

Offering Circular

Bahrain Islamic Bank B.S.C.

A Bahraini Shareholding Company listed on the Bahrain Bourse

Offering Circular

Issued on 03 November 2015

Issue of up to 170,940,171 Ordinary Shares of a Nominal Value of BHD 0.100 each, at an Offer Price of BHD 0.117 per share on 'Rights Offering' basis to existing Shareholders' of the Bank as on the Record Date

Nominal Value per share	BHD 0.100
Offer Price per share	BHD 0.117
Share Premium per share	BHD 0.017
Share Premium as a % of Nominal Value	17%
Opening Date	15 November 2015
Closing Date	29 November 2015

Issue Manager: KPMG Fakhro



Issue Registrar: Karvy Computershare WLL



Receiving Bank: Bahrain Islamic Bank



Legal Advisor: Hassan Radhi & Associates



This Document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional advisor.

A copy of this Document has been submitted and registered by the Central Bank of Bahrain ("CBB"). Registration of this Document by the CBB does not imply that the CBB Law, or any other legal or regulatory requirements, has been complied with. The CBB has not, in any way, considered the merits of the equity securities being offered for investment.

Following completion of this Offering, an application will be made to the Bahrain Bourse to list the Ordinary Shares being offered through this Document.

No Ordinary Shares (equity securities) shall be allotted or allocated on the basis of the Document later than 3 months after the date of registration of the Document by the CBB.

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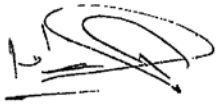





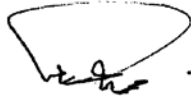

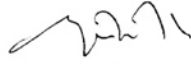
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THE DIRECTORS OF BAHRAIN ISLAMIC BANK B.S.C., WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS DOCUMENT.

Name of the Directors	Position	Signature
Mr. Abdul Razak Abdulla Al Qassim	Chairman, Non-Executive & Non-Independent Director	
Brig. Khalid Mohammed Al Mannai	Vice Chairman, Non-Executive & Non-Independent Director	
Mr. Talal Ali Al Zain	Board Member, Non-Executive & Independent Director	
Mr. Khalil Ebrahim Nooruddin	Board Member, Non-Executive & Independent Director	
Mr. Ebrahim Hussain Ebrahim Al Jassmi	Board Member, Non-Executive & Independent Director	
Mr. Osman Ebrahim Naser Al Askar	Board Member, Non-Executive & Independent Director	
Mr. Mohammed Ahmed Abdulla Ali	Board Member, Non-Executive & Non-Independent Director	
Mrs. Fatima Abdulla Budhaish	Board Member, Non-Executive & Non-Independent Director	
Mr. Mohamed Hedi Mejai	Board Member, Non-Executive & Non-Independent Director	

IMPORTANT NOTICE

This Offering Circular is being furnished by Bahrain Islamic Bank B.S.C. ('BisB' or 'the Issuer' or 'the Bank') solely for the purpose of enabling existing Shareholders to consider subscribing to the Ordinary Shares under this Offering.

For the purpose of this Offering, no person has been authorized to make any representations or give any information with respect to BisB or the Offering except the information contained in this Offering Circular. Any representation or information not contained herein with respect to BisB or the Offering must not be relied upon as having been authorized by the Directors of the Bank. In receiving this Offering Circular, you agree to be bound by the terms and conditions set out herein, including any modifications to them from time to time.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy the Ordinary Shares in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Offering Circular includes details given in compliance with the CBB Law, rules and regulations. The directors, whose names appear in this Offering Circular, collectively and individually confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this Offering Circular is accurate and complete and that there are no other facts or omissions which, if disclosed, would make any statement herein materially misleading. Substantial portions of the economic and industry information made available in this Offering Circular are derived from external sources which have not been independently verified and no representation is made with respect to the accuracy or completeness of this information.

While the Bank and its directors have made all reasonable enquiries as to the accuracy and completeness of the information contained in this Offering Circular, such information is however subject to change. In particular, the actual financial position of the Bank and the value of the Ordinary Shares may be adversely affected by future developments in inflation, profit rates, taxation, or market, economic, political, the Bank's performance and other factors, over some of which the Bank and its directors have no control. Neither the delivery of this Offering Circular nor any oral, written or printed communication in relation to the Ordinary Shares offered is intended to be, or should be construed as or relied upon in any way, as a promise or representation as to future earnings, results or events.

The Bank has appointed KPMG Fakhro as Issue Manager to advise them on this Offering and manage the process. The Bank has also appointed Hassan Radhi & Associates as the Legal Advisor to assist them in compiling the Offering Circular in compliance with applicable laws and regulations. The Bank is acting as the Receiving Bank for this Offering.

None of the directors, their respective officers, agents, employees, issue manager and other advisors assume any liability for any representation or warranty (expressed or implied) enclosed within, or omitted from this Offering Circular or any other written or verbal information transmitted to the recipient (or any of their advisers) in the course of the recipient's assessment of any proposed investment.

No professional, financial or legal advisor or any governmental authority identified herein or any other independent party has verified or advised on the accuracy or completeness of this Offering Circular, the information presented herein, or the method of raising capital used in this Offering Circular. Neither do any of the above assume any responsibility for the contents of this Offering Circular or the performance of any obligations of the Bank.

Each applicant may, prior to the submission of its Application Form, ask questions of and seek clarifications from the BisB concerning the Bank and this Offering. Answers to such questions and clarification will be provided by the Bank along with Issue Manager to the extent that the Bank possesses or can acquire the requisite information without unreasonable effort or expense. The contents of this Offering Circular should not be treated as investment, tax, or legal advice by Applicants. It is advised that all Applicants make their own investigation and evaluation of the opportunity to invest in the Ordinary Shares of the Bank, and should seek to consult with their own advisors concerning the evaluation of the risks of the investment and its suitability for their individual financial and risk preferences. Prior to making an investment decision, each recipient of this Offering Circular is responsible for obtaining independent professional advice in relation to this Offering and for considering appropriateness of the information contained in this Offering Circular with regard to individual objectives, financial situation and needs.

No prospective investor in Ordinary Shares should consider any information in this Offering Circular to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountant and other advisors for such advice. Each person contemplating making an investment in the Ordinary Shares must make its own investigation and analysis of the Bank and its own determination of suitability of any such investment, with particular reference to its own investment objectives and experience, and any other facts that may be relevant to such person in connection with such investment, including the merits and risks involved. You should understand that you will be required to bear the financial risks of your investment, which may be for an indefinite period of time.

The Offering Circular is not to be regarded as a recommendation on the part of the Bank, the directors or any of their advisors to participate in the Offering. Moreover, information provided in this Offering Circular is of general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. The Issuer is not, and neither the advisors to the Issuers, is making any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment in such Ordinary Shares by such offeree or purchaser.

The Offering is only being made to, and is only capable of acceptance by Applicants of nationalities fulfilling the subscription application requirements. Distribution of the Offering Circular and the sale of Ordinary Shares in a jurisdiction may be restricted by law and therefore persons into whose possession this Offering Circular comes should inform themselves about, and observe all such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of that jurisdiction. This Offering Circular does not constitute an offer to sell or issue or to solicit an offer to buy or for the supply of Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

The Bank, the directors, the Issue Manager and other advisors require recipient of this Offering Circular to inform themselves about and observe all such restrictions. The Bank and the directors reserve the right to terminate at any time, the further participation by any party in the Offering.

The Offering Circular may not be forwarded or distributed other than as provided herein and may not be reproduced in any manner whatsoever. The Offering Circular may only be distributed outside the United States to persons that are not U.S. persons as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Any forwarding, distribution or reproduction of the Offering Circular in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Nothing in the Offering Circular constitutes an offer to sell or the solicitation of an offer to buy any Ordinary Shares in any jurisdiction. The Ordinary Shares have not been and will not be Registered under the Securities Act or with any Securities Regulatory Authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Circular to any other person.

Any material relating to the Offering does not constitute, and may not be used in connection with an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and any manager or any affiliate of any manager is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the manager or such affiliates on behalf of the Bank in such jurisdiction.

The Offering Circular may be sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the managers or any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Bank or at the designated branch of the Receiving Bank.

FORWARD LOOKING STATEMENTS

The statements contained in this Document that are not historical facts are "forward looking statements". The word "plans", "estimates", "believes", "expects", "may", "will", "should", "are expected", "will be", "anticipates" or the negative or other variation of such terms of comparable technology are intended to identify a number of these forward-looking statements.

These forward-looking statements reflect the current views of the BisB and its directors with respect to prospective events, and are not a guarantee of future performance. Many factors could cause the actual performance, achievements, or results of BisB to be significantly different from any prospective performance, achievements or results that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Document (see "Investment Considerations and Risk Factors" Section)

Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Document as anticipated, believed, estimated or expected. As a result of these and other risks, the forward looking events and circumstances discussed in this Document might not occur in the way BisB expects, or at all. Applicants should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Copies of this Document may be obtained from the designated branch of Receiving Bank and Bank's registered office.

GENERAL RISK STATEMENT

An investment in equity securities involves risk. Prospective investors should consider carefully, together with all other information contained in this Document, the principal risk factors in Section "Investment Considerations and Risk Factors" before deciding to invest in Ordinary Shares.

Prospective investors should not place undue reliance on any information contained in published new reports, in particular, any financial projections, valuations or other forward-looking information. Prospective investors should not rely on the information included in this Document and the documents referred to in it or available for inspection to make their investment decision.

Prospective investors should seek professional advice from their relevant advisors regarding their prospective investment in the context of their particular circumstances.

APPLICANT IDENTIFICATION AND ANTI MONEY LAUNDERING

The Issuer and the Receiving Bank reserve the absolute right to require further verification of the identity of each Applicant, or that of the person or entity on whose behalf the Applicant is applying for the purchase of Ordinary Shares under this Offering.

Each Applicant will provide satisfactory evidence of identity and, if so required, the source of its funds within a reasonable time period determined by the Bank and Receiving Bank. Pending the provision of such evidence, an application to subscribe for Ordinary Shares under this Offering will be postponed.

An Applicant may not need to provide documentation to the Receiving Bank or the Bank even if the Applicant is an existing shareholder of the Bank and has already provided documentation.

If an Applicant fails to provide satisfactory evidence within the time specified, or if an Applicant provides evidence which is not to the Issuer and Receiving Bank's satisfaction, the application may be rejected immediately, in which event any money received from the Applicant will be returned to the Applicant, without any addition and at the risk and expense of the Applicant.

In respect of any Bahraini positional investors, the Issuer will comply with the Bahrain Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and Various Ministerial Orders issued there under including, but not limited to, Ministerial Orders NO. (7) of 2001 with respect to Institutions Obligation Concerning the Prohibition and Combating of Money Laundering, in addition to complying with Anti Money Laundering and Combating Financial Crime Module of the CBB Rulebook Volume 6.

The Issuer and Receiving Bank will also comply with international anti-money laundering requirements as existing from time-to-time. Under the above regulatory requirements the Issuer and Receiving Bank may be obliged to report certain information to regulatory agencies.

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1. DEFINITION AND ABBREVIATIONS

AGM	Annual General Meeting of the Shareholders
Allotment Date	The date on which the Ordinary Shares being offered through this Offering Circular will be allotted to Applicants
Allotment Notice	A notice informing Applicants of their respective allotment of Ordinary Shares applied through this Offering Circular
Applicant(s)	A person applying for the Ordinary Shares through this Offering Circular
Application Form	The form provided by the Issuer and available from the offices of the Issuer and the designated branches of the Receiving Bank and to be used by Applicants when applying for Ordinary Shares in this Offering
Authorities	Any one, or a combination of the following entities to which relevant notification must be made or from which relevant approval will be necessary in relation to this Offering:- the Capital Market Supervision Directorate – Central Bank of Bahrain, the Bahrain Bourse, the Ministry of Industry and Commerce and any other relevant governmental body
Authorized Share Capital	As of date of this Document, BHD 200,000,000 comprising 2,000,000,000 Ordinary Shares of BHD 0.100 each as authorized to issue in accordance with the Memorandum and Articles of Association
Bahrain	Kingdom of Bahrain
Bahrain Bourse	The stock exchange of Bahrain, erstwhile Bahrain Stock Exchange
Bahrain Bourse Central Depository	The Bahrain Bourse's Central Depository clearance settlement system
Banking Business Hours	The working hours in a business day during which the banks are generally open for business in Bahrain
BD or BHD	Bahraini Dinar, the lawful currency of Kingdom of Bahrain
Bn/ Mn	Billion / Million
Board/ Board of Directors/ Directors	The Board of Directors of the Bank
B.S.C.	Bahrain Shareholding Company
BisB or Bank or Issuer	Bahrain Islamic Bank B.S.C., incorporated in the Kingdom of Bahrain under the Amiri Decree in 1979 under a commercial registration no. 9900 and to which this Offering pertains. The Bank is licensed and regulated by the CBB and has a retail banking license. The Bank's Shari'a supervisory board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Ordinary Shares of the Bank are listed on the Bahrain Bourse
Business Day	Any day other than Friday, Saturday or official public holidays on which the banks are generally open for business in Bahrain

1. DEFINITION AND ABBREVIATIONS

CAGR	Compounded Annual Growth Rate
CBB	Central Bank of Bahrain
Closing Date	The date on which this Offering will close for subscription, which is close of Banking Business Hours on 29 November 2015 or such other date as may be decided by the Bank, in consultation with CMSD
CMSD	Capital Markets Supervision Directorate, the Central Bank of Bahrain
Distribution Date	The date on which Applicants shall collect their Allotment Notice and the refund, if any from the office of the Issue Registrar
EGM	Extraordinary General Meeting of the Shareholders
FY	Fiscal Year
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Investor Number	A number granted to each Applicant for trading in any shares listed on the Bahrain Bourse and such number shall be used for all future trading on that exchange regardless of the entity in which the Applicant holds shares
Issue Manager	KPMG Fakhro, Bahrain
Issue Registrar	Karvy Computershare W.L.L., Bahrain
Issued and Paid-Up Share Capital	The Bank's Issued and Paid-Up Share Capital amounting to BHD 80,347,245 comprising of 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 per share, as at date of this Document
Legal Advisor	Hassan Radhi & Associates
MAoA	Memorandum and Articles of Association of the Bank, as amended from time to time
MOIC	Ministry of Industry and Commerce, Bahrain
MENA	Middle East and North Africa
NBB	National Bank of Bahrain B.S.C.
Nominal Value	The Nominal Value of each Share of the Bank, which is BHD 0.100 each
Offer Price	The price at which the Ordinary Shares are being offered through this Offering Circular, which equals BHD 0.117 per share
Offering or Rights Offering	The Issuance of up to 170,940,171 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share at an Offer Price of BHD 0.117 per share

Offering Circular or Document or Information Memorandum	This document is prepared by the Issuer in relation to the Offering and in accordance with the disclosure standards issued by the CBB
OGM	Ordinary General Meeting of Shareholders
Opening Date	The date on which the Offering will open for subscription, which is opening of Banking Business Hours on 15 November 2015
Ordinary Shares or Shares	The Ordinary Shares of the Bank with nominal value of BHD 0.100 each
Ordinary Share Register	The register of holders of Ordinary Shares maintained by the registrar
Record Date	The cut-off date as of which the Shareholders registered in the Bank's Ordinary Share Register will be entitled to participate in this Offering, being 10 November 2015 as at close of Banking Business Hours
Receiving Bank	Issuer is designated as Receiving Bank in this Document.
Renunciation	Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered to renounce those Ordinary Shares in favour of others
Shareholders	The registered holders of Ordinary Shares in the Bank from time to time
SIO	Social Insurance Organization, Bahrain
SIO-CPF	Social Insurance Organization – Civil Pension Fund, Bahrain
SIO-MPF	Social Insurance Organization – Military Pension Fund, Bahrain
Subscription Amount	<p>An amount equal to the number of Ordinary Shares applied for through the Application Form multiplied by the Offer Price.</p> <p>All Subscription Amounts received shall be net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges shall be borne by the Applicant</p>
Subscription Period	The period during which Applicants may apply for Ordinary Shares offered through this Offering, commencing on the Opening Date and ending on the Closing Date
Subscription Terms and Conditions or Terms and Conditions	The terms and conditions pursuant to which Applicants apply for the Ordinary Shares under the Offering including those terms and conditions which are set out in this Offering Circular and those which are appended to the Application Form
US or USA	United States of America
USD or US\$	United States Dollar, the lawful currency of United States of America

2. RESOLUTIONS AND APPROVALS

2.1. Board of Directors Recommendations to the EGM

The Board of Directors in their meeting held on 02 August 2015 recommended the following in relation to this Offering:

- Approve reduction in Issued and Paid-Up Share Capital by 15.34% (reduction of 2 shares for each 13 shares approximately) from BD 94,907,023 to BD 80,347,245 by reducing the total number of shares from 949,070,234 shares to 803,472,454 shares and correspondingly writing-off BD 12.84 mn of statutory reserves, general reserves and share premium;
- Approve to increase the Issued and Paid-up Share Capital of the Bank post capital reduction from 803,472,454 Ordinary Shares to 1,003,472,454 Ordinary Shares, through an issuance of up to 200,000,000 new Ordinary Shares through Rights Offering to existing Shareholders of the Bank as on the Record Date;
- Approve exempting any existing shareholder whose ownership increases up to 30% or more due to the subscription to make a mandatory offer to all shareholders as prescribed in the "Takeover, Merger and Acquisition Module" (TMA) issued by the Central Bank of Bahrain;
- Authorize the Chairman, Board of Directors to make an invitation for an EGM to consider and approve the foregoing.

2.2. Extra-Ordinary General Meeting Resolution

The Shareholders, through their resolution adopted at the EGM held on 27 October 2015, resolved and approved the following in relation to this Offering:

- Approved reduction in Issued and Paid-Up Share Capital by 15.34% (reduction of 2 shares for each 13 shares approximately) from BD 94,907,023 to BD 80,347,245 by reducing the total number of shares from 949,070,234 shares to 803,472,454 shares and correspondingly writing-off BD 12.84 mn of statutory reserves, general reserves and share premium;
- Approved increase in the Issued and Paid-up Share Capital of the Bank from 803,472,454 Ordinary Shares to 1,003,472,454 Ordinary Shares, through an issuance of up to 200,000,000 new Ordinary Shares through Rights Offering to existing Shareholders of the Bank as on the Record Date;
- Approved exempting any existing shareholder whose ownership increases up to 30% or more due to the subscription to make a mandatory offer to all shareholders as prescribed in the "Takeover, Merger and Acquisition Module" (TMA) issued by the Central Bank of Bahrain;
- Authorized the Board of Directors to arrange and decide upon the terms of the Rights Offering including the Offer Price, premium, Offering Period, Record Date and related timelines, the proportion of rights and necessary documentation thereof;
- Authorized the Chairman or the person acting on his behalf to sign the amendment to the Memorandum and Articles of Association on behalf of the shareholders before the Notary Public to reflect the above changes to the capital.

2.3. Board of Directors Resolution

Further, the Board of Directors in their meeting held on 28 October 2015, resolved and approved the following in relation to the Offering:

- issue of up to 170,940,171 Ordinary Shares with Nominal Value of BHD 0.100 each through this Offering;
- Offer Price at BHD 0.117 each;
- Record Date set at 10 November 2015;
- each Shareholder as at the Record Date shall be eligible for approximately 2 Ordinary Share for 10 Ordinary Shares held as at the Record Date;
- Subscription Period to be from 15 November 2015 to 29 November 2015 for this Offering.

2.4. CBB – Capital Market Supervision Directorate

The Issuer has obtained a no objection letter from the CMSD dated 03 November 2015 stating it has no objection to the use of the Offering Circular for the purpose of the Offering.

2.5. Ministry of Industry and Commerce

The MOIC have been notified of the results of the EGM as required by Articles 125 and 132 of the Bahrain Commercial Companies Law.

2.6. Bahrain Bourse

The Bahrain Bourse has been notified of the results of the EGM and furnished with a copy of this Document. Following completion of this Offering, an application will be made to the Bahrain Bourse to list the Ordinary Shares being offered through this Document.

3. SUMMARY OF OFFERING

Following is the summary of the principal terms of the Offering as extracted from the remaining sections of this Document. The following summary is qualified in its entirety by the detailed information included elsewhere in the Offering Circular and should be read in conjunction with the full text of this Document. Applicants are strongly recommended to review the sections of this Document containing the terms and conditions of this Offering and the risk factors.

Issuer

Bahrain Islamic Bank B.S.C., incorporated in the Kingdom of Bahrain under the Amiri Decree in 1979 under a commercial registration no. 9900 and to which this Offering pertains. The Bank is licensed and regulated by the CBB and has a retail banking license. The Bank's Shari'a supervisory board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Ordinary Shares of the Bank are listed on the Bahrain Bourse

Type of this Offering

Issuance of Ordinary Shares to all the existing Shareholders whose name appears in the Ordinary Share Register as on the Record Date.

Offering or Rights Offer

The Issuance of up to 170,940,171 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share to existing Shareholders of the Bank as on the Record Date. Existing Shareholders have the right to purchase approximately 2 Ordinary Share for 10 Ordinary Shares held as on the Record Date. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 10 will be rounded upwards (i.e. they will be allotted one whole Ordinary Share in respect of any fractional entitlement), provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

Authorized Share Capital

As of date of this Document, the Bank had Authorized Share Capital of BHD 200,000,000 comprising 2,000,000,000 Ordinary Shares of BHD 0.100 each as authorized to issue in accordance with the Memorandum and Articles of Association

Issued and Paid-up Share Capital prior to this Offering

As of date of this Document, the Bank had Issued and Paid up Share Capital amounting to BHD 80,347,245 comprising of 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 per share.

Issued and Paid-up Share Capital post this Offering

Upon full subscription under this Offering, the Issued and Paid up Share Capital of the Bank will be 974,412,625 Ordinary Shares each at a Nominal Value of BHD 0.100 per Share amounting to BHD 97,441,263.

Nominal Value

BHD 0.100 per share.

Offer Price

BHD 0.117 per share.

Subscription Currency

Bahraini Dinar or BHD.

Eligible Investor(s)

All existing Shareholders registered in the Bank's Ordinary Share Register on the Record Date.

3. SUMMARY OF OFFERING

Record Date

The cut-off date as of which Shareholders registered in the Bank's Ordinary Share Register will be entitled to participate in this Offering, being 10 November 2015.

Renunciation

The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Document to renounce those in favor of either existing Shareholders or prospective new Shareholders.

Opening Date

The date on which the Offering will open for subscription, which is 15 November 2015.

Closing Date

The date on which this Offering will close for subscription, which is closing of Banking Business Hours on 29 November 2015 or such other date as may be decided by the Issuer in consultation with the CMSD.

Subscription Period

The period during which Applicants may apply for the Ordinary Shares available through this Offering, commencing on the Opening Date and ending on the Closing Date.

Allotment Announcement Date

The Bank will complete the allotment of the Ordinary Shares offered pursuant to this Offering on the Allotment Date. Post receiving the approval of CMSD on allotment, the Bank will publish allotment basis in local newspaper on the Allotment Announcement Date, being 8 December 2015 or such other date as may be decided by the Issuer in consultation with the CMSD.

Application Form

The form provided by the Issuer and available from the offices of the Issuer and the designated branches of the Receiving Bank and to be used by Applicants when applying for Ordinary Shares offered through this Offering.

Method of Payment of Subscription Amount

The Subscription Amount shall be remitted in BHD to the Receiving Bank. Such remittance shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in BHD from an account of the Applicant maintained with a bank other than the Receiving Bank;
- By transferring BHD from an account held by the Applicant with the Receiving Bank.
- By Managers Cheque in BHD

No other modes of payment shall be accepted.

All Subscription Amounts received shall be net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges shall be borne by the Applicant.

Issue Manager

The Bank has appointed KPMG Fakhro as Issue Manager to advise them on this Offering and manage the process.

Receiving Bank

Bahrain Islamic Bank B.S.C.

Building 722, Road 1708, Block 317, Diplomatic Area

Manama, Kingdom of Bahrain

Basis of Allotment

The Applicants shall first be allotted to the extent of their entitlement or the number of Ordinary Shares applied for - whichever is lower. The remaining Ordinary Shares, if any, will be allotted to Applicants who have applied for Ordinary Shares in excess of their original entitlement. Such unsubscribed amount shall be allotted amongst such Shareholders pro-rata to their holding as on Record Date.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 10million at Offer Price in proportion of their shareholding as on the Record Date.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, post support from the major shareholders of the Bank, Issuer in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities, shall allot the Ordinary Shares up to the level of Subscription Amounts received in accordance with the terms of the Offering Documents.

Distribution and Refund

On the Distribution Date, the Applicants shall collect their Allotment Notice from the Issue Registrar. Any refunds shall be for the excess Subscription Amounts as paid by the Applicant and for which Ordinary Shares were not allotted. The refunds shall be made in Bahraini Dinars only. All refunds distributed by the Issue Registrar will be made after deduction of bank charges and other similar deductions and will not include profit accrued on such funds, if any.

Dividend Policy

The determination to pay dividends on an ongoing basis, and the amount thereof, will depend upon, among other things, the Bank's earnings, financial condition, capital adequacy ratio and liquidity requirements, applicable requirements on the payment of dividends under the Bahrain law and such other factors as the Board of Directors and the Shareholders may deem relevant.

Voting Rights

Each Shareholder will be entitled to attend and vote at the General Assembly of the Bank. For a discussion of the Shareholder's voting rights, see the section titled 'Shareholder Rights' in this Document.

Ranking of Ordinary Shares

The Ordinary Shares issued through this Offering will rank pari passu with all other Ordinary Shares of the Bank including in respect to entitlement of dividend.

Listing of Ordinary Shares offered through this Document

Following completion of this Offering, an application will be made to the Bahrain Bourse to list the Ordinary Shares being offered through this Document.

Principal Risk Factors

There can be no assurance that the Bank will continue to pay dividends. The Bank's business could be exposed to certain risks that are beyond the control of the Board of Directors or the management which could potentially affect its operating and the financial performance. For details on risks affecting the Bank, please see section titled 'Investment Considerations and Risk Factors'.

Use of Proceeds

The Bank has embarked on a new growth strategy and the proceeds from the Offering will be used for implementing this strategy. In addition, the proceeds will also be used for augmenting the capital base of the Bank and improving regulatory ratios.

For further details please refer to the section titled 'Use of Proceeds' in this Document.

4. OFFERING STATISTICS AND TIMELINES

Offering Statistics – Rights Offer

Total Amount of Offering

BHD 20,000,000 (including Share Premium)

Offer Price

BHD 0.117 per share

No of Ordinary Shares being offered through this Document

170,940,171 new Ordinary Shares each with a Nominal Value of BHD 0.100 per share

Timelines and Summary of Application Procedure

Announcement Date

Sunday, 08 November 2015

Record Date

Tuesday 10, November 2015

Opening Date

Sunday

Opening of Banking Business Hours on 15 November 2015

Closing Date

Sunday

Closing of Banking Business Hours on 29 November 2015

Subscription results & allotment basis announcement date

Tuesday 01, December 2015

Allotment Date

Sunday 06, December 2015

CMSD approval on allotment

Monday 07, December 2015

Allotment Announcement Date

Tuesday 08, December 2015

Distribution of Allotment Notice /refunds or Distribution Date

Sunday 13, December 2015

Subscription Period

Applicants may apply for Ordinary Shares offered through this Offering during the Subscription Period, commencing on the Opening Date and ending on the Closing Date or such other date as may be decided by the Issuer in consultation with the CMSD. Any such extension of the Subscription Period will be announced in local newspaper.

Submission of Application Form

Application Forms shall be obtained from the designated branches of the Receiving Bank. Application Forms should be completed in full in Arabic or in English and in accordance with instructions contained in this Document. Each Applicant is required to submit the Application Form to the designated branches of Receiving Bank on or before the Closing Date accompanied by relevant copies of documents as stated in this Document.

Method of payment of Subscription Amount

Applicants should submit to the Receiving Bank a duly signed and completed Application Form together with cleared funds in the amount of subscription. The subscription currency is BHD.

Remittance shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in BHD from an account maintained with another bank other than the Receiving Bank;
- By transferring BHD from an account with the Receiving Bank.
- By Managers Cheque in BHD

No other modes of payment shall be accepted.

Applicants are responsible for ensuring that the Subscription Amounts are remitted to the designated account with the Receiving Bank on or before the Closing Date. Applicants transferring money into the designated account should present a copy of the wire transfer order along with the Application Form.

Entitlement to this Offering and Renunciation Rights

This Offer is open to all Shareholders registered in the Bank's Ordinary Share Register on the Record Date. Each Shareholder shall be entitled to purchase approximately 2 Ordinary Share for 10 Ordinary Shares held as at the Record Date. Shareholders may however make an application for the Ordinary Shares in excess of or lower than their entitlement. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 10 will be rounded upwards (i.e. they will be allotted one whole Ordinary Share in respect of any fractional entitlement), provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Document to renounce those Ordinary Shares in favor of others. Such renunciation shall however be made during the Subscription Period only.

Distribution and Refund

On the Distribution Date, the Applicants shall collect their Allotment Notice and the refund cheques, if any, from the Issue Registrar's office. Such refunds shall be for the excess Subscription Amounts paid by Applicants in respect of Ordinary Shares they applied for and were not allotted. The refunds shall be made in Bahraini Dinars.

All refunds distributed by the Receiving Bank will be made after a deduction of bank charges and other similar deductions and will not include any interest/ profit derived from such funds.

Please refer sections titled "Offering" and "Application Procedure" for further details.

5. THE BANK

5.1. Background

BisB is uniquely distinguished as being the first Islamic bank in Bahrain, and the third in the GCC. Incorporated in 1979, the Bank operates under an Islamic Retail banking license issued by the CBB, and is listed on the Bahrain Bourse. The Bank operates through a network of 7 branches, 4 financial malls and 54 ATMs across Bahrain. The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities.

The main office of the Bank is situated at:

Bahrain Islamic Bank B.S.C.

Al Salam Tower

Diplomatic Area

PO Box 5240, Manama

Kingdom of Bahrain

Tel: (+973) 17 546 111

Fax: (+973) 17 535 808

Email: corporate.communicat@bisb.com

Website: www.bisb.com

The Bank is registered with the Ministry of Industry and Commerce under commercial registration number 9900 obtained in 1979. The Bank's Ordinary Shares are listed in the Bahrain Bourse (erstwhile Bahrain Stock Exchange) since June 1989. Moody's have rated the Bank as Ba3 Issuer rating.

5.2. License and Principal Activities

BisB is licensed by the CBB as an Islamic Retail Bank. The Bank is required to comply with the CBB regulations with regard to Islamic Retail Bank in addition to other laws and regulations as applicable to the Bank. Details on the CBB regulations that generally apply to Islamic Retail Bank are available on the CBB website.

Principal business activities of the Bank:

- Accepting Shari'a money placements and deposits through current accounts;
- Managing Shari'a profit/loss sharing investment accounts through investment accounts and saving accounts;
- Offering Sharia financing contracts through Tawarroq, Murabaha, Ijarah and Musharaka;
- Dealing in Shari'a compliant financial instruments as principal through Sukuk;
- Providing money exchange/remittance services through foreign currencies exchange money transfer and demand draft;
- Issuing/administering means of payment through credit cards and travelers cheques.

5.3. Capitalization

The Bank has an Authorized Share Capital of 2,000,000,000 Ordinary Shares amounting to BHD 200,000,000 with a Nominal Value of BHD 0.100 per share as at date of this Document. The Bank's Issued and Paid-up Share Capital as of 30 September 2015 amounted to BHD 94,907,023 comprising of 949,070,234 Ordinary Shares each at a Nominal Value of BHD 0.100 per share. Of this, the Bank holds 3,620,609 shares as Treasury shares while 8,793,198 shares are held as un-allocated portion of the Employee share incentive scheme.

In the EGM held on 27 October 2015, the shareholders have approved reduction in the Bank's Issued and Paid-up Share Capital to BHD 80,347,245 comprising of 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 per share.

In 2013, 52% of the Bank shares were acquired by the NBB, SIO-CPF and SIO-MPF with an aim to strengthen the Bank's potential to expand the asset base, increase revenues, and improve shareholders' value.

	As of date of this Document (Post cancellation of shares)		30 September 2015	
	Number	Amount BHD	Number	Amount
Authorized				
Ordinary Shares of BHD 0.100 each	2,000,000,000	200,000,000	2,000,000,000	200,000,000
Issued and fully paid-up				
Ordinary Shares of BHD 0.100 each	803,472,454	80,347,245	949,070,234	94,907,023

5.4. Subsidiaries and Associates

i. The subsidiaries of the Bank as of 30 September 2015 are as following:

Name of Subsidiary	Ownership Stake	Country of Incorporation
Abaad Real Estate Company B.S.C	100.00%	Bahrain
BisB MMF Company B.S.C.	100.00%	Bahrain
BisB Money Market Fund	99.70%	Bahrain

Abaad Real Estate Company B.S.C

Abaad was incorporated in April 2003 with an authorized and fully paid-up share capital of BHD 25 million. Abaad has started operations during the year 2007. The main activities of Abaad are the management and development of real estate (in accordance with the Islamic Shari'a rules and principles).

BisB MMF Company B.S.C. (c) ("MMF")

MMF was incorporated in the Kingdom of Bahrain as a closed joint stock company and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 81322-1. The postal address of the Company is registered at, Building 722, Road 1708, Block 317, Diplomatic Area, Kingdom of Bahrain. The purpose of the MMF is limited to establishing funds (in accordance with the Islamic Shari'a rules and principles).

BisB Money Market Fund ("Fund")

Fund is an open ended investment fund constituted by an instrument dated 12 June 2012 and commenced its activities on 9 July 2012. The fund is a Bahrain domiciled Shari'a compliant retail collective investment scheme established by Bahrain Islamic Bank B.S.C. pursuant to the Central Bank of Bahrain regulations and directives as contained in the rulebook volume 7. The fund has been established by BisB MMF Company B.S.C. (c).

5.4. Subsidiaries and Associates (continued)

ii. The associates of the Bank as of 30 September 2015 are as following:

Name of Associate	Ownership Stake	Country of Incorporation	Nature of Business
Takaful International Company B.S.C.	22.75%	Bahrain	Takaful International Company B.S.C. was incorporated in 1989, and carries out Takaful and Retakaful activities in accordance with the teachings of Islamic Shari'a.
Liquidity Management Centre B.S.C. (c)	25.00%	Bahrain	Liquidity Management Centre B.S.C. (c) was incorporated in 2002 as a bank, licensed and regulated by the Central Bank of Bahrain to facilitate the creation of an Islamic inter-bank market that will allow Islamic financial services institutions to effectively manage their assets and liabilities.
Arabian C Real Estate Company	19.00%	Kuwait	Arabian C Real Estate Company is a Kuwaiti Shareholding Company incorporated in accordance with the Kuwaiti Commercial Companies law, Decree No.15 of 1960, as amended and regulated by the Ministry of Commerce & Industry of Kuwait. The company's activity focuses on real estate development and the overall management of a variety of strategic investments in the real estate and infrastructure sectors in GCC/MENA region.
Enjaz Property Development Company B.S.C. (c)	33.48%	Bahrain	Enjaz Property Development Company B.S.C. (c) is a closed joint stock company incorporated in the Kingdom of Bahrain and is registered with the Ministry of Industry and Commerce since 6 February 2008 under commercial registration number 67713-1. The company is engaged in the purchase and sale of land and property development.
Al Dur Energy Investment Company	29.41%	Bahrain	Al Dur Energy Investment Company is an exempt company with limited liability incorporated in the Cayman Islands on 10 June 2009 and operates under registration number 227032. The company operates in the Kingdom of Bahrain with the sole purpose of holding a 15% indirect interest in a power and water plant project company, Al Dur Power and Water Company B.S.C. (c), in the Kingdom of Bahrain.

The carrying value of the associates as of 30 September 2015 was BHD 29.71 mn.

5.5. Business Highlights

5.5.1. Retail Banking

The retail banking business posted a strong performance in 2014, increasing its customer base and market share, reducing the cost of funding, and growing across all main retail product lines and services. Overall in 2014, the customer base grew by 14%, market share grew by 11%, and reduced costs of funding by 32%.

This strong performance was also reflective of the Banks competitive and continuous customer service developments, which included the opening of two new Financial Malls in 2014. These purpose-designed Malls offer a one-stop-shop to its customers, providing high levels of convenience, comfort, and enhancing the overall customer experience. Furthermore, a total of nine new locations for ATMs have been identified, which include ATMs at selected UAE Exchange branches. Finally, the Bank focused on improving the eBanking services, which will be further developed in 2015 in order to accommodate for a larger number of eServices. These include the introduction of a Mobile Banking Service that will enable customers to complete their banking transactions via smart phones or tablets.

Key products offered by retail banking unit:

- Auto Finance
- Tas'heel Personal Finance
- Property Finance
- Al Thuraya Privileged Banking Services
- Social Housing Finance Scheme
- Tejoori Saving Account
- vevo Youth Saving Account
- Iqra investment scheme
- Money Market Fund

5.5.2. Corporate and Institutional Banking

The Corporate and institutional banking division has been structured to focus on three segments: corporate financing, sovereign and quasi-sovereign institutions, and small-and-medium enterprises (SMEs). The Bank attracted substantial new high-quality assets growing by 20% in the number of borrowing relationships. In addition, the division also achieved a significant improvement in recoveries from delinquent accounts, with a reduction in non-performing loans by over 30%.

The plans for 2015 include expanding trade finance activities and customer base in Bahrain, in addition to introducing new products and continuing the reduction of non-performing loans. Furthermore, the Corporate and institutional banking division is looking into new business opportunities in foreign markets including regional syndications, bilateral deals and Sukuk issues.

Key products offered by corporate and institutional banking unit:

- Trade Finance
- Enterprise Finance
- Project Financing
- Real Estate Financing
- Structured Financing
- VIP and Special Banking
- Current Account

5.5.3. Treasury and Investments

The treasury and Investments business managed to continue the Bank's liquidity and to attract increasing deposits. The Bank had re-established previous relationships with regional banks that are managed by experienced and professional financial teams, which are integral components in assisting the Bank in managing its liquidity and short-term funding requirements.

The Bank's treasury team successfully executed various FX and money market strategies, increased market activities for GCC and major international currencies, and reduced the Bank's overall cost of funding. Furthermore, a number of non-performing investment assets were exited, with the net gain generated from this exit invested in short and medium-term fixed income instruments, which grew the Sukuk's portfolio in 2014 by 113%.

Key products offered by Treasury unit:

- Foreign Exchange Spot
- Forward transaction
- International Commodity Murahaba
- Swap Transaction
- Islamic Sukuk
- Private Equity

5.5.4. Distribution Channels

The Bank operates through network of 7 branches, 4 financial malls and 54 ATMs across Bahrain. The Bank also offers ebanking solutions to its customers.

5.6. Strategy Going Forward

The Bank has embarked on a 5 year strategy in 2014 that is focused on placing the Bank among the Top 10 Islamic Banks in the Gulf Region terms of profits and revenues. The key focus areas of the strategy are:

- Focus on core banking activities;
- Dispose of non-performing investment assets;
- Reduce the cost of capital and operating expenses;
- Upgrading the information technology infrastructure; and
- Exploit opportunities for entering new markets outside Bahrain, with the aim of expanding the Bank's activities.

The Bank has already started implementing this new strategy in 2014, and efforts have shown promising results in 2014 and in nine months ended 30 September 2015. The Bank will continue working towards implementing this strategy by maintaining current operations that are executed through improved technologies and infrastructure. This will significantly add value both the retail and corporate banking products, and to the treasury and investment business lines.

6. CORPORATE GOVERNANCE

6.1. Introduction

The Corporate Governance is an internal system that encompasses policies, processes and people to make sure that the needs of the shareholders and other stakeholders are met in full. This is accomplished by directing, controlling and managing activities using good business practices, objectivity, accountability and integrity.

The Board of Directors of BisB are accountable to the shareholders for the creation and delivery of strong sustainable financial performance and long-term shareholder value through strategic initiatives. The Chairman is responsible for leading the Board, ensuring its effectiveness, monitoring the performance of the executive management, and maintaining a dialogue with the Bank's shareholders. The Board has appointed four Committees to assist it in carrying out its responsibilities. The Internal Audit function reports directly to the Board through the Audit & Corporate Governance Committee. The Board delegates the authority for management of the business to the Chief Executive.

Framework:

BisB's corporate governance framework comprises a code of business conduct; operational policies and procedures; internal controls and risk management systems; internal and external audit and compliance procedures; effective communications and transparent disclosure; and measurement and accountability.

Code of Business Conduct:

BisB conducts itself in accordance with the highest standards of ethical behavior. A Code of Business Conduct has been developed to govern the personal and professional conduct of all stakeholders.

Compliance:

BisB has in place comprehensive policies and procedures to ensure full compliance with the relevant rules and regulations of the CBB.

Communications:

BisB conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual report, corporate brochure and website, and regular announcements in the appropriate local media.

6.2. Board of Directors

The following are the Bank's Directors as of the date of this Document:

Mr. Abdul Razak Al Qassim

Chairman of Board of Directors and Chairman of Nomination and Remuneration Committee

Mr. Abdul Razak Al Qassim is the Chief Executive Officer and Board member of National Bank of Bahrain (NBB). He joined NBB in 1977 after seven years with Chase Manhattan Bank. Abdul Razak Al Qassim is the Chairman of the Board of Directors of Bahrain Islamic Bank (BisB); Chairman of Benefit Company; Chairman of Bahrain Association of Banks; Deputy Chairman, Chairman of Executive Committee and Member of Nomination and Remuneration Committee at Bahrain Telecommunication Company (Batelco); Deputy Chairman of Umniah Mobile Company (Jordan); Deputy Chairman of Dhivehi Raajeyge Gulhnpplc. (Dhiraagu), Maldives; Deputy Chairman of Sure Guernsey Limited, Sure Jersey Limited and of Sure Isle of Man Limited; Board Member of the Crown Prince International Scholarship Programme; Board Member of Deposit and URIA Protection Board at Central Bank of Bahrain. He holds a Master's degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA.

Appointed on 7 July 2013 for a period of three years

Brig. Khalid Mohammed Al Mannai

Vice Chairman and Chairman of the Executive Committee

Brigadier Khalid Mohammed Al Mannai is the General Manager of the Bahrain Military Pension Fund, and one of the co-founders of the GCC Expanded Military Pension Coverage Committee. He joined the Military Pension Fund after spending 30 years with the Bahrain Defense Force. Brigadier Al Mannai is a Board Member of Bahrain Telecommunications Company (Batelco), the Social Insurance Organization (SIO) and Osool Asset Management Company. He holds a MBA from Sheffield Hallam University, UK; and has over 34 years' professional experience.

Appointed on 7 July 2013 for a period of three years

Mr. Talal Al Zain

Board Member

(Independent Member)

Mr. Talal Ali Al Zain is Chief Executive Officer of PineBridge Investments Middle East BSC (c), and Co-Head of Alternative Investments at PineBridge Investments. Prior to this, he was a Board Member and CEO of Bahrain Mumtalakat Holding Company; having previously spent 18 years with Investcorp Bank as Managing Director and Co-Head of Placement & Relationship Management. Talal was Vice President of Private Banking international and Head of Investment Banking Middle East with Chase Manhattan Bank; as well as a Corporate Banker with Citibank Bahrain. Talal Al Zain is a Board Member of Bahrain Islamic Bank and Bahrain Association of Banks. He previously chaired and served as a board member on many corporations including McLaren, the Bahrain Economic Development Board, Gulf Air, and the Bahrain International Circuit. He holds an MBA in Finance from Mercer University, Atlanta, USA; a BA in Business Administration (majoring in Accounting) from Oglethorpe University, Atlanta, USA.

Elected on 7 July 2013 for a period of 3 years

Mr. Khalil Ebrahim Nooruddin

Board Member

(Independent Member)

Mr. Khalil Ebrahim Nooruddin is an experienced banker, at both an executive and board level. Currently, he is the Managing Partner of Capital Knowledge, a consulting and training company. Over the past five years, he has concluded several consulting assignments for financial institutions, working on strategy formulation and implementation. Prior to this, Khalil Nooruddin worked for Investcorp Bank, Bahrain; UBS Asset Management in London and Zurich; and Chase Manhattan Bank in Bahrain. He is an active member of several civil and professional societies in Bahrain. A Chartered Financial Analyst, Mr. Nooruddin holds an MSc in Quantitative Analysis from Stern Business School at New York University, USA; and a BSc in Systems Engineering from King Fahd University of Petroleum & Minerals, Saudi Arabia. He has over 36 years' professional experience.

Elected on 7 July 2013 for a period of 3 years

Mr. Ebrahim Hussain Al Jasmi

Board Member and Chairman of the Audit & Corporate Governance Committee

(Independent Member)

Mr. Ebrahim Hussain Al Jasmi was the Chief Executive Officer & Board Member of Khaleeji Commercial Bank until June 2012, and continued as Board Member until July 2013. Prior to this, he was Chief Executive Officer of Liquidity Management Centre. Previously, at the Arab Banking Corporation, he held the positions of Vice President-Global Marketing Unit, Vice President-Treasury & Marketable Securities Department, and General Manager-ABC Securities. He has also worked for BBK Financial Services Company, and Shamil Bank. He holds an MBA from University of Bahrain and a Bachelor's degree in Economics from University of Kuwait; and has over 33 years' experience in both conventional and Islamic banking.

Elected on 7 July 2013 for a period of 3 years

Mr. Othman Ebrahim Askar

Board Member

(Independent Member)

Mr. Othman Ebrahim Al Askar is the Director of the Investment department of Kuwait Awqaf Public Foundation. He joined the Kuwait Awqaf Public Foundation in 1995, and held various positions before taking up his current post in 2010. Prior to this, he was Head of Investment and Banks Department at Kuwait Public Transport Company. Othman Al Askar is a Board Member of the Educational Holding Group, Kuwait; and a former Board Member of Rasameel Structured Finance Company, Kuwait. He holds a BSc in Business Administration and Economics from Washington Center University, USA; and has over 27 years' professional experience.

Elected on 7 July 2013 for a period of 3 years

Mr. Mohammed Ahmed Abdulla

Board Member

Mr. Mohammed Ahmed Abdulla is the Head of Asset Management at Osool Asset Management Company. Prior to Osool, he held senior management positions at Credit Suisse AG-Bahrain Branch and Credit Suisse AG-Dubai. He started his career at HSBC Middle East, before moving to Merrill Lynch-Bahrain where he spent 7 years. Mohammed Ahmed is a Board Member, Chairman of the Nomination & Remuneration Committee and Audit Committee Member at both the Medgulf Group and Medgulf Allianz Takaful. Furthermore, he is a Board Member and Vice Chairman of the Audit Committee of Bahrain Commercial Facilities Company. He holds a Bachelor's degree in Accounting from University of Bahrain, and is accredited to the National Association of Securities Dealers and the National Futures Association. Mohammed Ahmed has more than 16 years' professional experience.

Appointed on 7 July 2013 for a period of 3 years

Mrs. Fatima Abdulla Budhaish

Board Member and Chairperson of Risk Management Committee

Mrs. Fatima Abdulla Budhaish is an Assistant General Manager - Credit Risk at National Bank of Bahrain (NBB). She joined NBB in 2004, and worked in various capacities before taking up her current position as an Assistant General Manager in 2013. Prior to this, she spent five years with BBK. A Certified Public Accountant (USA), Mrs. Budhaish holds an Executive MBA from the University of Bahrain; and attended the Gulf Executive Development Programme at Darden School of Business, University of Virginia, USA. She has over 16 years' professional experience.

Appointed on 7 July 2013 for a period of 3 years

Mr. Mohamed Hedi Mejai

Board Member

Mr. Mohamed Hedi Mejai is the Director of Investments Department at the Islamic Development Bank (IDB) and represents the IDB in the board of directors. He is a senior banking executive with a strong track record in investment structuring, post-acquisition management across various asset classes. He also has significant experience of fund management and fund raising and has a wide international business network. Prior to joining IDB, he was the CEO and Board Member at DIFC based Investment Bank before which he was the Executive Director at Bahrain based International Investment Bank. Mr. Mohamed holds an MBA from EDHEC Management School, France and has attended the Management Development Program hosted by the London School of Business.

Appointed on 26 January 2015 for a period of 3 years

6.3. Shari'a Supervisory Board members' Profiles

The main objective of Shari'a Supervisory Board is to advise the Bank on any Shari'a matter and to ensure compliance with the shari'a tenets and requirements in their operations. The Shari'a Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the Bank in order to ensure that the Bank is in compliance with Shari'a rules and AAOIFI.

The Bank's Shari'a Board profile as of the date of this document is as following:

Shaikh Dr. Abdul Latif Mahmood Al Mahmood

Chairman of Shari'a Supervisory Board

- Shaikh Al Mahmood is a Member of the Sharia'a Supervisory Board of Takaful International and ABC Islamic Bank, Kingdom of Bahrain; ABC Islamic Bank, London; and the Joint Sharia'a Supervisory Board of AlBaraka Group.
- He has been a Preacher at a number of Bahrain's mosques since 1973; and a lecturer in Quran interpretation, jurisprudence and preaching.
- Shaikh Al Mahmood is a regular participant in jurisprudence, educational, economic, intellectual, social and cultural conferences and seminars.

Appointed on 01 March 2015 for a period of 3 years

Shaikh Mohammed Jaffar Al Juffairi

Vice Chairman of Shari'a Supervisory Board

- Shaikh Aljuffairi is a former Judge of the High Sharia'a Court of Appeal, Kingdom of Bahrain; and seconded as President of the High Sharia'a Court, Ministry of Justice. He is a Friday Imam and speaker.
- Former Member of the Zakat Committee, Ministry of Justice.

Appointed on 01 March 2015 for a period of 3 years

Shaikh Adnan Abdulla Al Qattan

Shari'a Supervisory Board Member

- Shaikh Al Qattan is a Preacher at the Ahmed Al Fateh Islamic Mosque.
- He is a Judge of the High Sharia'a, Ministry of Justice, Kingdom of Bahrain; a Puisne Justice of the High Sharia'a Court; and a lecturer at the Islamic Studies Department, University of Bahrain. Shaikh Al Qattan is Chairman of the Orphans and Widows Care Committee of the Royal Courts and the Pilgrimage Mission; and a Member of the Board of Directors of Sanabil for Orphan Care.
- He is a regular participant in Islamic committees, courses, seminars and conferences.

Appointed on 01 March 2015 for a period of 3 years

Shaikh Dr. Nedham Mohamed Saleh Yacoubi

Shari'a Supervisory Board Member

- Shaikh Yacoubi is a Member of several Sharia'a Supervisory Boards around the world, including Bahrain Islamic Bank, Ithmaar Bank, Gulf Finance House and ABC Islamic Bank, Kingdom of Bahrain; Abu Dhabi Islamic Bank and Sharjah Islamic Bank, UAE; ABC Islamic Bank, London; and the Islamic Accounting Standards Organization, Bahrain.
- He is the recipient of numerous awards in the field of Islamic Finance.

Appointed on 01 March 2015 for a period of 3 years

Shaikh Dr. Essam Khalaf AlEnizi

Shari'a Supervisory Board Member

- Shaikh Al Enizi is a Member of Sharia'a and Islamic Studies Faculty at the University of Kuwait.
- He is a Member of the Sharia'a Supervisory Committee at Boubayan Bank, Al Sham Bank, and Investment Dar, Kuwait; and the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Appointed on 01 March 2015 for a period of 3 years

6.4. Executive Management

The Bank's key management team comprises of the following:

Hassan Jarrar

Chief Executive Officer

Mr. Hassan Ameen Jarrar is the current CEO of the bank. He is one of the most prominent leaders in the banking sector having an experience of more than 27 years, gained during the leadership positions he has held in major banking institutions including Standard Chartered Bank, Abu Dhabi Commercial Bank, Al Mashreq Bank, Union Bank in Jordan, and Bank of America – California.

Prior to joining BisB, Mr. Jarrar served as the Chief Executive Officer Standard Chartered Bank, Bahrain since October 2011. He holds BSc in Finance from California State University. Mr. Jarrar currently serves on the Boards of Bahrain Association of Banks, Bahrain Institute of Banking and Finance and Tamkeen.

Appointed on 1 July 2015

Mr. Mohammed Ahmed Janahi

Deputy Chief Executive Officer

Mr. Mohammed Ahmed Janahi is a veteran banker with a vast experience in banking and financial operations over a span of 45 years. He commenced his career with the Bahrain Islamic Bank (BisB) in 2007 in the position of General Manager Support Services. In November 2014, he assumed his current position. Prior to joining BisB, Mr. Janahi assumed number senior executive positions in Citibank, National Bank of Bahrain NBB, Baraka Islamic Bank and Gulf Air in Bahrain. Mr. Janahi attended numerous courses on administrative sciences, banking and leadership at renowned universities and institutes in Europe and USA. In addition, he also attended a number of intensive and diversified workshops at leading institutions and banks, including Citibank, Financial Times and the Executive Development Institute in London.

Appointed on 1 November 2007

Mr. Abdul Rahman Mohammed Turki

General Manager – Retail Banking

Abdulrahman Turki has 35 years' experience in banking. He took up his current position as General Manger Retail Banking at BisB in 2008. Prior to this, he was Head of Retail Banking at Commercial Bank of Qatar; Abdul Rahman held various positions with a number of other prominent regional banks in the field of treasury and investment and business development, after starting his career with Aluminium Bahrain. Abdulrahman holds an MBA degree from the University of Strathclyde, Scotland, UK.

Appointed on 6 January 2008

Khalid Mohammed Al Doseri

Chief Financial Officer

Khalid Al Doseri has over 31 years' of professional experience in banking and accountancy. He took up his current position with BisB in 2003. Prior to this, he worked for Ithmaar Bank (Formerly Faysal Islamic Bank) for 13 years, and has started his career with Kuwait Asia Bank. Al Doseri is a Board Member of the Liquidity Management Centre, Chairman of Audit Committee and Member of Risk Committee and was previously a Board Member and Managing Director of Islamic Bank of Yemen for the period from 2007 till 2009. Mr. Al Doseri is a Certified Public Accountant from Oregon Board of Accountancy, USA, he holds an MBA degree from University of Glamorgan, Wales - UK; and a graduate of the Gulf Executive Development Programme at Darden School of Business, University of Virginia, USA.

Appointed on 22 June 2003

Dr. Mohammed Shabuddin Belgami

Head of Credit and Risk Management

Dr. Mohammad Belgami has over 31 years' of international experience in the fields of credit analysis, risk management, valuation, due diligence and financial management; and research and academia. He joined BisB in 2008 and took up his current position in 2013. Prior to this, Dr. Mohammad held senior management positions with the Saad Trading, Contracting & Financial Services Company, and Kuwait Finance House-Bahrain; as well as academic positions with institutions in Bahrain and India. A Financial Risk Manager from the Global Association of Risk Professionals, he holds a Doctoral degree and Master's and Bachelor's degrees in Finance & Accounting and Commerce.

Appointed on 23 July 2008

Khalid Mahmood Abdulla

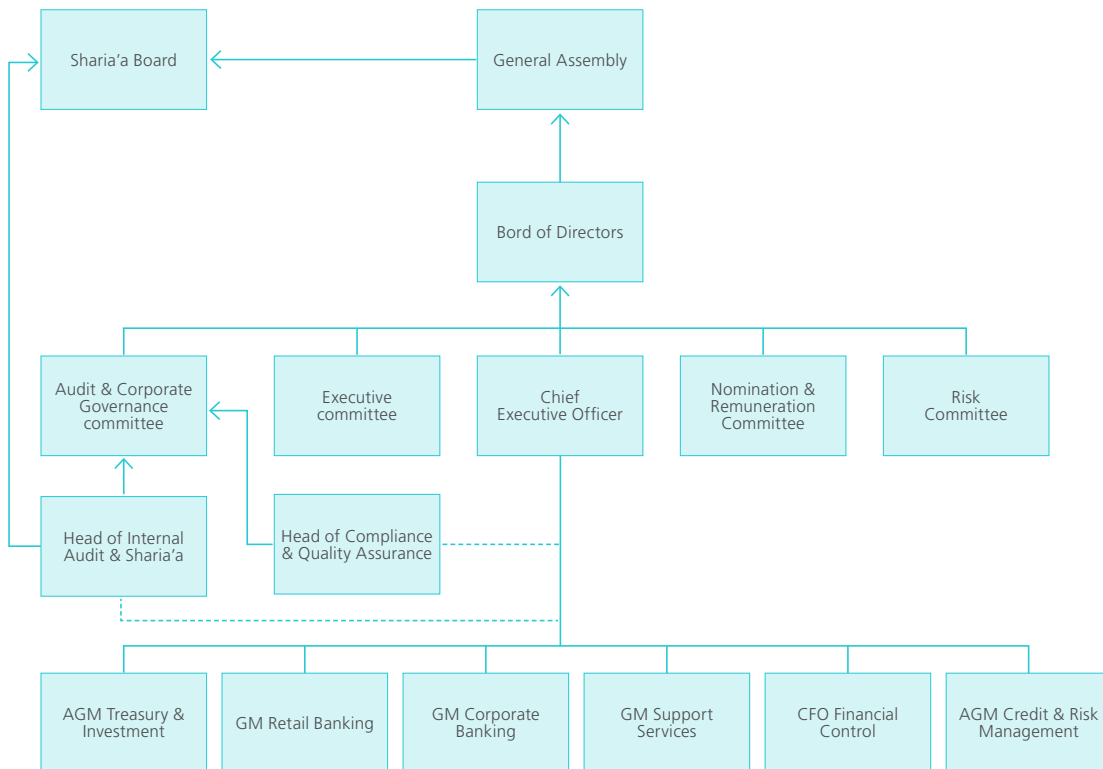
Head of Internal Audit

Khalid Mahmood has 20 years of experience in Accounting, Auditing, Banking and Sharia. He took up his current position with BisB in 2006. Prior to this, he was Head of Internal Audit at Al Baraka Islamic Bank, having started his career with Arthur Anderson. Khalid is a Certified Public Accountant (CPA) California, USA, and attended the Leadership Development Program at Darden School of Business, University of Virginia, USA.

Appointed on 15 November 2006

6.5. Organization Structure

The Bank has a long-standing presence and reputation in Bahrain. The Board members and management team comprises well reputed personnel and seasoned banking professionals with many years of experience. The schematic representation of the organization structure of the Bank is presented below:



6.6. The Board Role and Responsibilities

The primary responsibility of the Board of Directors is to provide effective governance over the Bank's affairs for the benefit of its stakeholders, and to balance the interests of its diverse constituencies, including associated concerns, employees and other stakeholders. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Bank.

The Board will approve and oversee the implementation of the Bank's strategies and will review and approve the Bank's strategic plan. As part of its strategic review process the Board will review major action and business plans, set performance objectives and oversee major investments, divestitures and acquisitions. Every year, at an annual Board strategy session, the Board will formally reassess the Bank's objectives, strategies and plans.

One of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The Board will seek members from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Directors should have had experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon the contributions they can make to the Board.

Responsibilities

The following are the detailed responsibilities of the Board. The Board of Directors may not necessarily carry out all these responsibilities but should ensure that these have been delegated to various board committees or executive management committees to act on their behalf and communicate periodic reports to the Board for their review:

- Ensure that senior management adequately manages the Bank's capital adequacy on a regular basis and periodic reports showing the adequacy of capital to support the business risks of the Bank are prepared and submitted to the Board;
- Establish policies for appointing management, and ensuring that they have the necessary integrity, technical and managerial competence, and experience;
- Oversee succession planning and replacing key executives when necessary, and ensuring appropriate resources are available, and minimizing reliance on key individuals;
- Monitor and make formal (annual) evaluations of senior management's performance in implementing agreed strategy and business plans;
- Approve budgets and review performance against those budgets and key performance indicators;
- Approval of Financial Statements;
- Manage the Bank's compliance risk;
- Submit organizational structure or changes to the structure approved by the Board of Directors to the CBB for final approval;
- Develop policy to review the systems and controls framework, and to identify any significant issues related to the Bank's adopted governance framework, processes and practices;
- Ensure to obtain the CBB's approval on the key management positions prior to their appointment:

Responsibilities relating to Risk Management Function:

- Approve the Bank's strategies and policies with respect to risk management i.e. credit, operational, market, liquidity, profit rate risk, strategic and legal, E-banking;
- Define the committee responsible for managing the risk
- Define responsibility of the individuals managing the risk;
- Ensure that the Risk Management manual should clearly define reports to be used for monitoring risk, frequency at which these reports should be prepared and appropriate management levels to which these should be submitted for review.

6.7. Code of Conduct for Employees and Directors

The Bank adopts a Code of Conduct and other internal policies and guidelines to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct will apply to all employees of the Bank and its subsidiaries, as well as to Directors, temporary workers and other independent contractors and consultants whether engaged by or otherwise representing the Bank and its interests.

6.8. The Corporate Governance Code

BisB is committed to upholding the highest standards of corporate governance and the Central Bank of Bahrain's High-Levels Control Module (and its amendments). The Bank seeks to balance entrepreneurship, compliance, and industry best practices, while creating value for all stakeholders. This includes, but is not limited to, conducting the policy and affairs of BisB in compliance with regulatory requirements. It also involves having the right checks and balances in place throughout the organization to ensure that the right things are always done in the right way.

6.9. Major Shareholders – Owning 5% or More

The following is a list of the major shareholders of the Bank as of 30 September 2015:

Name	Country	Shareholding Percentage
National Bank of Bahrain	Bahrain	25.74%
Islamic Development Bank	Saudi Arabia	17.65%
Social Insurance Organization (Military Pension Fund)	Bahrain	12.88%
Social Insurance Organization (Civil Pension Fund)	Bahrain	12.88%
General Council of Kuwaiti Awqaf	Kuwait	7.24%

In 2013, 52% of the Bank shares were acquired by the NBB, SIO CPF and SIO MPF with an aim to strengthen the Bank's potential to expand the asset base, increase revenues, and improve shareholders' value. The Bank has only one class of Shares. All the Shares, including listed in above table, are Ordinary Shares and carry voting rights equal to Shares offered through this Offering.

6.10. Shareholding by Directors and Management

The following table summarizes number of Ordinary Shares and shareholding stake owned by the Board of Directors, Shari'a Board Members, and Senior Management.

Name of Director / Management	Position	Shares as of 30 September 2015	
		No of Ordinary Shares	% of Shares
Abdul Razak Abulla Qasim	Director	100,000	0.01%
Khalid Mohamed Al Mannai	Director	-	-
Mohammed Ahmed Abdulla	Director	-	-
Fatima Abdulla Budhaish	Director	100,000	0.01%
Talal Al Zain	Director	-	-
Khalil Ebrahim Nooruddin	Director	-	-
Ebrahim Hussain Al Jasmi	Director	100,000	0.01%
Othman Ebrahim Al Askar	Director	100,000	0.01%
Sh. Dr. Abdul Latif Mahmood Al Mahmood	Shari'a Member	185,492	0.02%
Sh. Nedham Mohamed Saleh Yacoubi	Shari'a Member	14,320	0.002%

6.11. Material Background Information

The Bank confirms that none of its major Shareholders, Directors or key Management, collectively referred to as Stakeholders, has:

- At any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against the Stakeholder, or against a partnership of which the Stakeholder was a partner at the time when the Stakeholder was a partner, or at any time within two years from the date the Stakeholder ceased to be a partner;
- At any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which the Stakeholder was a director or an equivalent person or a key executive, at the time when the Stakeholder was a director or equivalent person or a key executive of that entity, or at any time within two years from the date the Stakeholder ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- Had any unsatisfied judgment against the Stakeholder;
- Ever been convicted of any offence, in Bahrain or elsewhere, involving money laundering, financial crimes, fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which the Stakeholder is aware) for such purpose;

- Ever been convicted of any offence, in Bahrain or elsewhere, involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which the Stakeholder is aware) for such breach;
- At any time during the last 10 years, had a judgment entered against the Stakeholder in any civil proceedings in Bahrain or elsewhere involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or a finding of fraud, misrepresentation or dishonesty on the Stakeholder's part, nor has any Stakeholder been the subject of any civil proceedings (including any pending civil proceedings of which the Stakeholder is aware) involving an allegation of fraud, misrepresentation or dishonesty on the Stakeholder's part;
- Ever been convicted in Bahrain or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- Ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- Ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining the Stakeholder from engaging in any type of business practice or activity;
- Ever, to the Stakeholder's knowledge, been concerned with the management or conduct of the affairs of:
 - Any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Bahrain or elsewhere;
 - Any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Bahrain or elsewhere;
 - Any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Bahrain or elsewhere; or
 - Any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere in connection with any matter occurring or arising during the period when the Stakeholder was so concerned with the entity or business trust; and
 - Been the subject of any current or past investigation or disciplinary proceedings, or been reprimanded or issued any warning by the CBB or any other regulatory authority, exchange, professional body or government agency, whether in Bahrain or elsewhere.

6.12. Board Committees

The Board has formulated the following Committees to assist it in its responsibilities.

Committee	Committee Members	Committee Objectives
Executive Committee	<ul style="list-style-type: none"> • Khalid Mohammed Al Mannai, Chairman • Khalil Ebrahim Nooruddin, Member • Talal Ali Abdulla Al Zain, Member 	<ul style="list-style-type: none"> • Review of strategy and performance review of new investments proposals, credit proposals, and exit strategies. • The committee meets six times per year
Audit Committee (including Corporate Governance Committee responsibilities)	<ul style="list-style-type: none"> • Ebrahim Hussain Al Jasmi, Chairman • Othman Ebrahim Al Askar, Member • Mohamed Hedi Mejai, Member 	<ul style="list-style-type: none"> • Oversight of integrity and reporting of the Bank's quarterly and annual financial statements • Review of risk, provision and impairment • Compliance with legal and regulatory requirements • The committee meets four times per year
Nomination & Remuneration Committee	<ul style="list-style-type: none"> • Abdul Razak Abdulla Al Qassim, Chairman • Khalid Mohammed Al Mannai, Member • Mohammed Ahmed Abdulla, Member 	<ul style="list-style-type: none"> • Oversight of the compensation and remuneration policy • Oversight of recruitment & promotion of key personnel and Board members • The committee meets two times per year
Risk Management Committee	<ul style="list-style-type: none"> • Fatima Abdulla Budhaish, Chairperson • Mohammed Ahmed Abdulla, Member 	<ul style="list-style-type: none"> • Monitoring the enterprise-wide risk profile independently. • Risk Guidance to the Board and Management periodically • The committee meets four times per year

6.13.Compensation

- Nomination & Remuneration Committee reviews the Banks' remuneration policies for the Board and senior management. The board remuneration is recommended by this committee based on their attendance and performance. Remuneration for senior management is also reviewed and recommended by this committee to the Board.
- The cumulative compensation including sitting fee and remuneration paid in the last two years for board members was BHD 186,463 in 2013 and BHD 593,202 in 2014. As of 30 September 2015, compensation paid to board members was BHD 120,000.
- The Bank's compensation packages include but are not limited to: basic salaries, fringe benefits such as non-salary perquisites, bonuses and gratuity (deferred-benefit compensation). The Bank has a pre-set hierarchical grading system and utilizes scorecards and key performance indicators to assess the periodic performance of all of its employees. The Bank also conducts periodic evaluations as well as self-evaluations for all of its employees in order to keep their interests aligned with the Bank's Shareholders.
- The total compensation (including the employer's contributions to the Social Insurance Organization of Bahrain and other applicable governmental charges and levies) paid to all employees was BHD 9.9 million for the year ended 31 December 2013 and BHD 10.9 million for the year ended 31 December 2014. During the first nine months ending 30 September 2015, the total compensation paid to all employees was BHD 7.4 million.
- Furthermore, the cumulative amount which the Bank has set aside or accrued to provide for retirement, pension or similar benefits, such as leaving indemnities, as at 31 December 2014 was BHD 349,971 and as at 30 September 2015 was BHD 469,000.
- The total estimated compensation to be paid to the five most senior executive managers of the Bank for the year ending 31 December 2014 (including the employer's contributions to the Social Insurance Organization of Bahrain and other applicable governmental charges and levies) is BHD 713,402 while for the first nine months ending 30 September 2015 was BHD 726,000.

6.14.Employees

- Recruitment policy for employees: Head of departments are responsible for initiating the recruitment process. The HR department is responsible for reviewing the recruitment requests and determining the availability of suitable candidates from both within and outside the bank.
- Recruitment of additional manpower is always as per the approved annual budget and the appointments, remuneration of new recruits is recommended and approved as per the existing delegation of authority matrix. In case of unbudgeted manpower, the CEO seeks approval from Nomination & Remuneration committee. Approval of CBB is sought for recruiting in positions known as "Approved persons" as per CBB's guidelines.
- Number of employees for last 3 years is summarized below:

Particulars	As of 30 September 2015	2014	2013	2012
Approved Person – Business line	5	5	4	4
Approved Person – Control function	8	7	8	13
Other staff	346	343	384	381
Total	359	355	396	398

- Breakdown of employees by nationality as of 30 September 2015 and year ended 2014 is provided below:

Nationality	As of 30 September 2015	2014
Bahraini	350	346
Non-Bahraini	9	9
Total	359	355

- Breakdown of employees by department as of 30 September 2015 is provided below:

Departments	Managers and above	Assistant Manager and below	Total
Retail & Corporate	30	167	197
Investment	6	2	8
Financial Control	4	6	10
Compliance & Audit	5	10	15
Operation & IT	13	51	64
Credit & Risk	8	17	25
HR and PR	4	6	10
Services	3	23	26
CEO Office	2	2	4
Total	75	284	359

- Breakdown of employees by department as of 31 December 2014 is provided below:

Departments	Managers and above	Assistant Manager and below	Total
Retail & Corporate	28	175	203
Investment	5	4	9
Financial Control	4	8	12
Compliance & Audit	6	9	15
Operation & IT	16	43	59
Credit & Risk	6	13	19
HR and PR	3	6	9
Services	1	24	25
CEO Office	2	2	4
Total	71	284	355

- It is to be noted that there are no labor unions in the bank and the number of temporary employees on an average basis during first nine months of 2015 was 8 employees.
- Bank's Share Incentive Scheme was introduced in 2014, effective from 31 December 2014. The objectives of the scheme are:
 - To motivate and retain key senior employees by aligning their interests with those of the shareholders;
 - To foster employee commitment to work towards the common goal of enhancing shareholder value; and
 - To enable employees to participate in the long term growth and financial success of the bank.
- The scheme was approved by the Nomination and Remuneration Committee (NRC) of the Board of BisB which is also responsible for maintaining effective oversight on the implementation of the scheme. In order to do so, a Share Incentive Scheme committee has been appointed by the NRC to oversee day to day operations of the scheme.

6.15.External Auditor

- External Auditors appointed is approved by the Shareholders of the Bank on Annual General Meeting (AGM) for a term of one year. The Bank follows audit partner rotation policy wherein every 5 years audit partner is changed and rotated.
- KPMG Fakhro has been external auditor the Bank in 2014 and their office address is as following:

KPMG Fakhro
 12 Floor, Fakhro Tower
 PO Box 710
 Sanabis
 Kingdom of Bahrain

7. MAJOR SHAREHOLDERS, RELATED PARTIES TRANSACTIONS AND CONFLICT OF INTEREST

7.1. Major Shareholders

The Bank has only one class of Ordinary Shares. Each Shareholder holding one Share shall have the right to attend the general assembly. A Shareholder may delegate, by way of a written proxy to another shareholder, other than a member of the Board of Directors, the right to attend the general assembly on his/her behalf. The votes in the ordinary general meeting as well as the Extra-Ordinary General Meeting shall be counted on the basis of one vote for every Share. For further details refer section titled "Shareholder Rights".

In 2013, 52% of the Bank shares were acquired by the National Bank of Bahrain and Social Insurance Organization with an aim to strengthen the Bank's potential to expand the asset base, increase revenues, and improve shareholders' value. As at 30 September 2015, the Bank holds 3,620,609 shares as Treasury shares. The Bank has only one class of Shares. All the shares of the Bank listed below, are Ordinary Shares and carry voting rights equal to Shares offered through this Offering.

Details of shareholders' holding more than 5% equity stake as at the record date of Annual General Meeting (AGM) for last three years is provided below:

Name of Shareholder holding more than 5% equity stake	Position	Year end 2014		Year end 2013		Year end 2012	
		No of Shares	% of Shares	No of Shares	% of Shares	No of Shares	% of Shares
National Bank Of Bahrain	Bahrain	242,038,206	25.76%	242,038,206	25.76%	-	-
Islamic Development Bank	Saudi Arabia	165,956,945	17.66%	165,956,945	17.66%	165,804,485	17.64%
Social Insurance Organization (Military Pension Fund)	Bahrain	121,113,559	12.89%	121,113,559	12.89%	94,457	0.01%
Social Insurance Organization (GOSI)	Bahrain	121,113,560	12.89%	121,147,267	12.89%	94,457	0.01%
General Council of Kuwaiti Awqaf Kuwait		68,013,739	7.24%	68,013,739	7.24%	67,946,033	7.23%
The Investment Dar	Kuwait	-	-	-	-	373,476,940	51.56%
Kuwait Investment Company	Kuwait	-	-	-	-	110,962,471	11.81%

It is pertinent to note that the shareholders in the EGM held on 27 October 2015 approved exempting NBB, SIO CPF and SIO MPF from making a mandatory offer through a Whitewash Resolution as prescribed in the TMA regulations issued by the CBB in case their shareholding on account of subscribing to this Rights Offering increased beyond the 30% threshold as prescribed by the CBB.

Further, the shareholders have approved reduction in the Bank's Issued and Paid-up Share Capital to BHD 80,347,245 comprising of 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 per share.

Distribution schedule of shareholding as of 31 December 2014 by stake is provided below:

Category	No. of Shares	No. of Shareholders	% of Total Outstanding Shares
Less than 1%	153,867,274	3,379	16.4%
1% up to less than 5%	67,884,839	3	7.2%
5% up to less than 10%	67,946,033	1	7.2%
10% up to less than 20%	407,937,147	3	43.4%
20% up to less than 50%	242,038,206	1	25.8%
50% and above	-	-	-
Total	939,673,499	3,387	100.0%

The following is the number of shares, and percentage of shareholding of Directors, Shari'a supervisory members and senior management:

Category	30 September 2015		2014		2013		2012	
	Shares	%	Shares	%	Shares	%	Shares	%
Directors	400,000	0.042%	400,000	0.043%	200,000	0.021%	4,042,601	0.430%
Shari'a supervisory members	199,812	0.021%	199,812	0.021%	205,725	0.022%	205,725	0.022%
Senior management	-	-	-	-	22,990	0.002%	100,000	0.011%
TOTAL	599,812	0.063%	599,812	0.064%	428,715	0.045%	4,348,326	0.463%

7.2. Related Party Transactions

a) Transactions with Related Party

The significant balances and transactions with related parties as at 30 September 2015, 31 December 2014, 31 December 2013 and 31 December 2012 were as follows:

Amount in BHD '000s	Nine months ended 30 September 2015				
	Shareholders	Associates and joint ventures	Directors and related entities	Senior Management	Total
ASSETS					
Placements with financial institutions	-	-	-	-	-
Financing assets	-	-	2,041	-	2,041
Investment in associates	-	29,712	-	-	29,712
Other Assets	-	-	-	160	160
LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS					
Customers' current accounts	-	1,806	492	154	2,452
Due to banks and Financial Institutions	-	566	-	-	566
Other liabilities	-	1,891	-	-	1,891
Equity of investment accountholders	38,095	125	386	811	39,417
INCOME					
Income from financing and placement with Financial institutions	-	4	117	1	122
Share of results of associates	-	(799)	-	-	(799)
Less: Return on equity of investment accountholders	(441)	(1)	(1)	(19)	(462)
Expenses					
Staff cost	-	-	-	(684)	(684)
Other Expenses	-	-	(555)	-	(555)

7.5. Related Party Transactions (continued)

Amount in BHD '000s	Year ended 2014				
	Shareholders	Associates and joint ventures	Directors and related entities	Senior Management	Total
ASSETS					
Placements with financial institutions	-	4,734	-	-	4,734
Financing assets	-	-	2,402	-	2,402
Investment in associates	-	30,835	-	-	30,835
Other Assets	-	-	-	194	194
LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS					
Customers' current accounts	-	1,282	594	49	1,926
Other liabilities	-	1,928	-	-	1,928
Equity of investment accountholders	45,639	425	457	591	47,112
INCOME					
Income from financing	-	64	138	-	202
Share of results of associates	-	(1,550)	-	-	(1,550)
Less: Return on equity of investment accountholders	(990)	(7)	(6)	(21)	(1,024)
Expenses					
Other Expenses	-	-	(328)	(825)	(1,153)

Amount in BHD '000s	Year ended 2013				
	Shareholders	Associates and joint ventures	Directors and related entities	Senior Management	Total
ASSETS					
Placements with financial institutions	-	9,481	-	-	9,481
Financing assets	-	-	2,111	44	2,155
Investment in associates	-	36,236	-	-	36,236
Other Assets	-	-	-	244	244
LIABILITIES AND EQUITY OF INVESTMENT ACCOUNTHOLDERS					
Customers' current accounts	-	581	459	-	1,040
Other liabilities	-	1,644	-	-	1,644
Equity of investment accountholders	-	2,373	443	-	2,816
INCOME					
Income from financing	-	173	123	-	296
Share of results of associates	-	1,197	-	-	1,197
Less: Return on equity of investment accountholders	(281)	(10)	(9)	(26)	(326)
Expenses					
Other Expenses	-	-	(358)	(895)	(1,253)

7. MAJOR SHAREHOLDERS, RELATED PARTIES TRANSACTIONS AND CONFLICT OF INTEREST

Amount in BHD '000s	Year ended 2012				
	Shareholders	Associates and joint ventures	Directors and related entities	Senior Management	Total
ASSETS					
Placements with financial institutions	-	9,592	-	-	9,592
Murabaha receivables	7,817	-	1,365	51	9,233
Musharaka investments	-	-	293	-	293
Investment in associates	-	35,215	-	-	35,215
Investments	4,197	-	-	-	4,197
Investment in real estate	14,200	-	-	-	14,200
Other Assets	1,855	-	-	275	2,130
Liabilities and Equity of investment accountholders Customers' current accounts	-	581	459	-	1,040
Customers' current accounts	-	2,373	443	-	2,816
Other liabilities	-	1,644	-	-	1,644
INCOME					
Income from financing	-	61	116	-	177
Share of results of associates	-	200	-	-	200
Less: Return on equity of investment accountholders	-	(5)	(12)	-	(17)
Expenses					
Other Expenses	-	-	(221)	-	(221)

B) Transactions with key management personnel

Compensation of the key management personnel is as follows. Key management personnel includes staff at the grade of assistant general manager or above.

	9 months ended Sep 2015 (BHD '000)	2014 (BHD '000s)	2013 (BHD '000s)	2012 (BHD '000s)
Short term employee benefits	571	688	756	921
Other long term benefits	113	137	139	149
Total	684	825	895	1,070

7.3. Conflict of Interest

National Bank of Bahrain B.S.C. (NBB), a public shareholding company, was incorporated in the Kingdom of Bahrain by an Amiri decree in January 1957. The Bank is licensed by Central Bank of Bahrain as a conventional retail bank. No conflict of interest has arisen or is expected to arise in practice between the Bank and NBB.

7.4. Interest of experts and counsellors

The Bank confirms that none of the named experts or counsellors in this Document employed on a contingency basis by the Bank:

- has a material interest, whether direct or indirect, in the Shares of the Bank; or
- has a material economic interest, whether direct or indirect, in the Bank, including an interest in the success of the Offer.

7.5. Interest of Issue Manager or Underwriter

- KPMG Fakhro, provides advisory and audit services to the Bank and its subsidiaries in the normal course of business.

7.6. Material contracts

- The Bank has entered into contracts in the ordinary course of business.

8. KEY FINANCIAL INFORMATION

8.1. Introduction

The financial statements of the Bank are prepared in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and the requirements of the Bahrain Commercial Companies Law, decree number 21 of 2001.

For each financial year, the Bank is required to prepare and publish its financial statements within a period not exceeding 60 days from the financial year end thereof. The Bank is also required to publish quarterly financial statements within a period of 45 days from the quarter end.

8.2. Summary Historical Financial Data

The financial data summarized below is derived from the audited financial statements for the years ended 31 December, 2010, 2011, 2012, 2013 and 2014 respectively. The financial statements are prepared in accordance with the Accounting and Auditing Organization for Islamic Financial Institutions Standards and presented in Bahraini Dinar, the principal currency of operations and reporting currency of the Bank. Certain prior period figures have been regrouped to conform to the current presentation of the balance sheet and income statement.

For a better understanding of the financial position and performance during the historical period covered below, the summarized historical financial data should be read in conjunction with the audited financial statements.

Please refer Appendix 1 of this document for the detailed financial statements for nine months ended 30 September 2015.

8.3. Auditors Report on Summary Financial Statements



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Khalid Al Dossari
Chief Financial Officer
Bahrain Islamic Bank BSC
P. O. Box 5240
Manama
Kingdom of Bahrain

29 October 2015

Dear Khalid,

Agreed-upon procedures relating to the accompanying financial information

We have agreed the accompanying consolidated statement of financial position of Bahrain Islamic Bank BSC (the "Bank") as at 30 September 2015 and the related consolidated statements of income, changes in equity and cash flows to the Bank's reviewed interim financial information for the nine months ended 30 September 2015, which were reviewed by us in accordance with International Standard on Review Engagements 2400 and on which we issued unmodified review conclusion.

We have also agreed the accompanying consolidated statement of financial position as at 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 and the related consolidated statements of income, changes in equity and cash flows to the Bank's audited consolidated financial statements for the years ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 respectively.

The consolidated financial statements for the year ended 31 December 2014 were audited by us in accordance with International Standards on Auditing and on which we issued unmodified audit opinion. The consolidated financial statements for the years ended 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 were audited by another auditor in accordance with International Standards on Auditing and on which he issued unmodified audit opinion.

Certain figures for the years ended 31 December 2013, 31 December 2012, 31 December 2011, and 31 December 2010 were re-grouped to conform to the presentation in the audited consolidated financial statements for the year ended 31 December 2014.

For a better understanding of the Group's financial position, the results of its operations, changes in equity and cash flows for the above mentioned periods and of the scope of review and audit, the accompanying financial information should be read in conjunction with the Group's relevant reviewed interim financial information and audited consolidated financial statements, from which the accompanying financial information was derived.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standard on Review Engagements, we do not express audit or review assurance on the accompanying financial information presented.

8.4. Summary Financial Statements

Consolidated statement of financial position (BD'000)

	30 September 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
ASSETS						
Cash and balances with banks and Central Bank	57,262	52,118	50,831	43,893	41,681	45,831
Placements with financial institutions	19,516	68,567	184,600	132,424	148,813	208,006
Financing assets	466,058	408,021	346,805	317,977	294,825	312,078
Ijarah Muntahia Bittamleek	114,429	102,277	90,356	96,846	97,416	101,884
Ijarah rental receivables	14,065	14,065	14,924	13,766	7,873	7,569
Investment in associate	29,712	30,835	36,236	35,215	7,151	6,778
Investment securities	137,865	123,561	107,026	110,371	109,922	127,383
Investment in real estate	43,918	53,934	58,219	64,888	115,700	105,891
Property and equipment	16,757	17,101	17,067	15,530	13,394	13,660
Other assets	9,634	4,728	4,230	1,894	2,368	6,594
Total assets	909,216	875,207	910,294	832,804	839,143	935,674
LIABILITIES						
Placement from financial institutions	86,982	75,570	95,144	87,690	108,879	141,859
Customers' current accounts	113,767	137,423	105,932	87,132	85,096	81,660
Other liabilities	17,088	16,518	13,608	14,649	14,507	12,571
Total liabilities	237,837	229,511	214,684	189,471	208,482	236,090
Equity of Investment Account holders	584,343	566,601	617,494	573,570	529,332	599,523
OWNERS' EQUITY						
Share capital	94,907	93,967	93,967	93,967	93,967	72,859
Treasury shares	(563)	(563)	(563)	(563)	(563)	(307)
Share under employee share incentive scheme	(879)	-	-	-	-	-
Share premium	30	-	-	-	43,936	43,936
Reserves	(6,459)	(14,320)	(16,530)	(23,641)	(36,011)	(16,594)
Proposed appropriations	-	-	-	-	-	167
Equity attributable to owners of the parent	87,036	79,084	76,874	69,763	101,329	100,061
Non-controlling interest	-	11	1,242	-	-	-
Total owners' equity	87,036	79,095	78,116	69,763	101,329	100,061
Total liabilities and equity of investments account holders and owners' equity	909,216	875,207	910,294	832,804	839,143	935,674

* The figures for the periods ended 2013, 2012, 2011, and 2010 have been regrouped to conform to 2014 presentation with no impact on profits for the year or equity.

8.4. Summary Financial Statements (continued)

Consolidated statement of income (BD'000)

	Nine months ended 30 September 2015	Year ended				
		31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
INCOME						
Income from financing	25,205	28,702	32,504	27,378	29,676	28,905
Income from investment in Sukuk	2,727	2,535	4,921	3,284	3,353	4,064
	27,932	31,237	37,425	30,662	33,029	32,969
Less: Return on equity of investment accountholders	(3,918)	(7,287)	(10,860)	(13,486)	(13,695)	(16,020)
	24,014	23,950	26,565	17,176	19,334	16,949
Expense on placements from financial institutions	(331)	(252)	(264)	(507)	(1,047)	(1,701)
Fee and commission income	5,488	6,452	5,307	4,741	3,930	2,661
Income from investments	762	4,410	2,918	2,412	1,887	(543)
Income / (loss) from investment in real estate	1,306	8,568	(807)	(3,660)	(1,707)	(14,765)
Share of (loss) / profit of associates, net	(799)	(1,550)	1,197	200	165	(717)
Net gain from foreign currencies	918	1,273	694	39	1,637	616
Other Income	71	-	-	-	-	-
Total income	31,429	42,851	35,610	20,401	24,199	2,500
EXPENSES						
Staff costs	7,390	11,482	10,013	10,471	9,959	9,772
Depreciation	1,171	1,641	1,644	1,640	1,690	1,554
Other expenses	7,032	8,502	8,080	7,504	7,919	7,412
Total expenses	15,593	21,625	19,737	19,615	19,568	18,738
Profit (loss) for the period before impairment allowances	15,836	21,226	15,873	786	4,631	(16,238)
Impairment provisions on financing assets	(6,292)	(7,593)	(5,275)	(18,385)	(16,169)	(10,199)
Write back / (Impairment provisions) on Investments	(974)	(4,336)	(5,411)	(18,236)	(5,814)	(11,017)
Write back / (Impairment provisions) on other assets	-	-	920	(360)	-	(2,258)
PROFIT (LOSS) FOR THE PERIOD	8,570	9,297	6,107	(36,195)	(17,352)	(39,712)
BASIC AND DILUTED EARNING PER SHARE (fils)	9.15	9.93	6.52	(38.67)	(20.71)	(54.60)

Consolidated statement of cash flow (BD'000)

	Nine months ended 30 September 2015	Year ended				
		31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
OPERATING ACTIVITIES						
Profit / (loss) for the period	8,570	9,297	6,107	(36,195)	(17,352)	(39,712)
Adjustment for non-cash items						
Depreciation	1,171	1,641	1,644	1,640	1,690	1,554
Impairment provisions on financing assets	6,292	7,593	5,275	18,385	16,169	10,199
(Write back) / Impairment provisions on investments	974	4,336	5,411	18,236	5,814	11,017
(Write back) / Impairment provisions on other assets	-	-	(920)	360	-	2,258
Impairment / (Recoveries) on investment in real estate	144	(3,617)	1,321	4,074	1,993	14,894
Gain on sale of investment in Sukuk	(11)	-	-	-	-	-
Gain on sale of investment in real estate	(1,175)	(4,951)	(514)	-	-	-
(Gain) / loss on sale of equity type instruments carried at FVTE	-	(1,946)	(995)	(654)	(1,315)	1,429
Share of results of associates	799	1,550	(1,197)	(200)	(165)	717
Unrealised (loss) / gain on equity type instruments carried at fair value through statement of income	-	-	(55)	(271)	293	-
Dividends from investment in associates	-	(70)	-	-	-	-
Other Income	(71)					
Foreign exchange revaluation	(1,785)	-	-	-	-	-
Operating profit before changes in operating assets and liabilities	14,908	13,833	16,077	5,375	7,127	2,356
Working capital adjustments:						
Mandatory reserve with Central Bank of Bahrain	(3,115)	1,685	(4,485)	(2,010)	625	(3,460)
Due from banks and financial institutions	-	-	-	(26,983)	(815)	(371)
Financing assets	(62,536)	(64,808)	(27,389)	(38,707)	(807)	3,397
Ijarah rental receivables	-	-	-	-	-	(3,966)
Ijarah Muntahia Bittamleek	(13,920)	(15,021)	1,393	(7,446)	2,354	10,356
Other assets	(4,906)	(498)	1,273	(2,389)	2,809	(2,674)
Customers' current account	(3,656)	31,491	18,800	2,036	3,436	1,936
Other liabilities	570	2,911	(1,031)	2,794	1,963	1,277
Placements from financial liabilities	11,412	(19,574)	7,454	(21,189)	(32,980)	(16,055)
Customers' investment accounts	17,742	(50,893)	43,924	44,238	(70,191)	77,144
Net cash from operating activities	(43,501)	(100,874)	56,016	(44,281)	(86,479)	69,940

8.4. Summary Financial Statements (continued)

Consolidated statement of cash flow

(BD'000)

	Nine months ended 30 September 2015	Year ended				
		31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
INVESTING ACTIVITIES						
(Purchase) / Disposal of investment properties	11,868	7,799	5,348	(2,350)	(9,815)	(213)
Dividends from associates	-	70	-	-	-	-
Purchase of investments	(52,899)	(50,229)	(37,084)	(44,256)	(28,848)	(24,121)
Purchase of property and equipment	(756)	(1,715)	(3,181)	-	-	-
Disposal of P&E	-	40	-	-	-	-
Proceeds from disposal of investment	38,266	31,849	37,254	50,369	40,951	59,361
Net cash from investing activities	(3,521)	(12,186)	2,337	3,763	2,288	35,027
FINANCING ACTIVITIES						
Right issue	-	-	-	-	21,108	-
Purchase of treasury shares	-	-	-	-	(256)	(134)
Zakah Paid	-	-	-	(1)	(185)	(79)
Dividends paid	-	(1)	(10)	(2,651)	(9)	(59)
Net cash from financing activities	-	(1)	(10)	(2,652)	20,658	(272)
Net change in cash and cash equivalents	(47,022)	(113,061)	58,343	(43,170)	(63,533)	104,695
Cash and cash equivalents at beginning of period	89,630	202,691	144,348	163,063	226,596	121,901
Cash and cash equivalents at end of period	42,608	89,630	202,691	119,893	163,063	226,596
Cash and cash equivalents at year end comprise of:						
Cash on hand	13,167	9,048	7,750	7,157	7,120	7,605
Balances with CBB, excluding mandatory reserve deposits	91	4,295	2,926	3,715	2,736	3,150
Balances with banks and other financial institutions	9,834	7,720	7,415	4,766	5,580	8,206
Placements with financial institutions with original maturities less than 90 days	19,516	68,567	184,600	104,255	147,627	207,635
Cash and cash equivalents at end of period	42,608	89,630	202,691	119,893	163,063	226,596

Consolidated statement of changes in owners' equity

For the nine month period ended 30 September 2015 (BD'000)

	Reserves												Total Owners' equity
	Share capital	Treasury shares	Shares under employee share incentive scheme	Share premium	Statutory reserve	General reserve	Real estate fair value reserve	Investments fair value reserve	Accumulated losses	Total reserves	Equity attributable to owners of the parent	Non-Controlling interest	
Balance at 1 January 2015	93,967	(563)	-	-	11,809	1,000	7,361	1,101	(35,591)	(14,320)	79,084	11	79,095
Profit for the period	-	-	-	-	-	-	-	-	8,570	8,570	8,570	-	8,570
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(435)	-	(435)	(435)	-	(435)
Net movement in real estate fair value reserve	-	-	-	-	-	-	(274)	-	-	(274)	(274)	-	(274)
Shares issued during the period	940	-	(940)	-	-	-	-	-	-	-	-	-	-
Shares allocated during the period	-	-	61	30	-	-	-	-	-	-	91	-	91
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Balance at 30 September 2015	94,907	(563)	(879)	30	11,809	1,000	7,087	666	(27,021)	(6,459)	87,306	-	87,036

Consolidated statement of changes in owners' equity

For the nine month period ended 30 September 2014 (BD'000)

	Reserves								Equity attributable to owners of the parent	Non-Controlling interest	Total Owners' equity
	Share capital	Treasury shares	Statutory reserve	General reserve	Real estate fair value reserve	Investments fair value reserve	Accumulated losses	Total reserves			
Balance at 1 January 2014	93,967	(563)	10,879	1,000	11,301	4,248	(43,958)	(16,530)	76,874	1,242	78,116
Profit for the year	-	-	-	-	-	-	9,297	9,297	9,297	-	9,297
Net movement in investments fair value reserve	-	-	-	-	-	(3,147)	-	(3,147)	(3,147)	-	(3,147)
Net movement in real estate fair value reserve	-	-	-	-	(3,940)	-	-	(3,940)	(3,940)	-	(3,940)
Transfer of profit to statutory reserve	-	-	930	-	-	-	(930)	-	-	-	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(1,231)	(1,231)
Balance at 31 December 2014	93,967	(563)	11,809	1,000	7,361	1,101	(35,591)	(14,320)	79,084	11	79,095

Consolidated statement of changes in owners' equity

For the year ended 31 December 2013 (BD'000)

	Reserves								Equity attributable to owners of the parent	Non-Controlling interest	Total Owners' equity
	Share capital	Treasury shares	Statutory reserve	General reserve	Real estate fair value reserve	Investments fair value reserve	Accumulated losses	Total reserves			
Balance at 1 January 2013	93,967	(563)	10,268	1,000	-	1,286	(36,195)	(23,641)	69,763	-	69,763
Changes due to adoption of FAS 26	-	-	-	-	13,259	-	(13,259)	-	-	-	-
At as 1 January 2013 (restated)	93,967	(563)	10,268	1,000	13,259	1,286	(49,454)	(23,641)	69,763	-	69,763
Profit for the year	-	-	-	-	-	-	6,107	6,107	6,107	-	6,107
Net movement in investments fair value reserve	-	-	-	-	-	2,962	-	2,962	2,962	-	2,962
Net movement in real estate fair value reserve	-	-	-	-	(1,958)	-	-	(1,958)	(1,958)	-	(1,958)
Transfer of profit to statutory reserve	-	-	611	-	-	-	(611)	-	-	-	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	1,242	1,242
Balance at 31 December 2013	93,967	(563)	10,879	1,000	11,301	4,248	(43,958)	(16,530)	76,874	1,242	78,116

8.4. Summary Financial Statements (continued)

Consolidated statement of changes in owners' equity

For the year ended 31 December 2012 (BD'000)

	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Reserves				Total Owners' equity
						Fair value reserve on investment property	Cumulative changes in fair value of Investments	Accumulated losses	Total reserves	
Balance at 1 January 2012	93,967	(563)	43,936	10,268	1,000	-	(3,343)	(43,936)	(36,011)	101,329
Changes due to adoption of FAS 26	-	-	-	-	-	9,185	-	(9,185)	-	-
Balance at 1 January 2012 (restated)	93,967	(563)	43,936	10,268	1,000	9,185	(3,343)	(53,121)	(36,011)	101,329
Net loss for the year	-	-	-	-	-	-	-	(36,195)	(36,195)	(36,195)
Changes due to adoption of FAS 26	-	-	-	-	-	4,074	-	(4,074)	-	-
Net movement in cumulative changes in fair value of Investments	-	-	-	-	-	-	4,629	-	4,629	4,629
Transfer of accumulated losses to share premium	-	-	(43,936)	-	-	-	-	43,936	43,936	-
Balance at 31 December 2012	93,967	(563)	-	10,268	1,000	13,259	1,286	(49,454)	(23,641)	69,763

Consolidated statement of changes in owners' equity

For the year ended 31 December 2011 (BD'000)

	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Reserves				Total Owners' equity
						Fair value reserve on investment property	Cumulative changes in fair value of Investments	Accumulated losses	Total reserves	Proposed appropriations
Balance at 1 January 2011	72,859	(307)	43,936	10,268	1,000	42	(1,278)	(26,626)	(16,594)	167
Right Issue	21,108	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	(256)	-	-	-	-	-	-	-	-
Zakah paid	-	-	-	-	-	-	-	-	-	(167)
Net loss for the year	-	-	-	-	-	-	-	(17,352)	(17,352)	-
Transfer from fair value reserve on investment properties	-	-	-	-	-	(42)	-	42	-	-
Net movement in cumulative changes in fair value of Investments	-	-	-	-	-	-	(2,065)	-	(2,065)	-
Balance at 31 December 2011	93,967	(563)	43,936	10,268	1,000	-	(3,343)	(43,936)	(36,011)	-

Consolidated statement of changes in owners' equity

For the year ended 31 December 2010 (BD'000)

	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Reserves		Accumulated losses	Total reserves	Proposed appropriations	Total Owners' equity
						Fair value reserve on investment property	Cumulative changes in fair value of Investments				
Balance at 1 January 2010	72,859	(173)	43,936	10,268	1,000	18,093	(1,431)	(4,798)	23,132	747	140,501
Purchase of treasury shares	-	(134)	-	-	-	-	-	-	-	-	(134)
Zakah paid	-	-	-	-	-	-	-	-	-	(747)	(747)
Net loss for the year	-	-	-	-	-	-	-	(39,712)	(39,712)	-	(39,712)
Transfer from fair value reserve on investment properties	-	-	-	-	-	(18,051)	-	18,051	-	-	-
Net movement in cumulative changes in fair value of Investments	-	-	-	-	-	-	153	-	153	-	153
Appropriations	-	-	-	-	-	-	-	(167)	(167)	167	-
Balance at 31 December 2010	72,859	(307)	43,936	10,268	1,000	42	(1,278)	(26,626)	(16,594)	167	100,061

8.5. Financial Highlights

The following table shows a summary of key financials of the Bank for the past five years.

Amount in BHD mn	2011	2012	2013	2014	30 September 2015
Total Assets	839	833	910	875	909
Islamic Financing	392	415	437	510	595
Investments	233	210	201	208	210
Equity of Investment Accountholders	529	574	617	567	584
Shareholders' Equity	101	70	78	79	87
Total Net Income	26	24	36	43	31
Net Profit after provisions	(17)	(36)	6	9	8.6
Earnings per Share (fils)	(20.71)	(38.67)	6.52	9.93	9.15
Book Value per Share (fils)	108	75	84	85	94
Capital Adequacy Ratios	13.58%	12.31%	11.61%	15.61%	14.84%

Source: Audited financial statements for the year 2011, 2012 and 2013 and 2014, interim financial statements for the period ended 30 September 2015

8.5. Financial Highlights (continued)

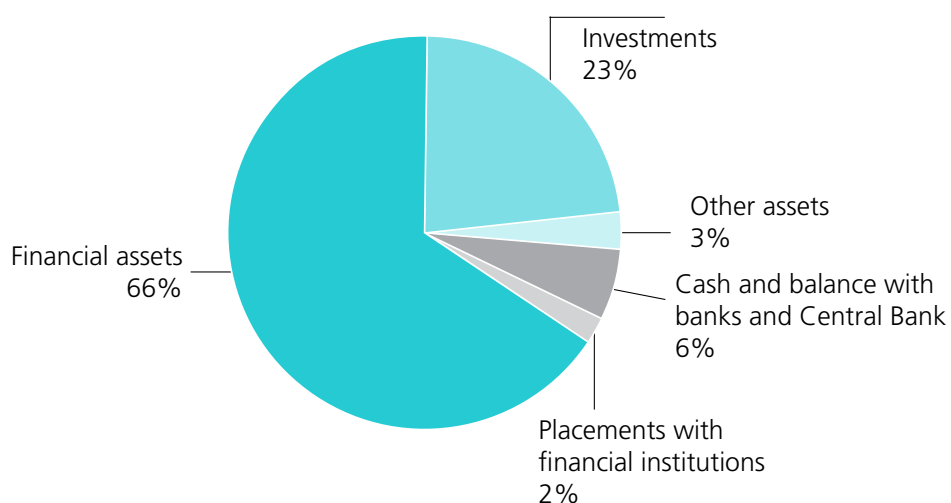
Capitalization and indebtedness

The following table summarizes capitalization of the Bank as of 30 September 2015. The Bank does not have any outstanding long term and/or short term loans as of 30 September 2015. Please refer detailed financial statements in Appendix 1 for further detail.

Capitalization	BHD ('000s)
Share Capital	94,907
Treasury Shares	(563)
Shares under employee share incentive scheme	(879)
Share premium	30
Reserves:	
Statutory Reserves	11,809
General Reserves	1,000
Real Estate fair value Reserves	7,087
Investment fair value Reserves	666
Accumulated losses	(27,021)
Total reserves	(6,459)
Total Equity Attributable to the holders of the parent	87,036
Non-Controlling interest	-
Total Owner's Equity	87,036

Balance Sheet Analysis

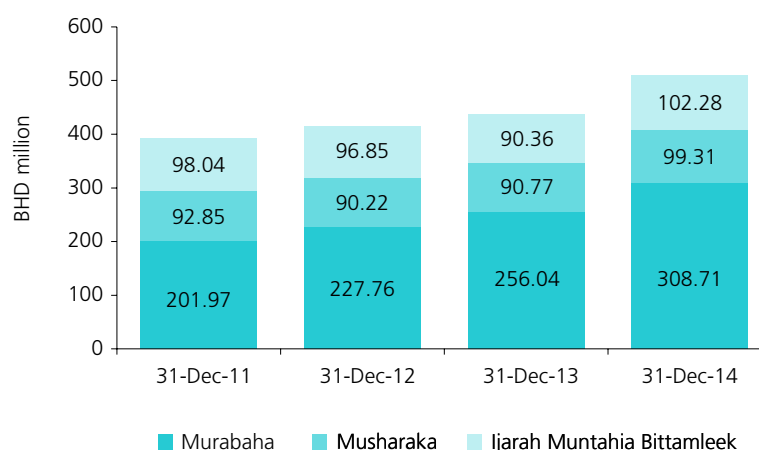
Total Assets of the Bank increased from BHD 839 mn as of 31 December 2011 to BHD 909 mn as of 30 September 2015, representing a CAGR of 2.16%. Financing Assets comprise 65% of the Total Assets in 2015. Composition of the Balance Sheet as of 30 September 2015 was as follows:

Composition of Balance Sheet, 30 September 2015

Source: Interim financial as of 30 September 2015

The asset growth was largely contributed by growth in Islamic financing comprising of financing assets and Ijarah Muntahia Bittamleek. Islamic Financing grew from BHD 392 mn as of 31 December 2011 to BHD 594 mn as of 30 September 2015, representing a CAGR of 11.72%. Murabaha financing assets comprise around 60% of the financing portfolio. The year on year composition of the Islamic Financing is provided below:

Financing Assets Breakup

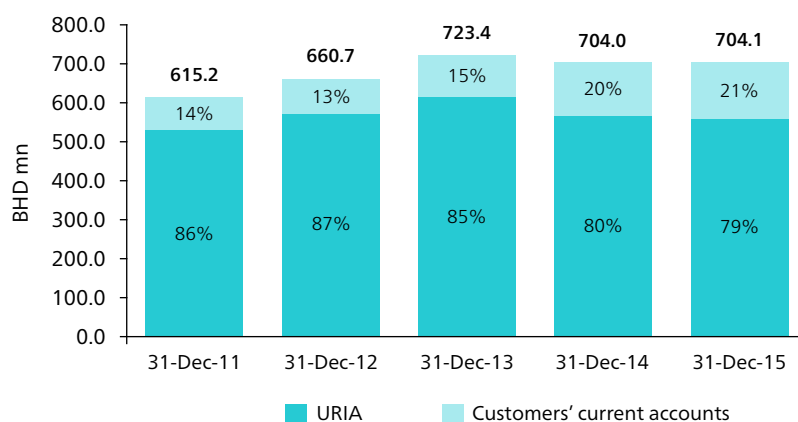


Source: Audited financial statements for the years 2011 to 2014

Investments portfolio of the Bank comprises investment securities, investment in associates and investment in real estate. Investments comprise 23% of the Total Assets as of 30 September 2015. In line with the strategy of the Bank Investment in debt instrument (Sukuk) has increased from BHD 38 million in 2013 to BHD 98 million as of 30 September 2015, while exposure to real estate and equity has reduced.

The assets of the Bank are largely funded by deposits (Equity of Investment Accountholders referred as "URIA") and customer's account. Total deposits increased from BHD 615 mn in 2011 to BHD 718 mn as of 30 September 2015, at CAGR of 4.22%. The deposit mix has changed over period wherein current account share has increased from 14% in 2011 to 18% in 2015. The composition of deposits is provided below:

Funding Base



Source: Audited financial statements for the years 2011 to 2014 and interim financials for 2015

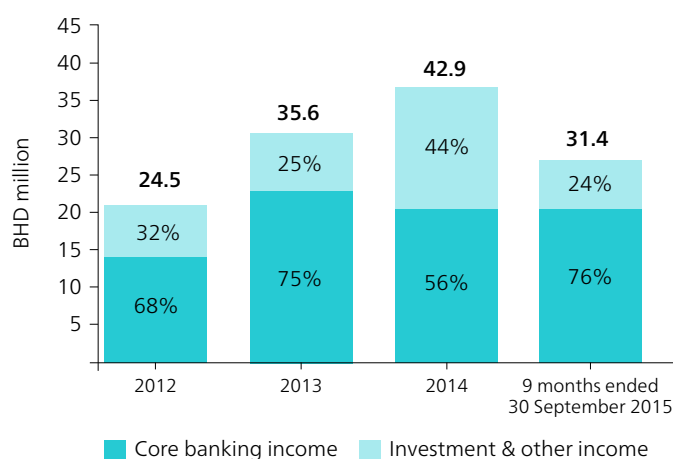
Shareholders' Equity of the Bank has reduced from BHD 101 mn in 2011 to BHD 87.04 mn as of 30 September 2015. The decrease was mainly on account of losses recorded during 2011 and 2012 owing to difficult market conditions resulting in high provision charges. The Bank's performance has improved since 2013, reporting net profit during this period and onwards. Accordingly, book value per share improved from 75 fils in 2012 to 94 fils in 30 September 2015.

8.5. Financial Highlights (continued)

Income Statement Analysis

The Bank's total net income increased from BHD 24.5 mn in 2012 to BHD 42.9 mn in 2014, at CAGR of 17.8%. The core banking income comprise 73% of the total net income in 2014. For first nine months in 2015, the Bank recorded net income of BHD 31.4 mn, with core banking income representing 76%.

Total Income

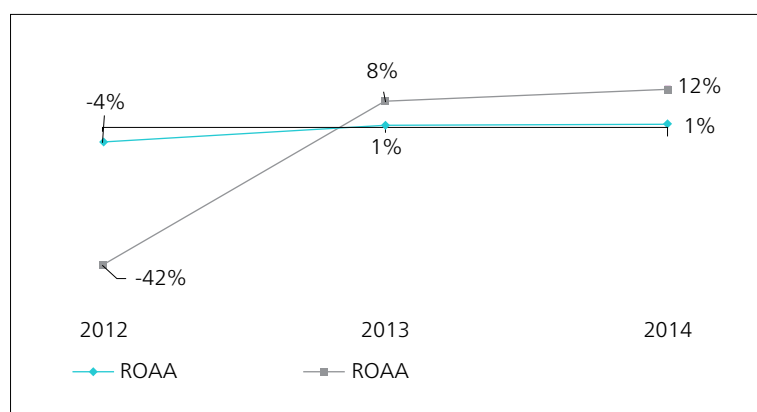


Source: Audited financial statements for the years 2011 to 2014 and interim financials for 2015

Operating expenses have increased from BHD 19.6 mn in 2011 to BHD 21.6 mn in 2014, at CAGR of 3.4%. Staff costs are significant component of operating expenses, at BHD 11.5 million in 2014. The cost to total net income ratio has reduced significantly from 80% in 2012 to 50% in 2014, mainly on account of higher income base.

Owing to difficult market conditions and global financial crisis, the Bank recorded huge provision of BHD 21 mn and BHD 31 mn in 2011 and 2012, respectively resulting in net losses during these period. The Bank experienced turnaround in 2013 and 2014 and reported healthy net profits of BHD 6 mn and BHD 9 mn, respectively. Earnings per share improved significantly from negative (20.7) fils in 2012 to a positive 9.93 fils in 2014. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) has improved to 1% and 12% in 2014, respectively.

Return on Assets and Equity



Source: Audited financial statements for the years 2011 to 2014

8.6. Dividend Policy

Dividends may only be paid by the Bank out of profits earned during the year or from the retained earnings account. However, as per the Bahrain Commercial Companies Law prior to the payment of dividends, the Bank is required to allocate 10% of net profits to the Bank's legal reserve, which can only be discontinued when such reserve reaches 50% of the Issued and Paid-Up Share Capital. The legal reserve may not normally be distributed to Shareholders, but may be used to ensure a distribution of dividends to Shareholders not exceeding 5% of the Issued & Paid-Up Share Capital in the years in which the Bank's profits do not allow payment of dividends of this percentage.

The Board of Directors recommends the declaration of dividends, out of profits, in compliance with the Bahrain Commercial Companies Law and subject to Shareholder's approval. The Ordinary Shares offered through this Offering will rank *pari passu* with existing Ordinary Shares and will be entitled to full dividends.

The determination to pay dividends, on an on-going basis, and the amount thereof, will depend among other things, on the Bank's earnings, meeting Capital Adequacy and regulatory ratios, funding requirements for implementing future growth strategy, applicable requirements on the payment of dividends under Bahrain law and such other factors as the Board of Directors and the Bank's Shareholders may deem relevant.

There can be no assurance that the Bank will pay dividends in the future.

8.7. Litigation

As of the date of this Offering Circular, there is no pending material litigation against the Bank.

9. THE OFFERING

9.1. Introduction

Applicants must carefully read this Offering Circular and the terms and conditions appended to the Application Form prior to submitting a completed Application Form and Subscription Amount to the Receiving Bank. A signed Application Form submitted to the Receiving Bank will represent a legally binding agreement between the Issuer and the Applicant upon acceptance of that Application Form.

The Ordinary Shares being offered through this Offering Circular are new Ordinary Shares of the Bank. These new Ordinary Shares will rank *pari passu* with existing Ordinary Shares of the Bank's Issued and Paid-up Share Capital. Applicants may obtain both the Offering Circular and the Application Form from the office of the Receiving Bank.

The Shares offered through this Document are available to existing Shareholders as of the Record Date for subscription under Rights Offering to existing Shareholders. The number of Ordinary Shares Issued and Paid-up prior to this Offer is 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 each.

9.2. Equity Offering

Through this Offering Circular the Bank is offering up to 170,940,171 new Ordinary Shares having Nominal Value of BHD 0.100 per share and having an Offer Price of BHD 0.117 per share. Upon full subscription under this Offering, the Issued and Paid up Share Capital of the Bank will be 974,412,625 Ordinary Shares each at a Nominal Value of BHD 0.100 per Share amounting to BHD 97.44 million.

Existing Shareholders as on the Record Date through this Offering are entitled to subscribe for 170,940,171 Ordinary Shares. Pursuant to Article 129 of the Bahrain Commercial Companies Law, the existing shareholders of the Bank as on the Record Date have a right to subscribe for more Ordinary Shares than they are entitled to by completing relevant section of Application Form.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF, have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 10 mn at Offer Price in proportion of their shareholding as on the Record Date.

If the shares are still not fully subscribed, the Issuer, in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities, shall allot the Ordinary Shares up to the level of Subscription Amounts received in accordance with the terms of the Offering Circular.

9.3. Entitlement to this Offering

This Offer is open to all Shareholders registered in the Bank's Ordinary Share Register on the Record Date. Each Shareholder shall be entitled to purchase approximately 2 Ordinary Share for 10 Ordinary Shares held as at the Record Date. Shareholders may however make an application for the Ordinary Shares in excess of or lower than their entitlement. Fractional Ordinary Shares will not be issued. However, the rights of Shareholders who hold Ordinary Shares other than in multiples of 10 will be rounded upwards (i.e. they will be allotted one whole Ordinary Share in respect of any fractional entitlement), provided that (i) the total number of Ordinary Shares so allotted to each Shareholder shall not exceed the number of Ordinary Shares for which the application was made by such Shareholder and (ii) the total number of Ordinary Shares so allotted shall not exceed the number of Ordinary Shares available for subscription.

9.4. Subscription Restriction and Renunciation Rights

The Ordinary Shares will be registered and indivisible. The Shareholders entitled to participate in this Offering may accept all or a part of their entitlement. Their right to the Ordinary Shares being offered through this Document is renounceable, which enables the Shareholders who do not wish to take up some or all of the Ordinary Shares being offered through this Document to renounce those Ordinary Shares in favor of others. Such renunciation shall however be made during the Subscription Period only.

9.5. Record Date

Only those Shareholders whose name appears in the Bank's Ordinary Share Register on the Record Date, being 10 November 2015 shall be entitled to participate in this Offering.

9.6. Subscription Period

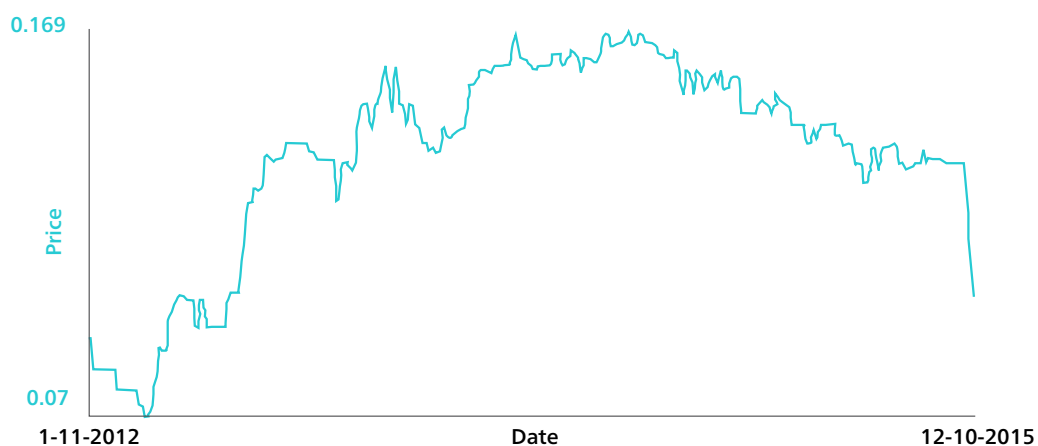
The Subscription Period commences on the Opening Date and closes at the Closing Date. Applicants may make an application for Ordinary Shares under this Offering during the Subscription Period and at the designated branches of the Receiving Bank.

9.7. Offer Price

The Offer Price for the Ordinary Shares offered through this Offering is BHD 0.117 each representing share premium of BHD 0.017 per share over the Nominal Value. The Offer Price is net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges and any other charges shall be borne by the Applicant.

9.8. Listing and Share Performance

The Bank's Ordinary Shares are listed on the Bahrain Bourse since June 1989. The graph below shows the share price performance of the Bank on the Bahrain Bourse in the last three years:



Source: Bahrain Bourse

The price of Ordinary Shares of BisB have improved significantly over the past three years. The volume traded in Bank's stock has been limited during the historical period.

The Bank's Relative Performance on the Bahrain Bourse

Price per Ordinary Share on the Bahrain Bourse (as of 01 November 2015): BHD 0.101 (adjusted to BHD 0.119 – to reflect the impact of cancellation of shares).

The summary of high and low price is summarized in the table below:

Period	High Price	Low Price
Nine months ended 30 September 2015	BHD 0.153	BHD 0.130
Financial Second Quarter 2015	BHD 0.145	BHD 0.130
Financial First Quarter 2015	BHD 0.153	BHD 0.145
Financial Year 2014	BHD 0.169	BHD 0.133
Financial Fourth Quarter 2014	BHD 0.164	BHD 0.148
Financial Third Quarter 2014	BHD 0.169	BHD 0.161
Financial Second Quarter 2014	BHD 0.168	BHD 0.138
Financial First Quarter 2014	BHD 0.160	BHD 0.133
Financial Year 2013	BHD 0.140	BHD 0.070
Financial Year 2012	BHD 0.095	BHD 0.082

Source: Bahrain Bourse

9.9. Application Form

Application to subscribe for the Ordinary Shares will only be accepted if made in the prescribed Application Form. Copies of the Offering Circular and the Application Form are available at office of the Bank and the designated branches of the Receiving Bank.

9.10. Issue Manager

KPMG Fakhro, Bahrain has been appointed as the Issue Manager for this Offering. The Issue Manager has assisted the Bank in preparing this Offering Circular and the Application Form, facilitated in obtaining regulatory approvals, coordinated the subscription functions and managed the tasks and contributions of other parties involved in this Offering.

9.11. Legal Advisor

Hassan Radhi & Associates has been appointed as the Legal Advisor who has reviewed this Offering Circular for compliance with the applicable laws and regulations in the Kingdom of Bahrain.

9.12. Issue Registrar

In connection with this Offer, the Bank has entered into an Issue Registrar agreement with Karvy Computershare W.L.L., Bahrain to act as the Issue Registrar. The Issue Registrar is mandated by the Bank to manage the allotment process and refund process and update the Shareholders' Ordinary Share Register post this Offering.

9.13. Expenses and Costs

Out of the total proceeds of this Offering, the Bank will pay fees, expenses and costs associated with the Offering. These include, among others Issue Manager's fees, Issue Registrar's fees, legal fees relating to the Offering, registration costs, expenses incurred for road shows, printing and other advertisement expenses, and any other incidental expenses associated with the Offering. Such expenses are not expected to exceed approximately 2% of the gross proceeds from this Offering.

9.14. Dilution of Shareholders' Interest consequent to this Offering

In the event, Existing Shareholders as on the Record Date, who are entitled to subscribe to Ordinary Shares through this Offering, do not subscribe to their entitlement, either in full or in part, the equity stake of such Shareholders will be diluted as the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 10 million at Offer Price in proportion of their shareholding as on the Record Date over and above their entitlements.

Pursuant to such support arrangement and in the event of devolvment, the equity stake owned by the major shareholder of the Bank i.e. NBB, SIO-CPF and SIO-MPF will increase as detailed below:

Major shareholders supporting the issue	No. of Ordinary share - as on date of this document	% Equity shareholding	No. of Ordinary share - in case of devolvment	Effective % Equity shareholding - in case of devolvment*
NBB	204,906,891	25.5%	290,376,977	29.8%
SIP - CPF	102,533,412	12.8%	145,268,455	14.9%
SIO - MPF	102,533,411	12.8%	145,268,454	14.9%

* The calculations are based on the assumption of subscription by the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF to their entitlement and in case of devolvment, subscribing to any remaining portion of the Offering at the Offer Price.

10. INVESTMENT CONSIDERATIONS AND RISK FACTORS

Before making an investment decision regarding the Ordinary Shares, an Applicant should carefully consider the specific risk factors set out below, in addition to the other information contained in the Offering Circular. Such risks are not the only ones faced by the Bank. Additional risks and uncertainties that are not presently known to the Issuer, or that the Bank currently believes are immaterial, may also impair its business operations. The Bank's business, financial condition, results of operations or the value of its investment could be materially adversely affected by any of these risks. In such case, the price of Ordinary Shares may decline and Applicants may lose part or all of their investment.

The following list is intended as a summary of certain principal investment considerations and risk factors associated with this investment, but are only illustrative and not exhaustive and must be supplemented by the Applicant's own analysis of, among other things, such Applicants' personal or corporate financial circumstances.

10.1. Inability to raise the required Equity through the Rights Offering

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF, have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 10 mn at Offer Price in proportion of their shareholding as on the Record Date.

If the shares are still not fully subscribed, the Issuer, in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities, shall allot the Ordinary Shares up to the level of Subscription Amounts received in accordance with the terms of the Offering Circular.

10.2. Investment return risk

There is no assurance that the Bank will be able to generate returns for Shareholders or that the returns will commensurate with the risks of investing in the Bank or the nature of the transactions described herein. It is possible that the price of the Ordinary Shares decline and Applicants could lose part or all of the capital they have invested.

10.3. Competition Risk

The market in which the Bank operates is highly competitive. Currently, there are many competitors in Bahrain. Operations of the Bank, its subsidiaries and associates may be affected by the competition.

10.4. Economic conditions

Changes in the market, business, and economic conditions, including, for example, profit rates, foreign exchange rates, oil prices, inflation rates, industry conditions, competition, technological developments, tax laws and innumerable other factors, can affect substantially and adversely the Bank's performance.

10.5. Political, economic and regulatory considerations

The value of the Bank's assets and its business may be affected by uncertainties such as social, political and economic uncertainties, changes in policies, taxation and other developments in the laws and regulations of Bahrain. Accordingly, changes in regulations imposed by the Bahrain Government or any other Authorities under whose jurisdictions the Bank is operating could materially affect the returns made by the Bank.

10.6. Risks relating to inactive or illiquid market for the Ordinary Shares

The Bank's Ordinary Shares will be subject to public demand and supply, which could materially affect the share price of the Bank. Although the Ordinary Shares are listed on the Bahrain Bourse there is no guarantee that active trading in the Ordinary Shares will continue. If no active trading in the Ordinary Shares continues after the Offering, there could be a material adverse effect on the liquidity and market price of the Ordinary Shares.

10.7. Operational Risks

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes, technology or human performance, or external events. Its impact can be in the form of a financial loss, loss of reputation or loss of competitive position.

10.8.Risks relating to loss of key personnel

The Bank's success will depend, in part, on the continued service of its key executives and employees and its ability to continue to attract, retain and motivate qualified personnel. If one or more of the Bank's key personnel are unable or unwilling to continue in their present positions, or if they joined a competitor or formed a competing company, the Bank may not be able to replace them easily or quickly and its business may in consequence be significantly disrupted - with adverse effect on its financial condition and results.

10.9.Shareholder payments

The determination to pay dividends on Ordinary Shares, on an on-going basis, and the amount thereof, will depend among other things, on the Bank's earnings, profit retention for meeting Capital Adequacy and other regulatory ratios, funding requirements for the business growth, future growth of the Bank, applicable requirements on the payment of dividends under Bahrain law and such other factors as the Board of Directors and the Bank's Shareholders may deem relevant. There can be no assurance that the Bank will pay dividends in the future.

10.10. Taxation

As on the date of this Offering Circular, corporate and personal income taxes are not levied in Bahrain on any person receiving or paying profit or dividend, whether resident or otherwise. However, the Bank has not taken into consideration the impact of any future tax laws in Bahrain.

The foregoing does not purport to be a complete explanation and summary of all the risk factors involved in investing in the Bank. It is strongly recommended that all potential investors seek independent advice from their own professional advisors.

11. APPLICATION PROCEDURES

11.1. Application Forms

Application Forms shall be obtained from the Bank or the designated branches of the Receiving Bank. Application Forms should be completed in full in Arabic or in English and in accordance with instructions contained therein. Each Applicant is required to submit the Application Form before the Closing Date accompanied by relevant copies of documents stated below along with their originals (for verification purposes only). The Receiving Bank has the right to request and verify the validity of copies of the identification documents.

Application Form should be signed by the Applicant. In case the Applicant is a minor, the legal guardian must sign the Application Form on behalf of the minor. Applicants are required to provide the 'Investor number' in the Application Form.

Application by individuals

Shareholders who are individuals over the age of 21 are eligible to subscribe to the Ordinary Shares offered through this Offering. Applicants under the age of 21 should make their application through their legal guardian.

Application Form submitted by individuals must be accompanied by copies of the following documents:

- Original and a copy of the individual's valid national identification card or personal identification card;
- Original and a copy of the individual's valid passport;
- Sufficient funds in an amount equivalent to the number of Ordinary Shares applied for multiplied by the Offer Price of BHD 0.117 each;
- If the individual has an account with the Bahrain Bourse the individual shall specify the investor number by completing the relevant section in the Application Form.

Application by institutions

Application Form submitted by institutional applicants must be accompanied with copies of the following documents:

- A copy of the institution's valid Commercial Registration certificate or a copy of certificate of incorporation;
- Original and a copy of the valid national identification card of the person(s) signing on behalf of the institution;
- Original and a copy of the valid passport of the person(s) signing on behalf of the institution;
- A copy of the resolution of the board of directors or equivalent authority of the institution approving the investment in the Offering;
- A copy of the authorized signatory book of the institution validating the signature of the person(s) signing on behalf of the institution;
- Sufficient funds in an amount equivalent to the number of Ordinary Shares applied for multiplied by the Offer Price of BHD 0.117 each;
- If the institution has an account with the Bahrain Bourse the institution shall specify the investor number by completing relevant section in the Application Form.

11.2. Receiving Bank

BisB is acting as the Receiving Bank in Bahrain whose designated branches will receive the completed Application Forms, identification documents and the Subscription Amounts from Applicants. The designated branches of the Receiving Bank is as follows:

Bahrain Islamic Bank Main Office Branch

Building 722, Road 1708, Block 317,
Diplomatic Area, Kingdom of Bahrain

Arad Financial Mall

Building 1294, Road 4037, Block 240
Muharraq, Kingdom of Bahrain

Riffa Financial Mall

Building 10, Abu Shaheen Avenue, Block 921,
Riffa, Kingdom of Bahrain

Hamad Town Financial Mall

Building 1247, Road 317, Block 1203,
Hamad Town, Kingdom of Bahrain

Budaiya Financial Mall

Building 423, Road 7317, Block 473, Abu Sayba
Budaiya, Kingdom of Bahrain

11.3. Mode of Payment

Applicants should submit to the Receiving Bank a duly signed and completed Application Form together with cleared funds in the amount of subscription. The subscription currency is BHD.

Remittance shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in BHD from an account maintained with another bank other than the Receiving Bank;
- By transferring BHD from an account with the Receiving Bank.
- By Managers Cheque in BHD
- No other modes of payment shall be accepted.

Applicants are responsible for ensuring that the Subscription Amounts are remitted to the designated account with the Receiving Bank on or before the Closing Date. Applicants transferring money into the designated account should present a copy of the wire transfer order along with the Application Form.

The transfer details are as follows:

Country	Kingdom of Bahrain
Account Name	BisB Rights Issue
Account Number	100000105517
IBAN Number	BH 19 BIBB 00 100000195158
Bank	Bahrain Islamic Bank B.S.C.
Swift Code	BIBBBHBM
Applicant Information	[Applicant name], [Shareholder number] [Investor number]

All Subscription Amounts received shall be net of any bank or related charges. All charges such as wire transfer charges, subscription application processing fees, collection charges, foreign currency conversion charges, managers cheque charges, special clearing charges shall be borne by the Applicant.

Applicants will receive a receipt of acknowledgement from the Receiving Bank on submission of their Application Form. No profit shall accrue or be payable to Applicants in respect of Subscription Amounts collected by the Receiving Bank regardless of whether such amounts are returned to the Applicant in whole or in part.

11.4. Rejection of Application

Application Forms made to subscribe for Ordinary Shares may be rejected in whole or in part at the sole discretion of the Issuer and the following factors may or may not be taken into account in making this decision:

- The Applicant was found to be ineligible to subscribe for the Ordinary Shares offered pursuant to the Offering Circular; or
- Whether Subscription Amount have been paid in full before the Closing Date; or
- Whether the Application Form is incomplete or inaccurate as to any detail or the required documents are not attached to the Application Form or are not provided within requested timeframes; or
- Where duplicate or multiple applications are made by a single Applicant, the Issuer at its sole discretion shall accept one of the Application Forms received or may reject all the Application Forms received.
- Applicants will be informed of any rejected applications on the Distribution of Refunds Date by the Issue Registrar.

11.5. Allotment of Shares

The Bank will complete the allotment of the Ordinary Shares offered pursuant to this Offering on the Allotment Date which will be within 7 calendar days following the Closing Date. The Ordinary Shares offered pursuant to this Offering will be first allotted to Shareholders exercising their rights in full or any lesser number of Ordinary Shares. Renounced Ordinary Shares will be allotted to any person /entity in whose favor the Shareholders have made the renunciation on the same basis. The balance Ordinary Shares, if any will be allotted to the Shareholders who have tendered valid Application Forms for more than their entitlement on a pro-rata to the number of Ordinary Shares they held on the Record Date. The decision of the Issuer in this respect will be final and binding on all parties.

In the event the Ordinary Shares offered through this Offering are not fully subscribed, the major shareholders of the Bank i.e. NBB, SIO-CPF and SIO-MPF have expressed their non-binding support to subscribe for the remaining unsubscribed Ordinary Shares up to maximum of BHD 10 mn at Offer Price in proportion of their shareholding as on the Record Date.

If the shares are still not fully subscribed, the Issuer, in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities, shall allot the Ordinary Shares up to the level of Subscription Amounts received in accordance with the terms of the Offering Circular.

11.6. Distribution and Refunds

By the Allotment Date, an amount equal to the Offer Price multiplied by the number of Shares for all Application Forms that were received shall be transferred to the Issuer bank account, whether such Application Forms were accepted or not.

On the Distribution Date, the Applicants shall collect their Allotment Notice and the refund cheques, if any, from the Issue Registrar's office. Such refunds shall be for the excess Subscription Amounts paid by Applicants in respect of Ordinary Shares they applied for and were not allotted. The refunds shall be made in Bahraini Dinars.

All refunds distributed by the Receiving Bank will be made after a deduction of bank charges and other similar deductions and will not include any profit derived from such funds. Receipt of the Allotment Notice is proof that the allotted Ordinary Shares have been deposited into his / her / their account with the BSE Central Depository. The Allotment Notice must not be used to sell the allotted Ordinary Shares of the Bank before the listing on the Bahrain Bourse.

11.7. Acknowledgements

By completing and delivering the Application Form, you, as the Applicant:

- Confirm that, in making your application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Bank other than the information contained in this Offering Circular;
- Agree that neither the Issuer, the advisors nor the other parties involved in this Offering will treat you as their customer by virtue of your application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or the suitability for you of the Ordinary Shares or be responsible to you for providing the protections offered to their customers;
- Agree that, having had the opportunity to read this Offering Circular, you shall be deemed to have had notice of all information and representations concerning the Bank and the Offering contained herein
- Agree that the Offering Circular is not intended to provide investment, tax, legal or accounting advice;
- Agree to have reviewed the Offering Circular and the subject investment, with such financial, business, legal and tax advisors as deemed necessary, and has determined that the subject investment is suitable in light of the Applicant's financial condition and risk preferences;
- Understand and agree that transfers of the Ordinary Shares may be made only to the extent permitted by the MAoA of the Bank.

11.8. Acceptance of Applications

By applying for this Offering 'You' hereby understand and agree for the following;

- Understand and agree that the Application Form represents an irrevocable offer to subscribe for the number of Ordinary Shares entered on it by the Applicant. The subscription for Ordinary Shares made in the Application Form, if accepted, will constitute a binding agreement between the Applicant and the Bank concerning the subject matter of the Terms and Conditions included in this Offering Circular and the Memorandum and Articles of the Bank;
- Understand that the Issuer reserves the right to reject in whole or part, or to scale down or limit, any application. All Subscription Amounts paid by an Applicant must be paid in cleared funds prior to the end of the Subscription Period. The Issuer may treat applications as a valid and binding even if not made in all respects in accordance with the prescribed instructions and this Offering Circular;
- Agree that, in consideration of the Issuer agreeing to process your application, your Application Form cannot be amended or revoked after it is submitted to a Receiving Bank;
- Understand that you are solely liable and responsible for the payment of any stamp duties, transfer and other similar taxes, if any, imposed in connection with the purchase or transfer of the Ordinary Shares
- Understand and agree that the Issue Registrar, on behalf of the Bank, will acknowledge and confirm the purchase of the Ordinary Shares.

11.9. Capacity and compliance with laws

Applicant represent and warrant that you have the legal capacity and authority and are permitted by applicable law to execute and deliver the Application Form and that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or appropriate authority or a copy thereof duly certified by a solicitor or Bank with the Application Form;

11.10. Continuing Obligations

- Applicant will repeat these undertakings, representations and warranties to the Issuer, the Receiving Bank, the Issue Registrar, the Issue Manager and the Advisors on such future occasions as the Issuer and/or the Receiving Bank and/or the Issuer Registrar and/or the Issue Manager and/or the Advisors may request, and will provide on request such certificates, documents or other evidence as the Issuer and/or the Receiving Bank and/or the Issue Registrar and/or the Issue Manager and/or the Advisors may reasonably require to substantiate such undertakings, representations and warranties;
- Further, will notify the Issuer immediately if you become aware that any of these undertakings, representations and warranties are no longer accurate and complete in all respects, and agree immediately to tender to the Issuer for redemption a sufficient number of ordinary Shares to allow the undertaking, representation or warranty to be made;
- And, understand that if any of the representations, warranties, or undertakings given by you in the Application Form are untrue, the Issuer in its sole discretion may require a retroactive redemption of all or part of your Ordinary Shares at the Offer Price.

11.11. Anti-money Laundering

- Applicant consent to passing on of any information about you to any relevant regulatory authorities by the Issuer or the Receiving Bank or Issue Registrar or their delegates;
- Acknowledge that due to money laundering requirements operating within their respective jurisdictions, the Issuer and/or the Receiving Bank and/or the Issue Registrar and/or the Issue Manager may require further identification of the Applicant(s) and source of funds before applications for the Shares can be processed and you hold the Issuer, the Receiving Bank, the Issue Registrar and the Issue Manager to this Offering harmless and indemnified against any loss arising from the failure to process your application for the Ordinary Shares, if such information as has been required from you has not been provided within the allotted time to the satisfaction of the party requesting such information;
- Understand and agree that any funds to be returned may be retained pending clearance of your remittance and the completion of any verification of identity and/or source of funds required by the Issuer and/or the Receiving Bank and/or the Issue Registrar and/or Issue Manager to this Offering.

11.12. Indemnity

- Applicant agree to indemnify and hold harmless the Issuer, the Receiving Bank, the Issue Registrar and the Issue Manager to this Offering, their affiliates and each other person, if any, who controls or is controlled by any thereof, against any and all loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses and costs (including attorneys' fees) reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever arising out of or based on:
- any false representation or warranty or breach or failure by the Applicant to comply with any covenant or agreement made by the Applicant or in any other document furnished by the Applicant to any of the foregoing in connection with the Offering; or
- any actions for securities laws violations instituted against the Applicant which is resolved by judgment against the Applicant; or
- Applicant's failure to provide source of funds information.

11.13. Multiple Applications

Applicant represents and warrants to have submitted only one Application Form in relation to the Offering or only one such form has been submitted on your behalf. The Issuer shall have the right to reject all applications of any Applicant in the event of duplicate or more than one application;

12. SHAREHOLDER RIGHTS

12.1. Share Capital

As at the date of this Offering, the Bank has an Authorized Share Capital of 2,000,000,000 shares of a Nominal Value of BHD 0.100 per share amounting to approximately BHD 200,000,000. The Issued and Paid up Capital of the Bank as at 31 December 2014 was 939,673,499 Ordinary Shares of a Nominal Value of BHD 0.100 per Share amounting to BHD 93,967,350. The Issued and Paid-up Share Capital of the Bank has not changed during last three years. As at 31 December 2014, the Bank holds 3,620,609 shares as Treasury shares.

The shareholders of the Bank, in the EGM held on 27 October 2015, approved reduction in the Bank's Issued and Paid-up Share Capital to BHD 80,347,245 comprising of 803,472,454 Ordinary Shares each at a Nominal Value of BHD 0.100 per share.

12.2. Ordinary Shares

The Ordinary Shares shall be nominal shares and may not be issued at less than their Nominal Value. However, the Ordinary Shares may be issued at a value higher than their Nominal Value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible. If several persons hold a single Share, they shall designate one person to act on their behalf in exercising the rights connected with the same. In such case, they shall be jointly responsible for the obligations resulting from the share ownership. The transfer of Ordinary Shares shall comply with the Memorandum and Articles of Association of the Bank.

12.3. Shareholders' Rights

Each Ordinary Share shall give its holder equal rights in the Bank's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

12.4. Shareholders' Assemblies

In accordance with the Bahrain Commercial Companies Law, a general assembly duly convened shall be deemed to be representative of all the Shareholders. Meetings of the general assembly may be by way of ordinary or extraordinary meetings. The AGM must be held at least once a year during the six months following the end of the fiscal year. Other ordinary assemblies may be convened as and when required. With exception for matters reserved for the EGM, the Ordinary General Meetings (OGM) shall handle all matters relating, but not limited, to:

- the election or termination of Board members;
- the determination of the Board members' incentive payment;
- the approval of the Board of Directors' report about the Bank's business activities or financial position for the preceding year;
- the appointment of one or more auditors for the next fiscal year, in addition to deciding upon the auditor's fees, or delegation to the Board of Directors the appointment of such auditor and the determination of such auditor's fees;
- the discussion of the auditor's report about the Bank's financial statements for the preceding financial year; and
- the approval of the profit and loss statement, balance sheet, distribution of net profit and the part of net profit to be paid in respect of the Bank's Shares. Resolutions at the ordinary general meetings shall be issued by a simple majority of the represented Shares. In case of a deadlock, the Chairman will have the casting vote.

12.5. Extraordinary General Meetings

An EGM will not be valid unless attended by shareholders representing at least two thirds of the Bank's share capital. If such quorum is not reached a second meeting will be held within 15 days from the date of the first meeting. The second meeting will be valid if attended by shareholders representing more than one third of the Bank's share capital. If such quorum is not reached, a third meeting will be held within 15 days from the date of the second meeting and will be valid if attended by shareholders representing 25 per cent of the Bank's Share capital. An EGM will be held to decide upon the following:

- amendment of the Bank's Memorandum and Articles of Association;
- increase and decrease of the Bank's share capital;
- the Bank's dissolution, changes in its status or merger with another institution; and
- a change to the Bank's registered office if outside the Kingdom of Bahrain or to its jurisdiction of incorporation. Resolutions at the EGM shall be issued by two thirds of the represented Shares except for resolutions with regard to the increase or the decrease of share capital, the Bank's dissolution or merger with another institution, in which case the resolution shall be passed by 75 per cent of the represented shares in the meeting.

12.6. Voting Rights

Each Shareholder holding one Share shall have the right to attend the general assembly. A Shareholder may delegate, by way of a written proxy to another shareholder, other than a member of the Board of Directors, the right to attend the general assembly on his/her behalf. The votes in the ordinary general meeting as well as the EGM shall be counted on the basis of one vote for every Share.

12.7. Transfers

The Articles of Association do not contain any restriction relating to the transfer of the Ordinary Shares.

12.8. Pre-emptive Rights

If an increase of the issued share capital involves the issue of shares, the Bank's existing Shareholders have priority to subscribe for such shares for the same percentage of new Shares as the percentage of existing shares owned by such Shareholder on the applicable record date of the issue. This pre-emptive right must be exercised by a Shareholder within 15 days of the invitation to existing Shareholders being published in a daily local newspaper. If a Shareholder requests more Shares than their proportional entitlement, they may receive additional new shares only after each Shareholder exercising its priority right has received its proportional entitlement. Any shares thereafter remaining will be then privately placed in accordance with all applicable laws.

12.9. Winding-up of the Bank

All Ordinary Shares rank pari-passu as between themselves. In case of a liquidation of the Bank, each Ordinary Share shall give the applicable Shareholder the right to receive a proportionate part of the funds available (if any) from the liquidation distribution (as determined in accordance with the Bahrain Companies Law). The shareholders in an EGM may approve (with 75 per cent of the Shares represented in the meeting) the Bank's dissolution. In addition, the Bank may be dissolved for any of the following reasons: expiration of the Bank's legal period of establishment, the cessation of the Bank's business activities, and dissolution by judgment of competent court in Bahrain, merger with another company where such other company is surviving company or destruction of substantially or all of the Bank's share capital.

12.10. Redemption

Other than in the case of a Shareholder that does not pay any installment when due in respect of their commitment towards Ordinary Shares, the Ordinary Shares in the Bank's share capital are not subject to any mandatory redemption provisions.

12.11. Directors

As per BisB's policy, no minimum shareholding is applicable for a directors' qualification onto the board.

12.12. Material Contracts

The Bank has entered into various contracts in the normal course of business.

12.13. Exchange Controls

There are no currency or exchange control restrictions currently in force under the laws of Bahrain and the free transfer of currency into and out of the Kingdom of Bahrain is permitted, subject to any anti-money laundering regulations and international regulations in force from time to time.

12.14. Taxation

Except for certain taxes imposed on oil and gas companies and insurance against unemployment, Bahrain levies no taxes on income, capital gains, sales, estates, dividends, royalties or fees. Furthermore, no withholding taxes exist.

12.15. Dividends

The dividend policy of the Issuer is described in Section 8.6 of this Document "Dividend Policy". There are presently no restrictions on issuing dividends. The Bank may decide to retain profits in the business to meet the capital adequacy and related regulatory requirements. Shareholders are entitled to dividends, once declared and approved at its General Assembly.

Dividends, paid to beneficial owners who are not Bahrain residents and do not have a permanent establishment in Bahrain to which the Ordinary Shares are effectively connected, are not subject to taxes. Dividends to nonresident natural or legal persons will be remitted by wire transfer.

13. USE OF PROCEEDS

The proceeds from this Offering will be utilized for implementing the growth strategy of the Bank and for augmenting the capital base of the Bank and improving regulatory ratios. As per new CAR regulations under Basel III norms, the Bank is required to enhance its capital base to meet regulatory ratios.

Further, the Bank has embarked on a new five year growth strategy. Key components of the strategy is to focus on core banking activities, grow organic business and exploit opportunities for entering new markets outside Bahrain. The strategy also envisages investment in information technology infrastructure.

14. ECONOMIC AND INDUSTRY OVERVIEW

14.1. GCC Economic Outlook

Economic confidence in the GCC remains robust. In spite of increased market volatility and steps toward fiscal consolidation, the non-oil growth drivers in the region appear firmly anchored in long-term project spending and continuity of fiscal policy. Business confidence indicators have remained favorable with the regional businesses typically maintaining an expansionary stance.

GCC Economic Indicators

		2013	2014	2015e	2016f
Nominal GDP	USD billion	1,642	1,670	1,676	1,766
Real GDP	% y/y	4.3%	3.8%	3.5%	4.4%
-Oil	% y/y	0.6%	-0.2%	-2.4%	0.0%
-Non Oil	% y/y	5.9%	5.8%	5.9%	6.1%
Inflation	% y/y	2.4%	2.5%	3.1%	3.4%
Budget Balance	% of GDP	10.9%	5.9%	0.7%	-1.3%

Source: MENA Economic Outlook, NBK

As indicated above, the GCC economies are generally expected to grow at ~3% - 4% over the next two years. This growth is expected to be driven by a higher growth in the non-hydrocarbon sector which would support the declining growth in the hydrocarbon sector – which is expected to remain troubled as the oil prices continue to remain low.

The growth in non-hydrocarbon sector has been facilitated by the diversification policies that have been adopted by the region which has resulted in the share of the hydrocarbon sector's contribution to regional GDP declining from 41% in 2000 to 33% in 2014.

Challenges due to drop in Oil Prices

Crude oil was the worst performer amongst all asset classes, having plunged more than 40% in 2014. Rising shale oil production in the United States, higher incoming supply from Iraq, West Africa and elsewhere, coupled with slow uptake in global demand have pushed crude oil prices to under USD 60 levels from its peak of USD 115 in June.

Prospects of a strong rebound in short term appear muted as OPEC has refrained from cutting production maintaining it at ~30 million barrels/ day and global demand is not forecasted to drastically improve. As a result, GCC economies are expected to face challenging years as oil prices continue to remain range bound in the range of USD 50/ barrel to USD 70/ barrel.

The recent drop in oil prices is expected to continue to have a negative impact on the region's oil sector and overall public finances. In reflection of the effect of lower oil prices on public finance, Standard and Poor's Ratings Services and Fitch Ratings recently revised their outlook on the region to negative.

However, large official savings, together with low government debt levels, and sound banking systems, is expected to help GCC states to weather this collapse in oil prices. Fiscal deficits will be financed by drawing down savings and perhaps debt issuance, and efforts to maintain state spending will help support non-oil sector growth.

Initiatives being undertaken and Outlook

Despite significant fall in crude prices, government's infrastructure and development plans in the region are likely to be spared from this impact, and are expected to remain largely unaffected by the turmoil in the oil markets, mainly due to the accumulated monetary reserves of GCC countries which may be used to finance infrastructure spending plans. Various long term development plans, together with preparation for football world cup in Qatar and Expo in Dubai, means that project activity remains robust however subject to review and prioritization.

However, with the fall in oil prices the growth model which relied on government spending - financed by rapidly increasing oil revenues, will no longer be sustainable. Immediate implementation of fiscal reforms, transitioning to a diversified economy and improvement in labor productivity are required to sustain continued economic growth over the coming decade.

14.2. Bahrain Economic Overview

According to the Economic Development Board of Bahrain (EDB), Bahrain's GDP expanded by 4.5% in 2014 due to a strong growth posted by the non-hydrocarbon sector. The growth in the non-oil sector jumped from 3.0% in 2013 to 4.9% in 2014, while growth in the hydrocarbon sector also surpassed initial expectations by expanding by 3.0% for the same period

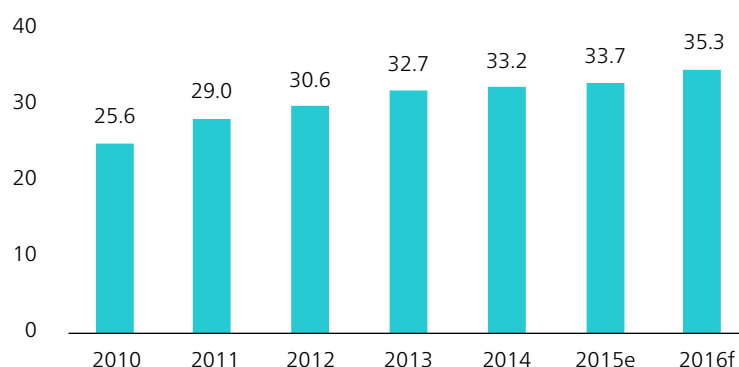
Bahrain Economic Indicators

		2013a	2014e	2015f	2016f
Real GDP growth	% y/y	5.3%	4.5%	3.6%	3.3%
Non-hydrocarbons	% y/y	3%	4.9%	4.5%	3.9%
Hydrocarbons	% y/y	15.3%	3.0%	0.0%	0.5%
Nominal GDP growth	% y/y	8.3%	3.0%	0.1%	8.4%
Inflation	CPI %	3.3%	2.8%	3.5%	3.0%
Current Account	% of GDP	7.8%	7.7%	2.6%	4.4%
Fiscal Balance	% of GDP	-3.3%	-4.5%	-5.3%	-2.5%

Source: Bahrain Economic Development Board

Bahrain Nominal GDP

(USD) Billion



Source: MENA Economic Outlook, NBK

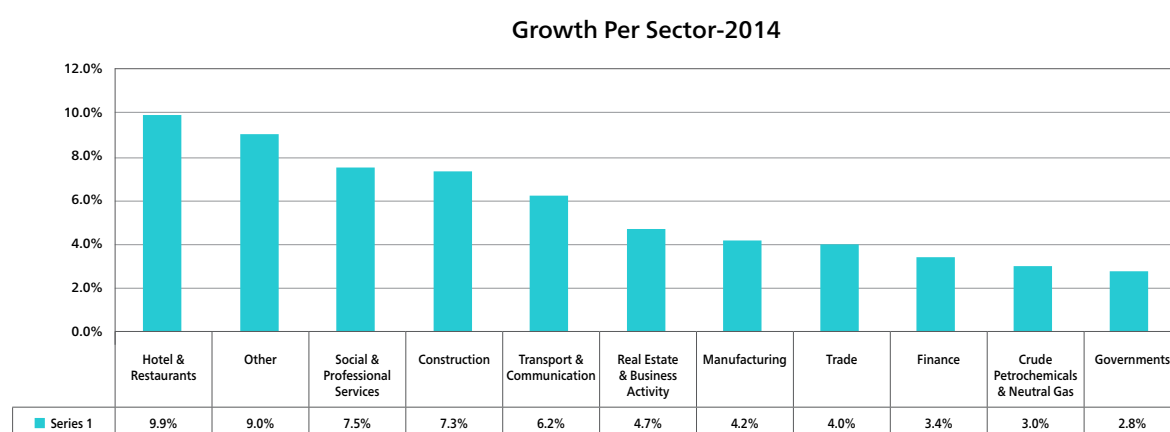
Oil-Economy

Oil production was maintained at near capacity levels at both onshore and offshore oil fields during the year. Consequently, annual growth rates of 4.1%, 9.3%, and 4.7% was recorded in Q1, Q2, and Q3 of 2014 respectively. However, in Q4 oil output dropped leading to an annual growth of 5.9% over the year. In 2014, the average production rate from onshore field was 48,780 barrels per day, while production from Bahrain's share in the Abu Sa'afah field averaged 153,637 barrels per day.

Non-Oil Economy

Bahraini economy in 2014 was firmly led by expansion of the non-oil economy which grew by 4.9% during the year. The growth was resultant of a steady build up in activity throughout the year from a 3.0% year on year growth rate in Q1 to 6.7% in Q4 of 2014.

The construction sector featured amongst the top performing sectors as construction activity picked up during the year on account of initiation of major infrastructure projects in the country. The hotels and restaurants sector also continued its strong performance with an overall expansion rate of 9.9% over the year. The opening of new ventures and positive momentum in tourist numbers have significantly contributed to the sector's growth. In addition, the ongoing development in private healthcare and education led to a 7.5% expansion in the social and personal services sector, which is viewed to be among the most dynamic sectors in Bahrain. The adjacent chart provides the growth across the non-oil economy by sector, which is represented by real GDP growth in 2014.



Source: Bahrain Economic Quarterly: March 2015, Economic Development Board of Bahrain

Support from Gulf Development Plan

In order to support Bahrain in meeting its development needs, USD 10 billion have been committed to Bahrain under the GCC Marshall Plan which is supported by Kingdom of Saudi Arabia, Qatar, and the UAE.

The plan targets to allocate USD 10 billion to finance development projects in Bahrain over 10 years. The fund will be used to finance the housing and infrastructure projects such as health, education, public works and transportation projects. Approximately 45% of the Plan fund is expected to be spent on housing projects. The fund could help build 2,100 housing units and infrastructure works in the Northern City, 4,500 housing units and infrastructure works east of al-Hadd, fund the construction of a road that leads to the Northern City and help upgrade Sheikh Jaber al-Ahmad al-Sabah Streets.

Of this as of 2014, USD 4.4 billion has already been utilized for development of specific projects while remaining is expected to be utilized by 2020.

Initiatives being undertaken

As an attempt to expand the investor base for government debt, in 2015 Bahrain opened up sales of government bonds and Sukuks to investors on the primary market through Bahrain Bourse. This is expected to assist the government in attracting new investors as the country seeks to offset reduced revenue from lower oil prices and diversify its investor base.

Further, recently an important step was taken by the government to boost the regulatory standards in the real estate sector. A formal tenancy registration process has been introduced, which has been designed to better protect the rights of the tenants and the landlords, and a new legislation has also been rolled out governing new development projects in the country.

Apart from a number of new development projects in the construction, real estate and business sectors like Ras Al Barr Resort reclamation project in Durrat Al Bahrain region and residential housing project in Diyar Al Muharraaq, stalled real estate projects like Villamar at the Bahrain Financial Harbor, Amwaj Gateway Towers, Marina West, and Riffa Views are also being pushed for completion by the government. These projects are expected to drive the economy in the medium term.

14.2. Bahrain Economic Overview (continued)

Future Outlook

Bahrain will continue to witness a substantial range of activity in physical and social infrastructure projects that are financed by the Gulf Development Fund, private investors, and other government related entities. These projects will bring with them multiplying benefits to other sectors across the non-oil economy, and will improve both investor and consumer confidence to seek further credit opportunities.

New commitments made by Tamkeen (Labor Fund) towards the development of the SME sector should put more local companies on a growth trajectory. The provision of additional low financing options and an increase in the number of business incubators are among the expanding new SME support infrastructure that aim to focus on result-oriented solutions.

As a result, the short term view of the growth in Bahrain's economy is likely to continue to be supported by the growth in the non-oil economy. However, if oil prices continue at around current levels, government may be forced to reduce capital spending due to fiscal constraints which will inevitably impact the economic growth. With this view, the credit rating agencies have given a 'Negative' outlook to Bahrain's sovereign rating.

14.3. Bahrain Banking Sector

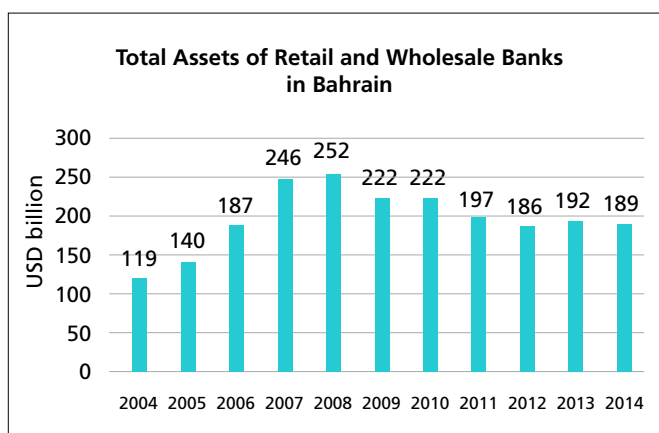
The financial services sector is amongst the highest contributors to the Bahrain's GDP contributing ~17% to the GDP (CBB Annual report 2013). It encompasses 404 licensed financial institutions as of December 2014 of which 113 institutions are banks. Of these 28 are retail banks and 75 in the wholesale sector. In total 34 are considered to be domestic banks.

The growth in the Banking sector has been supported by an open market economy; stable and prudent macro-economic and fiscal policies, a credible regulatory framework in line with international standards, and a notably strong and well qualified local workforce. All these factors have combined to cement Bahrain's position as a regional banking hub, successfully attracting numerous foreign banking organizations to establish a physical presence in the country.

Asset growth

The consolidated balance sheet of the banking system in Bahrain, comprising of retail and wholesale banks, stood at USD 189.3 billion at the end of December 2014, according to the latest issue of the CBB's Statistical Bulletin.

As indicated in the adjacent graph, the retail banks hold total assets of USD 80 billion as of December 2014 and represented ~42% of the consolidated balance sheet of Bahrain's banking sector while the remaining was held by wholesale banks.

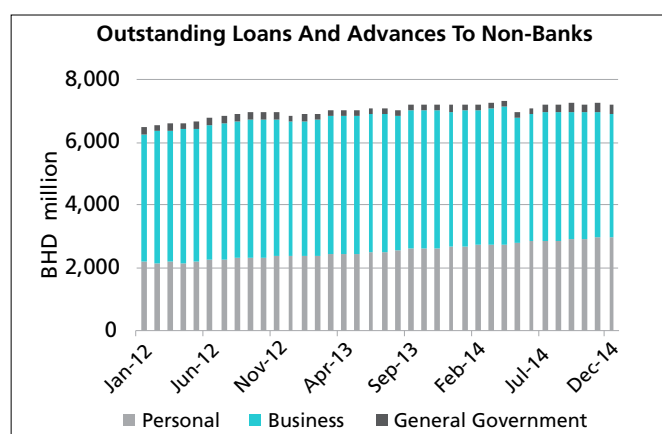


Source: Banking Statistics 2014, Central Bank of Bahrain

Credit growth

Overall, in 2014, the banking sector in Bahrain demonstrated a slight decline of 1.4% in the credit growth.

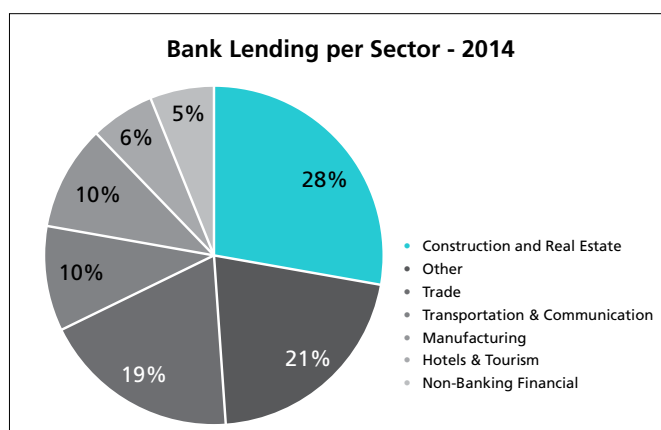
Credit growth has continued to come primarily from the expansion of personal loans. Total personal loans stood at BHD 2.9 billion in December 2014 and accounted for 41.1% of overall bank lending. At BHD 3.97 billion, share of loans to businesses was 56.9% of total loans as of December 2014.



Source: Banking Statistics 2014, Central Bank of Bahrain

As indicated in the adjacent graph, construction and real estate sector followed by Trade and Manufacturing sector formed the top 3 sectors in terms of total loans disbursed.

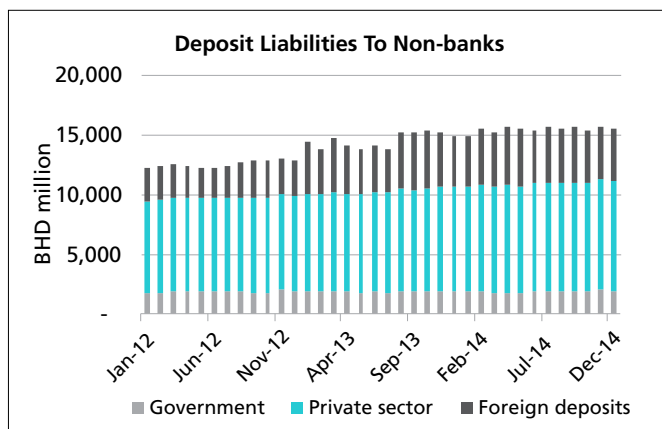
As of 2014, commercial lending to construction and real estate sector accounted for 19.2% of all loans and advances. This is in sharp contrast to the commercial loan portfolio as of early 2011, when real estate exposure accounted for nearly 30% of total loans.



Source: Banking Statistics 2014, Central Bank of Bahrain

14.3. Bahrain Banking Sector (continued)

This decline is in part due to local banks reducing their real-estate exposure in the wake of the global financial crisis, as well as the regulations imposed by the Central Bank of Bank. Overall, although the total loans in 2014 were slightly lower than recent years, the credit growth is expected to rebound as infrastructure activity gathers momentum which is expected to have positive implication on this trend.



Source: Banking Statistics 2014, Central Bank of Bahrain

Growth in Deposits

Bank deposits have remained on a fairly steady upward trajectory in recent months. Total deposits as of December 2014 stood at BHD 15.6 billion, which represented annual growth of ~12.5%.

The continued brisk pace of deposit accumulation against the backdrop of measured lending growth has brought the loan-to-deposit ratio in the Kingdom down to 45.6% - the lowest in the last 7 years. This again indicates that the banks are highly liquid indicating scope for rapid expansion in credit growth.

Stable Money Supply

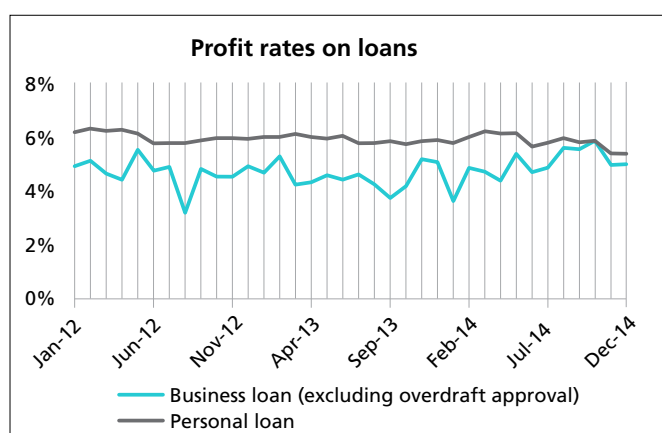
Measures of money supply in Bahrain have continued their steady upward momentum. The narrowest measure of money, M1, which includes currency in circulation and demand deposits, increased by 10.7% on year on year basis as of December 2014.

M2, which also includes time and savings deposits, expanded by 6.5% on year on year basis to reach BHD 9.7bn as of December 2014. The broadest measure of money supply, M3, which also comprises general government and Social Insurance Organization deposits, grew by 3.7% on year on year basis to read BHD 11.6 billion as of December 2014.

Stable Profit Rates

Cost of capital has continued its trend of relative stability for both business lending as well personal loans. Profit rates for business loans (excluding overdraft facilities) have fluctuated within the range of 3.6% to 5.8% with an average of 4.98% during 2014.

Profit rates for personal loans have varied within range of 5.4% to 6.2%, with an average of 5.9% during the year 2014. Throughout the year, the cost of capital in the Kingdom has remained broadly comparable to 2013 levels.



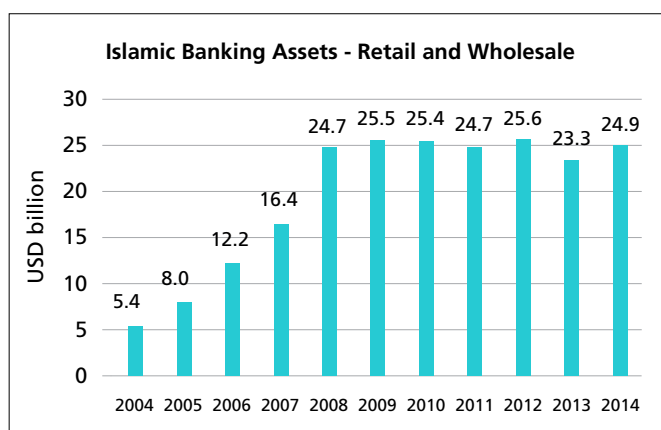
Source: Banking Statistics 2014, Central Bank of Bahrain

Growth of Islamic Financing

There are 12 domestic Islamic wholesale banks and six Islamic retail banks, compared to nine domestic conventional wholesale and seven domestic conventional retail banks in the country. As of December 2014 Bahrain's conventional banks had the largest asset share with US\$164.3bn while Islamic banks accounted for assets worth US\$24.9bn.

Although Islamic assets have grown tremendously from USD 4.1 billion in 2003 to USD 24.9 billion in 2014, the growth has remained stagnant since 2008 due to global financial crisis, slowdown of global economic activity, real estate fallout in the GCC region and cautious lending. Source: Banking Statistics 2014, Central Bank of Bahrain

In order to promote growth of Islamic Finance in Bahrain and to be at forefront of Islamic policy making, CBB is in process of drafting legislation that would pave the way for the appointment of a central board of sharia scholars to oversee the entire Islamic finance sector. The CBB is also reportedly planning to expand its sharia review and audit authority, while making it mandatory for banks to undergo an independent external sharia audit.



Source: Banking Statistics 2014, Central Bank of Bahrain

14.3. Bahrain Banking Sector (continued)

Resilience of Capital Market

The capital market in Bahrain has proved resilient in 2014, and is one of only two GCC markets that posted a positive growth in Q1 2015. The Bahrain Bourse showed an impressive 21% gain, while the Bahrain All-Index increased by 1.6% in Q1. The investment sector grew by 29.4% in 2014, followed by the Services and Hotels & Tourism sectors, which posted 14.9% and 12.4% gains respectively.

The first few months of the year also saw major activity within the fixed income market. During this period, a BD 100 million three-year Sukuk Al Ijarah was placed with a 3% profit rate, subscribed at 321%, while a BD 250 million ten-year facility was placed with a 5.5% profit rate, subscribed at 147%. In addition, the commercial bonds space will see an increase in activity later this year, as Gulf Finance House and Al Baraka Banking Group have announced their intention to issue Sukuks.

Future Outlook

Bahrain banking sector is characterized by high number of banks and financial institutions. As a result, CBB has adopted a policy stance promoting consolidation in the sector to encourage stronger and bigger banks.

As a result, the number of domestic banks in Bahrain dropped from 42 to 34, largely as a result of consolidation, with three Islamic wholesale banks merging to form Ibdar Bank, Capinnova Investment Bank being absorbed into its parent, BBK, and Ithmaar Bank acquiring First Leasing Bank. This is expected to strengthen the overall health of the banking sector in the country.

Further, credit growth which has been relatively moderate in 2014 is expected to improve in the coming years as the build-up in infrastructure projects develops momentum and retail lending also picks up further.

14.4. Capital raising in the region

Financial industry in the region is currently in the midst of adopting Basel III regulations, in gradual manner starting from 2015 until 2019. These regulations have impacted the capital structures of the banks since the components of regulatory capital have been reclassified.

Financial Institutions in the region have started to increasingly tap the capital markets to raise additional capital compliant with Basel III requirements. While some banks have tapped the equity route by offering rights issue, other have issued Tier 1 and Tier 2 compliant bonds to shore up their capital. To date, a total of 12 Basel III compliant Sukuk/ bonds have been announced/ issued by regional banks raising around USD 8 billion in proceeds.

Bahrain's Ahli United Bank, rated BBB plus by Standard & Poor's is the latest entrant to the bond market as it announced its issue of perpetual non-callable 5 year tier 1 bond to raise USD 400 million at a yield of 6.875%.

Regional banks that have issued/ announced Basel complaint bonds tier 1 bonds are National Bank of Kuwait (USD 700 million AT1 bond), Burgan Bank (USD 500 million AT1 bond), Abu Dhabi Islamic Bank (USD 1 billion AT1 Sukuk), Dubai Islamic Bank (USD 1 billion AT1 Sukuk) while others have issued/ announced Basel compliant tier 2 bonds.

15. APPLICABLE LAW

This Offering shall be governed by and construed in accordance with the laws of the Kingdom of Bahrain.

16. DOCUMENTS AVAILABLE FOR INSPECTION

During the Subscription Period, copies of the following documents may be inspected during normal business hours at registered office of the Bank at the Bahrain Islamic Bank BSC, Diplomatic Area, Manama, Kingdom of Bahrain.

- Memorandum and Articles of Association of BisB;
- Audited consolidated financial statements for the years ended 31 December 2010, 2011, 2012, 2013 and 2014 along with interim financial statements as of 30 September 2015. These reports can also be found on the Bank's website: <http://www.bisb.com/>

17. CONTACT LIST

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Bahrain Bourse
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18. APPENDIX 1: INTERIM FINANCIAL STATEMENTS



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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Bahrain Islamic Bank B.S.C.
Manama
Kingdom of Bahrain

28 October 2015

Introduction

We have reviewed the accompanying 30 September 2015 condensed consolidated interim financial information of Bahrain Islamic Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2015;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of sources and uses of good faith qard fund for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of sources and uses of zakah and charity fund for the nine-month period ended 30 September 2015; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

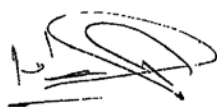
Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

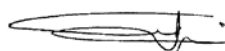
At 30 September 2015

	Note	2015 BD'000 (reviewed)	2014 BD'000 (audited)
ASSETS			
Cash and balances with banks and Central Bank		57,262	52,118
Placements with financial institutions		19,516	68,567
Financing assets		466,058	408,021
Investments securities	8	137,865	123,561
Ijarah Muntahia Bittamleek		114,429	102,277
Ijarah rental receivables		14,065	14,065
Investment in associates		29,712	30,835
Investment in real estate	9	43,918	53,934
Property and equipment		16,757	17,101
Other assets	10	9,634	4,728
TOTAL ASSETS		909,216	875,207
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Placements from financial institutions		86,982	75,570
Customers' current accounts		133,767	137,423
Other liabilities	11	17,088	16,518
Total Liabilities		237,837	229,511
Equity of Investment Accountholders		584,343	566,601
Owners' Equity			
Share capital		94,907	93,967
Treasury shares		(563)	(563)
Shares under employee share incentive scheme	12	(879)	-
Share premium		30	-
Reserves		(6,459)	(14,320)
Equity attributable to owners of the parent		87,036	79,084
Non-controlling interest		-	11
Total Owners' Equity		87,036	79,095
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		909,216	875,207

These condensed consolidated interim financial information, which consist of pages 76 to 90, were approved by the Board of Directors on 28 October 2015 and signed on its behalf by:



Abdulrazaq Al Qassim
Chairman



Khalid Al Mannai
Vice Chairman



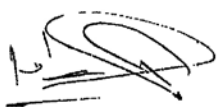
Hassan Jarrar
Chief Executive Officer

The accompanying notes 1 to 18 form part of this condensed consolidated interim financial information.

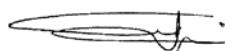
CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2015

	Three months ended 30 Septmeber		Nine months ended 30 Septmeber	
	2015 BD'000 (reviewed)	2014 BD'000 (reviewed)	2015 BD'000 (reviewed)	2014 BD'000 (reviewed)
INCOME				
Income from financing	8,801	7,005	25,205	21,050
Income from investment in Sukuk	911	669	2,727	1,685
	9,712	7,674	27,932	22,735
Less: Return on equity of investment accountholders	(1,311)	(1,659)	(3,918)	(5,760)
	8,401	6,015	24,014	16,975
Expense on placements from financial institutions	(198)	(68)	(331)	(188)
Fee and commission income	1,834	1,600	5,488	4,696
Income from investments	68	56	762	3,232
Income from investment in real estate	235	2,496	1,306	3,823
Share of profit / (loss) of associates, net	95	129	(799)	(169)
Net gain / (loss) from foreign currencies	(53)	435	918	757
Other income	71	-	71	-
Total income	10,453	10,663	31,429	29,126
EXPENSES				
Staff costs	2,651	3,256	7,390	8,234
Depreciation	386	408	1,171	1,234
Other expenses	2,401	2,125	7,032	6,982
Total expenses	5,438	5,789	15,593	16,450
Profit for the period before impairment allowances	5,015	4,874	15,836	12,676
Impairment provisions on financing assets	(2,545)	(2,371)	(6,292)	(6,823)
(Impairment) / write back from investments	(2,096)	23	(974)	723
PROFIT FOR THE PERIOD	374	2,526	8,570	6,576
BASIC AND DILUTED EARNINGS PER SHARE (fils)	0.40	2.70	9.15	7.03



Abdulrazaq Al Qassim
Chairman



Khalid Al Mannai
Vice Chairman



Hassan Jarrar
Chief Executive Officer

The accompanying notes 1 to 18 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2015

	Nine months ended 30 September	
	2015 BD'000 (reviewed)	2014 BD'000 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	8,570	6,576
Adjustments for:		
Depreciation	1,171	1,234
Impairment on investment in real estate	144	-
Impairment provision on financing assets	6,292	6,823
Impairment / (write back) from investments	974	(723)
Gain on sale of investment in Sukuk	(11)	-
Gain on sale of equity type instruments	-	(1,896)
Gain on sale of investment in real estate	(1,175)	(3,504)
Share of loss of associates, net	799	169
Other income	(71)	-
Foreign exchange revaluation	(1,785)	-
Operating profit before changes in operating assets and liabilities	14,908	8,679
Working capital adjustments:		
Mandatory reserve with Central Bank of Bahrain	(3,115)	1,890
Placements with financial institutions	-	57,281
Financing assets	(62,536)	(60,190)
Ijarah Muntahia Bittamleek assets	(13,920)	(9,604)
Other assets	(4,906)	(32)
Customers' current accounts	(3,656)	24,182
Other liabilities	570	4,038
Placements from financial institutions	11,412	(11,358)
Customers' investment accounts	17,742	(53,701)
Net cash used in operating activities	(43,501)	(38,815)
INVESTING ACTIVITIES		
Disposal of investment in real estate	11,868	7,362
Dividends from investment in associates	-	70
Purchase of property and equipment	(756)	(1,166)
Purchase of investment securities	(52,899)	(39,595)
Proceeds from disposal of investment securities	38,266	33,849
Net cash (used in) / from investing activities	(3,521)	520
NET DECREASE IN CASH AND CASH EQUIVALENTS	(47,022)	(38,295)
Cash and cash equivalents at 1 January	89,630	145,410
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	42,608	107,115
Cash and cash equivalents comprise:		
Cash on hand	13,167	7,643
Balances with CBB, excluding mandatory reserve deposits	91	3,389
Balances with banks and other financial institutions	9,834	14,563
Placements with financial institutions with original maturities of 90 days or less	19,516	81,520
	42,608	107,115

The accompanying notes 1 to 18 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2015

	Reserves												Total owners' equity BD'000
	Share capital BD'000	Treasury shares BD'000	Shares under employee share incentive scheme BD'000	Share premium BD'000	Statutory reserve BD'000	General reserve BD'000	Real estate fair value reserve BD'000	Investments fair value reserve BD'000	Accumulated losses BD'000	Total reserves BD'000	Equity attributable to owners of the parent BD'000	Non-controlling interest BD'000	
2015 - reviewed													
Balance at 1 January 2015	93,967	(563)	-	-	11,809	1,000	7,361	1,101	(35,591)	(14,320)	79,084	11	79,095
Profit for the period	-	-	-	-	-	-	-	-	8,570	8,570	8,570	-	8,570
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(435)	-	(435)	(435)	-	(435)
Net movement in real estate fair value reserve	-	-	-	-	-	-	(274)	-	-	(274)	(274)	-	(274)
Shares issued during the period	940	-	(940)	-	-	-	-	-	-	-	-	-	-
Shares allocated during the period	-	-	61	30	-	-	-	-	-	-	91	-	91
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11)	(11)
Balance at 30 September 2015	94,907	(563)	(879)	30	11,809	1,000	7,087	666	(27,021)	(6,459)	87,036	-	87,036
2014 - reviewed													
Balance at 1 January 2014	93,967	(563)	-	-	10,879	1,000	11,301	4,248	(43,958)	(16,530)	76,874	1,242	78,116
Profit for the period	-	-	-	-	-	-	-	-	6,576	6,576	6,576	-	6,576
Net movement in investments fair value reserve	-	-	-	-	-	-	-	(2,156)	-	(2,156)	(2,156)	-	(2,156)
Net movement in real estate fair value reserve from:													
i) Investment in real estate	-	-	-	-	-	-	(3,580)	-	-	(3,580)	(3,580)	-	(3,580)
ii) Investment in associate	-	-	-	-	-	-	1,197	-	-	1,197	1,197	-	1,197
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,128)	(1,128)
Balance at 30 September 2014	93,967	(563)	-	-	10,879	1,000	8,918	2,092	(37,382)	(14,493)	78,911	114	79,025

The accompanying notes 1 to 18 form part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF GOOD FAITH QARD FUND

For the nine months ended 30 September 2015

	Qard Hasan receivables BD'000 (reviewed)	Funds available for Qard Hasan BD'000 (reviewed)	Total BD'000 (reviewed)
Balance at 1 January 2015	80	48	128
Uses of Qard fund			
Marriage	9	(9)	-
Others (Waqf)	9	(9)	-
Total uses during the period	18	(18)	-
Repayments	(36)	36	-
Balance at 30 September 2015	62	66	128
Balance at 1 January 2014	79	49	128
Uses of Qard fund			
Marriage	21	(21)	-
Total uses during the period	21	(21)	-
Repayments	(30)	30	-
Balance at 30 September 2014	70	58	128

	30 September 2015 BD'000 (reviewed)	30 September 2014 BD'000 (reviewed)
Sources of Qard fund		
Contribution by the Bank	125	125
Donation	3	3
Total of sources during the period	128	128

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUND

For the nine months ended 30 September 2015

	30 September 2015 BD'000 (reviewed)	30 September 2014 BD'000 (reviewed)
Sources of Zakah and charity funds		
Undistributed Zakah and charity funds at the beginning of the period	282	226
Non-Islamic income / late fee	593	335
Donations	19	150
Total sources of Zakah and charity funds during the period	894	711
Uses of Zakah and charity funds		
Philanthropic societies	105	424
Aid to needy families	262	222
Total uses of funds during the period	367	646
Undistributed Zakah and charity funds at the end of the period	527	65

The accompanying notes 1 to 18 form part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

1. REPORTING ENTITY

Bahrain Islamic Bank B.S.C. (the "Bank") was incorporated in the Kingdom of Bahrain in 1979 by Amiri Decree No.2 of 1979 and registered with the Ministry of Industry and Commerce ("MOIC") under Commercial Registration (CR) number 9900, to carry out banking and other financial trading activities in accordance with the teachings of Islam (Shari'a). The Bank is licensed and regulated by the Central Bank of Bahrain ("CBB") and has a retail banking license. The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities. The Bank is listed on the Bahrain Bourse.

The Bank's registered office is at Building 722, Road 1708, Block 317, Manama, Kingdom of Bahrain.

The Bank has eleven branches (2014: eleven), all operating in the Kingdom of Bahrain.

The consolidated financial statements include the financial statements of the Bank and its subsidiaries (together the "Group"). The Bank holds 100% of the share capital of Abaad Real Estate Company B.S.C. (c), BisB Hawafiz S.P.C, BisB MMF Company B.S.C. (c), and 100% subscription of BisB Money Market Fund.

Abaad Real Estate Company B.S.C. (c) ("Abaad")

Abaad was incorporated in the Kingdom of Bahrain on 8 April 2003 with an authorised and fully paid-up share capital of BD 25 million. Abaad has started operations during the year 2007. The main activities of Abaad are the management and development of real estate (in accordance with the Islamic Shari'a rules and principles).

BisB MMF Company B.S.C. (c) ("MMF")

MMF was incorporated in the Kingdom of Bahrain as a closed joint stock company and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 81322-1. The postal address of the Company is registered at, Building 722, Road 1708, Block 317, Diplomatic Area, Kingdom of Bahrain. The purpose of the MMF is limited to establishing funds (in accordance with the Islamic Shari'a rules and principles).

BisB Money Market Fund ("Fund")

Fund is an open ended investment fund constituted by an instrument dated 12 June 2012 and commenced its activities on 9 July 2012. The fund is a Bahrain domiciled Shari'a compliant retail collective investment scheme established by Bahrain Islamic Bank B.S.C. pursuant to the Central Bank of Bahrain regulations and directives as contained in the rulebook volume 7. The fund has been established by BisB MMF Company B.S.C. (c).

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors issued on 28 October 2015.

2. BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial information of the Bank and its subsidiaries (together "the Group") for the nine month period ended 30 September 2015 has been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS"). Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated interim financial information do not contain all the information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2014.

3. SEASONALITY

There is no material income of a seasonal nature.

4. The condensed consolidated interim financial information is reviewed not audited. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2014 and comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, sources and uses of good faith qard fund and sources and uses of Zakah and charity fund have been extracted from the reviewed condensed consolidated interim financial information for the nine months ended 30 September 2014.

Appropriations of net profit, if any, are made only after obtaining approval of the shareholders.

5. SIGNIFICANT ACCOUNTING POLICIES

New amendments issued during the period and effective for annual reporting period ending on or after 31 December 2015

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2014, except as stated below:

New amendments issued during the period and effective for annual reporting period ending on or after 31 December 2015

FAS 23 - Consolidation

During the quarter, AAOIFI issued amendment to FAS 23 - Consolidation. The amendment provides additional guidance on the way an Islamic Financial Institution should determine when an entity should be consolidated.

The amendment that has been introduced by AAOIFI provides that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors.

The amendment is effective for annual reporting period ending on or after 31 December 2015. The amendment did not have an impact on the Group's consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2014.

7. JUDGMENT AND ESTIMATES

Preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same as applied to the consolidated financial statements as at and for the year ended 31 December 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

8. INVESTMENT SECURITIES

	30 September			31 December		
	2015 Self financed BD'000	Jointly financed BD'000	Total BD'000	2014 Self financed BD'000	Jointly financed BD'000	Total BD'000
i) Debt type instruments carried at amortised cost						
Sukuk						
At 1 January	-	85,808	85,808	-	41,705	41,705
Acquisitions	-	52,880	52,880	-	50,229	50,229
Disposals and redemptions	-	(35,780)	(35,780)	-	(6,126)	(6,126)
	-	102,908	102,908	-	85,808	85,808
Provision for impairment	-	(4,925)	(4,925)	-	(3,974)	(3,974)
	-	97,983	97,983	-	81,834	81,834
ii) Equity type instruments carried at fair value through equity						
Quoted shares - at fair value						
At 1 January	1,393	-	1,393	25,418	-	25,418
Fair value change	(348)		(348)	(2,235)	-	(2,235)
Disposals	-	-	-	(16,941)	-	(16,941)
Write off	-	-	-	(4,849)	-	(4,849)
Total net	1,045	-	1,045	1,393	-	1,393
Unquoted shares - at cost less impairment						
At 1 January	29,201	-	29,201	29,249	-	29,249
Disposals	-	-	-	(48)	-	(48)
Write off	(4,238)	-	(4,238)	-	-	-
	24,963	-	24,963	29,201	-	29,201
Provision for impairment	(4,310)	-	(4,310)	(7,721)	-	(7,721)
	20,653	-	20,653	21,480	-	21,480
Unquoted managed funds - at cost less impairment						
At 1 January	36,541	-	36,541	43,808	-	43,808
Addition	19	-	19	-	-	-
Foreign currency translation changes	(297)	-	(297)	(1,242)	-	(1,242)
Disposals	(1,848)	-	(1,848)	(6,025)	-	(6,025)
Write off	(15,987)	-	(15,987)	-	-	-
	18,428	-	18,428	36,541	-	36,541
Provision for impairment	(244)	-	(244)	(17,687)	-	(17,687)
	18,184	-	18,184	18,854	-	18,854

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

8. INVESTMENT SECURITIES (Continued)

	30 September 2015			31 December 2014		
	Self financed BD'000	Jointly financed BD'000	Total BD'000	Self financed BD'000	Jointly financed BD'000	Total BD'000
iii) Equity type instruments carried at fair value through statement of income						
Quoted shares						
At 1 January	-	-	-	866	-	866
Disposals	-	-	-	(866)	-	(866)
Total net investments securities	39,882	97,983	137,865	41,727	81,834	123,561

Unquoted equity investments and managed funds classified under investments at fair value through equity comprise investments in closed companies or managed funds managed by external investment managers. These investments are carried at cost less impairment in the absence of a reliable measure of fair value.

9. INVESTMENT IN REAL ESTATE

	Self financed	
	30 September 2015 BD'000	31 December 2014 BD'000
Lands	41,323	51,339
Buildings	2,595	2,595
	43,918	53,934
Movement on investment in real estate:	30 September 2015 BD'000	31 December 2014 BD'000
Balance at beginning of period	53,934	58,219
Additions	1,093	-
Capitalized expenditure	-	257
Disposal	(10,693)	(7,799)
Fair value changes	(416)	3,257
Balance at end of period	43,918	53,934

10. OTHER ASSETS

	30 September 2015 BD'000	31 December 2014 BD'000
Receivables	2,047	1,907
Staff advances	1,263	1,177
Prepaid expenses	360	658
Others	5,964	986
	9,634	4,728

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

11. OTHER LIABILITIES

	30 September 2015 BD'000	31 December 2014 BD'000
Managers' cheques	3,944	4,150
Payable to vendors	2,817	3,039
Accrued expenses	3,285	3,334
Life insurance (Takaful) fees payable	1,891	1,928
Dividends payable	805	806
Zakah and charity fund	527	282
Others	3,819	2,979
	17,088	16,518

12. SHARES UNDER EMPLOYEE SHARE INCENTIVE SCHEME

At the ordinary general meeting for the year 2014 which was held on 23 March 2015, and in accordance with the CBB's Sound Remuneration Practices, the Employee Share Incentive Scheme (the "Scheme") was approved. As a result, 9,396,735 ordinary shares amounting to BD 940 thousand were issued during the period. These unallocated shares under the Scheme are deducted from equity. The Bank has allocated 603,537 ordinary shares with a nominal value of BD 61 thousand to the employees under this Scheme, which has resulted in share premium of BD 30 thousand. The allocated shares under the Scheme are entitled to cash & stock dividends.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Letters of credit and guarantees commit the Group to make payments on behalf of customers.

The Group has the following credit related commitments and contingent liabilities on behalf of customers:

	30 September 2015 BD'000	31 December 2014 BD'000
Letters of credit and acceptances	3,027	2,775
Guarantees	20,530	18,760
Operating lease commitments *	694	742
	24,251	22,277

* The Group has entered into commercial leases for certain branches. These leases have an average life of between 1 month and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

14. RELATED PARTY TRANSACTIONS

Related parties represents associated companies, major shareholders, directors, key management personnel of the Group and Shari'a Supervisory Board Members and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

The significant balances and transactions with related parties at 30 September were as follows:

	2015				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	Total BD'000
Assets					
Placements with financial institutions	-	-	-	-	-
Financing assets	-	-	2,041	-	2,041
Investment in associates	-	29,712	-	-	29,712
Other assets	-	-	-	160	160
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	1,806	492	154	2,452
Other liabilities	-	1,891	-	-	1,891
Due to banks and financial institutions	-	566	-	-	566
Customers' investment accounts	38,095	125	386	811	39,417

	2015				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	Total BD'000
Income					
Income from Islamic financing	-	-	117	1	118
Income from placements with financial institution	-	4	-	-	4
Share of results of associates	-	(799)	-	-	(799)
Return on equity of investment accountholders	(441)	(1)	(1)	(19)	(462)
Expenses					
Staff costs	-	-	-	(684)	(684)
Other expenses	-	-	(555)	-	(555)

	31 December 2014				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	Total BD'000
Assets					
Due from banks and financial institutions	-	4,734	-	-	4,734
Financing assets	-	-	2,402	-	2,402
Investment in associates	-	30,835	-	-	30,835
Other assets	-	-	-	194	194
Liabilities and Equity of investment accountholders					
Customers' current accounts	-	1,282	594	49	1,926
Other liabilities	-	1,928	-	-	1,928
Customers' investment accounts	45,639	425	457	591	47,112

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

14. RELATED PARTY TRANSACTIONS (Continued)

	31 December 2014				
	Shareholders BD'000	Associates and joint ventures BD'000	Directors and related entities BD'000	Key management personnel BD'000	Total BD'000
Income					
Income from Islamic financing	-	87	199	-	286
Share of results of associates	-	(169)	-	-	(169)
Return on equity of investment accountholders	(791)	(3)	(6)	(15)	(815)
Expenses					
Staff costs				(635)	(635)
Other expenses	-	-	(249)	-	(249)

	Nine months ended 30 September	
	2015 BD'000	2014 BD'000
Short term employee benefits	571	532
Other long term benefits	113	103
	684	635

15. FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Fair values of quoted securities/sukuk are derived from quoted market prices in active markets, if available. For unquoted securities/sukuk, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

15. FINANCIAL INSTRUMENTS (Continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 September 2015:

	Level 1 BD'000	Level 2 BD'000	Level 3 BD'000	Total BD'000
Investments carried at fair value through equity				
Quoted securities				
Equities	1,045	-	-	1,045
31 December 2014				
	Level 1	Level 2	Level 3	Total
Investments carried at fair value through equity				
Quoted securities				
Equities	1,393	-	-	1,393

Transfers between Level 1, Level 2 and Level 3

During the nine-month period ended 30 September 2015 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.

The fair value of financial assets and financial liabilities, with the exception of investments in Sukuk that are carried at amortised cost, approximate their carrying values. The fair values of the Group's investments in Sukuk held at amortized cost amounting to BD 97,983 thousand (2014: BD 81,834 thousand) are BD 98,454 thousand (2014: BD 81,181 thousand).

16. SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major business segments;

Corporate

Principally handling equity of corporate investment accountholders', corporate current accounts, and providing Islamic financing facilities to corporate customers.

Retail

Principally handling equity of individual retail customers' investment accountholders', retail current accounts, and providing Islamic financing facilities to individual customers.

Investment

Principally handling equity of banks' and financial institutions' investment accountholders, providing money market, trading and treasury services as well as the management of the Group's investment activities. Investment activities involve handling investments in local and international markets and investment in properties.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at estimated market rates on an arm's length basis. Transfer charges are based on a pool rate which approximates the cost of funds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

16. SEGMENTAL INFORMATION (Continued)

Segment information is disclosed as follows:

	For the nine months ended 30 September 2015			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total income	8,379	19,132	3,918	31,429
Total expenses	(2,572)	(11,207)	(1,814)	(15,593)
Provision for impairment	(6,100)	(192)	(974)	(7,266)
(Loss) / profit for the period	(293)	7,733	1,130	8,570

Other information

	30 September 2015			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Segment assets	231,253	409,869	268,094	909,216
Segment liabilities	258,032	471,708	92,440	822,180
Total equity				87,036
Total liabilities and equity				909,216

	For the nine months ended 30 September 2014			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Total income	5,695	15,698	7,733	29,126
Total expenses	(2,626)	(11,686)	(2,139)	(16,451)
(Provision for impairment) / write back	(5,567)	(1,238)	706	(6,099)
(Loss) / profit for the period	(2,498)	2,774	6,300	6,576

Other information

	31 December 2014			
	Corporate BD'000	Retail BD'000	Investment BD'000	Total BD'000
Segment assets	219,150	348,118	307,939	875,207
Segment liabilities, and equity	260,948	452,778	82,397	796,123
Total equity				79,084
Total liabilities and equity				875,207

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 September 2015

17. SUBSEQUENT EVENTS

In the Extra Ordinary General Meeting ("EGM") on 27 October 2015, the shareholders approved to write-off accumulated losses of BD 27,399 thousand as of 30 June 2015, by adjusting BD 1,000 thousand against general reserve, BD 30 thousand against share premium, BD 11,809 thousand against statutory reserve, and BD 14,560 thousand against paid up share capital, thereby reducing the Bank's paid up share capital from BD 94,907 thousand to BD 80,347 thousand.

The shareholders also approved in the EGM a rights issue of up to 200,000,000 ordinary shares with a nominal value of BD 0.100 each (BD 2,000,000).

18. COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported profit for the period or equity.