corresponding performance in the longer term. All deferred compensation awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual performance has had a materiality detrimental impact on the Bank during the concerned performance year.

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

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

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

Claw back 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:

Component	Description
Upfront cash	The portion of the variable compensation that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	The portion of variable compensation that is awarded and paid in cash on a pro-rata basis over three years
Upfront short-term share awards	The portion of variable compensation that is awarded and issued in the form of shares on conclusion of the performance evaluation process for each year.
Deferred short-term share awards	The portion of variable compensation that is awarded and paid in the form of shares on a pro-rata basis over three years
Long-term share awards	Share-based reward schemes, under which the Bank allocates certain numbers of shares every year to performance executive management and senior employees based on performance, potential, and job criticality level. There are two forms of the employee long-term incentive plans: <ol style="list-style-type: none"> 1 Employee Stock Options Plan This plan was introduced in 1999 and options were granted yearly until 2009. The plan will end once all options granted till 2009 expire or vest. 2 Employee Performance Shares Plan The plan was introduced effective 2010. It operates on a yearly basis of shares being allocated and held in a Single Person Company (SPC) in the name of the individual employee over the vesting period. Following the assessment of the performance of the Bank against the target performance conditions stipulated for the period, the ownership of the vested shares is transferred to the individual employee.
Subsidiaries Board remuneration	The portion of variable compensation that is awarded and paid out at the end of the financial year to an employee representing the bank as director on the board of any of its wholly-owned subsidiaries and/or associated companies of BBK, excluding the sitting fees.

All deferred and long-term awards are subject to malus provisions. All share awards and related dividends 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.

Deferred compensation

All employees at Grade 24 and above are subject to the following rules of deferral:

1 The CEO, his deputies and business line General Managers:

Element of variable remuneration	Payoff percentage	Vesting period	Retention	Malus*	Claw back*
Upfront cash	40%	immediate	-	-	Yes
Deferred cash	10%	3 years	-	Yes	Yes
Deferred share awards	50%	3 years	6 months	Yes	Yes

2 All other covered staff:

Element of variable remuneration	Payoff percentage	Vesting period	Retention	Malus*	Claw back*
Upfront cash	50%	immediate	-	-	Yes
Upfront share awards	10%	immediate	6 months	Yes	Yes
Deferred share awards	40%	3 years	6 months	Yes	Yes

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

Details of remuneration paid

(a) Board of Directors

	2015	2014
Sitting fees and travel allowance	77,550	74,009
Remuneration	577,500	577,500
Others	32,992	117,961 ¹
Total	688,042	769,470

(b) Board of Directors of wholly owned subsidiaries

	2015	2014
Sitting fees and travel allowance	13,300	14,200
Remuneration	138,648	148,200
Others	9,155	8,084
Total	161,103	168,884

*Note that the other expenses includes BD 52,000 which was agreed by the board in 2013, however was not accrued in the same year.

(c) Employees

1 Employee remuneration

BD 000's	Fixed portion	Sign up fee	Share-based incentives	2015 Variable remuneration					Total	
				Cash	Shares	Deferred				
						Upfront	Cash	Shares		Others
Approved Persons Business lines	16	2,820	-	-	1,039	27	193	1,069	-	5,148
Approved Persons Control & support	11	1,442	-	-	460	72	10	357	-	2,342
Other material risk takers	29	2,562	-	-	519	96	10	433	-	13,791
Other Staff Bahrain Operations	567	12,023	-	-	1,769	-	-	-	-	36,200
Other Staff Branches & Subsidiaries	398	5,868	-	-	699	-	-	-	-	6,567
Total	1,021	24,715	-	-	4,486	195	213	1,860	-	31,499

The net impact of other indirect staff costs amounting BD 122,208 have not been considered in the table above.

Board Remuneration and Sitting Fees received by Members of Executive Management for representing the Bank in the boards of wholly owned subsidiaries and/or associate companies of BBK amounting BD 248,796 have been included in the table above.

The total amount of remuneration includes severance payments during the year amounted to BD 387,120 of which the highest paid to a single person amounted to BD 324,000

BD 000's	Member of staff	Fixed portion	Sign up fee	Share-based incentives	2014 Variable remuneration					Total
					Cash	Shares	Deferred			
							Upfront	Cash	Shares	
Approved Persons Business lines	16	2,847	-	-	1,035	24	206	1,103	-	5,215
Approved Persons Control & support	11	1,396	-	-	469	69	19	389	-	2,341
Other material risk takers	24	2,115	-	-	435	75	9	344	-	2,978
Other Staff Bahrain Operations	551	11,563	-	-	1,877	-	-	-	-	13,440
Other Staff Branches & Subsidiaries	423	5,772	-	-	562	-	-	-	-	6,324
Total	1,025	23,693	-	-	4,367	167	235	1,838	-	30,298

Other staff costs amounting BD 208,297 relate to indirect staff expenses such as training, recruitment, levy and other costs, have not been considered in the table above.

The above table has been updated on March 11th, 2015, after the printing of the 2014 annual report, to include the Board Remuneration and Sitting Fees received by members of the Executive Management for representing the Bank in the boards of wholly owned subsidiaries and/or associate companies of BBK amounting BD 230,247.

2 Deferred awards

	2015				2014			
	Cash	Shares	Total		Cash	Shares	Total	
BD '000	Number	BD '000	BD '000	Number	BD '000	BD '000	BD '000	
Opening balance	230	10,178,027	4,293	4,523	-	6,537,685	2,667	2,667
Awarded during the period ^{**}	213	4,713,616	2,055	2,268	230	4,451,458	2,003	2,233
Paid out / released during the period	-	(1,739,821)	(731)	(731)	-	(1,075,038)	(484)	(484)
Service, performance and risk adjustments	-	(37,949)	(15)	(15)	-	(123,307)	(52)	(52)
Bonus share adjustment	-	215,997	88	88	-	387,229	158	158
Closing balance	443	13,329,870	5,690	6,133	230	10,178,027	4,293	4,523

^{*}The number of shares for the 2015 deferred awards has been calculated using estimated year end share price as the award price will be determined 14 days after the date of the AGM.

^{**}The 2014 deferred awards have been recognised based on the share price 14 days after the AGM of the Bank and updated for the actual awards distributed to staff during 2014.

In case of long term incentive plan awards, the shares awarded have been included for the purposes of the table above assuming probability of vesting.

Information on share awards included above also include components of long-term performance based incentive awards (LTIP shares). The amounts included in the tables are based on total awards granted for the performance year and may not necessarily match the accounting charge which factors probability of vesting.

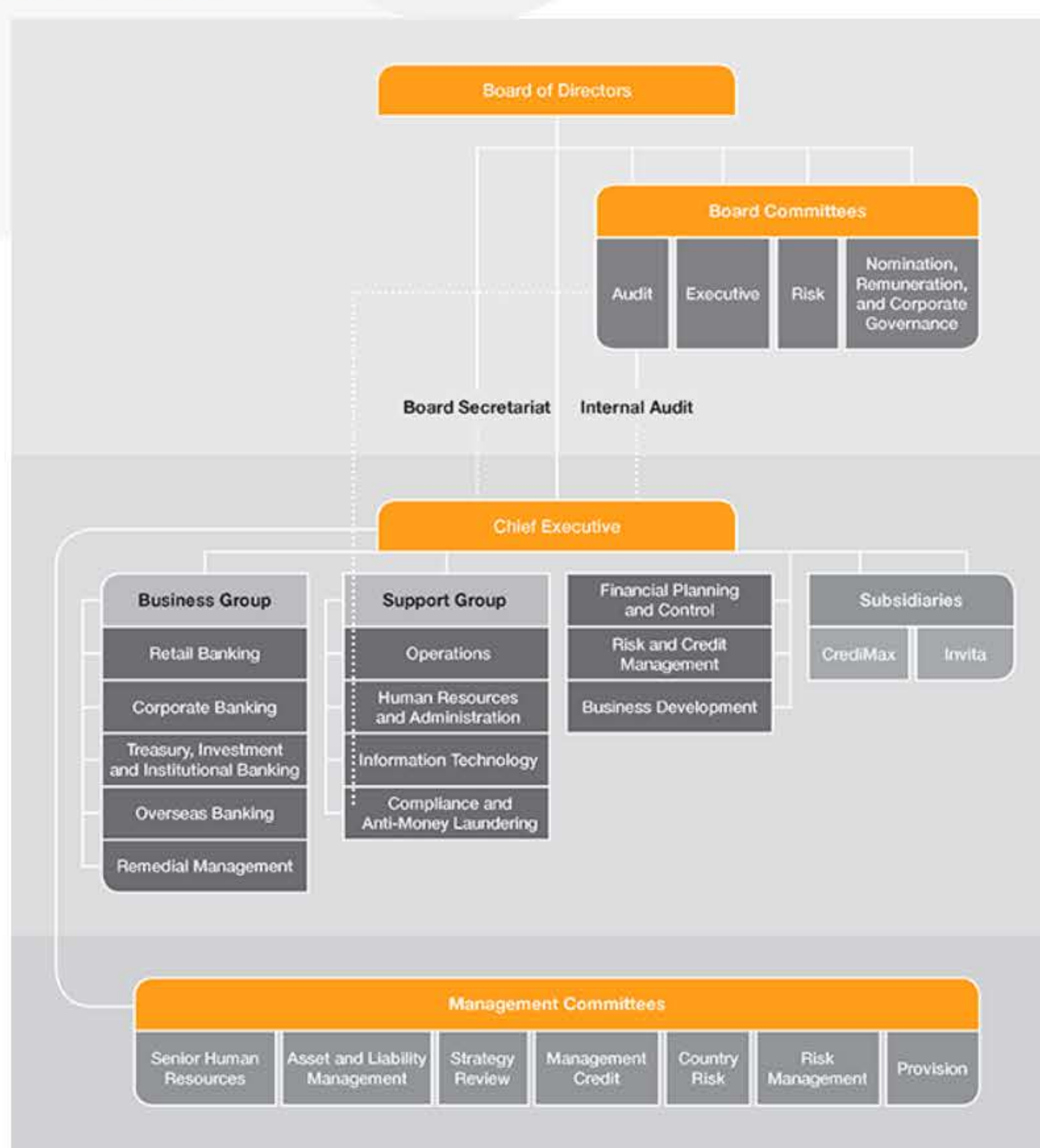
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Organisation information

Organisation structure



1. International branches in Kuwait and India – including the Non Resident Indian (NRI) Department in Bahrain – and the Representative Office in Dubai report to Overseas Banking.
2. The Assistant General Manager of Risk and Credit Management is a permanent attendee in Board Risk Committee meetings, and also participates in Board meetings whenever risk issues are discussed.
3. Compliance and Anti-Money Laundering reports to the General Manager of Support Group and has full access to the Board's Audit committee. The Head of Compliance and Anti-Money Laundering presents quarterly reports that are discussed in the Audit Committee.
4. Internal Audit – To ensure independence, Internal Audit reports functionally to the Board Audit Committee, and administratively to the Chief Executive. It is responsible to advise all levels of Management and the Board (through its Audit Committee) on the quality of the Bank's operations, with particular emphasis on systems of control.

Executive management interests

The number of shares held by members of the Executive Management team as of 31 December 2015 was as follows:

Name	Type of shares	31 Dec 2015	31 Dec 2014
Abdulkarim Ahmed Bucheery	Ordinary	696,449	389,072
Reyadh Yousif Sater	Ordinary	421,608	259,380
Jamal Mohamed Hijris	Ordinary	338	322
Mohammed Ali Malik	Ordinary	79,179	–
Abdulrahman Ali Saif	Ordinary	68,103	63,547
Rashad Ahmed Akbari	Ordinary	106,796	58,204
Jamal Mohamed Al Sabbagh	Ordinary	156,476	81,731
Hassaan Mohammed Burshaid	Ordinary	133,943	125,367
Mohammed Abdulla Isa	Ordinary	180,435	69,751
C.K. Jaidev	Ordinary	–	–
Amit Kumar	Ordinary	164,112	90,010
Nadeem A. Aziz Kooheji	Ordinary	–	–

Executive Senior Management trading of the Bank's shares during 2015

Name	Trading through Bahrain Bourse	Date of trading
Hassaan Mohammed Burshaid	Sold 22,607 shares	12 February 2015
	Sold 30,000 shares	27 December 2015
	Sold 8,000 shares	28 December 2015
	Sold 20,000 shares	30 December 2015
	Sold 20,000 shares	31 December 2015
Nadeem A. Aziz Kooheji	Sold 12,206 shares	15 February 2015
	Sold 18,200 shares	17 November 2015
Abdulrahman Ali Saif	Sold 70,000 shares	16 February 2015
C.K. Jaidev	Sold 22,906 shares	13 April 2015
Amit Kumar	Sold 10,000 shares	28 April 2015

Management Committees

Management Committees are chaired by the Chief Executive. Committee members are heads of the relevant divisions appointed by the Committee Chairman.

Committee	Summary terms of reference, roles and responsibilities:	Frequency of meetings:
Senior Human Resources	Establishes appropriate policies, procedures and guidelines for the management of human resources.	Once every other month.
Asset and Liability Management	Establishes policies and guidelines for the overall management of the statement of financial position and its associated risks.	At least once a month.
Strategy Review	Reviews and monitors progress on strategic initiatives.	Twice a year.
Management Credit	Approves credit and investment proposals above a certain limit. Also reviews and recommends any proposal requiring Executive Committee or Board approval.	Once a week.
Country Risk	Reviews country reports/ratings/strategies of the identified countries and presents recommendations for undertaking exposures to the Board for their approval.	Once every other month.
Risk Management	Identifies, measures, monitors and controls risk by establishing risk policies and procedures.	Once every quarter.
Provision	Reviews and establishes provisioning requirements for loans, advances and investments.	Once every quarter.

Major BBK shareholdings as of 31 December 2015

The company's ownership in other companies listed on the Bahrain Bourse (5 percent and above)

Name/Entity	Nationality/ Headquarters	Legal status	Ownership date	Ownership %	Number of shares	
					31 Dec 2014 Previous	31 Dec 2015 Current
Bahrain Kuwait Insurance (BKIC)	Bahrain	BSC (c)	2006	6.82%	4,879,818	4,879,818
Securities Investment Company	Bahrain	BSC (c)	2006	9.63%	41,250,000	41,250,000
Bahrain Commercial Facilities Company	Bahrain	BSC (c)	1994	23.03%	37,618,691	37,618,691

Major shareholders of the company's outstanding shares (5 percent and above)

Name/Entity	Nationality/ Headquarters	Legal status	Ownership date	Ownership %	Number of shares	
					31 Dec 2014 Previous	31 Dec 2015 Current
Ithmaar Bank	Bahrain	BSC	2008	25.38%	261,421,933	274,493,028
Pension Fund Commission (PFC)	Bahrain	Governmental Institution	1986	18.77%	193,352,656	203,020,288
Kuwait Investment Authority (KIA)	Kuwait	Investment Company	1990	18.70%	192,599,989	202,229,987
Social Insurance Organisation (SIO)	Bahrain	Governmental Institution	1986	13.34%	137,423,639	144,294,820

The Bank's holdings in other companies (quoted/unquoted in/out Kingdom of Bahrain) (10 percent and above)

Name/Entity	Nationality/ Headquarters	Legal status	Ownership date	Ownership %	Number of shares	
					31 Dec 2014 Previous	31 Dec 2015 Current
CrediMax	Bahrain	BSC (c)	1999	100.00%	10,000,000	10,000,000
Invita	Bahrain	BSC (c)	2006	100.00%	1,000,000	1,000,000
Global Payment Services (1)	Bahrain	WLL	2005	55.00%	10,000	10,000
Sakana Holistic Housing Solutions	Bahrain	BSC (c)	2006	50.00%	5,000,000	2,000,000
The Benefit Company	Bahrain	BSC (c)	1997	22.00%	5,703	6,843
Naseej Company	Bahrain	BSC	2009	15.15%	163,636,370	163,636,370
Alosra Bank	Bahrain	BSC (c)	2009	10.00%	5,000,000	5,000,000
Diyaar Al Haramain Al Ola Limited	Cayman Islands	WLL	2011	35.00%	16,450,000	16,450,000
BBK Geojit Securities KSC	Kuwait	KSC	2012	40.00%	2,000,000	2,000,000
Invita – Kuwait (2)	Kuwait	KSC	2013	60.00%	600,000	600,000

(1) Shareholding through CrediMax.
(2) Shareholding through Invita.

BBK offices and overseas branches

For contact details of our local and international offices and branches please visit our website www.bbkonline.com. The Bank is headquartered in Bahrain and also operates in Dubai, Kuwait, and India.

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Financial review

The Bank's financial position remains solid, reflecting a well-crafted and successfully implemented strategic plan, prudent risk management practices, truly diversified product offerings and widely spread networks, all geared to ensure the best quality of service for all our customers.

Overview

Steady improvement in performance, enhanced shareholder value, and operational excellence in line with the Bank's corporate strategy has resulted in reporting solid performance of BD 53.2 million net profit for the year ended 31 December 2015 representing BD 3.1 million or 6.2 percent growth over 2014 results.

This section reviews our financial performance for 2015. It focuses on BBK's consolidated operating results and consolidated statement of financial position, including its overseas branches, principal subsidiaries, joint ventures, associated companies, and indirect investments in associates through subsidiaries.

The consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards, Bahrain Commercial Companies Law, Central Bank of Bahrain (CBB) and Financial Institutions law.

The Bank's commitment to achieving its strategic objectives, focused business activities and sound corporate governance practices have resulted in BBK maintaining its position as a pioneer in retail and commercial banking.

Operating results

2015 was the final year of BBK's three-year strategic cycle, in which the Bank continued its steady and consistent performance. BBK achieved balanced growth despite the challenging macroeconomic environment impacted by the collapse in oil prices and turbulence in financial markets.

The Bank's liquidity and funding position is stable, our financial standing remains on course, and we have a comfortable level of capitalisation.

BBK continues to go from strength to strength. For the twelve months of 2015, net profit attributable to the owners of the Bank was BD 53.2 million, up by 6.2 percent from last year. The increase in net profit was mainly attributable to an increase in fees and commission, as well as FX and investment income, demonstrating the Group's success in achieving growth across a wide range of revenue sources.

Continuing BBK's prudent approach to risk management and provisioning, the Bank has conservatively provided for adequate provisioning levels in 2015, as a way of protecting its overall asset exposures and to cater for unexpected losses that may occur due to market turbulence, including changes in the fair market value of investments.

Operating income

Total operating income for the year increased by BD 3.6 million (3.1 percent) and stood at BD 121.1 million, reflecting success in diversifying sources of income. Net interest income was broadly in line with 2014, at BD 72.7 million for the year 2015.

Other income stood at BD 44.2 million, registering a notable growth of BD 3.3 million (8.2 percent) from BD 40.9 million recorded in the previous year. (This excludes share of profit generated from associated companies and joint ventures of BD 4.2 million in 2015 and BD 4.4 million in 2014).

Net interest income

Net interest income for the year was broadly in line with 2014, reporting a marginal increase of 0.6 percent to BD 72.7 million at year-end. While local lending activities (both retail and corporate) have shown remarkable growth, the total loan and advances portfolio witnessed a decrease of BD 81.7 million or 4.4 percent from BD 1,846.5 million in 2014, largely due to the reduction in international lending activities in line with the Bank's corporate strategy and direction.

Moreover, the Bank's funding cost was affected by the overlap cost relating to the senior medium-term borrowing raised early in the year to replace the notes that matured during the fourth quarter of 2015. The increase of 14.8 percent in interest on the non-trading investment securities (available for sale) from BD 16.7 million reported in 2014 contributed to the overall growth in net interest income.

Growth in earning assets supported by a significant increase in customer deposits was prudently utilised, and invested largely in treasury bills, which positively contributed to an increase of 5.6 percent in interest and similar income sources.

Interest expense for the year includes amortisation of previously realised non-recurring income, which arose from exchanging subordinated debt notes into senior debt notes, and suppressed net interest income for the year. Whilst asset margins have continued to see some pressure, net interest income has benefited from strong financial position momentum and wider liability margins.

As a reflection of lower interest rates and depressed margins, the net interest yield ratio for 2015 showed a modest decrease to 2.1 percent, compared to 2.3 percent reported last year.

Other income

Other operating income consists of non-interest income, which is earned from business activities such as dealing in foreign currencies, investment in funds other than fixed-income funds, the sale of corporate banking and retail banking services, investment trading, and share of profit/loss in associated companies and joint ventures.

Total other income recorded for the year of BD 48.4 million showed healthy growth of 7.0 percent compared to the previous year's BD 45.3 million. This was mainly because of increased business volumes, resulting in growth in gross fees and commission for the year of 11.8 percent compared to BD 36.7 million in 2014. Other income includes foreign exchange and investment income of BD 15.8 million, which represents an increase of 9.1 percent over last year (2014: BD 14.50 million), as well as higher dividend income on the Bank's equity.

Operating expenses

Operating expenses increased to BD 49.8 million, 7.8 percent higher than last year (2014: BD 46.2 million). Staff costs showed a modest increase of 3.6 percent. Other operating expenses showed a significant increase of 20.8 percent, and stood at BD 15.3 million compared to BD 12.6 million last year.

Summary statement of profit or loss

BD millions	2015	2014	Variance BD millions	Change percent
Net interest income	72.7	72.3	0.4	0.58%
Other income	48.4	45.2	3.2	7.02%
Total income	121.1	117.5	3.6	3.06%
Operating expenses	49.8	46.2	3.6	7.80%
Provisions	19.5	20.8	(1.3)	-6.13%
Profit before taxation	51.8	50.5	1.3	2.50%
Taxation/non-controlling interest	1.4	(0.4)	1.8	-426.67%
Net profit	53.2	50.1	3.1	6.22%

The Bank's prudent cost control policy and strong revenue-generating capability allowed it to maintain its cost-to-income ratio at an acceptable level of 41.1 percent, a slight increase from last year (2014: 39.3 percent).

Net provisions

The Bank follows the International Accounting Standard IAS 39 with regard to accounting for impairment of financial assets. Provisions for impairment of the Bank's loans and advances and assets carried at cost or amortised cost are arrived at after calculating the net present value of the anticipated future cash flows from these financial assets, discounted at original effective interest rates. For assets carried at fair value, impairment is the difference between the carrying cost and the fair value. This approach of provisioning for impairment of the Bank's financial assets should provide more realistic estimates of impairment in the value of the assets.

Improved asset quality and strong risk management processes resulted in lower provisions requirements booked during 2015. Provisions charge during 2015 amounted to BD 19.5 million, 6.1 percent lower than the same period last year. General provision for the year increased by BD 3.0 million, following the Bank's general provision policy to increase its general reserves relative to the total risk-weighted assets of the Bank, which stood at BD 37.2 million at the end of 2015. Conversely, the Bank intensified its remedial and collection efforts during the year, which significantly reduced the level of non-performing loans from BD 89.9 million in 2014 to BD 82.7 million in 2015.

Comprehensive income

Comprehensive income stood at BD 20.1 million at end of December 2015, compared to BD 39.9 million reported in the corresponding period of 2014. The drop was driven mainly by volatility in the market prices of bond and equity investments, resulting from financial market fluctuations during the year.

Financial position

The Group maintained a strong and liquid balance sheet, achieving growth in the financial position of BD 145.5 million (4.2 percent) and reaching BD 3,646.4 million at the end of 2015. The growth was primarily driven by an increase in surplus liquidity, which was prudently utilised and invested in highly liquid assets, including treasury bills, and placements with the Central Bank of Bahrain, and with banks and other financial institutions.

Growth across retail and corporate segments has been robust, with the Bank achieving a good balance between both loans and advances and deposits. We remain a strong net lender in the inter-bank market, particularly in the GCC and MENA region. As at 31 December 2015, our net loans and advances-to-deposits ratio stood at 66.8 percent (2014: 74.7 percent). This is partially due to the decrease in total loans and advances, but nevertheless demonstrates the confidence customers have in us as a financial institution in the Kingdom of Bahrain, whilst growing and optimising the use of surplus liquidity in the market.

Our overall financial position remains stable as the majority of our financial assets are loans and advances that are held on an amortised cost basis, which reduces the risk of short-term distress stocks.

The Group is strongly capitalised and generated good levels of organic equity during the year, with Core Equity Tier 1 ratio standing at 13.7 percent.

Assets

Total assets stood at BD 3,646.4 million as at 31 December 2015, an increase of 4.2 percent over BD 3,500.9 million recorded in the previous year. Loans and advances decreased during the year by 4.4 percent due to management's strategic decision to reduce international lending exposure and focus on less risky local credit financing activities during international financial market turbulence. However, the decrease in lending was deployed in liquid assets consisting of cash and balances with central banks, treasury bills, and placements with banks and other financial institutions, to total assets standing at 32.0 percent (December 2014: 29.2 percent).

The Bank's investment portfolio is classified into three categories: "Financial assets at fair value through profit or loss" (FVTPL), "Available-for-sale", and "Investments stated at amortised costs". The FVTPL category consists of investments held for trading and structured notes having embedded derivatives. The other two categories consist of quoted bonds and equities and unquoted securities that are mainly acquired with the intention of being retained for the long term.

At the end of 2015, quoted bonds and equities constituted 80.6 percent of gross investments (2014: 81.0 percent). The fixed income portfolio is substantially hedged against exposure to interest rate risk, or highly dominated by regional government bonds and sukuk.

The Bank's total non-trading investment securities decreased by BD 29.0 million (3.7 percent), and reached BD 758.1 million at the end of 2015, mainly due to decreased investment activities in regional and selected international markets.

Investment in associated companies and joint ventures represents the Bank's interest in a number of associates and joint ventures, as outlined in later sections of this report. The carrying value of these investments represents the Bank's share of the net assets of these companies.

Liabilities

Current, saving and other deposits include the balances of interest-bearing and non-interest-bearing accounts due to customers on demand, and term deposits taken with different maturity dates, in various currencies and at varying rates of interest. The Bank continues to be successful in generating customer deposits and achieved 7.0 percent growth to reach BD 2,642.9 million at year-end. This growth illustrates the Bank's success in portraying itself as a dependable and solid financial institution, and in leveraging its presence as a dominant player in the domestic market.

Borrowings under repurchase agreements and due to banks and financial institutions stood at BD 353.9 million compared to BD 350.7 million recorded at year-end 2014. Customer deposits continue to be the major source of funding, with customer deposits to total liabilities at 80.4 percent (December 2014: 78.7 percent).

Interest payable and other liabilities consist of accrued interest payable on interest-bearing deposits, accrued expenses and provisions.

Net interest income BD millions	Total equity BD millions	Customer deposits BD millions
2015 72.7	2015 361	2015 2,643
2014 72.3	2014 359	2014 2,471
2013 68.9	2013 333	2013 2,353
2012 65.8	2012 290	2012 2,205
2011 58.9	2011 238	2011 2,070

Loans and advances BD millions	Total assets BD millions
2015 1,765	2015 3,646
2014 1,846	2014 3,501
2013 1,619	2013 3,231
2012 1,499	2012 3,108
2011 1,407	2011 2,765

Capital adequacy

The Bank has implemented the Basel III framework for the calculation of capital adequacy since January 2015, in accordance with Central Bank of Bahrain guidelines.

Equity attributable to the owners of the bank before appropriations stood at BD 359.2 million at the end of 2015 (2014: BD 357.9 million). While there was growth in risk-weighted assets, the Bank continued to maintain a comfortable capital adequacy ratio of 14.87 percent per Basel III rules (2014: 15.63 percent calculated per Basel II rules), well above the CBB's minimum regulatory requirement of 12.5 percent. The Group is keen to maintain strong capitalisation in order to support future strategic plans.

To further strengthen the Bank's capital base, the Board of Directors approved the appropriation of BD 2.6 million (2014: BD 4.7 million) from the current year's profit to the general reserve. This would bring the general reserve total to BD 54.1 million (to be reflected in 2016 financial results), representing an increase of 5.0 percent over the previous general reserve balance and 50.0 percent of the share capital of the Bank.

Our continued growth over the years is a result of our sustained culture of superior performance, our widespread participation in both local and international markets, and excellent customer service. These strengths will enable us to sustain the momentum we have built over the years and enhance our shareholder value.

Consolidated statement of financial position

BD millions	2015	2014	Variance BD millions	Change percent
Assets				
Cash and balances with central banks	286.7	278.2	8.5	3.08%
Treasury bills	394.1	292.7	101.4	34.65%
Deposits and amounts due from banks and other financial institutions	325.1	175.9	149.2	84.82%
Loans and advances to customers	1,764.8	1,846.4	(81.6)	-4.42%
Non-trading investment securities	758.1	787.2	(29.1)	-3.69%
Investments in associated companies and joint ventures	35.8	36.5	(0.7)	-1.95%
Interest receivable and other assets	57.0	59.0	(2.0)	-3.44%
Premises and equipment	24.8	25.0	(0.2)	-0.83%
Total assets	3,646.4	3,500.9	145.5	4.16%
Liabilities and equity				
Liabilities				
Deposits and amounts due to banks and other financial institutions	179.4	313.0	(133.6)	-42.69%
Borrowings under repurchase agreement	174.5	37.7	136.8	362.84%
Term borrowings	204.7	240.9	(36.2)	-15.05%
Customers' current, savings and other deposits	2,642.9	2,471.1	171.8	6.95%
Interest payable and other liabilities	84.2	78.8	5.4	6.83%
Total liabilities	3,285.7	3,141.5	144.2	4.59%
Equity attributable to the owners of the Bank	359.2	357.9	1.3	0.36%
Non-controlling interest	1.5	1.5	0.0	7.13%
Total equity	360.7	359.4	1.3	0.38%
Total liabilities and equity	3,646.4	3,500.9	145.5	4.16%

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Independent auditors' report to the shareholders

Independent Auditors' report to the shareholders

Consolidated statement of financial position

Consolidated statement of profit or loss

Consolidated statement of other comprehensive income

Consolidated statement of changes in equity

Consolidated statement of cash flows

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REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of BBK B.S.C. ("the Bank") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

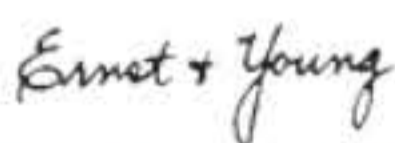
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER REGULATORY REQUIREMENTS

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 1), we report that:

- the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and
- the financial information contained in the Report of the Board of Directors 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 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2015 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.



Partner's registration no. 117
8 February 2016
Manama, Kingdom of Bahrain

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	Note	2015 BD '000	2014 BD '000
ASSETS			
Cash and balances with central banks	4	286,750	278,193
Treasury bills	5	394,090	292,683
Deposits and amounts due from banks and other financial institutions	6	325,096	175,896
Loans and advances to customers	7	1,764,799	1,846,462
Non-trading investment securities	8	758,107	787,153
Investments in associated companies and joint ventures	9	35,823	36,537
Interest receivable and other assets	10	56,970	58,999
Premises and equipment	11	24,806	25,014
TOTAL ASSETS		3,646,441	3,500,937
LIABILITIES AND EQUITY			
Liabilities			
Deposits and amounts due to banks and other financial institutions		179,404	313,024
Borrowings under repurchase agreement		174,508	37,704
Term borrowings	12	204,677	240,938
Customers' current, savings and other deposits	13	2,642,892	2,471,077
Interest payable and other liabilities	14	84,226	78,842
Total liabilities		3,285,707	3,141,585
Equity			
Share capital	15	108,165	103,014
Treasury stock	15	(4,728)	(6,951)
Share premium	15	39,919	39,919
Statutory reserve	16	54,082	51,507
General reserve	16	51,507	46,825
Cumulative changes in fair values	17	(12,304)	17,420
Foreign currency translation adjustments		(10,635)	(7,259)
Retained earnings		102,580	82,017
Proposed Appropriations	18	30,586	31,402
ATTRIBUTABLE TO THE OWNERS OF THE BANK		359,172	357,894
Non-controlling interest		1,562	1,458
Total equity		360,734	359,352
TOTAL LIABILITIES AND EQUITY		3,646,441	3,500,937

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ChairmanYusuf Saleh Khalaf
Board MemberAbdul Karim Ahmed Bucheery
Chief Executive

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	Note	2015 BD '000	2014 BD '000
Interest and similar income	19	114,613	108,549
Interest and similar expense		(41,907)	(36,259)
Net interest income		72,706	72,290
Share of profit of associated companies and joint ventures	9	4,215	4,377
Other income	20	44,219	40,879
Total operating income		121,140	117,546
Staff costs		31,343	30,255
Other expenses		15,267	12,640
Depreciation	11	3,226	3,333
Net provision for impairment on loans and advances to customers	7	18,975	21,572
Net provision/(write back) for impairment on investments	8	538	(784)
Total operating expenses		69,349	67,016
PROFIT BEFORE TAXATION		51,791	50,530
Net tax benefit/(provision)		1,598	(224)
PROFIT FOR THE YEAR		53,389	50,306
Attributable to:			
Owners of the Bank		53,212	50,095
Non-controlling interest		177	211
		53,389	50,306
Basic and diluted earnings per share (BD)	21	0.050	0.047

Murad Ali Murad
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Board MemberAbdul Karim Ahmed Bucheery
Chief Executive

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	Note	2015 BD '000	2014 BD '000
Profit for the year		53,389	50,306
Other comprehensive (loss)/income			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments		(3,376)	(2,751)
Net movement in cumulative changes in fair values	17	(29,420)	(7,388)
Fair value changes in cash flow hedges	17	(304)	(94)
Other comprehensive loss for the year		(33,100)	(10,233)
Total comprehensive income for the year		20,289	40,073
Attributable to:			
Owners of the Bank		20,112	39,862
Non-controlling interest		177	211
		20,289	40,073

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	Attributable to the owners of the Bank											Total equity BD '000	
	Note	Share capital BD '000	Treasury stock BD '000	Share premium BD '000	Statutory reserve BD '000	General reserve BD '000	Cumulative change in fair value BD '000	Foreign currency translation adjustments BD '000	Retained earnings BD '000	Proposed appropriations BD '000	Total BD '000		Non-controlling interest BD '000
Balance at 1 January 2014		93,649	(3,014)	39,919	46,825	43,700	24,902	(4,506)	67,747	22,989	332,209	718	332,927
Profit for the year		-	-	-	-	-	-	-	50,095	-	50,095	211	50,306
Other comprehensive loss		-	-	-	-	(7,482)	(2,751)	-	-	-	(10,233)	-	(10,233)
Total comprehensive income		-	-	-	-	(7,482)	(2,751)	50,095	-	39,862	211	40,073	
Share - based payments	40	-	-	-	-	-	-	259	-	259	-	259	
Dividends paid	18	-	-	-	-	-	-	-	(9,249)	(9,249)	-	(9,249)	
Stock dividends	18	9,365	-	-	-	-	-	-	(9,365)	-	-	-	
Donations		-	-	-	-	-	-	-	(1,250)	(1,250)	-	(1,250)	
Movement in treasury stock	15	-	(3,937)	-	-	-	-	-	-	(3,937)	-	(3,937)	
Movement in non-controlling interest		-	-	-	-	-	-	-	-	-	529	529	
Transfer to statutory reserve	16	-	-	-	4,682	-	-	(4,682)	-	-	-	-	
Proposed appropriations	18	-	-	-	-	-	-	(31,402)	31,402	-	-	-	
Transfer to general reserve 2013		-	-	-	-	3,125	-	-	(3,125)	-	-	-	
Balance at 31 December 2014		103,014	(6,951)	39,919	51,507	46,825	17,420	(7,259)	82,017	31,402	357,694	1,458	359,352
Profit for the year		-	-	-	-	-	-	-	53,212	-	53,212	177	53,389
Other comprehensive loss		-	-	-	-	(29,724)	(3,376)	-	-	-	(33,100)	-	(33,100)
Total comprehensive income		-	-	-	-	(29,724)	(3,376)	53,212	-	20,112	177	20,289	
Share - based payments	40	-	-	-	-	-	-	269	-	269	-	269	
Dividends paid	18	-	-	-	-	-	-	-	(20,179)	(20,179)	-	(20,179)	
Stock dividends	18	5,151	-	-	-	-	-	-	(5,151)	-	-	-	
Donations		-	-	-	-	-	-	-	(1,390)	(1,390)	-	(1,390)	
Movement in treasury stock	15	-	2,223	-	-	-	-	-	-	2,223	-	2,223	
Unclaimed dividends	15	-	-	-	-	-	-	243	-	243	-	243	
Movement in non-controlling interest		-	-	-	-	-	-	-	-	-	(73)	(73)	
Transfer to statutory reserve	16	-	-	-	2,575	-	-	(2,575)	-	-	-	-	
Proposed appropriations	18	-	-	-	-	-	-	(30,586)	30,586	-	-	-	
Transfer to general reserve 2014		-	-	-	-	4,682	-	-	(4,682)	-	-	-	
Balance at 31 December 2015		108,165	(4,728)	39,919	54,082	51,507	(12,304)	(10,635)	102,580	30,586	359,172	1,562	360,734

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	Note	2015 BD '000	2014 BD '000
OPERATING ACTIVITIES			
Profit for the year before taxation		51,791	50,530
Adjustments for non-cash items:			
Net provisions (write back) relating to:			
Loans and advances to customers	7	18,975	21,572
Non-trading investment securities	8	538	(784)
Share of profit of associated companies and joint ventures	9	(4,215)	(4,377)
Depreciation	11	3,226	3,333
Realised gains on sale of non-trading investment securities	20	(4,408)	(3,826)
Accrual on term borrowings		1,439	1,440
		67,346	67,888
(Increase) decrease in operating assets			
Mandatory reserve deposits with central banks		(6,277)	(10,170)
Treasury bills maturing after 90 days		(100,790)	20,524
Deposits and amounts due from banks and other financial institutions		28,378	(12,160)
Loans and advances to customers		62,688	(249,499)
Interest receivable and other assets		1,725	(16,810)
Increase (decrease) in operating liabilities			
Deposits and amounts due to banks and other financial institutions		(133,620)	131,495
Borrowings under repurchase agreements		136,804	(18,603)
Customers' current, savings and other deposits		171,815	118,170
Interest payable and other liabilities		5,384	11,346
Income tax paid		(444)	(659)
Net cash from operating activities		233,009	41,522
INVESTING ACTIVITIES			
Purchase of non-trading investment securities		(246,015)	(265,615)
Sale of non-trading investment securities		252,152	220,140
Sale/partial repayment of capital of investment in associated companies	9	3,000	22,890
Dividends received from associated companies	9	1,835	1,636
Other movements in investment in associated companies		9	1,399
Movement in non-controlling interest		(73)	529
Purchase of premises and equipment		(3,018)	(2,211)
Net cash from/(used in) investing activities		7,890	(21,232)
FINANCING ACTIVITIES			
Payment of dividend and donations	18	(21,569)	(10,499)
Term borrowings		(37,700)	-
Movement in treasury stock		2,223	(3,937)
Net cash used in financing activities		(57,046)	(14,436)
Foreign currency translation adjustments		(3,376)	(2,751)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		180,477	3,103
Cash and cash equivalents at beginning of the year		352,639	349,536
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	533,116	352,639

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