SECURITIES AND INVESTMENT COMPANY BSC (c)

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2015

Comprehensive investment services for the Bahrain and GCC securities market

Commercial registration	:	33469
Board of Directors	:	Abdulla bin Khalifa Al Khalifa, *Chairman of the Board and Chairman of the Investment Committee*
		Hussain Al Hussaini, *Vice Chairman of the Board & Member of the Investment Committee*
		Prakash Mohan *Member of the Investment Committee*
		Mohammed Abdulla *Vice Chairman Of Nominations, Remuneration & Corporate Governance Committee*
		Mahmoud Zewam *Member Of Nominations, Remuneration & Corporate Governance Committee*
		Anwar Abdulla Ghuloom *Member of Audit Committee*
		Fahad Murad *Chairman Of Nominations, Remuneration & Corporate Governance Committee*
		Yousif Saleh Khalaf *Chairman of the Audit Committee*
		Waleed Al Braikan *Vice Chairman of the Audit Committee*
Chief Executive Officer	:	Najla M. Al Shirawi
Office	:	BMB Centre PO Box 1331, Kingdom of Bahrain Telephone 17515000, Fax 17514000
Bankers	:	Bank of Bahrain and Kuwait BSC
Auditors	:	KPMG

Securities and Investment Company BSC (c)

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2015

CONTENTS

BOARD OF DIRECTORS' REPORT
For the year ended 31 December 2015
CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Securities & Investment Company (SICO) for the year ended 31 December 2015, which marked the Bank's 20th anniversary.

In what proved to be a very tough year for all asset classes, SICO posted a commendable financial performance. Operating income was BD 8.4 million compared with BD 12.4 million in 2014, while total operating expenses amounted to BD 5.5 million against BD 6.4 million the previous year. Net profit for the year was BD 2.8 million compared with BD 5.4 million in 2014, with basic earnings per share of Bahraini fils 6.64 versus 12.68 fils for the prior year. At the end of 2015, total balance sheet footings stood at BD112.8 million compared with BD 115.7 million for the previous year. SICO continued to maintain a solid capital base, with shareholders' equity of BD 58.4 million against BD 61 million in 2014. The Bank also maintained a very strong consolidated capital adequacy ratio of 53.6 per cent, which is substantially higher than the Central Bank of Bahrain's requirement.

Based on SICO's 2015 financial results and in accordance with the Bahrain Commercial Companies Law 2001, BD 285thousand has been transferred to the Statutory Reserve.

Furthermore, the Board is recommending the following appropriation for approval by the shareholders at the annual general meeting to be held on 21 March 2016:

- Payment of a cash dividend of BD 2.1million to shareholders, representing 5per cent of paid-up capital

Total shareholders' equity after appropriation of the Statutory Reserve is BD 58.4million compared with BD 61.1million in 2014. Directors' remuneration for 2015 is BD 42thousand. The Bank is authorised to spend BD 30 thousand in 2016 on supporting charitable, cultural and educational activities.

SICO responded proactively to unfolding events during the second half of 2015, extending its provision of advisory services to help clients face the turmoil in regional markets. The Bank's financial results for 2015 reflect the positive performance and greater contribution from our annuity revenue streams, with fee-based income now accounting for 64 per cent of total income.
Our 20th anniversary constitutes a major milestone for the Bank. Over the past two decades SICO has successfully navigated through a series of global economic upheavals and financial crises, and escalating regional geo-political tensions. Our strategy and core values of integrity, insight and innovation have guided us on our journey from a domestic securities house to a regional wholesale bank. Our prudent and consistent strategy remains on course. This entails a firm focus on serving the GCC region and selective MENA markets; growing and diversifying our business lines and revenue streams; pursuing a best-in-class, client-focused business model; and maintaining a disciplined approach to managing our costs, risk and capital.

Looking ahead, 2016 will be another highly-challenging year. This will be marked by continued volatility of oil prices, and further economic and fiscal reforms by GCC governments to diversify revenues and reduce subsidies. Such measures will have an impact on corporate earnings and market valuations. However, they will be positive in the long-term for regional economies, by making them more sustainable in an era of low oil prices. In addition, interesting new investment opportunities will arise from market corrections, and SICO will take full advantage of such opportunities in the best interests of our clients.

Our loyal clients play a critical role in the continued success of the Bank, and we will continue to focus on serving their needs while managing shareholders' capital prudently, a commitment which is central to our long-term value proposition. The Board has full confidence in the ability of our high-calibre Management team to respond to the challenges of a new regional reality in a proactive and dynamic manner.

There was a change in the composition of the Board of Directors during 2015. The Board would like to thank outgoing director Ms. Sawsan Abdulhassan for her valuable contribution during the past seven years; and in turn welcome her replacement, Mr. Prakash Mohan, whose extensive banking experience will be of great benefit. The Board would also like to congratulate Ms. Najla Al Shirawi, Chief Executive Officer; Ms. Kulood Al Qatan, Independent Board Member of SICO Funds Services Company; Ms. Nadia Albinkhalil, Head of HR and Administration; and Ms. Hanan Sater, former Head of Financial Control; on being awarded and recognised by HRH Princess Sabeeka bint Ibrahim Al Khalifa, Wife of His Majesty the King and Chairperson of the Supreme Council for Women, for their efforts in supporting Bahrain's financial sector as part of the celebrations for Bahrain Women's Day 2015.

The Board takes this opportunity to acknowledge the continued confidence and encouragement of our shareholders; the trust and loyalty of our clients and business partners; and the commitment and professionalism of our management and staff. The Board also expresses its appreciation to the Central Bank of Bahrain and the Bahrain Bourse for their continued guidance and support; and to the Bahrain Economic Development Board for their relentless efforts in supporting the financial services industry in the Kingdom.

On behalf of the shareholders, management and staff of SICO, the Board conveys its best wishes and sincere gratitude to His Majesty the King, His Royal Highness the Prime Minister, and His Royal Highness the Crown Prince, for their wise leadership, visionary reform programme, and support of the Kingdom's financial sector.

Abdulla bin Khalifa Al-Khalifa
Chairman of the Board

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Securities and Investment Company BSC (c)
PO Box 1331
Manama
Kingdom of Bahrain

Report on the financial statements
We have audited the accompanying consolidated financial statements of Securities and Investment Company BSC (c) (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of these consolidated 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 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 our 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, we consider 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 management, 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 its 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 Volume 1 of the Central Bank of Bahrain Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the Board of Directors' report is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Bank's memorandum and articles of association that would have had a material adverse effect on the business of the Bank or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner Registration No. 100
18 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

Bahraini Dinars '000

	Note	2015	2014
Assets			
Cash and cash equivalents	7	60,974	61,427
Treasury bills		750	-
Investments at fair value through profit or loss	8	14,258	17,340
Available-for-sale investments	9	30,244	28,811
Fees receivable	10	1,138	1,192
Other assets	11	3,968	5,399
Furniture, equipment and intangibles	12	1,435	1,500
Total assets		**112,767**	115,669
Liabilities and equity			
Liabilities			
Short-term bank borrowings	13	19,777	16,220
Customer accounts	14	28,805	32,878
Other liabilities	15	2,910	3,301
Payable to other unit holders in consolidated funds	6	2,836	2,172
Total liabilities		**54,328**	54,571
Equity			
Share capital	16	42,849	42,849
Shares under employee share incentive scheme		(1,599)	(1,599)
Statutory reserve	17	6,427	6,142
General reserve	18	3,217	2,642
Available-for-sale investments fair value reserve		(567)	1,118
Retained earnings		8,112	9,946
Total equity (page 7)		**58,439**	61,098
Total liabilities and equity		**112,767**	115,669

The consolidated financial statements were approved by the board of directors on 18-Feb-2016 and signed on its behalf by:

Abdulla Bin Khalifa Al Khalifa Chairman	Hussain Al Hussaini Vice Chairman	Najla M. Al Shirawi Chief Executive Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2015

Bahraini Dinars '000

	Note	2015	2014
Net investment income	19	1,426	3,928
Net fee and commission income	20	3,602	4,415
Brokerage and other income	21	1,764	2,627
Interest income	22	1,630	1,436
Total income		**8,422**	12,406
Staff and related expenses	23	(3,760)	(4,539)
Interest expense	22	(55)	(74)
Other operating expenses	24	(1,715)	(1,818)
Impairment of available-for-sale investments		(140)	(366)
Share of loss / (profit) of other unit holders in consolidated funds	6	94	(175)
Profit for the year		**2,846**	5,434
Basic and diluted earnings per share (fils)	30	**6.64**	12.68

Abdulla Bin Khalifa Al Khalifa
Chairman

Hussain Al Hussaini
Vice Chairman

Najla M. Al Shirawi
Chief Executive Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

Bahraini Dinars '000

	2015	2014
Profit for the year	**2,846**	5,434
Other comprehensive income		
Items that are or may be reclassified to profit or loss in subsequent periods:		
Fair value reserve (available-for-sale investments):		
- Net change in fair value	102	764
- Net amount transferred to statement of profit or loss on sale / impairment	(1,787)	(1,734)
Profit on part disposal of consolidated fund	-	(368)
Total other comprehensive income for the year	**(1,685)**	(1,338)
Total comprehensive income for the year	**1,161**	4,096

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

Bahraini Dinars '000

2015	Share capital	Shares under employee share incentive scheme	Statutory reserve	General reserve	Available-for-sale investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2015	42,849	(1,599)	6,142	2,642	1,118	9,946	61,098
- Transfer to general reserve	-	-	-	575	-	(575)	-
- Transfer to Statutory reserve	-	-	285	-	-	(285)	-
Comprehensive income for the year:							
Profit for the **year**	-	-	-	-	-	2,846	2,846
Other comprehensive income:							
Fair value reserve (available-for-sale investments):							
Net change in fair value	-	-	-	-	102	-	102
Net amount transferred to profit or loss on sale / impairment	-	-	-	-	(1,787)	-	(1,787)
Unrealized loss on consolidated funds transferred to retained earnings	-	-	-	-	-	36	36
Total other comprehensive income	**-**	**-**	**-**	**-**	**(1,685)**	**-**	**(1,685)**
Total comprehensive income for year	**-**	**-**	**-**	**-**	**(1,685)**	**2,882**	**1,197**
Transaction with owners recognized directly in equity:							
- Dividends declared for 2014	-	-	-	-	-	(3,856)	(3,856)
Balance at 31 December 2015	**42,849**	**(1,599)**	**6,427**	**3,217**	**(567)**	**8,112**	**58,439**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015 *(continued)*

Bahraini Dinars '000

2014	Share capital	Shares under employee share incentive scheme	Statutory reserve	General reserve	Available-for-sale investments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2014	42,849	(1,599)	5,567	2,100	2,456	8,892	60,265
- Transfer to general reserve	-	-	-	542	-	(542)	-
- Transfer to statutory reserve	-	-	575	-	-	(575)	-
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	5,434	5,434
Other comprehensive income:							
Fair value reserve (available-for-sale investments):							
Net change in fair value	-	-	-	-	764	-	764
Net amount transferred to profit and loss on sale / impairment	-	-	-	-	(1,734)	-	(1,734)
Profit on part disposal of consolidated fund	-	-	-	-	(368)	368	-
Unrealized gain on consolidated funds transferred to retained earnings	-	-	-	-	-	(417)	(417)
Total other comprehensive income	-	-	-	-	(1,338)	-	(1,338)
Total comprehensive income for the year	-	-	-	-	(1,338)	5,385	4,047
Transaction with owners recognized directly in equity: - Dividends declared for 2013	-	-	-	-	-	(3,214)	(3,214)
Balance at 31 December 2014	42,849	(1,599)	6,142	2,642	1,118	9,946	61,098

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Securities and Investment Company BSC (c)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015 Bahraini Dinars '000

	Note	2015	2014
Operating activities			
Net interest received		1,540	1,356
Sale of investments at fair value through profit or loss		40,999	187,880
Purchase of investments at fair value through profit or loss		(39,062)	(184,487)
Sale of available-for-sale investments		31,728	35,063
Purchase of available-for-sale investments		(33,063)	(30,713)
Purchase of Treasury Bills		(750)	-
Net (decrease) / increase in customer accounts		(4,073)	13,258
Dividends received		701	1,054
Brokerage and other fees received		6,892	5,878
Payments for staff and related expenses		(4,292)	(4,098)
Payments for other operating expenses		(1,361)	(2,011)
Net cash (used in) / from operating activities		**(741)**	23,180
Investing activities			
Net capital expenditure on furniture and equipment		(213)	(39)
Net cash used in investing activities		**(213)**	(39)
Financing activities			
Net proceeds from short-term bank borrowings		3,557	9,126
Net proceeds / (payments) from issue / (redemption) of units		828	(425)
Distribution to other unit holders in consolidated funds		(28)	-
Dividends paid		(3,856)	(3,214)
Net cash from financing activities		**501**	5,487
Net (decrease) / increase in cash and cash equivalents during the year		**(453)**	28,628
Cash and cash equivalents at the beginning of the year		61,427	32,799
Cash and cash equivalents at the end of the year	7	**60,974**	61,427

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

1. Reporting entity

Securities and Investment Company BSC(c) *("the Bank")* is a closed joint stock company registered in Bahrain under commercial registration number 33469 on 11 February 1995 and operates under a wholesale banking license from the Central Bank of Bahrain. On 7 May 2003, the Bank was listed on the Bahrain Stock Exchange as a closed company.

The primary objectives of the Bank are:

- To act as a market maker at the Bahrain Bourse;
- To assist in the development of the securities market in Bahrain by researching and promoting financial instruments and other investment vehicles;
- To arrange the issuance of bonds for developmental and investment purposes;
- To act as investment agents, trustees and intermediaries;
- To establish and manage investment and financial funds and portfolios;
- To offer financial advisory and underwriting services, such as advising corporations and family businesses on going public, and structuring transactions for privatization programs, mergers and acquisitions.

These consolidated financial statements include the accounts of the Bank and its subsidiaries, (collectively "the Group").

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Bahrain Commercial Companies Law.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments at fair value through profit or loss and available-for-sale investments.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in note 3 (c).

(d) New standards, amendments and interpretations effective from 1 January 2015

The following standards, amendments and interpretations, which became effective as of 1 January 2015, are relevant to the Group

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.
The adoption of this amendment had no significant impact on the (consolidated financial statements)

(e) New Standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is not expecting a significant impact on the consolidated financial statements from the adoption of this standard.

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

The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendments will not have a significant impact on the consolidated financial statements of the Group.

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The annual improvements to IFRSs to 2010-2012 and 2011-2013 include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.
The amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

(f) Early adoption of standards
The Group did not early adopt new or amended standards in 2015.

3. Significant accounting policies

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

(a) Consolidation

(i) Subsidiaries
Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currencies

(i) Functional and presentation currency
Items included in the financial statements of the Bank and its subsidiaries are measured based on the currency of the primary environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahraini Dinars, representing the Group's functional and presentation currency.

(ii) Transactions and balances
Transactions in foreign currencies are converted to Bahraini Dinars at rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Bahraini Dinars at the market rates of exchange prevailing at the balance sheet date. Realised and unrealised foreign exchange profits and losses are included in other income except with regards to available-for-sale investments which are taken to equity.

(c) *Critical accounting estimates and judgments in applying accounting policies*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments
Classification of investments
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as at fair value through profit or loss, held-to-maturity or available-for-sale. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

3 Significant accounting policies (continued)

(c) Critical accounting estimates and judgments in applying accounting policies

Determination of control over investees – Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

Estimations

Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments is impaired when there is objective evidence of impairment. A significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. This determination of what is significant or prolonged requires judgment. The Group considers a decline of more than 30% in the fair value below cost as significant and considers a decline below cost which persists for more than 9 months as prolonged. Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Group evaluates among other factors, evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(d) Investment securities

(i) Classification

Investments at fair value through profit or loss comprise trading securities and investments designated at initial recognition as investments at fair value through profit or loss. Trading securities are investments which the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. The Group designates investments at fair value through profit or loss when the investments are managed, evaluated and reported internally on a fair value basis.

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. These include investments in quoted and unquoted equity securities, floating rate bonds and certain managed funds.

(ii) Recognition and de-recognition

Investment securities are recognized when the Group becomes a party to the contractual provisions of the instrument. Investment securities are derecognized if the Group's contractual rights from the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

(iii) Measurement

Investments at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized directly in the statement of profit or loss. They are subsequently re-measured to fair value at each reporting date with any resultant gain or loss recognized in the statement of profit or loss.

Available-for-sale investments (AFS investments) are initially recognized at fair value, with transaction costs recognized directly in the statement of profit or loss. Unrealised gains and losses arising from changes in the fair values of AFS investments are recognized in the statement of comprehensive income. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognized in other comprehensive income are transferred to the profit or loss. Unquoted AFS equity investments whose fair value cannot be reliably measured are carried at cost less impairment.

(iv) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3 Significant accounting policies (continued)

(d) Investment securities (continued)

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of the relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and ask price, then the Group measures assets at a bid prices and liabilities at an ask price.

For investments in the debt instruments that are not quoted in an active market, the Group uses information from the pricing services such as Bloomberg for use as inputs in their fair value measurement that maximise the use of relevant observable inputs.

For investments in funds not quoted in an active market the Group uses net asset values as provided by the fund managers as their fair value.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Impairment

The carrying amount of the Group's financial assets, except investment at fair value through profit or loss, is reviewed at each reporting period to determine whether there is objective evidence that a specific asset may be impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reasonably. If any such evidence exists, the recoverable amount of the asset is estimated to determine the extent of impairment.

Objective evidence that the financial assets are impaired includes significant financial difficulty of the issuer, default of the issuer, indicators that the issuer will enter bankruptcy and the disappearance of an active market for a security.

Available-for-sale investments

In the case of investments in equity securities and managed funds classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is reclassified from fair value reserve to profit or loss. Impairment losses recognized in profit or loss on AFS equity instruments are subsequently reversed through other comprehensive income. For available-for-sale investments carried at cost, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognized if the estimated recoverable amount is assessed to be below the cost of the investment.

In case of debt securities classified as available-for-sale, the Group assesses individually whether there is an objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. The amount of impairment loss is the difference between the acquisition cost, net of any principle repayment and amortization, and the current fair value, less impairment loss previously recognized in the statement of profit or loss. If, in subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the statement of profit or loss, then the impairment loss is reversed through the statement of profit or loss.

(e) De-recognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(f) Cash and cash equivalents
For the purpose of the consolidated cash flows, cash and cash equivalents comprise cash and bank balances, call deposits and placements with banks that have an original maturity of three months or less when acquired and which are subject to insignificant risk of changes in their fair value.

(g) Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate.

(h) Impairment of financial assets carried at amortised cost
For financial assets carried at amortised cost impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of profit or loss.

(i) Furniture, equipment and core banking software
Furniture and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Depreciation is provided on cost by the straight-line method, which is intended to write off the cost of the assets over their expected useful life as follows:

Core banking software	10 years
Furniture and equipment	3 years

(j) Bank borrowings
Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(k) Repurchase agreements
Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) are not derecognized. As the Bank retains all or substantially all the risks and rewards of the transferred assets, amounts received under these agreements are treated as liabilities and the difference between the sales and repurchase price treated as interest expense using the effective interest method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position. Amounts paid under these agreements are treated as assets and the difference between the purchase and resale price treated as interest income using the effective interest method.

(l) Customer accounts
These are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(m) Employee benefits
(i) Bahraini employees
Pensions and other social benefits for Bahraini employees are covered by the General Organization for Social Insurance Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to income in the year to which they relate.

(ii) Expatriate employees
Expatriate employees are entitled to a leaving indemnity under the Bahrain Labor Law for the Private Sector – Law no. (36) of 2012 based on length of service and final salary and other allowances paid. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard (IAS) 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the balance sheet date.

(iii) Employee share incentive scheme
The Bank operates a discretionary share based plan, which is designed to provide competitive long term incentives and is a cash-settled share based payment scheme. The total amount is expensed over the vesting period of five years and is determined by reference to the fair value of the shares at the grant date and re-measured at every year end over the vesting period.

(n) Dividends
Dividend to shareholders is recognized as a liability in the period in which such dividends are declared.

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

(p) Fiduciary activities
The Group administers and manages assets held in funds and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

(q) Settlement date accounting
All "regular way" purchases and sales of financial assets except for derivatives are recognized on the settlement date i.e. the date the Group receives or delivers the asset. Regular way purchases or sale are purchases or sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(r) Offsetting
Financial assets and liabilities are set off and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and intends to settle either on a net basis, or to realize the asset and settle the liability simultaneously.

(s) Earnings per share
The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(t) Interest income and expense
Interest income and expense is recognized in the statement of profit or loss as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expense presented in the statement of profit or loss include interest on financial assets and financial liabilities at amortised cost, available-for-sale debt securities and debt securities at fair value through profit or loss calculated on an effective interest rate basis.

(u) Fee and commission
Fee and commission income comprises custody fee, investment management fee and performance fee earned from Discretionary Portfolio Management Activity (DPMA) services offered by the Bank. Custody and investment management fees are recognized as the related services are performed and the Bank becomes entitles to the fee.

Performance fee is recognized in accordance with investment management agreements where the bank is entitled to receive a share of the profits of the investment funds once a certain hurdle is reached on a high water mark basis. In accordance with the terms and conditions of the investment management agreements, the performance fee due to the Bank is calculated at each reporting date, taking into account each performance condition and distribution arrangements of the Funds as a whole.

Fee and commission expense relate mainly to custody fee which is expensed as the service is provided.

(v) Net investment income
Net investment income includes all realised and unrealised fair value changes on investment at fair value through profit or loss and on the available for sale investments and the related dividend.

(w) Dividend income
Dividend income is recognized when the right to receive income is established. Dividends are presented in net investment income.

(x) Brokerage and other income
Brokerage and other income consist of brokerage income, investment banking income and marketing income. These fees are recognized when the related services are performed.

(y) Operating Segments
IFRS 8 "Operating Segments" prescribes the "management approach" to segment reporting which requires the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The Group's lines of business are brokerage, asset management, corporate finance, market making and custody business. At present the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at a Group level and therefore no operating segment disclosure is provided in these consolidated financial statements.

4. Financial risk management
(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework
The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is assisted in this function by the Investment Committee.

The Board has set up an independent Risk Management Unit that provides leadership, direction and coordination of the efforts in managing the risks. It provides a holistic, integrated, future-focused, and process-oriented approach to enable the Group to balance its key business risks and opportunities with the intent of maximizing returns and shareholder value.

The Audit Committee of the Board is responsible for monitoring compliance with the Bank's policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit Function which undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Group to incur a financial loss. The credit risk for the Group arises principally from its brokerage activities and issuer price risk in proprietary portfolios. Counterparty credit risk consists of two categories of risks – Pre-Settlement and Settlement risks. In Brokerage Department, counterparty credit risk arises vis-a-vis trading counterparties and counterparty brokers. In Asset Management and Investment and Treasury Departments, deals routed through counterparty brokers gives rise to counterparty credit risk.

Management of credit risk

The Group limits its credit risk by applying well-defined credit policies and procedures laid down by the Board of Directors and the Investment Committee.

The Group manages the Counterparty Risks for brokerage clients by conducting a credit evaluation of the clients and counterparty brokers of GCC and other exchanges using financial and other parameters.

The risks in proprietary portfolios are monitored and controlled by means of Asset Allocation guidelines and exposure limits approved in accordance with well-defined investments policies and procedures, by the Asset Liability Investment Committee (ALIC), Investment Committee or Board, as appropriate. Additionally, the Group strictly adheres to the large exposure norms prescribed by the Central Bank of Bahrain.

Regular audits of business units and Group credit processes are undertaken by Internal Audit.

Exposure to credit risk

The Group's maximum exposure to credit risk is as follows:

	2015	2014
Cash and cash equivalents	60,974	61,427
Treasury bills	750	-
Debt securities at fair value through profit or loss	8,721	10,289
Available-for-sale debt securities	12,517	8,705
Fee receivable	1,138	1,192
Other receivables	3,759	3,597
	87,859	85,210

Currently only the Margin Trading Lending on the GCC Stock Exchange is subject to formal collateral arrangement. This scheme is undertaken in accordance with the related regulation issued by the Central Bank of Bahrain. The shares in the Margin Trading portfolio is held as collateral against the amount lent to the customer. Such shares are marked to market on a daily basis. If there is any deficit in the minimum equity ratio, then a maintenance margin call is issued.

Additionally, brokerage client agreements have a clause that the Group has a right to liquidate the client's shares under its custody, if such client fails to honor its obligations.

The Group writes off a customer / investment balance when the Group determines that carrying amounts are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the customer / issuer's financial position such that the customer / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Risk Exposure Concentration

Risk concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)

(b) Credit risk (continued)

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. In line with regulatory requirements, the Bank has a group level Large Exposure Policy which details the Bank's approach in managing concentration risk to sectors, asset classes, single obligors and countries including defining specific limits.

Concentration of risks is managed by counterparty, by geographical region and by industry sector. The maximum credit exposure to any client, or counterparty, or group of closely related counterparties as of 31 December 2015 was BD 10,018 (2014: BD 8,244), relating to "cash and cash equivalents, investments at fair value through profit or loss and available for sale investments".

Geographical Exposure Distribution

Geographical concentration of all assets and liabilities of the Group are as follows:

2015	**Middle East & Asia countries**	**North America**	**Europe**	**Total**
Assets				
Cash and cash equivalents	53,706	-	7,268	60,974
Investments at fair value through profit or loss	12,834	-	1,424	14,258
Available-for-sale investments	17,866	4,003	8,375	30,244
Fees receivable	1,118	-	20	1,138
Other assets	6,114	-	39	6,153
Total assets	**91,638**	**4,003**	**17,126**	**112,767**
Liabilities				
Short-term bank borrowings	19,777	-	-	19,777
Customer accounts	27,975	4	826	28,805
Other liabilities	2,910	-	-	2,910
Payable to unit holders	2,836	-	-	2,836
Total liabilities	**53,498**	**4**	**826**	**54,328**

2014	**Middle East & Asia countries**	North America	Europe	Total
Assets				
Cash and cash equivalents	58,505	-	2,922	61,427
Investments at fair value through profit or loss	15,814	-	1,526	17,340
Available-for-sale investments	13,880	6,338	8,593	28,811
Fees receivable	1,192	-	-	1,192
Other assets	6,808	46	45	6,899
Total assets	96,199	6,384	13,086	115,669
Liabilities				
Short-term bank borrowings	6,810	-	9,410	16,220
Customer accounts	31,652	568	658	32,878
Other liabilities	3,301	-	-	3,301
Payable to unit holders	2,172	-	-	2,172
Total liabilities	43,935	568	10,068	54,571

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)

(b) Credit risk (continued)

The distribution of assets and liabilities by industry sector is as follows:

2015	**Financial services**	**Others**	**Total**
Total assets	82,219	30,548	**112,767**
Total liabilities	37,571	16,757	**54,328**

2014	Financial services	Others	Total
Total assets	85,408	30,261	115,669
Total liabilities	35,787	18,784	54,571

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honor its obligations to deliver cash, securities or other assets as contractually agreed.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity Risk is managed for all the three risk originating departments - Asset Management, Brokerage and Investments and Treasury and its subsidiary company SICO Funds Services Company BSC (c).

It originates from the mismatches in the maturity pattern of assets and liabilities or other defaults that could result in its funding and credit lines drying up. Measuring and managing liquidity needs are considered vital for effective operation of the Bank.

At present, the Group's liquidity risk exposure is minimal because a high proportion of funds is placed with banks as short-term deposits and, on maturity, deposits are transferred to current accounts based on expected requirements.

The Bank faces three types of liquidity risks as follows:

- Funding Risk – need to replace net outflows due to unanticipated withdrawal/non-renewal of call deposit accounts, borrowing or inability to liquidate financial assets in time;
- Operating Liquidity - need to compensate for low liquidity of investments or markets and non-receipt of expected inflows of funds;
- Call Risk - due to crystallization of contingent, off balance sheet liabilities and inability to undertake profitable business opportunities when desirable.

Management of liquidity risk

Liquidity risk is currently managed by the Treasury unit monitoring the cash flow and funding requirements on a daily basis. Credit Lines have been established with a few banks and financial institutions to be drawn upon in case of need. The Bank has set up the ALIC (Asset-Liability Investment Committee) to closely supervise the liquidity management and associated risks.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)

(c) Liquidity risk (continued)

The residual contractual maturity of financial liabilities is as follows:

2015	**Carrying value**	**Gross outflow**	**Less than 1 year**	**1 to 5 years**	**Above 5 years**
Short-term bank borrowings	19,777	19,794	19,794	-	-
Customer accounts	28,805	28,805	28,805	-	-
Other liabilities	2,910	2,910	2,910	-	-
Payable to unit holders in consolidated funds	2,836	2,836	2,836	-	-
	54,328	**54,345**	**54,345**	-	-

2014	Carrying value	Gross outflow	Less than 1 year	1 to 5 years	Above 5 years
Short-term bank borrowings	16,220	16,232	16,232	-	-
Customer accounts	32,878	32,878	32,878	-	-
Other liabilities	3,301	3,301	3,301	-	-
Payable to unit holders in consolidated funds	2,172	2,172	2,172	-	-
	54,571	54,583	54,583	-	-

(d) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether these changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Bank, as part of its normal operations, is exposed to market risk with regard to its investments in trading and available-for-sale securities. However, this risk is controlled by appropriate management review and monitoring through the Investment Portfolio Guidelines set by the Investment Committee and the Group's management.

Market Risk Management thus involves management of equity price risk, interest rate risk and foreign exchange risk.

(i) ***Equity Price Risk***

Equity investment activities have a significant impact on earnings and business relationships in the bank. Only the equities and equity based funds are considered by the Bank for the purpose of market risk management and market risk capital computation.

Active management of investments is a well-known method of risk management in equities. Portfolio diversification on the basis of industry, sector, geographic, and market factors enables the Bank to diversify its risks. There are well defined Investment Policies and Procedures approved by the Board that govern the Trading as well as Available-for-Sale Portfolios.

Formal valuation policies that specify appropriate and sound portfolio valuation methodologies have been established for investments in listed companies and indirect fund investments. Marking the equity portfolio to market on a daily basis ensures that the unrealised gains and losses are accounted for on a daily basis. Externally managed funds and portfolios are valued at Net Asset Value provided by the external investment managers on a monthly basis.

Portfolio-valuation methodologies conform to accepted accounting principles and are based on sound, empirically acceptable approaches that are clearly articulated, well documented, and applied consistently across similar investments over time.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)

(d) Market risk (continued)

Sensitivity Analysis of a 1% change in market prices on the unrealised profit or loss for the investments at fair value through profit or loss and AFS reserve for available-for-sale investments is given below:

	Investments at fair value through profit or loss		**Available-for-sale investments**	
	2015	2014	**2015**	2014
Increase of 1%	**143**	173	**302**	288
Decrease of 1%	**(143)**	(173)	**(302)**	(288)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The investments in debt instruments, placements, borrowings and call deposits are subject to interest rate risk. The Treasury Unit carefully monitors these exposures in order to mitigate this risk.

The Bank minimizes its exposure to interest rate risk by careful monitoring of exposures. Placements and call deposits with banks are at fixed interest rates and mature within three months. The liabilities of the Bank include customer advances for purchase of investments on their behalf.

The Bank maintains cash balances with various banks in different currencies to meet liquidity requirements for equity share deals settlement in these currencies. These arise due to the need for timely payment of settlement amounts by clients as well as proprietary trades.

The Bank has exposures to debt instruments issued by GCC institutions in its proprietary portfolios. There is no ready market for selling some of these instruments and these can only be traded Over-The-Counter. Investments in debt instruments are approved only based on structured analysis of the proposed investment and the issuer. Some debt instruments are unrated.

The Bank follows the Standardized Methodology for managing interest rate risk, where the risk exposures in fixed income securities are measured using a two pronged approach – measuring the issuer risk and general market risk. The Duration Gap approach methodology is used for this and the discounted cash flow for fair valuation of the fixed income securities.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)
(d) Market risk (continued)
(ii) Interest rate risk (continued)

Interest rate re-pricing profile

2015	**Effective interest rate % p.a.**	**Within 1 year**	**Over 1 year**	**Non-interest sensitive**	**Total**
Cash and bank	-	-	-	17,649	17,649
Call deposits*	-	2,900	-	-	2,900
Placements	**1.45%**	40,425	-	-	40,425
Treasury Bills	-	750	-	-	750
Investments at fair value through profit or loss	**6.50%**	899	7,820	5,539	14,258
Available-for-sale investments	**5.09%**	-	12,517	17,727	30,244
Fees receivable		-	-	1,138	1,138
Other assets		-	-	3,968	3,968
Furniture, equipment and intangibles		-	-	1,435	1,435
Total assets		**44,974**	**20,337**	**47,456**	**112,767**
Short-term bank borrowings	**0.95%**	19,777	-	-	19,777
Customer accounts		-	-	28,805	28,805
Other liabilities		-	-	2,910	2,910
Payable to unit holders in consolidated funds		-	-	2,836	2,836
Total liabilities		**19,777**	**-**	**34,551**	**54,328**
Equity		**-**	**-**	**58,439**	**58,439**
Total liabilities and equity		**19,777**	**-**	**92,990**	**112,767**
Interest rate sensitivity gap		**25,197**	**20,337**	**(45,534)**	**-**
Cumulative interest rate sensitivity gap		**25,197**	**45,534**	**-**	**-**

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)
(d) Market risk (continued)
(ii) Interest rate risk (continued)

Interest rate re-pricing profile

2014	Effective interest rate % p.a.	Within 1 year	Over 1 year	Non-interest sensitive	Total
Cash and bank	-	-	-	20,263	20,263
Call deposits*	-	1,267	-	-	1,267
Placements	1.04%	39,897	-	-	39,897
Investments at fair value through profit or loss	7.03%	903	9,387	7,050	17,340
Available-for-sale investments	4.91%	307	8,398	20,106	28,811
Fees receivable		-	-	1,192	1,192
Other assets		-	-	5,399	5,399
Furniture, equipment and intangibles		-	-	1,500	1,500
Total assets		42,374	17,785	55,510	115,669
Short-term bank borrowings	0.84%	16,220	-	-	16,220
Customer accounts		-	-	32,878	32,878
Other liabilities		-	-	3,301	3,301
Payable to unit holders in consolidated funds		-	-	2,172	2,172
Total liabilities		16,220	-	38,351	54,571
Equity		-	-	61,098	61,098
Total liabilities and equity		16,220	-	99,449	115,669
Interest rate sensitivity gap		26,154	17,785	(43,939)	-
Cumulative interest rate sensitivity gap		26,154	43,939	-	-

* At 31 December 2015 the effective interest rate on Bahraini Dinar call deposits is 0.425% (2014: 0.422%) and on USD call deposits is 0.15% (2014: 0.15%).

(iii) Exchange risk

Exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Most of the Bank's foreign currency exposures are in GCC currencies and United States Dollar. Such exposures include short-term fixed deposits, investments in securities and due from/ to customers. Since the Bahraini Dinar and all GCC currencies except for KWD are effectively pegged to the US Dollar, currency risk is minimal.

(e) Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, systems and people or external events. Unlike market or credit risks, which are systemic in nature, operational risk is firm-specific and is inherent in the day-to-day operations of any bank. It includes a very broad spectrum of risks that could arise from a variety of reasons including, but not limited to, deficient transaction processing, business practices, employment practices and systems failures, and damage to physical assets. It also includes the risk of internal and external fraud.

The Bank has a very conservative control consciousness and adopts a number of mechanisms to manage this risk. These include a well-defined organizational structure, policies and procedures guidelines, and segregation of duties, approval authorities, reconciliations, and tolerance limits for exposures. Internal Audit and Regulatory Compliance Unit provides support in this control activity. Regular custodial position reconciliations and bank reconciliations provide key strengths to mitigate operational risks. There is also a professional indemnity insurance cover in place.

4 Financial risk management (continued)

(e) Operational risk (continued)

Another endeavor of the Bank's operational risk management is to usher in straight through processing (STP) to enable seamless processing and reduce operational errors and optimize productivity. The Bank upgraded the core banking system and office automation which was implemented during 2013.

Assets under management activity have a range of controls to support the quality of the investment process and are supervised by an Asset Management Committee. These are supported by strict operational controls to safeguard clients' assets, and there are regular reviews of investment management performance.

Corporate Finance activity is exposed to legal and reputational risk. Obtaining the necessary legal and regulatory approvals mitigates this risk. Advisory and underwriting matters are monitored and controlled by the Asset Liability Investment Committee (ALIC).

Regulatory compliance including Anti-money laundering compliance program also forms a key component of risk management. Board and Management attach high importance to these matters of strategic importance. There are well laid out policies and procedures to achieve compliance with regulatory matters.

(f) Capital Management

The Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements CBB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Central Bank of Bahrain's (CBB) Basel III guidelines outlining the capital adequacy framework for banks incorporated in the Kingdom of Bahrain became effective from 1st January 2015. The Basel III framework significantly revises the definition of regulatory capital. The framework emphasizes common equity as the predominant component of tier 1 capital by adding a minimum common equity tier 1 (CET 1) capital ratio. The Basel III rules also require institutions to hold capital buffers. For the purpose of calculating CET 1 capital, the regulatory adjustments (deductions) including amounts above the aggregate limit for significant investments in financial institutions, mortgage servicing rights, and deferred tax assets from temporary differences, will be deducted from CET1 over a phased manner to be fully deducted by 1 January 2019. The Bank's current capital position is sufficient to meet the new regulatory capital requirements. The Bank ensures that the capital adequacy requirements are met on a consolidated basis and also with local regulator's requirements, if any, in countries in which the Bank has branches. The Bank has complied with regulatory capital requirements throughout the year.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

4 Financial risk management (continued)

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

Based on year end balances

	2015	2014
Risk weighted exposure		
Credit risk	73,214	61,033
Market risk	19,673	24,188
Operational risk	16,108	11,610
Total risk weighted assets	**108,995**	96,831
CET 1 / Tier 1 Capital	58,438	61,141
AT 1 / Tier 2 Capital	-	484
Total regulatory capital	**58,438**	61,625
Capital adequacy ratio	**53.62%**	63.64%

Based on full year average balances

	2015	2014
Risk weighted exposure		
Credit risk	68,389	58,076
Market risk	25,065	25,139
Operational risk	16,108	11,610
Total risk weighted assets	**109,562**	94,825
CET 1 / Tier 1 Capital	59,016	57,303
AT 1 / Tier 2 Capital	-	4,263
Total regulatory capital	**59,016**	61,566
Capital adequacy ratio	**53.87%**	64.93%

The capital adequacy ratio as at 31 December 2015 has been calculated in accordance with Basel 3 (as at 31 December 2014 under Basel 2) and Central Bank of Bahrain guidelines incorporating credit risk, operational risk and market risk. The Bank uses the Standardized approach for computing credit risk. Operational risk is computed using the Basic indicator approach. Market Risk is computed using the Standardized method. Due to a change in methodology for calculation of regulatory capital due to migration from Basel 2 regime in 2014 to Basel 3 regime in 2015, the prior period numbers are not comparable.

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

5. Group subsidiaries

Set out below are the Group's principal subsidiaries at 31 December 2015. Other than the consolidated funds, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by group. The investment in consolidated funds comprises subscription to the units issued by the fund to the unit holders and the proportion of ownership interests held comprises the percentage of the units held by the group to the total units issued by the fund. The country of incorporation or registration is also their principal place of business:

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

5 Subsidiaries (continued)

Subsidiary	Percentage ownership	Year of incorporation /	Country of incorporation	Principal activity
1. SICO Funds Company BSC (c)	100%	1998	Bahrain	Umbrella company for SICO mutual funds
2. SICO Funds Services Company BSC (c)	100%	2004	Bahrain	Custody and administration services
3. SICO Funds Company III BSC (c)	100%	2006	Bahrain	Umbrella company for SICO mutual funds
4. SICO Funds Company IV BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
5. SICO Funds Company VI BSC (c)	100%	2009	Bahrain	Umbrella company for SICO mutual funds
6. SICO Funds Company VII BSC (c)	100%	2010	Bahrain	Umbrella company for SICO mutual funds
7. SICO Ventures Company SPC	100%	2010	Bahrain	To own the nominal shares in all other subsidiaries of SICO.
8. Securities and Investment Company(UAE) LLC	100%	2011	UAE	Brokerage services
9. SICO Kingdom Equity Fund	57%	2011	Bahrain	Investment in listed equity securities in the Kingdom of Saudi Arabia
10. SICO Fixed Income Fund	65%	2013	Bahrain	Investment in listed debt securities comprising bonds and sukuks

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

6. Payable to other unit holders in consolidated funds

The following table summarises the information relating to the consolidated funds and the amount payable to the unit holders other than the Group. Since there is a contractual obligation to deliver cash to the other unit holders, the amount payable to other unit holders is considered as a liability of the Group.

SICO Kingdom Equity Fund

	2015	2014
Other unit holders' share	43%	37%
Cash and cash equivalents	534	28
Investment at fair value through profit or loss	3,051	3,370
Other assets	-	2
Other liabilities	49	22
Net assets	**3,536**	3,378
Carrying amount of payable to other unit holders	**1,531**	1,256
Investment income	(202)	341
(Loss) / profit	(272)	268
Total comprehensive income	**(272)**	268
(Loss) / profit allocated to other unit holders	**(117)**	100
Cash flows from operating activities	76	(404)
Cash flows from financing activities	429	340
Net increase / (decrease) in cash and cash equivalents	**505**	(64)

SICO Fixed Income Fund

	2015	2014
Other unit holders' share	35%	28%
Cash and cash equivalents	915	750
Investment at fair value through profit or loss	3,422	3,204
Other assets	46	58
Short-term bank borrowings	696	693
Other liabilities	10	10
Net assets	**3,677**	3,309
Carrying amount of payable to other unit holders	**1,305**	916
Investment income	(97)	107
Interest income	210	206
Profit	66	273
Total comprehensive income	**66**	273
Profit allocated to other unit holders	**23**	75
Cash flows from operating activities	(138)	574
Cash flows from financing activities	303	(760)
Net increase / (decrease) in cash and cash equivalents	**165**	(186)

7. Cash and cash equivalents

	2015	2014
Cash and bank balances	17,649	20,263
Call deposits	2,900	1,267
Short-term placements	25,472	26,394
Due from other institutions	14,953	13,503
	60,974	61,427

Notes to the 31 December 2015 consolidated financial statements | Bahraini Dinars '000

7. *Cash and cash equivalents (continued)*

Cash and cash equivalents include bank balances amounting to BD 6,582 (2014: BD 4,395) held on behalf of discretionary customer accounts.

Due from other institutions of BD 14,953 (2014: BD 13,503) represent repurchase agreements transactions.

8. Investments at fair value through profit or loss

	2015	2014
Equity securities – quoted (listed)		
- Consolidated funds	3,050	3,369
- Parent	2,201	2,496
Funds – quoted	286	1,186
Debt securities - quoted		
- Parent	5,299	7,085
- Consolidated funds	3,422	3,204
	14,258	17,340

Investments at fair value through profit or loss as at 31 December 2015 include securities amounting to BD 5,297 (31 December 2014: BD 3,124), sold under agreement to repurchase (note 13).

9. Available-for-sale investments

	2015	2014
Equity securities		
- Quoted (listed)	5,356	5,842
- Unquoted	322	2,197
	5,678	8,039
Funds		
- Quoted	7,417	7,614
- Unquoted	4,632	4,453
	12,049	12,067
Debt securities		
-Quoted	11,357	8,398
-Unquoted	1,160	307
	12,517	8,705
	30,244	28,811

10. Fees receivable

Fees receivable mainly represent management, custody and performance fee receivable by the Bank from its DPMA clients and own funds.

	2015	2014
Management and administration fees	651	675
Performance fee	459	478
Custody fee	28	39
	1,138	1,192

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

11. Other assets

	2015	2014
Receivables from clients and brokers	2,568	4,221
Guarantee deposit with the Bahrain Stock Exchange	500	500
Prepaid expenses	209	243
Interest receivable	288	262
Other receivables	403	173
	3,968	5,399

12. Furniture, equipment and intangibles

	Software	Furniture and Equipment	2015 Total	2014 Total
Cost				
At 1 January	2,016	985	3,001	2,976
Additions	159	54	213	38
Disposals	-	(4)	(4)	(13)
At 31 December	**2,175**	**1,035**	**3,210**	3,001
Depreciation				
At 1 January	669	832	1,501	1,164
Charge for the year	199	79	278	350
Disposals	-	(4)	(4)	(13)
At 31 December	**868**	**907**	**1,775**	1,501
Net book value at 31 December 2015	**1,307**	**128**	**1,435**	-
Net book value at 31 December 2014	1,347	153	-	1,500
Cost of fully depreciated assets in use	-	-	1,091	845

13. Short-term bank borrowings

Short-term bank borrowings include borrowings under repurchase agreements of BD 17,777 (2014: BD 16,220) and time deposits of BD 2,000 (2014: NIL). The fair value of the investments at fair value through profit or loss and available-for-sale investments pledged as collateral amounts to BD 5,297 (2014: BD 3,124) (refer to note 8 and 9). Additionally repurchase agreements have been entered into on behalf of clients for which client owned securities of BD 15,649 (2014: BD 17,052) are pledged as collateral.

14. Customer accounts

These include settlement amounts payable to customers for completed trades and amounts received from customers to fund their trading activities.

15. Other liabilities

	2015	2014
Accrued expenses	189	249
Provision for employee indemnities	448	382
Employee share incentive scheme liability	1,435	1,233
Other payables	838	1,437
	2,910	3,301

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

16. Share capital

	2015	2014
Authorized share capital		
1,000,000,000 (2014: 1000,000,000) shares of 100 fils each	**100,000**	100,000

	2015	2014
Issued and fully paid		
At 1 January 2015: 428,487,741 ordinary shares of 100 fils each (2014: 428,487,741 ordinary shares of 100 fils each)	42,849	42,849
Issue of shares to employee share incentive scheme trustees during the year	-	-
As at 31 December 2015: 428,487,741 ordinary shares of 100 fils each (2014: 428,487,741 ordinary shares of 100 fils each)	**42,849**	42,849

During the year, the Bank did not issue any shares under the employee share incentive scheme.

Appropriations

	2015	2014
Proposed dividend 5% (2014: 9%)	**2,142**	3,856
General reserve	-	575

The shareholders are:

	Nationality	**2015**		2014	
		Capital	% holding	Capital	% holding
Pension Fund Commission	Bahrain	9,322.5	21.76	9,322.5	21.76
General Org. for Social Insurance	Bahrain	6,600.0	15.40	6,600.0	15.40
National Bank of Bahrain BSC	Bahrain	5,362.5	12.51	5,362.5	12.51
Ahli United Bank (Bahrain) BSC	Bahrain	5,115.0	11.94	5,115.0	11.94
Bank of Bahrain and Kuwait BSC	Bahrain	4,125.0	9.63	4,125.0	9.63
Arab Investment Resources Co EC	Bahrain	3,300.0	7.70	3,300.0	7.70
Bank ABC	Bahrain	3,300.0	7.70	3,300.0	7.70
Gulf Investment Corporation GSC	Kuwaiti	3,300.0	7.70	3,300.0	7.70
Al Salam Bank – Bahrain BSC	Bahrain	825.0	1.93	825.0	1.93
Volaw Trust & Corp Service Ltd.	Jersey	1,599.0	3.73	1,599.0	3.73
		42,849	100.0	42,849	100.0

Based on these financial statements, the Net Asset Value per share is BD 0.136 (2014: BD 0.143).

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

17. Statutory reserve

In accordance with the Bahrain Commercial Companies Law 2001, 10 percent of net profit is appropriated to a statutory reserve, which is not normally distributable except in accordance with Article 224 of the law. Such appropriations may cease when the reserve reaches 50 percent of paid up share capital. The transfer to this reserve for the year amounted to BD 285 (2014: BD 575).

18. General reserve

In accordance with the Bank's Articles of Association and on the recommendation of the Board of Directors, specific amount is appropriated from profits for the year and transferred to a general reserve. The reserve carries no restriction in its distribution. The appropriations are subject to the approval of the shareholders at the Annual General Meeting.

19. Net investment income

	2015	2014
Net (loss) / gain on investments carried at fair value through profit or loss	(1,202)	752
Gain on sale of available-for-sale investments	1,927	2,122
Dividend income on investments carried at fair value through profit or loss	280	473
Dividend income on available-for-sale investments	421	581
	1,426	**3,928**

Net gain / (loss) on investments carried at fair value through profit or loss comprises the following:

	2015	2014
Realised (loss) / gain on sale	(210)	1,165
Unrealised fair value loss	(992)	(413)
	(1,202)	752

The realised gain from investments at fair value through profit or loss represents the difference between the carrying amount of investments at the beginning of the year, or the transaction price if it was purchased in the current year, and its sale or settlement price.

The unrealised gain represents the difference between the carrying amount of investments at the beginning of the year, or the transaction price if it was purchased in the current year, and its carrying amount at the end of the year.

20. Fee and commission income/ expense

	2015	2014
Fee and commission income from trust or other fiduciary activities		
- Management fee	2,592	2,721
- Performance fee	625	1,343
- Custody fee	411	413
	3,628	4,477
Fee and commission expense		
- Custody fee	(26)	(62)
Net fee and commission income	**3,602**	4,415

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

21. Brokerage and other income

	2015	2014
Brokerage income	1,061	1,908
Investment banking income	111	175
Foreign exchange gain	433	515
Other income	159	29
	1,764	2,627

22. Interest income/ expense

	2015	2014
Interest income from:		
Placements and call deposits	361	315
Investments in debt instruments	1,106	983
Margin lending	163	138
	1,630	1,436
Interest expense on:		
Bank borrowings	55	74
Net interest income	**1,575**	1,362

23. Staff and related expenses

	2015	2014
Salaries, allowances and bonus	3,498	4,250
Social security costs	157	151
Other costs	105	138
	3,760	4,539

As at 31 December 2015, the Group employed 66 (2014: 56) Bahrainis and 33 (2014: 40) expatriates.

The Group's contributions for the year to the General Organization for Social Insurance in respect of its employees amounted to BD 157 (2014: BD 151).

24. Other operating expenses

	2015	2014
Rent	206	210
Communication expenses	342	289
Marketing expenses	148	167
Professional fees	133	184
Other operating expenses	608	617
Depreciation	278	351
	1,715	1,818

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

25. Related party transactions

Transactions with funds owned by the Subsidiary Companies

The Group provides management services to the funds owned by the subsidiary companies namely SICO Funds Company BSC (c), SICO Funds Company III BSC (c), SICO Funds Company IV BSC (c), SICO Funds Company VI BSC (c), SICO Funds Company VII BSC (c) and SICO Ventures Company SPC in the ordinary course of business and also has investments in certain funds.

	2015	2014
Fee and commission income	600	884
Fee receivable	120	255
Investments:		
Available-for-sale investments		
- Khaleej Equity Fund	979	1,044
- SICO Selected Securities Fund	171	190
Investments at fair value through profit or loss		
SICO Money Market Fund	-	1,186

The details of the own funds under management are in Note 28.

Transactions with shareholders

The Group obtained short term borrowings from its bank shareholders for a total of BD 2,000 (2014: NIL). The Group has banking relationships, makes deposits and placements, obtains short term borrowings and has unutilized credit facilities with certain of its shareholders that are local banks. All such transactions are in the ordinary course of business and on normal commercial terms.

The Group also provides discretionary portfolio management account services to two of its shareholders in the ordinary course of business. These services are provided on normal commercial terms and conditions and the related funds are held by the Group in a fiduciary capacity. The excess funds are placed with the other banks as deposits on normal commercial terms.

	2015	2014
Fee and commission income	505	1,393
Fee receivable	105	339
Funds under management	55,361	74,002
Placements	**1,000**	4,923
Borrowings as at 31 December	**2,000**	-
Borrowings obtained during the year	2,000	-
Borrowings repaid during the year	-	3,885

Key Management Personnel

Key Management Personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The key management personnel comprise of the members of the board of directors, chief executive officer, chief operating officer, chief corporate officer and head of departments.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

25 Related party transactions (continued)

Compensation to key management personnel is as follows:

	2015	2014
Short term benefits	868	912
Post employment benefits	40	46
Equity compensation benefits	98	205
	1,006	1,163

Directors remuneration, attendance fees and other related expenses amounted to BD 93 (2014: BD 177).

26. Employee Share Ownership Plan

The Group has established an Employee Share Incentive scheme ("the Scheme") which is operated through a Trustee. The Trustee has been set up by the transfer of shares of the Bank allotted to the employees under the Scheme.

Under the Scheme, employees are entitled to receive shares as part of their bonus in ratios determined by the Board of Directors. The value of the shares is to be determined based on the fair value of the Group's net assets as at the reporting date. This Scheme is treated as a cash-settled share based payment transaction due to the restrictions imposed under the Scheme whereby the employees have to sell back the shares to the Group on resignation/ retirement based on the vesting conditions mentioned in the Scheme.

The Group has recognized an employee liability of BD 1,435 (2014: BD 1,233) on the shares granted till date. This liability has been determined on the fair value of the Group's net assets as at 31 December 2015 in accordance with the rules of the Scheme. This is considered as level 1 valuation of the fair value hierarchy.

The movement in the shares issued under the Scheme is as follows:

	2015		2014	
	No. of shares issued	**Value**	No. of shares issued	Value
As at 1 January	15,987,741	1,559	15,987,741	1,559
Shares issued during the year *	-	-	-	-
	15,987,741	1,559	15,987,741	1,559

During the year, the Bank did not issue new shares under the Scheme.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

27. Involvement in unconsolidated structured entities

Type of structured entity	Nature and purpose	Interest held by the Group
Investment funds	• To generate fees from managing assets on behalf of third party investors. • These vehicles are financed through the issue of units to investors.	• Investment in units issued by the fund • Management fee • Performance fee
Employee share incentive scheme trust	• To hold the shares in trust under Employee share incentive scheme.	• None

The table below sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held and outstanding management and performance fee.

	2015	2014
Investments in funds		
SICO Selected Securities Fund	171	190
Khaleej Equity Fund	979	1,044
SICO Money Market Fund	-	1,186
	1,150	2,420

28. Contingencies, commitments and memorandum accounts

Investment commitment

The Group has committed to invest in SICO Selected Securities Fund a minimum of 5% of the fund's net asset value and 10% of the net assets value of the Khaleej Equity Fund at any time throughout its life. The Group has other investment commitments of BD 106 (2014: BD 115) and margin lending drawdown commitments of BD 1,356 (2014: BD 1,414).

	2015	2014
Funds under management (net asset value)		
SICO Selected Securities Fund	1,773	3,112
Khaleej Equity Fund	17,184	25,555
SICO Gulf Equity Fund	9,663	10,883
SICO Money Market Fund	-	1,186
SICO Kingdom Equity Fund	3,536	3,378
SICO Fixed Income Fund	3,677	3,308
Discretionary Portfolio Management Account	296,506	291,466

The net asset values of these funds are based on financial statements as prepared by the management.

The funds under discretionary portfolio management account were held in trust or in a fiduciary capacity and are not treated as assets of the Group and, accordingly, have not been included in the consolidated financial statements.

	2015	2014
Assets under custody	**1,696,650**	1,636,473

28 Contingencies, commitments and memorandum accounts (continued)

The Group provides custodianship and nominee services in respect of securities and cash. At 31 December 2015, assets amounting to BD 1,696,650 (2014: BD 1,636,473) were held by the Group as custodian under Brokerage and Custodianship Contracts, out of which securities amounting to BD 290,895 (2014: BD 310,357) were registered in the name of the Bank.

Legal claims

During the year 2013, the Group's subsidiary "Securities and Investment Company (UAE) LLC" (the "Subsidiary") was served notice of legal action brought against it jointly with a third party by one of the Subsidiary's old customers.

The plaintiff claimed damages of BD 1 million resulting from a fraudulent transaction carried out by the third party and allegedly one of the old employees of the Subsidiary. The transaction took place prior to the acquisition of the Subsidiary by the Bank when the Subsidiary's name was CI Capital Gulf Financial Brokerage Company LLC.

The sale and purchase agreement includes clauses that exonerate the Bank from any legal action related to any incident prior to the purchase date of 15 September 2011 and places the liability on the old shareholders.

At this stage of the action, the Group's lawyers believe the subsidiary is in a strong position to defend itself and no liability is likely to arise from this claim

29. Significant net open foreign currency positions

	2015	2014
QAR	11,932	10,225
US Dollar	49,652	48,516
JOD	32	35
KWD	73	1,057
SAR	4,088	5,965
GBP	2	36
AED	11,698	9,598
OMR	(26)	(202)
EUR	25	-
EGP	6	-

All the GCC Currencies except KWD are effectively pegged to the US Dollar at USD 1 = BD 0.377

30. Basic earnings per share

	2015	2014
Profit for the year	**2,846**	5,434
Weighted average number of equity shares (In 000's)	**428,487**	428,487
Earnings per share (in fils)	**6.64**	12.68

Diluted earnings per share have not been presented as the Group has no commitments that would dilute the earnings per share.

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

31. Maturity profile of assets and liabilities

31 December 2015	**Less than 1 year**	**1 to 5 Years**	**Above 5 Years**	**Total**
Assets				
Cash and cash equivalents	60,974	-	-	60,974
Treasury bills	750	-	-	750
Investments at fair value through profit or loss	6,438	6,079	1,741	14,258
Available-for-sale investments	-	5,151	25,093	30,244
Furniture, equipment and intangibles	-	238	1,197	1,435
Fees receivable	1,138	-	-	1,138
Other assets	3,968	-	-	3,968
Total assets	**73,268**	**11,468**	**28,031**	**112,767**
Liabilities				
Short-term bank borrowings	19,777	-	-	19,777
Customer accounts	28,805	-	-	28,805
Other liabilities	2,910	-	-	2,910
Payable to other unit holders	2,836	-	-	2,836
Total liabilities	**54,328**	**-**	**-**	**54,328**
Liquidity gap	**18,940**	**11,468**	**28,031**	**58,439**
Cumulative liquidity gap	**18,940**	**30,408**	**58,439**	**58,439**

31 December 2014	Less than 1 year	1 to 5 Years	Above 5 Years	Total
Assets				
Cash and cash equivalents	61,427	-	-	61,427
Investments at fair value through profit or loss	7,954	5,992	3,394	17,340
Available-for-sale investments	307	5,286	23,218	28,811
Furniture, equipment and intangibles	-	158	1,342	1,500
Fees receivable	1,192	-	-	1,192
Other assets	5,399	-	-	5,399
Total assets	76,279	11,436	27,954	115,669
Liabilities				
Short-term bank borrowings	16,220	-	-	16,220
Customer accounts	32,878	-	-	32,878
Other liabilities	3,301	-	-	3,301
Payable to other unit holders	2,172	-	-	2,172
Total liabilities	54,571	-	-	54,571
Liquidity gap	21,708	11,436	27,954	61,098
Cumulative liquidity gap	21,708	33,144	61,098	61,098

Bahraini Dinars '000

32. Accounting classification and fair values

(i) The table below sets out the classification of each class of financial assets and liabilities:

31 December 2015	Fair value through profit or loss	Available for sale	Loans and receivables	Liabilities at fair value	Others at amortised cost	Total carrying value
Cash and cash equivalents	-	-	60,974	-	-	60,974
Treasury bills	-	-	-	-	750	750
Investments at fair value through profit or loss	14,258	-	-	-	-	14,258
Available-for-sale investments	-	30,244	-	-	-	30,244
Fees receivable	-	-	1,138	-	-	1,138
Other assets	-	-	3,759	-	-	3,759
	14,258	**30,244**	**65,871**	**-**	**750**	**111,123**
Short-term bank borrowings	-	-	-	-	19,777	19,777
Customer accounts	-	-	-	-	28,805	28,805
Other liabilities	-	-	-	-	2,910	2,910
Payable to unit holders in consolidated funds	-	-	-	2,836	-	2,836
	-	**-**	**-**	**2,836**	**51,492**	**54,328**

Bahraini Dinars '000

32. Accounting classification and fair values (continued)

31 December 2014	Fair value through profit or loss	Available for sale	Loans and receivables	Liabilities at fair value	Others at amortised cost	Total carrying value
Cash and cash equivalents	-	-	61,427	-	-	61,427
Investments at fair value through profit or loss	17,340	-	-	-	-	17,340
Available-for-sale investments	-	28,811	-	-	-	28,811
Fees receivable	-	-	1,192	-	-	1,192
Other assets	-	-	5,196	-	-	5,196
	17,340	28,811	67,815	-	-	113,966
Short-term bank borrowings	-	-	-	-	16,220	16,220
Customer accounts	-	-	-	-	32,878	32,878
Other liabilities	-	-	-	-	3,301	3,301
Payable to unit holders in consolidated funds	-	-	-	2,172	-	2,172
	-	-	-	2,172	52,399	54,571

The carrying amount of loans and receivables and liabilities carried at amortised cost approximates the fair value in view of the short term nature of these assets and liabilities.

Notes to the 31 December 2015 consolidated financial statements — Bahraini Dinars '000

32. Accounting classification and fair values (continued)

(ii) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

The table below analyses financial assets carried at fair value, by the level in the fair value hierarchy into which the fair value measurement is categorized.

As at 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale investments				
- Funds	10,635	1,161	256	12,052
- Equities	5,356	-	319	5,675
- Debt securities	8,270	4,247	-	12,517
Fair value through profit or loss:				
- Funds	286	-	-	286
- Equity	5,251	-	-	5,251
- Debt securities	8,721	-	-	8,721
Liabilities				
- Payable to unit holders in consolidated funds	(2,836)	-	-	(2,836)
	35,683	**5,408**	**575**	**41,666**

The Group recognizes transfers between levels of fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

The following table analyses the movement in Level 3 financial assets during the year:

	Level 3 2015
At 1 January 2015	515
Total loss :	
- in statement of profit or loss	-
- in other comprehensive income	60
Purchases	-
Settlements	-
Transfers into / (out) of level 3	-
At 31 December 2015	**575**
Total gain / (loss) for the year included in statement of profit or loss for assets / liabilities held as at 31 December 2015	**(140)**

Notes to the 31 December 2015 consolidated financial statements Bahraini Dinars '000

32. Accounting classification and fair values (continued)
(ii) Fair value hierarchy (continued)

Sensitivity analysis of the movement in fair value of the financial instruments in the level 3 category which relates to available-for-sale financial assets is assessed as not significant to the other comprehensive income and total equity.

As at 31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale investments				
- Funds	7,615	4,249	203	12,067
- Equities	5,842	-	312	6,154
- Debt securities	8,398	307	-	8,705
Fair value through profit or loss:				
- Funds	1,186	-	-	1,186
- Equity	5,865	-	-	5,865
- Debt securities	10,289	-	-	10,289
Liabilities				
- Payable to unit holders in consolidated funds	(2,172)	-	-	(2,172)
	37,023	4,556	515	42,094

The following table analyses the movement in Level 3 financial assets during the year:

	Level 3 2014
At 1 January 2014	2,131
Total loss :	
- in statement of profit or loss	(225)
- in other comprehensive income	(58)
Purchases	-
Settlements	(1,333)
Transfers into / (out) of level 3	-
At 31 December 2014	515
Total gain / (loss) for the year included in statement of profit or loss for assets / liabilities held as at 31 December 2014	(366)

32. Accounting classification and fair values (continued)

(ii) Fair value hierarchy (continued)

(iii) Valuation technique and significant unobservable input

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Level 2			
Debt instruments	Market Comparison technique: The valuation is based on observable market multiples derived from quoted prices of comparable debt instruments.	Not applicable	Not applicable
Funds	Net asset values of the funds obtained from the fund managers	Not applicable	Not applicable
Level 3			
Private equity funds	Net asset values of the funds obtained from the fund managers	Net assets of the funds and the valuations of the underlying investments	The estimated fair value would increase (decrease) if there are any changes in the net assets of the funds based on the performance of the underlying investments.
Equity	Adjusted net asset value	Net assets of the company adjusted for discounts on investment in real estate and venture capital	The estimated fair value would increase (decrease) if there are any changes in the net assets (equity) of the company.

33. Comparatives

Certain comparatives have been regrouped where necessary to conform to the current year's presentation. The regrouping did not affect previously reported profit, for the year or total equity of the Group.