

Al Ebdaa Bank for Microfinance B.S.C. (c)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Al Ebdaa Bank for Microfinance B.S.C. (c)
Chairman's statement

On behalf of the founding shareholders and Board of Directors of Al Ebdaa Bank for Microfinance B.S.C. (c), I am pleased to present the annual report and audited financial statement for the year ending 31 December 2015.

For the financial year ending 31 December 2015, the Bank recorded an increase in net interest income to BD 301,703 (2014: BD 254,401). The Bank also recorded an increase in fee income to BD 127,830 (2014: BD 52,853) due to the increase of both Application Fees and penalty fees that generated BD 105,973 (2014: BD 45,189). The Increase of fee income contributed to the increase of total income to BD 434,606 (2014: BD 315, 573).

The Banks strategy of reducing staff costs implemented in 2014 has taken steps to improve staff efficiency and managed to record a reduction in staff cost to BD 322,861 (2014: BD 352,934). The reductions in staff cost and other cost rationalization measures contributed towards the reduction of loss for the year to BD 74,797 (2014: BD165,260).

Despite the challenging environment, the Bank has continued to strive for enhancement of its overall efficiency, including staff training and capacity building. The Bank will also continue to assess its operations and formulate strategies that can deliver growth.

The Board of Directors is committed to support the management leadership team in addressing the challenges faced by the Bank. With further support from the shareholders and other stakeholders of the Bank, the Board of Directors is confident that the Bank will be able to progress to a stronger position to fulfill its objectives.

Ebdaa bank envisions Inclusive Financial Services for the whole population of the Kingdom of Bahrain. The purpose of the bank is "to contribute to the improvement of standard of (economic and social) living conditions of the low/limited income households of the Kingdom of Bahrain, through the direct and indirect provision of exemplary, diversified and sustainable financial services".

The overall objective of Ebdaa bank is to have made progress in having a branch presence all over Bahrain over the coming years. The rationale behind this objective is to extend outreach to the largest number of clients, to ensure accessibility of services to people by being closer to them and position the bank in the market. Thus, opening the Riayadat mall Branch in 2016.

Ebdaa Microfinance Bank, which is the first financial institution of its kind in the Gulf region, was a result of a partnership between the Bahraini Government, represented by both: the Housing Bank for Trade and Financing and the Development Bank of Bahrain, and the Arab Gulf Program for United Nations Development Organizations (AGFUND), and the contribution of the Bahraini Private Sector. The bank was established in Bahrain according to the CBB Law and based on a special license from the Bahrain Central Bank.

On behalf of the founding shareholders and Board of Directors, I would like to convey our utmost gratitude to the wise leadership of the Kingdom of Bahrain, the Central Bank of Bahrain, other governmental institutions, and other stakeholders of the Bank, for their invaluable assistance and guidance. I would also like to record our appreciation to the customers of the Bank for their vital support, to the members of Shari'a Supervisory Board for their counsel and supervision, and to the management and staff of the Bank for their dedication and professionalism.

Ebrahim Bin Khalifa Al Khalifa
Chairman of Board of Directors

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL EBDAA BANK FOR MICROFINANCE B.S.C. (c)

Report on the financial statements

We have audited the accompanying financial statements of Al Ebdaa Bank for Microfinance B.S.C. (c) (the "Bank"), which comprise the statement of financial position as at 31 December 2015 and the statement of comprehensive income, statement of cash flows and statement of changes in equity 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL EBDAA BANK FOR MICROFINANCE B.S.C. (c) (continued)**

Opinion

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

Other matter

The financial statements of the Bank for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified audit opinion dated 26 March 2015 on those financial statements.

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 5), we report that:

- (a) the Bank has maintained proper accounting records and the financial statements are in agreement therewith; and
- (b) the financial information contained in the report of the Board of Directors is consistent with the financial statements.

Except as disclosed in note 2 to the 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 5) and CBB directives 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.



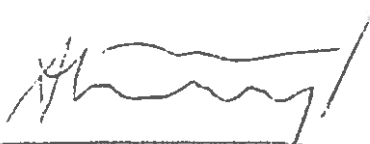
Partner's registration no. 121
29 March 2016
Manama, Kingdom of Bahrain

Al Ebdaa Bank for Microfinance B.S.C. (c)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 BD	2014 BD
ASSETS			
Cash and cash equivalents	4	1,194,893	1,104,569
Deposit with bank		-	17,500
Loans and advances to customers	5	904,952	720,637
Other assets	6	125,621	104,834
Equipment	7	61,698	60,708
TOTAL ASSETS		2,287,164	2,008,248
LIABILITIES AND EQUITY			
Liabilities			
Non-bank borrowing	8	1,000,000	1,000,000
Deferred income	9	65,933	66,068
Provision for employees' end of service benefits		4,989	-
Other liabilities	10	87,019	62,880
Total liabilities		1,157,941	1,128,948
Equity			
Share capital	11	1,885,000	1,885,000
Advance towards share capital	12	324,720	-
Accumulated losses		(1,080,497)	(1,005,700)
Total equity		1,129,223	879,300
TOTAL LIABILITIES AND EQUITY		2,287,164	2,008,248



Mona Yousif Al Moayyed
Deputy Chairman



Abdulhameed Dawani
Board member




Khaled Walid Al-Gazawi
Chief Executive Officer

The attached explanatory notes 1 to 23 form part of these financial statements.

Al Ebdaa Bank for Microfinance B.S.C. (c)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	<i>Note</i>	2015 BD	2014 BD
Interest income		306,703	259,401
Interest expense		(5,000)	(5,000)
Net Interest Income		301,703	254,401
Fee income	13	127,830	52,853
Other income		5,073	8,319
Total Income		434,606	315,573
Staff costs	14	322,861	352,934
Net provision / (reversal of provision) for impairment on loans and advance to customers	5	41,188	(15,420)
Depreciation	7	17,940	19,367
Other expenses	15	127,414	123,952
Total expenses		509,403	480,833
NET LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(74,797)	(165,260)



Mona Yousif Al Moayyed
Deputy Chairman



Abdulhameed Dawani
Board member



Khaled Walid Al-Gazawi
Chief Executive Officer

Al Ebdaa Bank for Microfinance B.S.C. (c)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	<i>Note</i>	<i>Share capital</i>	<i>Advance towards share capital</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2014		1,885,000	-	(840,440)	1,044,560
Total comprehensive income for the year		-	-	(165,260)	(165,260)
Balance at 31 December 2014		1,885,000	-	(1,005,700)	879,300
Advance towards share capital	12	-	324,720	-	324,720
Total comprehensive income for the year		-	-	(74,797)	(74,797)
Balance at 31 December 2015		1,885,000	324,720	(1,080,497)	1,129,223

The attached explanatory notes 1 to 23 form part of these financial statements.

Al Ebdaa Bank for Microfinance B.S.C. (c)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<i>Note</i>	2015 BD	2014 BD
OPERATING ACTIVITIES			
Net loss for the year		(74,797)	(165,260)
Adjustments for non-cash items:			
Depreciation	7	17,940	19,367
Net provision / (reversal of provision) for impairment on loans and advances to customers	5	41,188	(15,420)
Operating loss before changes in operating assets and liabilities		(15,669)	(161,313)
Change in operating assets and liabilities:			
Deposit with bank		17,500	-
Loans and advances to customers		(225,503)	193,200
Other assets		(20,787)	63,285
Other liabilities		24,139	(8,691)
Deferred income		(135)	32,652
Provision for employees' end of service benefits		4,989	-
Net cash flows (used in) / from operating activities		(215,466)	119,133
INVESTING ACTIVITY			
Purchase of equipment	7	(18,930)	(17,524)
Net cash flows used in investing activity		(18,930)	(17,524)
FINANCING ACTIVITY			
Advance towards share capital	12	324,720	-
Net cash flows from financing activity		324,720	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
		90,324	101,609
Cash and cash equivalents at 1 January		1,104,569	1,002,960
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	1,194,893	1,104,569

The attached explanatory notes 1 to 23 form part of these financial statements.

1 INCORPORATION AND ACTIVITIES

Incorporation

Al Ebdaa Bank for Microfinance B.S.C. (c) (the "Bank") was incorporated in the Kingdom of Bahrain as a closed shareholding company under commercial registration (CR) number 72533 dated 12 August 2009 issued by the Ministry of Industry and Commerce. The Bank is licensed as a microfinance retail bank by the Central Bank of Bahrain ("CBB") and accordingly is subject to the regulations and accordingly is subject to the regulations and supervision of the CBB. The Bank's registered office is at Unisono Building, P O Box 18648, Sanabis, Kingdom of Bahrain.

Activities

The principal activities of the Bank comprise the provision of microfinance and related advisory services. The Bank is permitted to conduct its activities in compliance with both conventional banking rules for its conventional banking activities and in compliance with Islamic Shari'a rules for its Islamic window activities.

The financial statements of the Bank for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors dated 29 March 2016.

2 BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law ("BCCL") the CBB and Financial Institutions Law, the CBB Rule Book (Volume 5) and the relevant CBB directives, except for the following:

- The Bank did not maintain the minimum share capital of BD 5 million as per AU-2.5.2 of the CBB Rule Book;
- The Bank's leverage ratio reached 49.37% as at 31 December 2015, hence they did not notify the CBB of their non-compliance of the minimum leverage ratio of 50% as per CA-1.1.6 of the CBB Rule Book;
- The Bank did not carry out a minimum of four Audit Committee meeting during the year as per appendix A of HC module of the CBB Rule Book; and
- The Bank's accumulated losses exceeded half of the paid up share capital, hence an EGM was not held as required by the BCCL to resolve to continue the operations.

Accounting convention

The financial statements have been prepared on a historical cost basis. These financial statements are presented in Bahrain Dinars (BD) which is the Bank's functional and presentation currency.

3 ACCOUNTING POLICIES

3.1 Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has made estimates and judgements in determining the amounts recognised in the financial statements.

The most significant use of judgements and estimates are as follows:

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

3 ACCOUNTING POLICIES (continued)

3.1 Significant accounting judgements and estimates (continued)

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

Collective impairment provisions on loans and advances

In addition to specific provisions against individually significant loans and advances, the Bank also makes a collective impairment provision against groups of loans and advances which have not been identified for allocating specific provision but carry higher risk of default than originally perceived when the assets were booked.

Useful lives of equipment

The Bank's management determines the useful lives of tangible assets and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

3.2 New and amended standards and interpretations issued and effective

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRSs effective during the year:

- *Amendments to IAS 19 Defined Benefit Plans: Employee Contribution;*
- *IAS 36 Impairment of Assets (Amendment) - Recoverable amount disclosures for non-financial asset;*
- *Annual Improvements 2010-2012 Cycle;*
- *IFRS 2 Share-based Payment;*
- *IFRS 8 Operating Segments;*
- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets;*
- *IAS 24 Related Party Disclosures;*
- *Annual Improvements 2011-2013 Cycle.*

The above amendments to IFRSs which are effective for annual accounting periods starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Bank.

3.3 New Standards and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of relevant standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards (where applicable) when they become effective:

3 ACCOUNTING POLICIES (continued)

3.3 New Standards and amendments issued but not yet effective (continued)

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Bank is currently assessing the potential impact of adoption of IFRS 9 on its financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Bank's financial position, performance or its disclosures.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Bank's financial position, performance or its disclosures.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date using the full retrospective method. The Bank is currently assessing the potential impact of adoption of IFRS 15 on the financial statements.

3 ACCOUNTING POLICIES (continued)

3.3 New Standards and amendments issued but not yet effective (continued)

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statements of comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bank is currently assessing the potential impact of adoption of IAS 1 on the financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bank is currently assessing the potential impact of such amendments on the financial statements.

IFRS 16 - Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Bank is currently assessing the impact of adoption of IFRS 16 on the financial statements.

3.4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the Bank and are consistent with those of the previous year.

(a) Equipment

Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment. When significant parts of equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciation, respectively. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture	10 years
Equipment	10 years
Head office improvements	10 years
Vehicle	7 years
Computers	4 years
Software	4 years

3 ACCOUNTING POLICIES (continued)

3.4 Summary of significant accounting policies (continued)

(a) Equipment (continued)

An item of equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks.

(c) Deposit with bank

Deposit with bank mainly comprise inter-bank deposits, which are for short-term and are stated at their amortised cost less impairment.

(d) Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

(e) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at fair value through profit or loss
- b) Loans and receivables
- c) Held-to-maturity investments
- d) AFS financial assets

3 ACCOUNTING POLICIES (continued)

3.4 Summary of significant accounting policies (continued)

(e) Financial assets (continued)

Loans and receivables

This category is the most relevant to the Bank. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in net provision for impairment on loans and advance to customers.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's consolidated statement of financial position) when:

- (a) The rights to receive cash flows from the asset have expired; or
- (b) The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Impairment of financial assets

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(f) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

3 ACCOUNTING POLICIES (continued)

3.4 Summary of significant accounting policies (continued)

(f) Financial liabilities (continued)

Initial recognition and measurement (continued)

The Bank's financial liabilities include non-bank borrowings and interest payable.

Subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Loans and borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the statement of financial position when a legally enforceable right to set-off such amounts exists and when the Bank intends to settle on a net benefits basis or to realise the assets and settle the liabilities simultaneously.

(h) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Bank and are, accordingly, not included in the statement of financial position.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Bank has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

Fee income

i. Administration fee

Fees earned for the provision of services over a period of time are accrued over that period.

3 ACCOUNTING POLICIES (continued)

3.4 Summary of significant accounting policies (continued)

(i) Revenue recognition (continued)

Fee income (continued)

ii. Processing fee

Fees earned for the provision of processing services at loan granting date.

iii. Penalty fees

Penalty fees are earned on overdue loans ranging between BD 1 to BD 5 on each overdue day. These fees are recognized upon receipt only.

Administration fees and processing fees of more than BD 100 are recorded as deferred income when received and recognised as fee income over the loan tenor.

Interest expense

Interest expense is recognised using the effective yield method.

(j) Provision

Provisions are recognised when the Bank has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

(k) Provision for employees' end of service benefits

The Bank makes contributions to the Social Insurance Organisation, for its national employees, calculated as a percentage of the employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due.

The Bank also provides end of service benefits to its expatriate employees in accordance with the labour law of the Kingdom of Bahrain. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

(l) Share capital

Ordinary shares issued by the Bank are classified as equity. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(m) Statutory reserve

The Bahrain Commercial Companies Law 2001 requires that 10% of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50% of the paid up share capital. The Bank reported a net loss for the year, thus no transfer to statutory reserve has been made (2014: nil).

(n) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

3 ACCOUNTING POLICIES (continued)

3.4 Summary of significant accounting policies (continued)

(n) Leases (continued)

Bank as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

(o) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing on the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into Bahraini Dinars at functional currency rates of exchange prevailing at the reporting date. Any gains or losses are recognised in the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(p) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 CASH AND CASH EQUIVALENTS

	2015	2014
	<i>BD</i>	<i>BD</i>
Cash on hand	7,959	3,275
Balances with banks	1,186,934	1,101,294
	1,194,893	1,104,569

5 LOANS AND ADVANCES TO CUSTOMERS

	2015	2014
	<i>BD</i>	<i>BD</i>
Gross loans and advances	1,244,589	1,019,086
Less: allowance for impairment	(339,637)	(298,449)
	904,952	720,637

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

5 LOANS AND ADVANCES TO CUSTOMERS (continued)

Movement in impairment allowance is as follows:

	2015 BD	2014 BD
At 1 January	298,449	313,869
Charge for the year	141,138	14,300
Reversal of provision	(99,950)	(29,720)
Net provision / (reversal of provision) for impairment on loans and advance to customers	41,188	(15,420)
	339,637	298,449
Specific impairment	331,555	291,896
Collective impairment	8,082	6,553
	339,637	298,449
Gross amount of loans, individually determined to be impaired	436,376	331,555

	<i>Collective</i>		<i>Specific</i>	
	2015 BD	2014 BD	2015 BD	2014 BD
Balance at 1 January	6,553	8,343	291,896	305,526
Charge for the year	1,529	-	139,609	14,300
Reversal of provision	-	(1,790)	(99,950)	(27,930)
Balance at 31 December	8,082	6,553	331,555	291,896

At 31 December 2015, the Bank's loans and advances that are past due amounted BD 436,376 (2014: BD 331,555) of which BD 331,555 (2014: BD 291,896) provision were made. Interest in suspense on past due loans amounts to BD 7,544 (2014: nil).

6 OTHER ASSETS

	2015 BD	2014 BD
Management fee receivable*	77,850	77,850
Prepayments	22,838	8,867
Interest receivable	16,660	12,167
Other receivables	8,273	5,950
	125,621	104,834

Management fees represents amount receivable from Tamkeen for managing the fishermen and farmers loan portfolio as per the agreement signed with Tamkeen in 2010. The management believes that this receivable is collectible in full and therefore have not made a provision against this.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

7 EQUIPMENT

	<i>Furniture BD</i>	<i>Computers BD</i>	<i>Software BD</i>	<i>Equipment BD</i>	<i>Vehicle BD</i>	<i>Head office improvements BD</i>	<i>2015 Total BD</i>	<i>2014 Total BD</i>
Cost								
At 1 January	18,420	32,861	62,880	24,252	16,611	-	155,024	137,500
Additions	1,520	1,167	1,044	474	3,820	10,905	18,930	17,524
At 31 December	19,940	34,028	63,924	24,726	20,431	10,905	173,954	155,024
Depreciation								
At 1 January	8,692	31,736	40,257	11,698	1,933	-	94,316	74,949
Charge for the year	1,914	2,292	7,562	2,000	3,209	963	17,940	19,367
At 31 December	10,606	34,028	47,819	13,698	5,142	963	112,256	94,316
Net book value								
2015	9,334	-	16,105	11,028	15,289	9,942	61,698	-
2014	9,728	1,125	22,623	12,554	14,678	-	-	60,708

8 NON-BANK BORROWING

Non-bank borrowing represents an interest bearing loan from the Supreme Council of Women amounting BD 1 million carrying a fixed rate of 0.5% per annum (2014: 0.5%). Interest expense charged during the year amounted to BD 5,000 (2014: BD 5,000).

9 DEFERRED INCOME

	<i>Note</i>	<i>2015 BD</i>	<i>2014 BD</i>
Administration and processing fees	9.1	54,370	54,505
Other	9.2	11,563	11,563
		65,933	66,068

9.1 Administration and processing fees are collected upfront upon disbursing of the loan facility and are deferred over the loan tenor. Processing fees amounting to BD 100 or less is not deferred and is recognised as fee income for the year. (refer note 13)

9.2 Fees received in advance related to "Transportation Project (the Program)" initiated by Supreme Council of Women ("SCW"). Those fees include administration, marketing, management and application fees. Under the Program, the Bank is mandated to facilitate purchase, registration and transfer of vehicles to 80 women in four phases comprising 20 vehicles in each phase. The beneficiary receives 50% of the cost of the vehicle as donation from SCW and the remaining 50% of the cost (subject to a maximum of BD 5,000 each) is financed by the Bank.

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

10 OTHER LIABILITIES

	2015 BD	2014 BD
Interest payable	27,642	22,642
Accrued expenses	20,484	8,302
Employee related accruals	16,602	12,262
Other liabilities	22,291	19,674
	<u>87,019</u>	<u>62,880</u>

11 SHARE CAPITAL

	2015 BD	2014 BD
<i>Authorized, issued and fully paid up capital</i>		
5,000,000 (2014: 5,000,000) shares of 377 fills each	<u>1,885,000</u>	<u>1,885,000</u>

The Bank has only one class of equity shares and the holders of these shares have equal voting rights.

12 ADVANCE TOWARDS SHARE CAPITAL

The shareholders of the Bank, have further paid BD 324,720 (2014: BD nil) towards increasing the share capital as follows:

	2015 BD	<i>Holding %</i>	
		<i>Before</i>	<i>After</i>
Arab Gulf Programme for United Nations Development Organizations	180,720	40.00%	42.31%
Bahrain Development Bank	90,000	20.00%	21.13%
Abdulhameed Mohammed Dawani	36,000	8.00%	8.45%
Mona Al Moayyed	18,000	4.00%	4.23%
Eskan Bank	-	20.00%	17.06%
Khalid Mohammed Kanoo	-	8.00%	6.82%
	<u>324,720</u>	<u>100%</u>	<u>100%</u>

The legal formalities in respect of the capital increase are in progress as of the reporting date.

13 FEE INCOME

	2015 BD	2014 BD
Loan processing fees	57,646	25,191
Penalty fees	48,327	19,998
Other fees	21,857	7,664
	<u>127,830</u>	<u>52,853</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

14 STAFF COSTS

	2015	2014
	BD	BD
Salaries and allowances	250,726	268,206
Social insurance expenses	26,695	39,679
Other benefits	45,440	45,049
	322,861	352,934

15 OTHER EXPENSES

	2015	2014
	BD	BD
Rent and utilities	42,012	41,688
Professional fees	16,967	18,220
Travel expenses	12,804	13,041
Marketing expenses	9,528	3,783
Communication expenses	7,813	5,187
Other expenses	38,290	42,033
	127,414	123,952

16 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates and joint ventures, directors and key management personnel of the Bank and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Bank's management.

Amounts outstanding as of the statement of financial position date in respect of transactions entered into with related parties were as follows:

	2015	2014
	BD	BD
Bank balances held with a shareholder	1,227	186,959
Other receivables	150	-

The income and expense in respect of related parties included in the statement of comprehensive income are as follows:

	2015	2014
	BD	BD
Rent expenses	7,392	7,392

Compensation of the key management personnel is as follows:

	2015	2014
	BD	BD
Salaries and short term employee benefits	72,000	69,106
Provision for employees' end of service benefits	4,081	-

No remuneration was paid to directors during the year (2014: nil).

17 ASSETS UNDER MANAGEMENT

The Bank provides administration services on loans provided on behalf of other entities, these assets are managed in a fiduciary capacity where the Bank has no entitlement to these assets and subject to normal administration fee arrangement. Accordingly, these assets are not included in the Bank's statement of financial position. At the statement of financial position date, the Bank had assets under management of BD 252,089 (2014: BD 404,043). During the year, for managing the projects, the Bank has not charged administration fees (2014: BD nil).

18 COMMITMENTS**Operating lease commitments – Bank as lessee**

The operating lease relates to the rent of the Bank's main office and a branch premises for a period of 1 and 2 years respectively. The Bank does not have the option to purchase the leased property at the expiry of the lease period. The lease term for the main office expires on 30 September 2016 and that of the branch expires on 31 December 2017.

Operating lease payments recognised as an expense

	2015 BD	2014 BD
Operating lease payments	<u>31,560</u>	<u>31,560</u>

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	2015 BD	2014 BD
Within one year	25,518	25,518
More than one year	7,392	-
	<u>32,910</u>	<u>25,518</u>

During the year, the Bank in its normal course of business has issued no performance guarantees (2014: BD 17,500).

19 RISK MANAGEMENT

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to market risk (which includes currency risk and interest rate risk), credit risk and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument or lease agreement will fail to discharge a financial obligation and cause the other party to incur a financial loss.

The Bank is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The geographic distribution of predominantly all assets and liabilities of the Bank is in the Kingdom of Bahrain. The assets and liabilities of the Bank are not concentrated in any particular industry sector.

Al Ebdaa Bank for Microfinance B.S.C. (c)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

19 RISK MANAGEMENT (continued)

a) Credit risk (continued)

There is no significant concentration of credit risk at the reporting date. The credit risk on liquid funds is limited because the counterparties are banks with good financial standing. The Bank's maximum exposure to credit risk is as follows:

	2015 BD	2014 BD
Bank balances	1,194,893	1,104,569
Deposit with bank	-	17,500
Loans and advances to customers	904,952	720,637
Interest receivable	16,660	12,167
Management fee receivable	77,850	77,850
	2,194,355	1,932,723

The table below shows the credit quality of loans and advances gross loan-related statement of financial position lines, based on the Bank's credit rating system.

2015 Classification	Gross loan amount BD	Collective impairment allowance BD	Specific impairment allowance BD	Net loan amount BD
Current	808,213	8,082	-	800,131
Past due:				
0-30 days	78,428	-	7,843	70,585
31-60 days	19,268	-	4,817	14,451
61-90 days	23,216	-	11,608	11,608
91-180 days	32,707	-	24,530	8,177
181 days and above	282,757	-	282,757	-
	1,244,589	8,082	331,555	904,952
2014 Classification	Gross loan amount BD	Collective impairment allowance BD	Specific impairment allowance BD	Net loan amount BD
Current	655,273	6,553	-	648,720
Past due:				
0-30 days	45,574	-	4,557	41,017
31-60 days	19,841	-	4,960	14,881
61-90 days	14,504	-	7,252	7,252
91-180 days	35,073	-	26,306	8,767
181 days and above	248,821	-	248,821	-
	1,019,086	6,553	291,896	720,637

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

19 RISK MANAGEMENT (continued)

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise interest rate risk and currency risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Bank's financial assets and financial liabilities are denominated in Bahraini Dinars, the management does not perceive the Bank to be exposed to significant currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rates on Bank's term deposits are fixed. Hence the Bank is not exposed to interest rate risk.

c) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Bank could be required to pay its liabilities earlier than expected.

Management monitors the liquidity requirements on a monthly basis and ensures that sufficient funds are available to meet the Bank's future commitments.

The table below summarises the maturity profile of the Bank's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payment obligation:

	31 December 2015			Total BD
	1-3 months BD	3 months to 1 year BD	More than 1 year BD	
LIABILITIES AND COMMITMENTS				
Non-bank borrowing	-	1,005,000	-	1,005,000
Other liabilities	-	59,377	27,642	87,019
Commitments	7,350	25,518	7,392	40,260
	7,350	1,089,895	35,034	1,132,279
	31 December 2014			Total BD
	1-3 months BD	3 months to 1 year BD	More than 1 year BD	
LIABILITIES AND COMMITMENTS				
Non-bank borrowing	-	1,005,000	-	1,005,000
Other liabilities	-	40,238	22,642	62,880
Commitments	7,350	25,518	-	32,868
Performance guarantees	-	17,500	-	17,500
	7,350	1,088,256	22,642	1,118,248

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NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2015

19 RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

The table below summarises the expected maturity profile of the Bank's assets and liabilities as at 31 December 2015 and 2014:

	31 December 2015					Total BD
	Up to 3 months BD	3 months to 1 year BD	Total up to 1 year BD	1 to 5 years BD	No specific maturity BD	
ASSETS						
Cash and cash equivalents	1,194,893	-	1,194,893	-	-	1,194,893
Deposit with bank	-	-	-	-	-	-
Loans and advances to customers	-	-	-	904,952	-	904,952
Other assets	-	47,771	47,771	77,850	-	125,621
Equipment	-	-	-	-	61,698	61,698
	1,194,893	47,771	1,242,664	982,802	61,698	2,287,164
LIABILITIES						
Provision for employees' end of service benefits	-	-	-	4,989	-	4,989
Non-bank borrowing	-	1,000,000	1,000,000	-	-	1,000,000
Other liabilities	-	59,377	59,377	27,642	-	87,019
	-	1,059,377	1,059,377	32,631	-	1,092,008
	31 December 2014					
	Up to 3 months BD	3 months to 1 year BD	Total up to 1 year BD	1 to 5 years BD	No specific maturity BD	Total BD
ASSETS						
Cash and cash equivalents	1,104,569	-	1,104,569	-	-	1,104,569
Deposit with bank	-	17,500	17,500	-	-	17,500
Loans and advances to customers	-	-	-	435,381	-	435,381
Other assets	-	26,984	26,984	77,850	-	104,834
Equipment	-	-	-	-	60,708	60,708
	1,104,569	44,484	1,149,053	513,231	60,708	1,722,992
LIABILITIES						
Non-bank borrowing	-	1,000,000	1,000,000	-	-	1,000,000
Other liabilities	-	40,238	40,238	22,642	-	62,880
	-	1,040,238	1,040,238	22,642	-	1,062,880

19 RISK MANAGEMENT (continued)

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and Infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Bank's management employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

e) Categories of financial instruments

Financial instruments consist of financial assets and financial liabilities. Financial assets include bank balances, deposit with bank, loans and advances and interest receivables. Financial liabilities include non-bank borrowing and interest payables.

	<i>2015</i> <i>BD</i>	<i>2014</i> <i>BD</i>
Financial assets (at amortised cost):		
Bank balances	1,186,934	1,101,294
Deposit with bank	-	17,500
Loans and advances to customers	904,952	720,637
Interest receivable	16,660	12,167
	<u>2,108,546</u>	<u>1,851,598</u>
Financial liabilities (at amortised cost):		
Non-bank borrowing	1,000,000	1,000,000
Interest payable	27,642	22,642
	<u>1,027,642</u>	<u>1,022,642</u>

20 CAPITAL MANAGEMENT

Equity includes equity attributable to the owners of the Bank, which for capital management purposes, includes share capital, advance towards share capital and accumulated losses.

The primary objectives of the Bank's capital management processes are to ensure that the Bank maintains liquidity in order to support its business and to maximise equity. No changes were made in the objectives, policies and processes during the year ended 31 December 2015.

As at 31 December 2015

21 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Board of Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximated their fair values as at the reporting dates.

There are no financial assets or financial liabilities carried at fair value as at the reporting dates.

22 ISLAMIC BANKING ACTIVITIES

The Bank offers certain Sharia'a compliant loans to its customers. These activities are subject to supervision of Sharia'a Supervisory Scholar. As at 31 December 2015, Islamic loans comprise 3% (2014: 7%) of its total assets.

23 COMPARATIVE FIGURES

In the Bank's financial statements for the year ended 31 December 2015 certain comparative amounts have been reclassified to conform with the presentation in the current year.

**Supplement of disclosures as required by Volume 5
Public Disclosures Module PD-1.3 *Disclosures*
*in the Annual Audited Financial Statements***

Board profile and experience

- 1. Sh. Ebrahim bin Khalifa AlKhalifa**
Board Chairman
Independent, Non-Executive

His Excellency Sheikh Ebrahim bin Khalifa AlKhalifa is the Chairman of Ebdaa Bank since establishment. He was previously the Minister of Housing until 2011. Also, he served a former undersecretary of the Ministry of Finance and Chairman of Eskan Bank and Bahrain Development Bank. Currently his Excellency is a member in number of banking and development institutions including the Accounting and Auditing Organization for Islamic financial institutions, the United Nations Industrial UNIDO, and many others.

- 2. Mrs. Mona Yousef AlMoayed**
Deputy Chairman
Shareholder, Non-Executive

Mona Yousef AlMoayed is the Chief Executive of YK AlMoayyed & Sons one of the oldest family businesses in Bahrain. She manages and oversees more than 1000 employees of different nationalities and around 100 brands of luxury goods household electronic appliances, heavy equipment and medical technologies.

She was the first member women elected in the Chamber of Commerce and Industry of Bahrain in 2001. She was also the first women to be elected as a board member in a public company (Bahrain Maritime and International Trade B.S.C.). In addition, she contributed to the establishment of BMMI and later she became the Vice-Chairman of the Gulf Businesswomen Committee for the Federation of GCC Chambers and member of the Union of Arab women for women's Affairs.

All these positions have drawn the attention of the Arab Forbes magazine, which she was ranked as the 12th most powerful women in the Arab world. Due to high concern to the social responsibility, she was ranked the 4th of the top 50 Bahrainis in the Bahraini Businessman magazine. She was also ranked 130 of the 500 most powerful women according to Arabian Business magazine in 2012. Again in 2013, she was placed the 3rd of the most influential Arab Women in family businesses according to Forbes Arabia magazine.

- 3. Mr. Nasser AlQahtani**
Board member
Shareholder, Non-Executive

Mr. Nasser is a Master degree holder from Miami University, USA in 1989. He is the executive director of the Arab Gulf Program for Development (AGFUND) which was established in 1980 at the initiative of His Royal Highness Prince Talal Bin Abdul Aziz, and the cooperation of the leaders of the Gulf Cooperation Council (GCC), based in Riyadh, Saudi Arabia.

He earned the trust of many executive boards in the development sector, and is one of the most influential leaders in this field in the Arab world by taking a number of executive and advisory positions and memberships of boards of directors. His aim was to build successful partnerships between institutions and private sector funding to serve developmental issues on the Arab and African level. He is a board member in number of organizations (Arab Open University, the Centre of Arab Women for Training and Research, the Arab Council for Childhood and Development and the Arab Network for NGOs).

4. Mr. AbdulHameed Dawani
Board member
Shareholder, Non-Executive

Mr. AbdulHameed Dawani is a board member of EbdAA Bank and the president of the Risk Committee. In addition to that he is an executive member in commercial companies in Bahrain such as Al-Jazeera Group and Manama Food Factory. He holds a university degree in civil engineering from Alexandria University, Egypt.

5. Mrs. Sabah AlMoayed
Board member
Independent, Non-Executive

Mrs. Sabah AlMoayed is a board member of EbdAA Bank and a member in the Audit Committee. In addition to that she is a member in the Higher Education Council and chairman of the Pine Bridge Company. She is an expert in the banking sector as she handled several managerial positions in number of Bahraini and foreign Banks including the CEO of Eskan Bank from 1995 to 2013. She holds a Master degree from Chicago University, USA and Bachelor degree from American University from Beirut.

6. Mr. Ahmed Tayarah
Board member
Shareholder, Non-Executive

Mr. Ahmed Tayarah is a board member in EbdAA Bank. In addition to that he is the Deputy General Manager and Chief Operating Officer of Eskan Bank since 2012. He has around 20 years of banking experience as he hold different managerial positions in different companies in Bahrain and Lebanon. He holds a Master degree in Agricultural Economics from McGill University, Canada.

7. Mr. Adel Mohamed Ali Bella
Board member
Independent, Non-Executive

Mr. Adel Bella is a board member of EbdAA Bank and a member in the Risk Committee. Currently, he is the CEO and Board member of EbdAA Bank in Sudan and a board member of EbdAA Bank in Mauritania. Due to his banking experience, he held different managerial positions in microfinance institutions. He holds a Bachelor degree in Business Accounting from Khartoum University,

8. Mrs. Dalal Ismaeel
Board member
Shareholder, Non-Executive

Mrs. Dalal Ismaeel is a board member at EbdAA Bank and a member in Risk Committee. Currently, she is the Deputy General Manager – Retail Banking – in Bahrain Development Bank. She joined BDB in 2004 as a Head of Credit and Risk function. She holds a Bachelor degree in Business Administration from Bahrain University as well as several banking and financial studies from BIBF such as Diploma in Islamic Banking and Diploma in investment and treasury management.

9. Mr. Khalid Kanoo
Board member
Shareholder, Non-Executive

Mr. Khalid Kanoo is a board member at EbdAA Bank. After completing his education in the USA in 1969, he started his career in the family business. Besides being a Partner, he is Group Managing Director of Yusuf Bin Ahmed Kanoo Group and Deputy Chairman of Yusuf Bin Ahmed Kanoo Co. Saudi Arabia. He is also Chairman of two other companies and Director of six owned companies in Bahrain and Saudi Arabia.

The Board Responsibilities

The Board of Directors is collectively and individually responsible for achievement of the corporate objectives of the Bank and to ensure that Bank functioning does not contravene any legal or regulatory requirements. The Board is also responsible to ensure that the Senior Management and other staff of the Bank functions effectively under its supervision and control.

The Board Composition

The Board has nine members, comprising from the public sector and private sector. All the shareholders are Bahraini except one is Saudi. And two of the board members are from governmental sector.

The Board Committees

The Board of Directors has constituted three Committees with specific delegated authorities.

	Committee	Members		Primary responsibilities
1	Audit Committee	Mona AlMoayed	Head	<ul style="list-style-type: none"> • Financial Audit and Reporting. • Internal Audit. • External Audit. • Compliance.
		Sabah AlMoayed	Member	
		Mohamed AlSaleem	Member	
2	Nomination & Remuneration Committee	AbdulHameed Dawani	Head	<ul style="list-style-type: none"> • Human Resources. • Compensation and incentives. • Administration. • Corporate Governance.
		Dalal Ismaeel	Member	
		Adel Bella	Member	
3	Risk Committee	Adel Bella	Head	<ul style="list-style-type: none"> • Anti-Money Laundering. • Risk management. • Policies related to risk management.
		AbdulHameed Dawani	Member	
		Dalal Ismaeel	Member	

All the above Committees are reported to the Board of Directors. The Board meetings and its committees are held as and when required but in accordance with the Regulations. The Board meets at least once a quarter.

The Board of Directors and its committees receive regular reports on various aspects of the Bank's business from senior management as well as from Internal Audit, Risk Management, Financial Control, and Operations Departments.

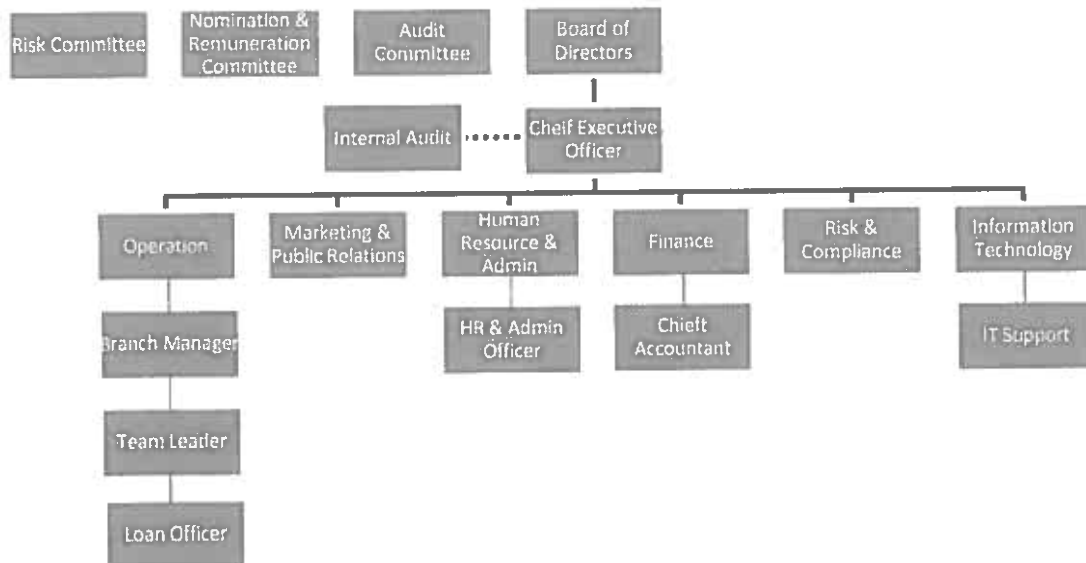
Management committees

The Board of Directors delegates the authority for day-to-day management of the business to the Chief Executive Officer (CEO) who is responsible for implementing the Bank's strategic plan. The CEO manages the Bank through the following management committees:

Committee	Primary Responsibilities
Purchasing Committee	Budget, Administration issues.
Human Resource Committee	Discuss all HR issues and recommend actions.
Credit Committee	Approve loans, monitor loans, review risk and provisions.

Organizational chart

Set out below is the Bank's organization chart, which outlines the different committees and the lines of reporting.



Management

Mrs. Fatema Mohammed Salman Finance Manager

Mrs. Fatima Salman holds a bachelor degree in Accounting with honors from the University of Bahrain and a certificate of Higher Diploma in Islamic finance from the Bahrain Institute for Banking and Financial Studies. Before joining the Bank, she was an accountant at Arcapita Bank. Later in 2013, she joined Ebdaa Bank was promoted in a short period due to her outstanding work to senior accountant then in the first quarter to Finance Manager.

Mrs. Walaa Mohammed AlBannai Human Resource and Admin Manager

Mrs. Walaa AlBannai joined Ebdaa Bank in March 2010 as secretary in the Executive Office of the CEO. Within few years, she has been able to prove her capabilities and began gradually to promote until she became the manager of the Human Resource and Admin department in April 2014. She holds a High Diploma in Business Administration from Bahrain University and recently she became a certified risk and compliance management professional.

Ms. Eman Abdulla Bufarsan Acting Operation Manager

Ms. Eman Bufarsan joined Ebdaa Bank as loan officer in March 2010. Due to her ability to work under pressure, she gradually promoted within the same department until she became the head of the Operation Department in 2014. She holds a bachelor degree in Business Administration from Arab Open University and other certificated in the microfinance field.

Mr. Hasan Ali Hussain Information Technology Assistant Manager

Mr. Hasan Ali joined Ebdaa Bank since inception in 2009. He holds a postgraduate diploma from the University of Bahrain in Management Information Systems. Before joining the Bank, she worked in Addax Bank in the IT department. He also worked for one year as an administrator for public relations and marketing in the Bank. Later, he was promoted to handle the IT department.

Mrs. Maryam Adnan Kamal Acting Risk and Compliance Officer

Mrs. Maryam Kamal joined Ebdaa Bank as an Operation Specialist in 2013. By proving herself, she was promoted recently to handle the Risk and Compliance department. She holds a Master degree in Finance with Honors from DePaul University and a certified Risk and Compliance Management Professional.

Mrs. Ebtesam Isa AlDuaisi Acting Marketing and Public Relations Officer

Mrs. Ebtesam AlDuaisi joined Ebdaa Bank as Portfolio Specialist in 2013. Later, she was promoted to a Branch Manager due to her hard work. In 2015, she was promoted to handle to the Marketing and PR department in the Bank. She has organized several events and attended several workshops. She holds a degree in International Studies from Bahrain.